

## WHEN DOES DECISION AUTONOMY INCREASE EXPATRIATE MANAGERS' ADJUSTMENT? AN EMPIRICAL TEST

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**To enhance understanding of expatriate adjustment, we examine the effect of the decision autonomy afforded to expatriate managers on their own adjustment as well as the moderating effect of global integration pressure. We further investigate the mitigating effect of a parent company's operational experience with a particular foreign subsidiary on this relationship. We examine these issues using survey data from 187 expatriate general managers and 24 corporate headquarter executives working in the global hotel industry. The results of the study support the hypotheses postulated. We discuss implications of these findings.**

It has been well established that fostering the internal development of global talent through international assignments plays a central role in building global competence. International assignments provide the opportunity to develop such competencies by immersing expatriate managers in environments conducive to the acquisition of the critical knowledge, skills, and abilities necessary for global management. Recognizing this importance, an expanding stream of research focusing on expatriate issues has appeared in more recent years (e.g., Shaffer & Harrison, 1998; Takeuchi, Yun, & Tesluk, 2002; Van Vianen, De Pater, Kristof-Brown, & Johnson, 2004; for a meta-analysis, see Bhaskar-Shrinivas, Harrison, Shaffer, & Luk, 2005). Expatriates are defined as those "employees of business organizations . . . who are sent overseas on a temporary basis to complete a time-based task or accomplish an organizational goal" (Harrison, Shaffer, & Bhaskar-Shrinivas, 2004: 203). A recurring theme is that expatriate adjustment is essential for achieving the organizational goals and objectives set forth for these assignments; the growing number of studies focusing on the consequences of expatriate adjustment reflects the importance of adjustment (e.g.,

Caligiuri, 2000; Kraimer, Wayne, & Jaworski, 2001). Typically, expatriate adjustment is considered to consist of three facets: work, interaction, and general adjustment (Black & Stephens, 1989). Work adjustment refers to an expatriate's degree of psychological comfort with a work setting; interaction adjustment refers to his/her degree of psychological comfort regarding interpersonal communication with host country nationals; and general adjustment is his/her degree of psychological comfort with a host cultural environment (e.g., Black, 1988; Black & Stephens, 1989).

Despite the progress made in this domain, however, most of the studies have relied on the stress perspective and examined linear relationships among the variables (Harrison et al., 2004), an approach that may be simplistic (Mendenhall & Macomber, 1997). For instance, Black, Mendenhall, and Oddou's (1991) theoretical model of international adjustment is one of the most influential and, perhaps, most comprehensive theoretical treatises on expatriate adjustment to date (Bhaskar-Shrinivas et al., 2005). However, this model only examines direct relationships between independent variables and adjustment facets, not addressing any indirect relationships (cf. Mendenhall & Oddou, 1997). For example, Black et al. (1991) considered "role discretion," or the freedom to modify a role (Black, 1988), which is similar to "decision-autonomy" (our focal construct, defined below), to be related only to the work facet of adjustment. However, other scholars have found a positive relationship between role discretion (or decision auton-

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omy) and other (i.e., general and interaction) facets of adjustment as well (cf. Bhaskar-Shrinivas et al., 2005). Moreover, we consider expatriate adjustment to involve considerable complexity, in which a foreign subsidiary's decision autonomy, its managers' perceptions of "global integration pressure," and a parent company's experience with operating the foreign subsidiary interact in a complicated manner to influence expatriate adjustment behaviors.

By *decision autonomy* in an international assignment context, we mean "the degree to which the [international assignment] provides substantial freedom, independence, and discretion to the individual [an expatriate manager] in scheduling the work [at a foreign subsidiary] and determining the procedures to be used in carrying it out" (Hackman & Oldham, 1976: 258). For example, expatriate managers may be afforded decision autonomy at their particular subsidiary to introduce a new product or service, make minor modifications to a product or service, or modify the production or service delivery process. This concept is also consistent with Bartlett and Ghoshal's (1989; Ghoshal & Bartlett, 1988) notion of local autonomy, whereby decision-making authority is highly decentralized at foreign subsidiaries, and those subsidiaries can initiate new programs or to modify any products or processes developed by their parent company. Therefore, decision (or decision-making) autonomy affords the freedom to implement changes at the subsidiary level, and it can be one of the mechanisms used by MNEs to implement their strategies (Ghoshal & Nohria, 1989).

By *global integration pressure*, we refer to the extent to which an expatriate manager perceives that her or his MNE's overarching strategy is global in nature. MNEs pursuing a global strategy tend to base subsidiary location decisions on the potential contributions to globalization efforts, seek global uniformity in marketing, minimize exchange rate fluctuation risk by attempting to evenly distribute revenue streams over foreign subsidiary markets, and coordinate competitive moves across countries (Johansson & Yip, 1994). Therefore, when a parent company pursues a global strategy, expatriate managers assigned to foreign subsidiaries are likely to perceive more global integration pressure from the parent firm than expatriate managers working for MNEs pursuing a more "multidomestic" strategy (Johansson & Yip, 1994; Yip, 1989). For instance, they are likely to be expected to follow global product standards (Kogut, 1985), engage in globally uniform marketing using global brand names or advertising (Takeuchi & Porter, 1986), and participate in

the global market by building major shares in strategic countries (Ohmae, 1985).

It is important to note that the level of decision autonomy afforded to subsidiary managers and the managers' perceptions of global integration pressures are two distinct constructs: global integration pressure concerns the characteristics of an MNE as a whole (i.e., the construct relates to strategy), and decision autonomy concerns the characteristics of the subsidiary (i.e., the construct relates to implementation). However, given the multitude of decisions that a parent company has to make regarding market participation, product/service offerings, the location of value-adding activities, marketing, and competitive moves (Johansson & Yip, 1994), sometimes the implementation mechanisms placed at a particular foreign subsidiary may not be entirely congruent with the global strategy formulated at parent company headquarters. For example, Ghoshal and Nohria (1989) found that MNEs often utilized different implementation mechanisms (i.e., levels of decision autonomy afforded to subsidiary managers) for their subsidiaries and that for some subsidiaries this resulted in implementation mechanisms that were in conflict with the MNEs' overarching strategies (i.e., global versus multidomestic).

The main objective of this study was to examine whether the positive relationships between expatriates' decision autonomy and levels of adjustment (of the various types defined above) is weaker when expatriates feel more rather than less global integration pressure—that is, whether interaction between decision autonomy and global integration pressure affects expatriates' adjustment. Additionally, we tested the contention that expatriates' likely lower degree of adjustment when they have lower decision autonomy and higher global integration pressure may be mitigated when their parent company has more rather than less specific local subsidiary experience. None of the existing studies have examined these possible moderating effects. As a result, the current study contributes to the expatriate adjustment literature by further illustrating the complexity of such adjustment (Mendenhall & Macomber, 1997), which has not typically been the focus of inquiry. As Mendenhall and Macomber noted, expatriation entails much more complexity than has been modeled, involving nonlinear and interaction effects. Thus, our study contributes to expatriate adjustment by extending the existing models (e.g., Black et al., 1991).

