

Transfer policy is an easily operationalized variable which can be used to modify organizational structure.

International Transfer of Managers: Some Important Policy Considerations

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INTERNATIONAL TRANSFER of managerial talent, foreign assignments and staffing of foreign operations have been the subject of much debate. We would like to add another perspective to this debate. Most of the discussion has centered on the effects of transfer on either the individual and his or her job performance or the reaction of the host country and local subsidiary. These are important considerations. However, we would like to concentrate on the effects on the organization as a whole and, specifically, on its structure.

The effects of the international transfer of managers on organization structure is a worthwhile topic first because it is little appreciated by the managerial and academic communities. Second, if one can understand and predict the effects of movement strategies, transfer in any organization could be one of the most operational organization

design variables. That is, through the continuous processes of selection, recruitment, transfer and promotion, all conscious choices made in organizations, the organization can directly influence its own structure and processes.

Toward this end, the present article reports some data concerning the actual practice of four organizations, attempts some comparisons in order to explain variation in practice among the four and generates some hypotheses concerning the effects of transfer on organization structure or vice versa.

The case studies that follow represent four firms that were self-selected. An invitation was mailed to the personnel managers of the sixty largest firms in Europe. Names were taken from the INSEAD mailing list. The invitations stated that two months hence, a workshop on the transfer of managers was going to be held in Brussels at the

European Institute for Advanced Studies in Management. Prospective participants were asked to join the researchers in the definition of a research project. The workshop was going to be devoted to a discussion of current practice and problems and finally to the identification of hypotheses that were researchable and of practical and theoretical interest. The workshop was attended by 11 representatives from ten organizations. The first half of the workshop was very productive since all participants were willing to discuss their current practices, problems, experiences and motives. The second half was less productive since the participants had some difficulties speaking in the researcher's language about variables and hypotheses.

As a result of the workshop, the researchers learned about current practices and problems in European organizations. It was the British, Swiss, and Northern European companies that appeared most interested. Only one Latin European firm (Italian) came to the workshop or indicated an interest.¹

The next phase of the research consisted of four case studies which exploited the contacts developed during the workshop.

Some descriptive data from the four organizations are presented in Exhibit 1. The transfers shown in the second column are the number of people, who at the end of 1972, are working outside their home country for a period equal to or greater than one year. The transferred manager

usually moves the family and becomes a resident of the host country for the period of the transfer.

Why Transfer?

It should be mentioned that the question of "why transfer?" was not regarded at the outset as a significant research question. It was believed that transfers occurred as a result of conscious decisions taken in organizations. Therefore all one had to do was ask those responsible why they made the choices and then one could proceed with more interesting questions. This is not the case. The question is not simple for several reasons. First, one finds a lack of agreement among those who are responsible. For example, one argues that the company transfers people because they cannot find qualified local nationals while a colleague disagrees and says it is to provide international experience. Second, one finds some who do not know, do not care or are mistaken as to why transfers are made except for the fact that they "work." That is, being pragmatic practitioners, businessmen are not always interested in why a practice works as long as their experience indicates that it is effective when evaluated by their criteria. One of the firms said that they made decisions about transfers individually or on a case-by-case basis but had never analyzed the transfer strategy on an aggregate basis. Third, there are some motives to which practitioners do not wish to admit when being interviewed by out-

EXHIBIT 1

Summary of Transfer Statistics

Company	Transfers (1972)	Sales (Billions \$)	Assets (Billions \$)	Employees (000)	
Worldwide Products	3600	14.0	20.0	174.0	} Industry I
National Products	1000	5.7	8.1	160.0	
European Industries	300	1.8	2.25	91.6	} Industry II
Occidental Industries	245	1.1	1.4	67.7	

Data taken from Fortune's List of 200 Largest European Firms and our interviews.

siders. That is, in addition to filling position, a transfer from headquarters can increase the amount of surveillance over the subsidiary. Every organization with whom we spoke categorically denied the use of this motive but offered examples of other organizations who did use it. All of the confusion about motives stems from the fact that a single transfer can simultaneously be explained by several reasons. For example, a transfer may result because an individual requested an opportunity to work in another country, because the subsidiary could not find a qualified local, because the individual may have needed international experience or, because there may have been a desire to increase surveillance in that country. Thus, some manipulation of the data is necessary in order to draw conclusions as to why organizations transfer managers, why transfer "works", and ultimately how to use transfers effectively to design the organization.

In our attempt to unravel the confounded motives we relied on our interview data and the workshop discussions to infer why transfers were made and why they worked. The following reasons will be analyzed.

- To fill a position when there is no qualified local.
- To utilize managerial talent.
- To provide international experience to the individual.
- To facilitate coordination and control.

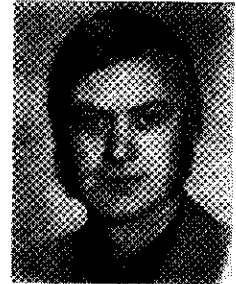
Our interest is in the last reason which was never mentioned as a motive by decision makers but was suggested to us by the inter-company and inter-industry comparisons. In addition we feel it explains a good deal of the variance in transfer in the developed world. Let us first introduce the first three motives before presenting our case for coordination and control.

To Fill a Position

It was suggested that a good deal of transfer takes place because one cannot find a qualified local national for an available position. This assertion can be tested by asking the question "Where are the expatriates?" For example, at World Wide Products, 3100 of the transfers work



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in subsidiaries around the world while 500 are located at central installations. Of the 3100, about 80% are located in developing countries and 20% in Europe and North America. Since only 35% of the jobs are located in developing countries, the distribution of transfers does not represent the distribution of jobs. One must conclude that the data reflect the lack of qualified local nationals to fill available positions.

Some additional information can be gained by examining the occupations of those who are transferred. One finds that a large portion of the transfers, about 50% in World Wide Products and 80% at European Industries, are in technical functions. Data from the other companies also lead to the conclusion that the dominant motive for transfer is to send technical personnel to countries where qualified locals cannot be found. Thus a major portion of the variance can be explained by the need to transfer technical expertise to developing countries.

However it does not account for all the variance nor does it account for some 1000 expatriates in Europe in the World Wide Products organization. Besides this motive is not an interesting policy decision. Once the decision is taken to invest in a developing country and a qualified local national cannot be found or quickly trained, the firm must send in an expatriate. It also appears that the

EXHIBIT 2

Transfer Statistics for Europe only

Company	Employment (Europe)	Number of Transfers	
		Central Installations	Subsidiaries
World Wide Products	88,000	491	545
National Products	77,000	70	250
European Industries	70,000	—	63
Occidental Industries	50,000	45	38

use of this type of expatriate does not vary with type of industry, nationality of ownership, management style or organization structure. All organizations engage in this type of transfer and vary only in the magnitude of their foreign investment activities.

The confounding due to the lack of qualified locals can be reduced by concentrating on the data from the developed world and Europe in particular. With the exception of a few areas around the Mediterranean one can usually find qualified local nationals. In addition, size differences between the four firms are minimal. The data for Europe are presented in Exhibit 2.

Holding size and the need to fill a position constant, one can ask why are there still large differences in the number of transfers? Let us look at the other reasons offered by decision makers.

Utilization of Management

A second motive suggested at the workshop was that transfer increases the utilization of management talent. That is, a job opportunity and a promotable individual do not always occur in the same subsidiary. The use of transfer between subsidiaries can remove these bottlenecks in the promotion process. In addition, transfer can give opportunity to individuals with top management talent who work for small subsidiaries. Transfer to large subsidiaries or central offices reduces the likelihood that these people will resign for lack of promotion opportunity. This motive was claimed to be the dominant motive for transfer of non-Americans in 10 U.S. multinationals.³

All organizations claimed to be following this practice to some extent. But the confounding of motives is relevant here. The investment in developing countries creates positions and transfer

fills these positions, provides international experience and also removes bottlenecks in the promotion process. The question is, however, would this transfer take place if there were no investments in developing countries? Let us concentrate on the European data which eliminate this confounding factor. In this case the data suggest that the answer would be no, with the possible exception of World Wide Products.