## THEORETICAL OVERVIEW

The most fundamental decision for MNEs concerns the determination of the potential sources of

competitive advantages in globalizing. MNEs using a global strategy seek to maintain high levels of product and/or service standardization and global integration across national markets, and these practices afford competitive advantages through cost efficiencies achieved from economies of scope and scale (Harzing, 2002). However, the complexity of setting strategy for firms competing worldwide requires making additional decisions along a number of dimensions, such as which foreign markets to enter, how to enter (entry mode), and how to build the organization in the foreign market (e.g., selecting expatriate or host country national managers to lead subsidiary operations) (cf. Johansson & Yip, 1994; Robertson & Watson, 2004). Because expatriate managers “are the chief catalysts for the implementation of a multinational’s strategic decisions” (Kim & Mauborgne, 1993: 502), they are extensively used in many global companies for foreign operations and therefore can play a critical role in the success or failure of an MNE’s operations in a particular overseas market.

### **The Relationship between Decision Autonomy and Expatriate Adjustment**

One mechanism used by MNEs to implement strategy is the extent to which decision autonomy is afforded to foreign subsidiary managers (Ghoshal & Nohria, 1989). Although previous studies have examined the relationship between job autonomy and expatriate adjustment (e.g., Anderzén & Arnetz, 1999; Aryee & Stone, 1996; Black, 1988; Black & Gregersen, 1991; Gregersen & Black, 1992; Taylor & Napier, 1996), many studies have only examined certain facets of expatriate adjustment, predominantly work adjustment, and the results for some facets have been equivocal. With regard to work adjustment, studies have consistently shown a positive relationship between decision autonomy and work adjustment (e.g., Anderzén & Arnetz, 1999; Aryee & Stone, 1996; Black, 1988; Black & Gregersen, 1991; Taylor & Napier, 1996; Shaffer, Harrison, & Gilley, 1999). With regard to interaction adjustment, the studies are fewer, and the results, more equivocal. For example, Shaffer et al. (1999) found a significant relationship between role discretion and interaction adjustment, but Black and Gregersen (1991) did not. Finally, with regard to general adjustment, Shaffer et al. (1999) did not find a significant relationship between job autonomy and general adjustment. Similarly, Gregersen and Black (1992) did not find a significant correlation between role discretion and general adjustment. However, in a comprehensive review of extant expatriate research, Bhaskar-Shrinivas et al.’s

(2005) meta-analysis, decision autonomy was indeed positively related to all three facets of adjustment. Bhaskar-Shrinivas and colleagues suggested that this finding was the result of a cross-domain effect, whereby stressors in one domain (e.g., work) “spilled over” to impact stresses in another domain (e.g., home).

We also consider decision autonomy to have a positive influence on all three facets of adjustment, as a result of spillover (cf. Takeuchi et al., 2002). Furthermore, we argue that expatriate managers with greater decision autonomy will perceive themselves as having greater ability to change how they perform their jobs (i.e., work adjustment), interact with local nationals (i.e., interaction adjustment), and acquire understanding of their local environment (i.e., general adjustment). Such understanding, Triandis (1994) argued, increases the degree of adjustment to the general environment. For instance, Feldman, Folks, and Turnley (1998) argued that the extent to which expatriates’ jobs required frequent interaction with coworkers was positively related to their being accepted by host country nationals and found that job autonomy was positively related to socialization (task mastery and initiation). This expectation is consistent with the findings by Shaffer et al. (1999) and Bhaskar-Shrinivas et al. (2005).

*Hypothesis 1. Decision autonomy is positively related to expatriate managers’ level of work, interaction, and general adjustment.*

### **The Moderating Effect of Global Integration Pressure**

We posit that expatriate managers who perceive they have been afforded high levels of decision autonomy are likely to experience cognitive dissonance when they also perceive high levels of global integration pressure. Here, cognition is defined as “any knowledge, opinion, or belief about the environment, about oneself, or about one’s behavior” (Festinger, 1957: 3). In firms that pursue a global strategy, the higher levels of integration required between affiliate and parent company operations lead to a need for higher levels of control, which, in turn, drives demands for internal consistency. However, as Bartlett and Ghoshal (1989) noted, increasingly, firms competing in global industries must be simultaneously globally integrated and locally responsive. Thus, in spite of the drive toward internal consistency, differences between the local environments in which an MNE’s subsidiaries are located often create the need for differentiation. When the parent firm pursues a global integration

strategy, this strategy induces rigid mental schemata aimed at ensuring local subsidiary conformity to worldwide standards. In these situations, expatriate managers would perceive a high level of global integration pressure from the parent firm. We argue that such a perception conflicts with the cognitive schemata induced by high decision-making autonomy, which gives the expatriate managers latitude to adjust to the local environment via their decisions. Increasingly, scholars have recognized the need for organizations to achieve disparate objectives at the same time (Bartlett & Ghoshal, 1989). For instance, subsidiary managers are expected to be able to simultaneously achieve alignment with their parent firm's global integration strategy and adapt to the market environment in which they are situated (i.e., achieve local responsiveness). Internal organizational tension, such as that between alignment and adaptability, global integration and local responsiveness, will necessarily create cognitive dissonance among subsidiary managers. For example, an expatriate manager may be afforded the autonomy to respond to the local market conditions and environment by providing differentiated product offerings and services, but the effectiveness of this autonomy will be constrained by the extent to which he or she feels global integration pressure in the form of pressure to reduce cost by conforming to standardized product decisions originated elsewhere in the parent company. The tensions between alignment and adaptability exist in many global organizations today, making expatriate managers' work particularly challenging.

Cognitive dissonance theory (Festinger, 1957) provides insights into expatriate reactions to such cognitive dissonance. Per this theory, (1) an aversive state of dissonance exists when an individual holds a cognition that is inconsistent with other cognitions, (2) dissonance puts strain on an individual, who will take measures to reduce, as well as to avoid increases in, the dissonance, and (3) an individual strives for consistency and attempts to reduce dissonance by changing the discrepant cognition to bring it in line with his or her other cognitions (Doran, Stone, Brief, & George, 1991). Brehm and Cohen (1962) extended cognitive dissonance theory and asserted that the magnitude of cognitive dissonance is a direct function of the degree to which a person feels that he/she has a choice about engaging himself/herself in a situation in which cognitive dissonance may exist. As such, expatriate managers who perceive themselves as having high decision autonomy but also perceive high global integration pressure may experience high cognitive dissonance. As a result, we argue that under these conditions expatriate managers are

likely to experience a relatively high amount of strain. Thus, we expect the positive effect of decision autonomy to be suppressed when global integration pressure is high and propose the following:

*Hypothesis 2. The tendency for expatriate managers with more decision autonomy to report higher levels of work, interaction, and general adjustment (per Hypothesis 1) is weaker among expatriate managers who are in foreign subsidiaries in which global integration pressure is higher.*

### **Mitigating Effects of Foreign Subsidiary Operation Experience**

For a couple of reasons, we believe it is possible for the negative impact of global integration pressure on the positive relationship between decision autonomy and expatriate adjustment to be mitigated by a parent company's experience in managing subsidiaries in foreign countries. First, since organizational learning and the development of useful heuristics requires experience in a particular market (Luo & Peng, 1999), we contend that an MNE with more experience in a particular foreign market is likely to have developed organizational routines and practices for effectively managing the relationship between headquarters and a subsidiary, expatriate managers, and host country environment in that particular local market. These routines and practices relate, for instance, to learning from foreign subsidiaries, new ways for subsidiaries to capitalize on local knowledge and capabilities, and weaving new subsidiaries into the MNE. We argue that an expatriate manager of a subsidiary in a location where the parent MNE has operational experience will experience fewer challenges as a result of the MNE's already established policies, practices, and processes for managers in that local market. Further, we submit that without the additional efforts required to adjust products, services, and management practices to meet the needs of a market in which the MNE has no operational experience, the expatriate is provided more time to focus on his/her adjustment to the host culture. For example, when Procter & Gamble entered the international arena in the postwar era, its management exported their marketing strategies wholesale to their overseas operations. Only when this strategy failed did they make adjustments and implement an approach that was more balanced between integration and local responsiveness (Bartlett & Ghoshal, 1989). These adjustments were the result of Procter & Gamble's experience operating in a particular foreign culture. Thus, in general, we ar-

gue that MNEs with more operating experience in a host country are better positioned to develop organizational routines and practices that address the effects on expatriate subsidiary managers of the inherent tensions between global integration and decision autonomy.

Second, expatriate adjustment entails “sense-making,” whereby new expatriates “must think and use rational means to understand the situation” and “to sort out confusion when confronted with a novel situation” (Black et al., 1991: 298). This sense-making occurs at a conscious level and requires cognitive capacities. However, individuals have cognitive limitations as to the amount and complexity of the information they can process at any given point in time (Simon, 1982). For example, expatriate managers must make sense not only of a host culture in terms of the values, beliefs, attitudes, and behaviors appropriate for this culture but also in terms of the customers, competitors, and key stakeholders that comprise the business environment of the subsidiary (e.g., Barkema, Bell, & Pennings, 1996; Li, 1995). Given the vast amount of information required to understand a new business environment and a new host culture, we argue that expatriate managers are likely to experience cognitive overload that impedes their adjustment process.

In contrast, when MNEs have operating experience in a host country, they already have gained important information about consumer preferences, competitors, and other aspects of this location’s business environment (Barkema et al., 1996; Johanson & Vahlne, 1977). Such experience is often associated with the intensity of exposure to certain activities, which can be operationalized as the time spent in a given host country (Barkema & Vermeulen, 1997). The knowledge acquired as a result of an MNE’s operating experience in a particular local market we believe is transferred to expatriate managers, thereby reducing the need for them to expend cognitive capacity in processing and learning the new business environment and allowing them to focus more of their attention on making sense of the host cultural environment. Therefore, we submit that foreign subsidiary operation experience will mitigate the relationships among global integration pressure, decision autonomy, and expatriate adjustment.

*Hypothesis 3. The tendency for decision autonomy to be weakly related to expatriate adjustment for expatriates who perceive higher global integration pressure (per Hypothesis 2) is weaker when the parent company has more experience in operating the foreign subsidiary at which the expatriates work.*

## METHODS

### Research Design and Procedures

The current research was part of a research investigation of expatriate MNE employees (e.g., Shay & Baack, 2004). One of the researchers enlisted the participation of nine MNE hotel chains listed in the *American Hotel and Motel Association Directory*. The contact information for all expatriate general managers was subsequently obtained from the participating firms’ corporate headquarters, which confirmed that all potential respondents possessed a working knowledge of written and spoken English, thereby supporting the use of English-only instruments. To further check the adequacy of the English texts, he tested both surveys—one for expatriate general managers and one for their host country national subordinates—for item and instruction clarity in a sample of 22 master’s degree students from 15 different countries, excluding the United States.

The researcher targeted only expatriate general managers of foreign subsidiaries to reduce potential confounds associated with different hierarchical positions (e.g., Shaffer et al., 1999) or job characteristics (e.g., Naumann, Widmier, & Jackson, 2000). By postal mail, each identified expatriate general manager received a survey packet and a letter from both the researcher (the second author) and the corporate contact encouraging participation in the survey and ensuring confidentiality of responses. Two, four, and nine weeks from the initial mailing, follow-up letters were sent to the expatriate general managers to remind and encourage them to complete and return the surveys. In addition, 24 corporate executives at the headquarters provided responses on MNC performance.

### Sample

In total, 310 surveys were sent to expatriate general managers (GMs), and 36 (4 per multinational company headquarters) surveys were sent to corporate executives. Of the expatriates, 224 responded, for a response rate of 72 percent. Because of missing data (and the use of listwise deletion), the final sample size for this study became 187, constituting an effective response rate of 60 percent. For the corporate executive surveys, the contact person at each MNE headquarters was asked to identify four individuals who had significant “international responsibilities” for their organization. Twenty-four (66%) of the corporate executive surveys were returned, with the number of respondents for each company ranging from two to four.

The characteristics of final expatriate sample are

as follows: For the expatriate GM sample, 182 respondents (97.3%) were male, and 5 (2.7%) were female; their average age was 46.2 years (s.d. = 6.9); they had been on assignment for an average of 3.6 years (s.d. = 2.6); and they had an average total work experience of 25.6 years (s.d. = 7.2) and an average organizational tenure of 13.3 years (s.d. = 7.8). These expatriate managers came from 32 different countries, including Australia (13), France (16), Germany (19), the United Kingdom (24), and the United States (26), for example. Furthermore, they were assigned to 82 different host countries, including but not limited to Indonesia (15), China (12), Malaysia (9), Thailand (9), Australia (8), Germany (7), the Philippines (7), Russia (5), and Singapore (5).

Of the corporate executives sampled, 19 (79.2%) were male, and 5 (20.8%) were female; their average age was 46.3 (s.d. = 6.96); and they had been with their current organization for an average 12.8 years (s.d. = 6.95) and had international responsibilities for an average 9.1 years (s.d. = 4.5). These corporate executives came from seven different countries: Australia (2), China (2), Israel (1), Japan (4), Thailand (1), the United Kingdom (3), and United States (11).

## Measures

Working as part of the broader research project on expatriate managers, we selected existing scales to assess the variables included in this study. In addition, we varied response anchors and formats within the survey to the extent possible to reduce percept-percept bias. All of the variables except corporate performance were obtained from the expatriate general managers.

**Global integration pressure.** We asked the expatriate GMs to assess their perceptions of the extent to which their parent company exerted global integration pressure, using Johansson and Yip's (1994) five-item measure. A sample item asks about the "extent to which services and products are standardized across hotels and require minimal local adaptation" (1, "not at all," to 5, "to a great extent";  $\alpha = .71$ ).