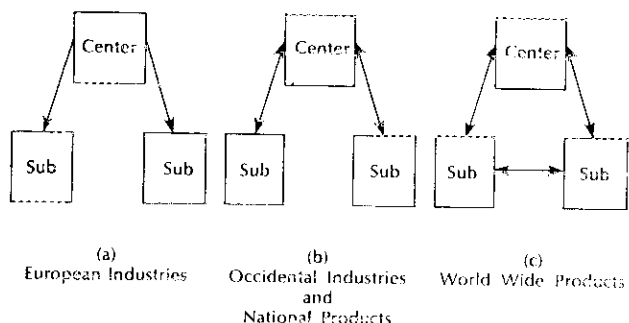
The negative inference comes from viewing the data in several different ways. First, one could ask who gets transferred? If the motive was to choose the best available person, one would expect the distribution of nationality of expatriates to be about the same as the distribution of nationalities in the organization as a whole. Such is not the case. The vast majority of expatriates are from the nationality of ownership. The percentages vary from 70% to 90% (World Wide Products, 80%; National Products, 90%; European Industries, 70%; Occidental Industries, 85%). The figures for European and Occidental Industries are particularly revealing since the nationality of ownership represents only about 20% of their respective employment populations. European Industries explicitly searches first the nationality of ownership when filling an available position and then searches in subsidiaries located in contiguous countries having similar cultures and languages. Thus nationality rather than talent utilization appears to guide the choice of international transferees.

The exception may be World Wide Products. A more international practice emerges when one examines the 1100 top managers of that organization. First one must speak of nationalities of ownership since there is more than one nation with significant stock ownership. Second, among

this group one finds that 66% are from the nationalities of ownership. Five years ago this figure was 75%. So one begins to find some internationalization and a trend towards more at the top levels of World Wide.

The second factor which supports the negative assertion is the direction of flows of transfers. Exhibit 3 shows the possibilities and identifies which organization follows which practice. If international transfer was used to increase talent utilization one would expect a pattern like that shown in Exhibit 3(c). Instead one finds that European Industries follows a strategy primarily of transferring people from the center to subsidiaries. National Products and Occidental Industries also bring people from the subsidiaries to the center. But it is only World Wide Products that moves people between subsidiaries as well as to and from the center. (It may be perfectly possible, however, that transfer within subsidiaries is sufficient to achieve talent utilization.)

EXHIBIT 3
Flows of Transfers



The last reason again finds World Wide as an exception. If an organization is going to promote the best person independent of nationality and present location, the personnel department needs a sophisticated information system to identify positions available and persons who are promotable. While all organizations had such a system for high level management it was only World Wide Products which had a sufficiently staffed and detailed system to be aware of the job-person matchings in subsidiaries. In addition talent utilization requires an active, initiative-taking personnel unit.

Subsidiaries do not like to give up good people and receiving units may want to promote their own people into the position. Again one gets the impression that World Wide Products was more active than the others. Indeed in European and Occidental Industries there was considerable autonomy in the large European subsidiaries. Thus on the basis of the activity of the personnel units, direction of transfer flows and nationality of transfers it appears that international transfer for talent utilization would be quite small if positions were not readily available in developing countries. World Wide Products appeared to be an exception and gives another reason why they have more total transfers.

International Experience

The third major motive for international transfer is to provide international experience and training to employees of multinational organizations. Indeed every organization that attended our workshop claimed to transfer people for this reason. Experience was also the second most important reason given by U.S. firms.³ However, training transfers are not independent of the need to fill a position. The investment in developing country makes positions available while training needs partly determine *who* is transferred. Even in Europe there is some position filling in Spain, Portugal and Greece. The true test of the motive would be whether transfers would be made even when there are qualified locals available. Some inferences can be made concerning this hypothetical question by examining who initiates the transfer process and who pays the expenses. One would assume that the beneficiary of a transfer would pay and the perceiver of the need would initiate the process. Thus if position filling was the motive it would be perceived by the subsidiary and the subsidiary would benefit. If training was the motive, it would be central personnel or the subsidiary from which a transfer would move that would perceive the need. Central personnel would initiate in either case. The benefits of the transfer would accrue to the organization or the sending subsidiary not necessarily the receiving sub-

subsidiary. In this case the receiving subsidiary would not be expected to pay the additional expenses of staffing with an expatriate. At both Occidental and European Industries, it is the receiving subsidiary which initiates the process by requesting an expatriate and the central personnel unit chooses the individual. Salaries and expenses are paid by the subsidiary. At World Wide and National it is frequently the central personnel unit that initiates the process based presumably on training needs. Quite often the central unit picks up the expenses and any salary differential so as not to penalize a subsidiary. Thus from the initiation and paying, one can infer that training is a motive for transfer at World Wide and National but cannot support the inference at European and Occidental. We assume, however, that some transfer would take place at European and Occidental if expatriates were not requested by subsidiaries. Both have extensive international activities and home offices in a small country. Transfer would probably be confined to a small elite group with top management potential.