**Decision autonomy.** The level of decision autonomy that the expatriate managers possess at the local subsidiary (i.e., the hotel) was measured by three items taken from Bartlett and Ghoshal (1989). A sample item asks the GMs to assess their influence on decisions about the introduction of new services or products (1, "headquarters decides alone," to 5, "individual hotel decides alone";  $\alpha = .74$ ).

**Foreign subsidiary operation experience.** We asked each expatriate GM to indicate, in years, the

length of time that the parent company had been operating the particular foreign subsidiary where he or she was currently stationed at (i.e., the hotel).

**Expatriate adjustment.** We used Black and Stephen's (1989) 14-item scale to assess three dimensions of expatriate adjustment. Three items assessed work adjustment (e.g., job responsibilities and performance standards/expectations); 4 items assessed interaction adjustment (e.g., socializing with people from the host culture); and 7 items assessed general adjustment (e.g., housing, food, and shopping). Response choice alternatives ranged from 1, "not very well," to 7, "very well." Cronbach's alpha coefficients for the work, interaction, and general adjustment scales were .86, .82, .91, respectively.

**Control variables.** We included eight variables to control for potential confounding effects: corporate performance,<sup>1</sup> foreign subsidiary size, expatriate GM's current assignment tenure, and country of origin (five variables).

The measure of corporate performance was obtained from 24 corporate executives from the nine hotel chain headquarters and was included to control for the possibility that poor firm management affected expatriate adjustment.<sup>2</sup> We used Johansson and Yip's (1994) two-item measure: "Would you consider your company's profitability (return on investment) to be low, average, or high over the previous three years compared with your competitors who operate on a global scale?" and "Does your company possess a small, medium, or large market share compared to your competitors who operate on a global scale?" The interrater agreement statistics ( $r_{wg}$ ; James, Demaree, & Wolf, 1984) of these items were .99 and .99, respectively. The ICC(1) and ICC(2) values, calculated with Bartko's (1976) formula and a one-way, random-effects analysis of variance (ANOVA), were .16 and .36, and .33 and .60, respectively. Although there is no standard cutoff for ICC(1) reliability, the values for these variables exceeded the median of .12 reported by James (1982). The ICC(2) values, on the other hand, were lower than the .60 cutoff recommended by Glick (1985), as well as the more commonly accepted cutoff of .70. However, given that corporate performance was used as a control, these ICC(2)

<sup>1</sup> We thank one of our anonymous reviewers for raising this issue.

<sup>2</sup> Given that corporate performance measure resides at the MNC hotel chain level, ordinary least square regression may provide inaccurate estimates. To gauge this potential, we ran supplementary analyses in Stata as detailed below.

values did not “seem low enough to prohibit aggregation” (Schneider, White, & Paul, 1998: 155), especially given the  $r_{wg}$  and ICC(1) values. In fact, Bliese (2000) recommended examining all aggregation statistics to make an informed decision. Thus, we aggregated the two performance items to the hotel chain level ( $\alpha = .78$ ).

To control for subsidiary (hotel) effects, we included size, measured as number of rooms. Current assignment tenure was measured in years. We included current assignment tenure as previous studies have used it as a control and shown it to affect expatriate adjustment (e.g., Van Vianen et al., 2004). Finally, to control for the possibility that expatriates’ home cultures exerted influence, we included five dummy-coded variables representing the five most frequent countries of origin.

### Analytic Procedures

We used moderated regression analyses to test all the hypotheses, standardizing the substantive variables (global integration pressure, decision autonomy, and foreign subsidiary operation experience) before creating interaction terms (Cohen & Cohen, 1983) to reduce potential multicollinearity problems. In the first step, the eight control variables were included. In the second step, we added global integration pressure and decision autonomy to examine the main effects. The third step added the interaction between global integration pressure and decision autonomy. The fourth step added foreign subsidiary operation experience to control for its main effect. We included foreign subsidiary operation experience in the fourth step (rather than in the first step) as we were considering it to be an additional moderator of the relationships among global integration pressure, decision autonomy, and adjustment. In the fifth step, we included the two 2-way interaction terms between foreign subsidiary operation experience and global integration pressure, and foreign subsidiary operation experience and decision autonomy. Finally, we included the three-way interaction of global integration pressure, decision autonomy, and foreign subsidiary operation experience in the sixth step.

To gauge the potential impact of firm differences in the nine hotel chains, we conducted multivariate analysis of variance on the substantive variables included in this study (i.e., global integration pressure, expatriate decision autonomy, and the three facets of adjustment). The results indicated that the amount of decision autonomy ( $F = 2.02, p < .05$ ), extent of global integration pressure ( $F = 2.72, p < .01$ ), and level of work adjustment ( $F = 2.02, p < .05$ ) differed significantly over the nine hotel

chains, although there was no significant difference among these hotel chains on the level of interaction adjustment ( $F = 1.67, p > .1$ ) and general adjustment ( $F = 1.10, p > .1$ ) for expatriate managers. This result supports our contention that while MNE strategy differs across the hotel chains, within-group differences are also likely to exist, which provides the basis of our study. In addition, we ran a supplementary analysis using Intercooled Stata 8.2 for Windows (Statacorp, 2004) with its “robust” and “cluster” alternative estimation procedures. We conducted this supplementary analysis to gauge the potential influence of interdependencies that might arise from obtaining responses from multiple units within a company. Stata’s robust option produces consistent standard errors even if the data are weighted or the residuals are not identically distributed. The cluster option specifies that the observations are independent across groups (clusters) but not necessarily independent within groups, as might be the case with observations collected from different hotels of the same MNC hotel chain. However, the results were highly similar for both.

## RESULTS

Table 1 lists the means, standard deviations, and correlations for the variables in this study. Unstandardized means and standard deviations for decision-making autonomy, global integration pressure, and foreign subsidiary operation experience are listed for informational purposes only because standardized variables were used in all the analyses. Since significant correlations were found among a number of the variables, we further investigated potential multicollinearity using variance inflation factors (VIFs). The maximum VIF obtained in any of the models for substantive variables was substantially below the rule-of-thumb cutoff of 10 for regression models (Ryan, 1997). In fact, they did not exceed a value of 2. Therefore, multicollinearity was not considered an important issue for these results.

Hypothesis 1 predicts that decision autonomy will be positively related to expatriates’ level of adjustment. Empirical support for this hypothesis can be seen in Table 2, models 2, 8, and 14. When included in the second step, expatriate decision autonomy was significantly, positively related to work adjustment ( $\beta = .13, p < .05$ ), interaction adjustment ( $\beta = .15, p < .05$ ), and general adjustment ( $\beta = .13, p < .05$ ). Thus, these results provide consistent support for Hypothesis 1.

Hypothesis 2 predicts that the positive relationship between decision autonomy and expatriates’

**TABLE 1**  
**Descriptive Statistics<sup>a</sup>**

Variable <sup>b</sup>	Mean	s.d.	1	2	3	4	5	6	7	8	9	10	11	12	13
<i>Control</i>															
1. Corporate performance	2.71	0.38													
2. Foreign subsidiary size	17.63	4.39	.19**												
3. Current assignment tenure	3.62	2.64	.06	.14*											
4. Home country dummy 1: United States	0.16	0.36	-.01	.11	-.08										
5. Home country dummy 2: United Kingdom	0.13	0.34	-.11	-.06	-.06	-.16**									
6. Home country dummy 3: Germany	0.10	0.30	.18**	.03	.18**	-.14*	-.13*								
7. Home country dummy 4: France	0.09	0.28	-.30**	-.13*	.02	-.13*	-.06	-.10							
8. Home country dummy 5: Australia	0.07	0.26	.12*	-.05	-.11	-.12	-.10	-.09	-.08						
<i>Substantive</i>															
9. Decision autonomy	3.37	0.68	.13*	-.02	.07	.05	-.12*	.03	-.09	-.04					
10. Global integration pressure	2.69	0.65	-.03	-.01	-.13*	.03	.18**	.04	.02	.06	-.19**				
11. Foreign subsidiary operation experience	9.81	8.19	-.15*	.07	.28**	-.14*	.13*	.12	.05	-.13*	-.05	.11			
12. Work adjustment	5.93	0.89	.00	-.11	.03	.06	.04	.09	.08	-.18**	.06	.12*	.02		
13. Interaction adjustment	5.17	1.37	.00	-.09	-.01	-.01	.01	-.02	.04	-.08	.16**	.10	.13*	.42**	
14. General adjustment	5.13	1.26	.04	.08	.06	-.23**	.05	.08	.02	-.07	.10	.09	.07	.33**	.49**

<sup>a</sup>  $n = 187$ , with listwise deletion.

<sup>b</sup> Means and standard deviations for global integration pressure, decision making autonomy, and foreign subsidiary operation experience are listed here for informational purposes only. Subsidiary (hotel) size was measured as number of rooms.

\*  $p < .05$

\*\*  $p < .01$

One-tailed tests.

level of adjustment will be weaker among expatriate managers who are in foreign subsidiaries where there is higher global integration pressure. Empirical support for this prediction can be seen in Table 2, models 3 and 9. Global integration pressure moderated the relationship between decision autonomy and work adjustment and the relationship between decision autonomy and interaction adjustment. For work adjustment, the beta weight for the interaction term between global integration pressure and expatriate decision autonomy was significant ( $\beta = -.12$ ,  $p < .05$ ). To plot this interaction, we used Aiken and West's (1991) approach, defining "high" and "low" on a variable as one standard deviation above or below the mean. As can be seen in Figure 1a, in situations of low global integration pressure (illustrated by the solid line), when expatriates have high decision autonomy, their level of work adjustment tends to be higher; but the latter positive relationship disappears (becomes flat) under high global integration pressure (illustrated by the dotted line). Similarly, for interaction adjustment, the beta weight for the interaction term between global integration pressure and expatriate decision autonomy was also significant ( $\beta = -.14$ ,  $p < .05$ ).

Figure 1b shows how the relationships between global integration pressure and expatriate decision autonomy affect interaction adjustment. Figure 1b also illustrates a pattern consistent with that observed for work adjustment. These results provide support for work and interaction adjustment but not general adjustment.

Hypothesis 3 predicts that the tendency for decision autonomy to be negatively related to expatriate adjustment for expatriates under higher perceived global integration pressure (as predicted by Hypothesis 2) is weaker when their parent company has more experience operating the individual foreign subsidiaries in which these managers work. Empirical support for this can be seen in Table 2, models 6 and 18. When the three-way interaction of decision autonomy, global integration pressure, and foreign subsidiary experience was introduced in step 6, the interaction term explained significant variance over and above those of the first five steps for work adjustment ( $\Delta R^2 = .02$ ,  $\Delta F = 3.19$ ,  $p < .05$ ;  $\beta = .14$ ,  $p < .05$ ) and general adjustment ( $\Delta R^2 = .01$ ,  $\Delta F = 2.75$ ,  $p < .05$ ;  $\beta = .13$ ,  $p < .05$ ), but not for interaction adjustment ( $\Delta R^2 = .01$ ,  $\Delta F = 1.60$ ,  $p > .05$ ;  $\beta = .10$ ,  $p > .05$ ). To investigate these moder-



**TABLE 2**  
**Results of Moderated Regression Analyses on Expatriate Adjustment Facets<sup>a</sup>**

Step	Variable	Work Adjustment										Interaction Adjustment										General Adjustment									
		Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8	Model 9	Model 10	Model 11	Model 12	Model 13	Model 14	Model 15	Model 16	Model 17	Model 18												
1	Corporate performance	.06	.06	.07	.07	.08	.05	.03	.05	.08	.08	.06	.02	.00	.02	.02	.02	.02	.01												
	Foreign subsidiary size	-.13*	-.12*	-.12	-.12	-.10	-.10	-.09	-.08	-.09	-.08	-.07	.09	.10	.10	.10	.12	.12	.12												
	Current assignment tenure	.02	.03	.03	.02	-.01	-.01	.00	-.01	-.06	-.08	-.08	.01	.02	.01	.01	.00	.01	.01												
	Home country 1	.10	.08	.08	.08	.09	.08	-.01	-.03	-.01	-.00	-.01	.24**	-.26**	-.26**	-.25**	-.26**	-.26**	-.26**												
	Home country 2	.06	.04	.04	.04	.07	.06	.00	-.01	-.03	.00	-.00	.01	-.01	-.01	-.01	.02	.01	.01												
	Home country 3	.10	.09	.09	.09	.09	.08	-.03	-.05	-.04	-.05	-.06	.03	.01	.02	.02	.00	.00	.00												
	Home country 4	.10	.09	.09	.09	.10	.08	.03	.03	.03	.04	.02	-.00	.00	-.00	-.00	.00	.00	.01												
	Home country 5	-.15*	-.16*	-.17*	-.17*	-.16*	-.16*	-.09	-.09	-.08	-.08	-.08	-.10	-.10	-.10	-.10	-.09	-.09	-.09												
2	Global integration pressure	.07	.08	.08	.08	.09	.11	.19**	.19**	.19**	.21**	.22**	.13*	.13*	.13*	.13*	.13*	.15*	.15*												
	Decision autonomy	.13*	.13*	.13*	.13*	.11	.13*	.15*	.14*	.11	.11	.12	.13*	.13*	.13*	.13*	.14*	.15*	.15*												
3	Global integration pressure × decision autonomy			-.12*	-.12*	-.14*	-.11	-.14*	-.14*	-.16*	-.18**	-.16*	-.10	-.10	-.07	-.07	-.09	-.06	-.06												
4	Foreign subsidiary operation experience				.01	.05	.06			.18**	.20**	.21**			.02	.02	.00	.01	.01												
5	Global integration pressure × foreign subsidiary operation experience					-.06	-.05				-.09	-.08																			
	Decision autonomy × foreign subsidiary operation experience										-.16*	-.13																			
6	Global integration pressure × decision autonomy × foreign subsidiary operation experience											.10																			
	$R^2$	.07	.09	.10	.10	.13	.15	.02	.08	.10	.13	.14	.07	.10	.10	.10	.14	.15	.15												
	$F$	1.60	1.65*	1.77*	1.62*	1.80*	1.92**	0.39	1.40	1.72*	1.87*	1.86*	1.74*	1.96*	1.87*	1.70*	2.00**	2.07**	2.07**												
	$\Delta R^2$	.02	.01	.00	.00	.03	.02	.04	.02	.02	.03	.01	.03	.03	.00	.00	.04	.01	.01												
	$AF$	1.82	2.83*	0.01	2.73*	3.19*	4.20**	3.63*	4.88**	2.57*	1.60	2.71*	0.91	0.04	3.49*	2.75*															