We could stop at this point and claim that the variance in total and European figures is explained. Occidental and European Industries have smaller levels of economic activity in the developing world and transfer only to fill positions with occasional training transfers. National also transfers to fill positions and has a greater amount of economic activity. In Europe, its transfers for training reasons give it more transfers than industry I. Finally the greater transfers of World Wide are explained by its greater number of transfer motives, position filling, training, and talent utilization, and its greater size. However, an anomaly in the data and the inter-firm, inter-industry comparisons suggest another motive.

Coordination and Control

The motive that we suggest explains most of the variance in transfer in the developed world was not given by practitioners at the workshop nor during our interviews. As suggested above it emerged from our comparative analysis. Specifically we suggest that differences in transfer in

the developed world are related to differences in the need for coordination, control, and communication among subsidiaries and between subsidiaries and central offices and that transfer is a facilitator of those processes. The decision makers in the organizations do not agree with us. They claim transfers are made to provide experience and to select the best person for the job. Our position is that their response is valid but incomplete. It is valid because providing experience is probably the criterion they use in making transfers. It is incomplete, however, because it merely suggests another question. In Europe with equal sized operations, why does industry I need more training than industry II? Indeed why does World Wide need 17 times more training than European Industries requires? Let us now present the case for coordination and control.

The first source of support for the assertion comes from examining several anomalies in the transfer data from European Industries. Here one finds, in addition to large numbers of expatriates in developing countries, 52 in the United States, 15 in Britain and 9 in Belgium. Presumably qualified locals can be found. These transfers are not to fill positions. Perhaps they are to give international experience to managers. However, why those three countries? The firm has bigger and better established operations in several other European countries but there are *no* expatriates. Upon further examination one finds that in these countries there are large efforts to "crack the local market." Thus it appears that when organizations change strategies, implement new systems or have start-up activities, transfers tend to be used. Franko's data and interpretations are consistent with this speculation.⁴ He reports that U.S. multinationals sent large numbers of expatriates to Europe during the establishment of their organizations but then turned the direction over to local nationals. However, today, the Americans have reappeared. This time it is to reorganize and effect a shift in power by introducing the regional headquarters. Transfers can be used during periods of change or start-up operations for two reasons. First, during a period of change, there

is a temporary management overload. One must run the business as usual in addition to introducing the change. There are more decisions to make. Transfers provide a temporary increase in management capacity during the overload period. Second, the decisions that are taken during the initial period often set precedent and set limits and constraints within which subsequent activity will take place. It is important that these decisions be made "correctly". Those who know the correct company procedures are expatriates from central offices. The large number of expatriates are hypothesized to be associated with the need for control during a period of change or start-up.

The second source of support comes from an examination of the coordination problems within the four firms. For example at the time of our interviews European and Occidental Industries had defined away most interdependence between subsidiaries and therefore the need for inter-sub-sidiary coordination. Each country subsidiary produced all products and sold only in its home market. Only the subsidiary in the country of ownership could export without permission of the central office. In essence the firms in this industry operated on a holding company model and managed the subsidiaries the way one would manage a portfolio. Thus the subsidiaries were quite autonomous and independent.

The opposite was true in the other industry. There was plant specialization by product and some units supplied products to other units. There was a complicated supply network of production and distribution. This sequential interdependence necessitated some coordination among subsidiaries. Part of the coordination was performed at the center and at regional centers (a level of management which did not exist in Europe for the other industry). And one finds larger numbers of expatriates in these central units. For example, in World Wide Products, 2% of the subsidiary work force was expatriate while 7.4% of the center staffs and 47% of managers in the European Center were expatriate. Thus it appears that greater use of transfer is associated with greater interdepend-

ence between subsidiaries and that transfers are more concentrated in coordinating units.

Further support for the relation between coordination and transfer comes from a comparison between Occidental and European Industries themselves. One could ask why are the numbers of transfers so similar? Although they both are in heavy manufacturing and sell products to other large organizations, their products are different. They also come from different cultures and nationalities. Why then the similarity? It could be because of similar size and organization structure. However, World Wide and National have similar structures and sizes but pursue different transfer strategies. Again our explanation is that both organizations have the same intersubsidiary coordination needs or perhaps we should say lack of coordination needs.

In the other industry, the situation is exactly the opposite. That is, for two apparently similar firms, why is there such a large difference with regard to transfer in the developed world? Recall that World Wide and National are in the same industry, have nearly the same level of activity and employment in Europe, work through very similar structures and have similar nationalities of ownership. Yet their transfer strategies in Europe differ by a factor of three.