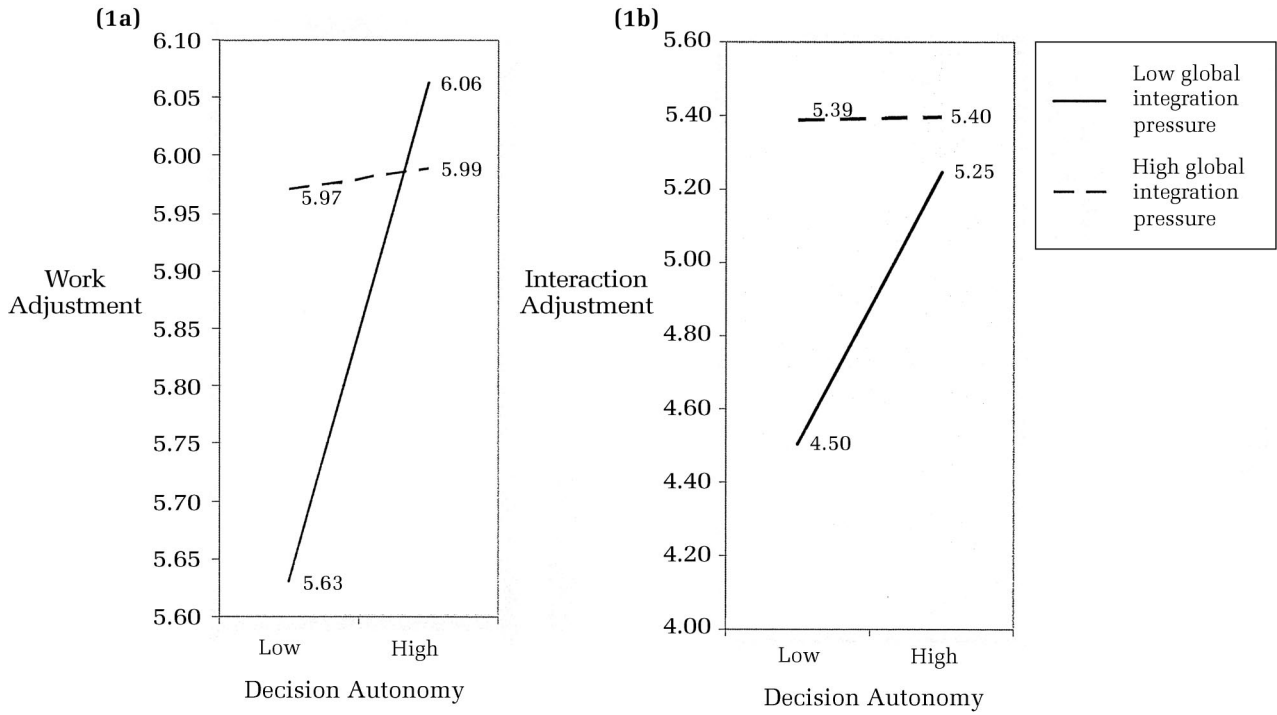
<sup>a</sup>  $n = 187$ . Standardized regression coefficients are shown here.

\*  $p < .05$

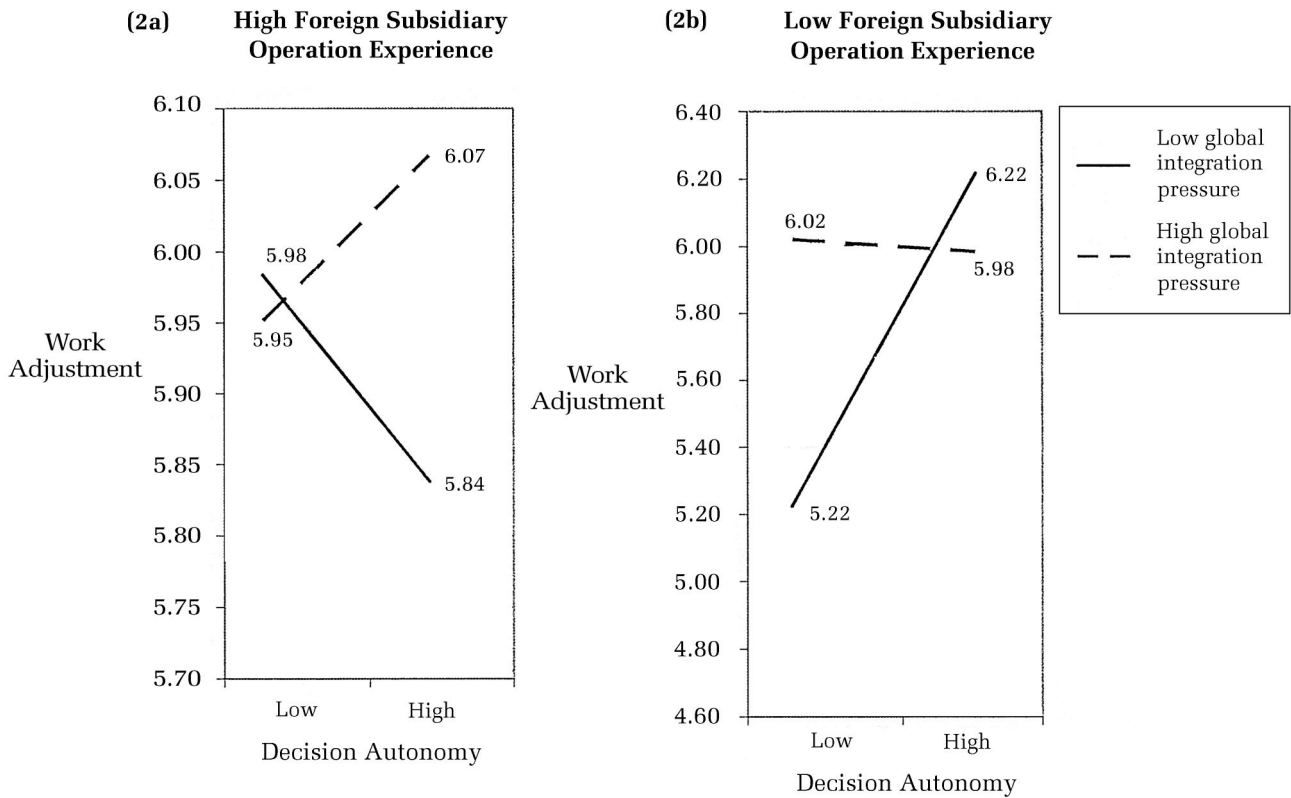
\*\*  $p < .01$

One-tailed tests.

**FIGURE 1**  
**Moderating Effects of Global Integration Pressure on Decision Autonomy–Adjustment Relationships**



**FIGURE 2**  
**Moderating Effects of Foreign Subsidiary Operation Experience on Work Adjustment**



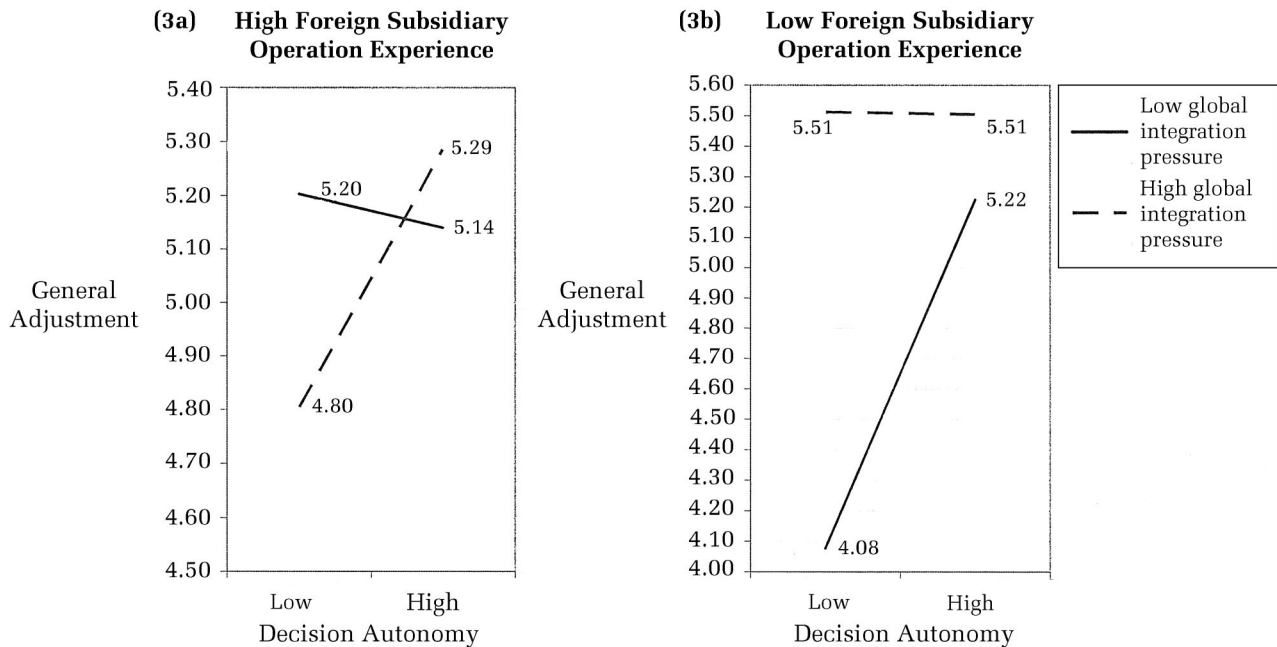
ating effects further, we plotted the three-way interaction, using the same Aiken and West (1991) procedure to define low and high groups noted above.

Figure 2 shows the three-way interaction effects among foreign subsidiary operation experience, decision autonomy, and work adjustment. Figure 2a depicts the interaction plot for high foreign subsidiary operation experience, and Figure 2b shows the interaction plot for low foreign subsidiary operation experience. On the one hand, as can be seen in Figure 2b, when expatriate managers were operating in subsidiaries that were new (i.e., low foreign subsidiary operation experience), decision-making autonomy was positively related to work adjustment in situations of low global integration pressure (illustrated by the solid line), but this positive relationship disappears (becomes flat) in situations of high global integration pressure (illustrated by the dotted line). This interaction plot is highly similar to those observed in Figures 1a and 1b. On the other hand, as can be seen in Figure 2a, when expatriate managers were operating in subsidiaries that were established (i.e., high foreign subsidiary operation experience), decision autonomy was negatively related to work adjustment in situations of low global integration pressure (illustrated by the solid line), but decision autonomy was positively related in situations of high global integration pressure (illustrated by the dotted line). Thus, the dampening effect of high global

integration pressure was mitigated when expatriate managers were operating in foreign subsidiaries with a lot of experience. These results provide support for Hypothesis 3 with regard to work adjustment.

Figures 3a and 3b depict the moderating effect of foreign subsidiary operation experience on the relationship among global integration pressure, decision autonomy, and general adjustment. As can be seen in Figure 3b, when expatriate managers were operating in subsidiaries that were new (i.e., low foreign subsidiary operation experience), decision autonomy was positively related to general adjustment in situations of low global integration pressure (illustrated by the solid line), but this positive relationship disappears (becomes flat) in situations of high global integration pressure (illustrated by the dotted line). On the other hand, as can be seen in Figure 3a, when expatriate managers were operating in subsidiaries that were established (i.e., high foreign subsidiary operation experience), decision autonomy was negatively related to general adjustment in situations of low global integration pressure (illustrated by the solid line), but decision autonomy was positively related in situations of high global integration pressure (illustrated by the dotted line). Thus, the dampening effect of high global integration pressure was mitigated when expatriate managers were operating in foreign subsidiaries with a lot of experience. Hypothesis 3 is supported with regard to general adjustment. In

**FIGURE 3**  
Moderating Effects of Foreign Subsidiary Experience on General Adjustment



sum, these results provide support for the mitigating effect of foreign subsidiary operation experience on work and general adjustment but not interaction adjustment.

## DISCUSSION

In this study, we found that decision autonomy was significantly, positively related to all three facets of expatriate adjustment (Hypothesis 1). This result reinforces the findings by Shaffer and colleagues (1991) and Bhaskar-Shrinivas and colleagues (2005) and illustrates another instance of spillover (cf. Takeuchi et al., 2002). Thus, it highlights the importance of examining all three facets of adjustment simultaneously. Second, we found moderating effects of global integration pressure (Hypothesis 2) on the relationships between decision autonomy and work adjustment, and decision autonomy and interaction adjustment. Although we did not find that global integration pressure significantly moderated the relationship between decision autonomy and general adjustment, the beta coefficient was, at least, in the predicted direction. More specifically, our findings extend Bhaskar-Shrinivas et al.'s (2005) meta-analytic findings by qualifying the positive relationships between decision autonomy and three facets of expatriate adjustment. We are not aware of any existing expatriate studies that have used global integration pressure as an important variable. The results of this study show that when the extent of global integration pressure experienced by expatriate managers is high, the positive relationship between decision autonomy and their work and interaction adjustment levels in a foreign country becomes weaker (i.e., there are nonsignificant relationships between decision autonomy and expatriate adjustment facets when global integration pressure is high). Thus, one of the main contributions of this study is highlighting the moderating effect of global integration pressure on the positive influence of decision autonomy on expatriate adjustment. Therefore, it extends the current thinking on expatriate adjustment, which may be considered simplistic (Mendenhall & Oddou, 1997) in the sense that these prior studies have typically examined only the main effects of different variables.