One explanation put forth by the companies involved is that transfer is one more factor in the international ideology of World Wide. The ideology comes from having multinational ownership, three nationalities on the seven person board, an international distribution of sales and production, and central installations in more than one country. Transfer is simply one more piece in their international mosaic. On the other hand, National Products was a national company by every criterion save an international distribution of sales. Our position is that the ideology argument is valid but it is not sufficient. First, estimates of direct costs indicate that it costs 2.5 to 3 times more to staff a position with an expatriate than with a local. If we take a factor of 2.0 and assume that the average salary involved is \$20,000 then it costs World Wide about \$15 million a year

more than National to staff the 716 more positions in Europe with expatriates than with locals. That's expensive ideology. In addition, there should be some factual basis for the ideology. That is the policies that support ideology must "work". Thus one must look further for an explanation of the difference and for why transfer works.

One place to look is among the very top managers of these companies. When this category is examined, one finds that top managers account for 8.5% of the total transfers at World Wide while they account for only 3% of a smaller total at National. In absolute terms it is 304 at World Wide versus 31 at National. That is a big difference when total employment categories are approximately the same. Indeed, at World Wide 28% of the top 1100 managers are working in an expatriate position. So the transfer policies not only differ by 3 to 1 in total, but differ by 10 to 1 at the top management levels.

The top management category is worthy of a little more investigation. First one finds that these expatriates are more evenly distributed between the developed and developing parts of the world. In the total category one finds 70% of the expatriates in the developing countries while 50% of the top management expatriates are there. In the developed world one finds fewer expatriates in top management positions but one still finds 15% to 18% of the positions being filled by transfers. Thus, in the subsidiaries and central installations one in six or seven is an expatriate. The magnitude and even distribution in the developed world is significant. The reason is that lack of qualified locals and training needs cannot be explanations. Although development is always necessary at all management levels, these managers had to have some international experience to enter the top management category. It is less likely that these transfers are solely to provide international experience.

The decision makers at World Wide assert that the transfer data simply show that they use transfer more often to provide international experience and select the best person for the job independently of the color of his or her passport. We can ques-

tion this assertion as before. Why does World Wide need orders of magnitude more international experience in Europe and why is the best person for the job an expatriate at World Wide while it is local national at National? However, we cannot reject the explanation and believe it is probably valid. It is valid in the sense that the decision makers responsible for transfer probably are guided by this reasoning when choosing replacements and promotions. They continue to be guided by the reasoning because to "works" or at least does not fail. That is the feedback from the subsidiaries on performance of expatriates is sufficiently positive that its continued use is reinforced. But the question is why does it work?

One explanation is that transfer is related to the coordination and control processes that are employed in those organizations. We are guided in this thinking by the relatively even distribution of top management expatriates and the apparent attempt to maintain the even distribution. That is, within Europe there is an attempt by personnel people to have one non-national on the top management of each subsidiary. This policy is entirely consistent with the one in six or seven figures mentioned above. In addition, a decision to maintain percentages in organizations is not based on a specific examination of needs for talent or needs for experience. *It is directed at maintaining an attribute of the structure.* The policy to maintain a distribution of expatriates is entirely consistent with policies to choose the best person and to provide international experience and in combination explain why World Wide has more transfers than National. Our explanation is that while the coordination needs and structures of the two firms are similar, the processes of coordination and control are different. Therefore the behaviors that constitute good performance are different. At World Wide, transfer is the process by which these behaviors are learned, sustained, and utilized. National, on the other hand, has adopted different processes which are not as dependent on extensive transfer for their maintenance. Let us speculate about these processes and the role of transfer in their maintenance.

Industry I, it should be recalled, had a great deal of interdependence relative to industry II. They could not create autonomous, geographical subsidiaries because of shared inputs, inter-unit product flow and shared markets. Thus one of the major concerns of the Europe-wide structure is the coordination and control of this complex of sequential product flows. To begin the analysis, the strategies of control suggested by the Aston studies can be used.⁵ Their reasoning begins with the premise that in the presence of interdependence and work flow integration, certain classes of behavior are dysfunctional. Therefore organizations adopt structures which control or limit the amount of discretion exercised by its members so that only the functional behaviors can be chosen and acted out. Broadly speaking two alternative strategies were suggested. First,

“... one may attempt to maintain control directly by confining decisions to fairly senior levels in the hierarchy. This economizes on the need for elaborate systems of procedures and paperwork. It may also reduce the need for certain areas of specialization such as those concerned with operating indirect control systems. This can be termed the centralizing strategy of control.”⁶

In the terms being used here, the centralizing strategy would be the assignment of major decisions to the European and International central installations coupled with the surveillance of their execution with the subsidiaries. This type of control is personal and direct. However, the Aston research shows that this form disappears for large organizations and would be expected to do so in multinational organizations. Given the number of different subsidiaries, an organization would need considerable communication and decision capacity to concentrate decision making at central offices. Delays would reduce local responsiveness and flexibility. These organizations require more local discretion yet need to maintain overall system coordination. This coordination and control is maintained using the second strategy.