Furthermore, although Ghoshal and colleagues (Ghoshal & Bartlett, 1990; Ghoshal & Nohria, 1989) noted differentiated foreign subsidiaries roles within MNEs and found negative effects on subsidiary performance when the external environmental conditions in a host country were not congruent with the structural mechanisms used at a subsidiary, their research did not examine this impact on

one of an MNE's most critical resources, its expatriate managers. Research subsequent to these studies has seemingly accepted that differentiated subsidiary roles within MNEs exist without examining such additional negative impacts as those found in the present study. Thus, our study also contributes to strategic management research by revealing the potentially negative impact of such incongruence on employees.

Lastly, the present study goes beyond merely illustrating this moderating effect of global integration pressure, which would have had fewer practical implications. However, we also found three-way interaction effects among decision autonomy, global integration pressure, and foreign subsidiary operation experience (Hypothesis 3) on work and general facets of expatriate adjustment, whereby high foreign subsidiary operation experience protected expatriates against low adjustment when decision autonomy and global integration pressure were perceived to be incongruent. In other words, increasing foreign subsidiary operation experience appears to be a promising implementation mechanism that has not been discussed in previous studies with regard to effective transnational strategy—that is, achieving standardization while being responsive to local market needs (Bartlett & Ghoshal, 1989; Gibson & Birkinshaw, 2004). Therefore, we also contribute to the international strategic management literature by illustrating one possible solution for pursuing an effective transnational strategy that has not been discussed before.

## Implications for Research and Practice

Our theoretical development and empirical findings also possess a number of strengths and pose a variety of research and practical implications. One research implication is that this study illustrates the importance of global integration pressure as a moderator of decision autonomy–expatriate adjustment relationships. To the best of our knowledge, the present study is the first to investigate the global integration pressure experienced by expatriate managers at foreign subsidiaries as having a moderating influence on the decision latitude that expatriate general managers have and their adjustment levels. Thus, our effort opens up new avenues for expatriate research in terms of examining boundary conditions, which might be another way (other than meta-analysis; cf. Bhaskar-Shrinivas et al. [2005]) to resolve some previous, contradictory findings. For instance, future research could replicate and extend our results by examining expatriate behaviors, such as job performance and premature return, that are considered important international

assignment outcomes (e.g., Caligiuri, 2000). In addition, firm-level variables such as organizational context (Ghoshal & Bartlett, 1990; Gibson & Birkinshaw, 2004) could be incorporated in the future.

Moreover, our findings regarding the cognitive dissonance associated with discrepancy between the amount of decision autonomy expatriates have and the level of global integration pressure they perceive could be combined with the fit perspective examined by Van Vianen and colleagues (2004) to substantially broaden the scope of this research domain. For example, although Van Vianen et al. (2004) investigated the interaction effects between expatriates' home country values and host country nationals' values (as perceived by the expatriates), they found this interaction of values only for the self-transcendence dimension for work and interaction adjustment (1 out of 12 possible relationships). Perhaps other relationships were not found because expatriates' perceptions of differences on many cultural values did not translate into cognitive dissonance. Thus, our study extends Van Vianen et al.'s (2004) study by illustrating the importance of a cognitive dissonance perspective. Furthermore, we provide evidence that foreign subsidiary operation experience can mitigate the negative effect of cognitive dissonance on expatriate adjustment. Thus, our study provides an impetus for further research exploring potential moderators of the negative influence of cognitive dissonance arising from perceiving discrepant global integration pressure and decision autonomy.

The present study also has both strategic and personnel practical implications. On a strategic level, although Ghoshal and Nohria (1989) found that MNEs often use different implementation mechanisms in different subsidiaries (e.g., varying levels of decision autonomy) and that in some instances these mechanisms conflict with an MNE's overarching strategy (i.e., global or multidomestic), our study surfaced the potentially negative impact that such practices can have. For example, our results indicate that when expatriate managers perceive a low level of global integration pressure (a condition consistent with their firm's pursuing a multidomestic, local responsiveness strategy) but also perceive a low level of decision autonomy (an implementation mechanism consistent with a global strategy), expatriate managers experience lower levels of both work and interaction adjustment. This is important, since expatriate managers are critical for implementing strategy, and expatriate adjustment is essential for achieving organizational goals and objectives (e.g., Caligiuri, 2000; Kraimer et al., 2001). Thus, in practice each MNE must consider the potentially negative impact of

varying its application of implementation mechanisms across subsidiaries in ways that are inconsistent with the firm's overarching strategy.

### Limitations

Our findings, however, have to be interpreted in light of some limitations associated with the study. One limitation is the potential for same-source bias affecting results. It would have been ideal if we could have used data collected from different sources. However, for methodological considerations, such as maximizing the sample size to obtain enough power, and level of analysis issues, we used data collected from the expatriate managers for all the variables except one control (corporate performance, obtained from corporate executives). It is possible that same-respondent (and/or common method) bias might have affected the correlations between decision autonomy and expatriate adjustment (Hypothesis 1). However, if biases were the underlying cause, the correlations between global integration pressure and adjustment should have been equally significant as well. This was not the case. Furthermore, common method bias is unlikely to be a concern, given our findings of significant two-way and three-way interaction effects (Evans, 1985). Therefore, it is less likely that our major findings (support for Hypotheses 2 and 3) are affected by common method bias. We would still encourage future research to improve the research design further and to avoid this potential problem by combining longitudinal data from different sources.

Another limitation is the cross-sectional nature of the data set, which limits any inferences regarding the causal direction. Perhaps expatriates who felt better adjusted perceived themselves as having more decision autonomy at the foreign subsidiary. However, this case would not explain the significant moderating effect of global integration pressure we found. Relatedly, we only considered decision autonomy in this study, although Ghoshal and Nohria (1989) argued and provided empirical support for three structural elements (centralization, formalization, and normative integration) working independently and jointly to affect headquarters-foreign subsidiary relations. Thus, future studies should investigate how these other structural elements affect the relationships we observed here.

Finally, given our theoretical focus on explicating the moderating effects of global integration pressure on decision autonomy-expatriate adjustment relationships, we did not include other variables that have been found to influence expatriate

adjustment (e.g., Bhaskar-Shrinivas et al., 2005; Black et al., 1991). In addition, with regard to foreign subsidiary operation experience, there are likely to be other variables that can act as moderators, including supportive work environments.<sup>3</sup> Similarly, we did not control for the effects of variables included in Black et al.'s (1991) model. This exclusion prevented us from empirically demonstrating insights beyond those shown by their model. Thus, we encourage those conducting future studies to control for these existing variables and to investigate additional moderating variables that may have an impact on the relationship between antecedents and expatriate adjustments. Despite these limitations, however, the present research takes a significant step forward and sheds some interesting light on the complexity of expatriate adjustment. At the same time, it underscores the need for more empirical work in this area.

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