“One may attempt to control behavior indirectly by relying upon procedures and records as methods for limiting discretion

(exception reporting is an example) and for monitoring activities. Within limits imposed by such indirect controls, decisions can be delegated to lower levels in the hierarchy, and to employees in specialized roles, some of whom are concerned with operating the indirect control system itself. This can be termed the bureaucratic strategy of control.”⁷

Thus the alternative appears to be the shift to impersonal and indirect bureaucratic methods of recording, reporting, and surveillance on an exception basis. Multinational organizations have developed a number of variants of this strategy which account for the variety of countries to which procedures must apply. That is, a procedure is limited in the number of situations to which it can be applied. Therefore as organizations operate in large numbers of countries the likelihood of exceptions and central office overload increases. One response which permits the continuation of the bureaucratic strategy of local discretion, of indirect and impersonal control and of overall integration is the expatriate general manager. Instead of responding to exceptions while sitting in the central offices, the trusted manager from the nationality of ownership assumes a key position in the subsidiary and managers from the subsidiary come to central offices. The immediate effect is to increase communication channel capacity between the center and the subsidiary, and to allow greater local discretion and responsiveness. The ultimate effect is that these managers can design new procedures which achieve a better fit between subsidiary and center interests. The control continues to be impersonal and bureaucratic. Managers stay two years and move on. They do not integrate into the local subsidiary.

Another variant is the mobile executive and company airplanes. One U.S. organization has its European headquarters in London with several company planes flying continuously between London and European cities in which subsidiaries are located. Each executive spends 2 to 3 days in another subsidiary. This variant like the previous one obtains bureaucratic, impersonal control and does not depend on the individual to

integrate into the local culture and hierarchy. It is this kind of control system which is hypothesized to characterize National Products.

As for World Wide, it is hypothesized that it employs a third strategy of control—control by socialization. That is, the functional behaviors and/or rules for determining them are learned and internalized by individuals thereby obviating the need for procedures, hierarchical communication and surveillance. These mechanisms are redundant because individuals choose to do that which would have been ordered by the hierarchy or prescribed by the procedure. In addition individual problem solving capabilities can be used to account for local information not available to central offices. This strategy permits a greater amount of local discretion while maintaining overall integration. It is further hypothesized that international transfer and continued international transfer throughout the career are the primary processes for socializing and/or selecting those who are socialized so as to achieve and maintain the socialization strategy of control.

The use of socialization as a control strategy has been articulated several times in different forms.⁸ However, organizational identification alone is not sufficient to maintain control. Even if individuals are willing to choose and execute behaviors which are functional for the whole organization, they are not able to do so when their positions are embedded in an interdependent network. They do not have sufficient information to determine impacts on other positions of the network which may be affected by their choices. It is here that extensive transfer such as undertaken by World Wide is hypothesized to fill the gap. That is, transfer can increase knowledge of the network, develop multiple contacts within it and increase the likelihood that these contacts will be used in collecting information to support local discretion. It is this possible contact development, informal organization development, generation of linking pins,⁹ creation of integrators,¹⁰ and information collection behavior that make transfer distinctive in this case. These intersubsidiary, subsidiary-center contacts generate sufficient information to

permit local discretion in situations of interdependence. It is this aspect that may prove useful to organizational designers, particularly for those who find the organizational socialization aspects to be distasteful.

We hypothesize that managerial transfer is a means for designing the information system, the *key* information system, of large multinational organizations. The reason it is the key information is that it is verbal information. For example, recent research shows that top managers prefer verbal media for transmitting current, largely external data as opposed to the written, detailed, but historical internal information system.¹¹ However, in multinational organizations external data enters by means of a two step communication process.¹² The new, strategic, ambiguous and consequential events that face the organization are perceived in subsidiaries and then communicated verbally to the center. But it is still a verbal channel. It is access to this verbal information that influences the distribution of power in organizations.¹³ For those interested in decentralizing power in organizations, the transfer of top management between interdependent units may generate the contacts and communication to bring about the power shift.

Our point is underlined in Weick's review of Mintzberg's book as follows:

"The point is, in puzzling over the issue of delegation we may have made too much of the idea that the problem is power equalization and too little of the idea that the problem is information equalization. But it isn't any old information that needs to be equalized. It is the verbal information that richly feeds into the manager from his information network."¹⁴

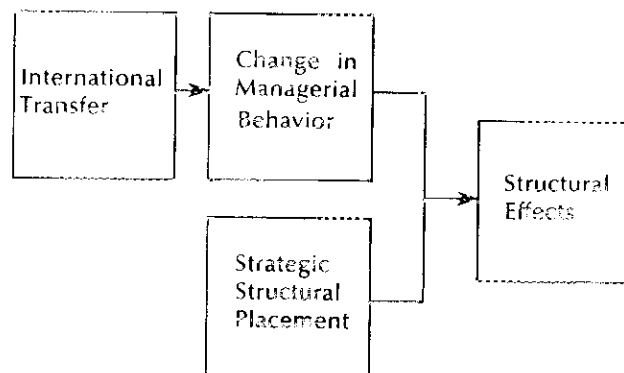
To the extent that transfer integrates managers into these information networks, increases the likelihood that they will understand the information, and equips the manager to overcome biases and misperceptions connected with verbal data, the movement of people can be an effective way to design a verbal information system, promote lateral contacts, and permit local decentralized control and yet maintain overall system integration.

Thus it is because of the control by socialization that transfer is believed to “work” for World Wide and sustain its continued use. The large amount of transfer needed to maintain contacts and network knowledge is the reason why World Wide transfers more than National in the developed world. This strategy appears to be based on direct and personal forms of control. Managers are expected to integrate into local units. Here again extensive transfer allows the Dane going to work in Austria to integrate himself into the Austrian team. Most of the Austrians will have worked extensively outside of their own country in central offices and in other subsidiaries, perhaps even in the Danish subsidiary. Thus they can understand and empathize with the newly arrived, buffer him from non-socialized Austrians, share contacts and experiences and in general permit the expatriate to integrate into the decision making team while the newly arrived brings a network of contacts which expands that of the team. The managers partially support us in this interpretation by agreeing that World Wide is in fact more decentralized than National.

We still need to tie transfer to the behaviors that are assumed to support the coordination and control strategies. We have assumed that individuals will think and behave differently as a result of being transferred. Specifically, we assumed that transfers behave differently with respect to their information collection behavior. That is, transferees communicate more often with colleagues in other units and have larger networks of contacts in the other units. To the extent that the transfers integrate into the new units, they are more likely to be able to communicate effectively with those units after leaving them. They will be more open minded, less likely to stereotype and less likely to evaluate everything in terms of their own value system. They will have learned the jargon and/or language of the different units. All of these factors are to aid the transfer to communicate verbally and relate interpersonally to people in other units of the organization when these units are differentiated or culturally different. Exhibit 4 summarizes our argument.

EXHIBIT 4

Linkage Between Personnel Movement and Structure



Specifically we assert that transfer causes (or selects those who already behave as we suggest) the information processing behavior described above. When individuals are strategically placed in the structure, the transfer leads to controlled local discretion. There may be other structural effects, but in our case decentralization results. Currently the authors are continuing to work with World Wide and National in testing this model.

We have formulated several conclusions, stated as hypotheses herein, concerning this third and unappreciated category. We hypothesize that transfer will have a bigger payoff for firms which have interdependent subsidiaries. The greater the need to coordinate among subsidiaries, the greater the payoff to a transfer policy. Given a potential payoff from transfer, this potential is best realized by strategically placing the expatriates in coordinating positions such as European headquarters, cross subsidiary task forces, and top levels of local subsidiaries. The expatriates also need to be distributed throughout the various subsidiaries to link the local units into the network.

We then hypothesized that if expatriates were strategically placed, the transfer process would result in decentralized decision making due primarily to two effects. First, transfer increases the degree to which managers establish attachments to the organization and become identified with

it. The identification results from self-selection by identified individuals and the continual acculturation which accompanies the entry into new organization units. The effect of identification is an increase in trust between central and local units facilitating the process of delegation to the point where the data exist.

The second effect which could result in decentralization is that the transfer process creates an information network, linking subsidiaries to each other and to the central units, which carries the crucial verbal information to facilitate local decision making. That is, local subsidiaries participating in cross border movement of products, joint R & D projects, etc. do not have all the information which they need to reach optimal decisions for the organization as a whole. But the transfer policy enables the subsidiary's manager to not only identify the information he needs from other parts of the organization but also provides the information network through which it can be obtained. Thus we hypothesize that transfers in sufficient amounts and strategically placed will result in more identification with the organization and in an information network for verbal data. Both are necessary for decentralized operations.

A word of caution is now in order. The authors have played somewhat of an advocate role in this paper. We felt it necessary because the structural effects of transfer are little known and often denied. However, transfer may not be an effective solution for all organizations at all times. Indeed, we suggested that the practice will be more effective when subsidiaries are interdependent than when they are autonomous. In addition, transfer of the magnitude practiced by World Wide can only be effected when there is an international ideology shared and accepted by sufficient numbers of people. Only then will the upwardly mobile managers want to go and only then will internationally oriented people be attracted to the organization.

World Wide also devoted significant resources to the transfer process and utilized a strong, well-informed personnel unit to manage it. Without a sophisticated managerial resource planning unit,

it is doubtful that an effective transfer process will result. Therefore we suggest that our position be accepted with the normal healthy skepticism of the well informed manager. He or she knows that there are always five or six ways to solve any problem rather than a single best way. Transfer as an easily operationalized organization development tool should be one of the five or six alternatives considered to facilitate coordination and control in rapidly changing environments.

Conclusions

This exploratory study, undertaken when the authors were expatriates themselves, was intended to explain the variation in the amount of transfer undertaken by multinational firms. We have suggested that transfer takes place for many different but complimentary reasons. Since most of us think in terms of people and personalities, we have failed to realize the structural impacts of transfer practices. Therefore, we have tried to highlight these effects.

Specifically, we have classed transfer motives into three categories. Transfer to *fill positions in developing countries when qualified local nationals could not be found*. This motive above accounted for some 60-70% of all transfers. All four organizations used it extensively. In addition, it accounted for a good deal of the variance between companies correlating with the amount of economic activity in the developing world. Transfer as part of the *management development process*. Multinational organization not only requires managers who have worked outside their country of origin but also provides greater opportunity for promotion. All organizations claimed to be transferring people for these reasons. However, when controlling for transfers to fill positions in developing countries Industry I appeared to transfer for training alone and only World Wide transferred to utilize managerial talent independent of national origin. *Transfer for organizational development or design*. When transfer involves large numbers of people, includes the top management category and is combined with strategic placement of the expatriate there are structural effects.

NOTES

1. One of the possible reasons for lack of Latin Europeans was that the language of the seminar was English. A subsequent attempt to run a seminar in France, in French produced no interest.
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3. *Ibid.*
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5. Child, J., "Organization Structure and Strategies of Council: A Replication of the Aston Study," *Administrative Science Quarterly*, June, 1972, pp. 163-177 and
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6. Child, J., *Op. cit.*, March, 1973.
7. *Ibid.*
8. See for example: Stinchcombe, A. L., "Bureaucratic and Craft Administration of Promotion: A Comparative Study," *Administrative Science Quarterly*, September, 1959, pp. 168-187. Hall, Richard, "Professionalization and Bureaucratization," *American Sociological Review*, 33, 1968, pp. 92-104. Kaufman, H., *The Forest Ranger*, The Johns Hopkins University Press, 1966.
9. See for example: Lawrence, P. R. and Lorsch, J., *Organization and Environment*, Boston Massachusetts: Division of Research, Harvard Business School, 1967. Galbraith, J. R., *Designing Complex Organizations*, Reading, Mass: Addison Wesley Publishing Co., 1973.
10. Mintzberg, H., *The Nature of Managerial Work*, New York, N.Y.: Harper and Row, 1973.
11. Keegan, W. S., "Multi-National Scanning: A Study of Information Sources Utilized by Headquarter Executives in Multi-National Companies," *Administrative Science Quarterly*, September 1974, pp. 411-421.
12. See for example: McCleary, R., "Communication Patterns as Bases of Systems of Authority and Power," from *Theoretical Studies in Social Organization of the Prison*, Social Science Research Council, Pamphlet 15, March 1960. Bobbs Merrill reprint 5-327. Pettigrew, A.M., "Information Control as a Power Resource," *Sociology*, May 1972, pp. 187-204. March, J. G. and Simon, H. S., *Organizations*, New York, N.Y.: Wiley, 1958.
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