

Human resource management and early internationalization: is there a leap-frogging in international staffing?

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The present study focuses on the international staffing of early internationalizers by linking the Ethnocentric, Polycentric, Regiocentric, and Geocentric (EPRG) concept with the Process Theories of Internationalization. On a dataset of 116 (*N*) German medium-sized companies, we test whether the determinants which allow firms to internationalize shortly after their inception, namely prior international experience, technological intensity, and networks, influence the firms' international staffing. We further elaborate whether this influence differs between early and late internationalizers. The empirical results show that prior international experience is not associated with the firms' international staffing at all, and thus, does not allow conclusions. Technological intensity increases the probability of the choice of an ethnocentric staffing policy, especially for early internationalizers. In contrast, networks enable firms, especially early internationalizers, to pursue regiocentric or geocentric staffing policies.

Keywords: early internationalizers; EPRG concept; intensity of technology; international experience; international staffing; networks

Introduction

Internationalization offers firms manifold advantages such as realizing economies of scale and scope (Caves 1996), learning from international markets (Kogut and Zander 1993), exploiting interrelations between business segments and geographic areas (Porter 1990; Hamel 1991; Hitt, Hoskisson and Kim 1997), achieving risk diversification (Kim, Hwang and Burgers 1989), and cost reduction (Hennart 1982; Kogut 1985; Lu and Beamish 2004). Traditionally, firm internationalization unfolds in an incremental manner out of an established domestic market. According to the dominating Process Theories of Internationalization (PTI; Johanson and Vahlne 1977, 1990), the internationalization process takes place along the establishment chain. That is, foreign market treatment occurs in the steps 'exporting', 'contractual agreements', 'joint venture', and wholly owned 'subsidiary' in the final stage (Johanson and Vahlne 1977, p. 24).

In analogy to the PTI, *international staffing* unfolds in an incremental manner as well. According to Perlmutter (1965, 1967, 1969a,b,c; Perlmutter and Heenan 1974; Heenan and Perlmutter 1979), firms' international staffing is characterized by (1) an ethnocentric orientation, (2) a polycentric orientation, (3) a regiocentric orientation, and (4) a geocentric orientation. As companies grow and become more and more international, their staffing policies change as well. According to Perlmutter (1969a), corporations adopt an ethnocentric approach in the early phase of multinational development. Over time, they

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change to a polycentric policy and as the company becomes even more international it adopts a regiocentric or geocentric policy (Adler and Ghadar 1990; Kelly 2001).

However, over the past decades researchers witnessed that even small and young firms venture into foreign markets very early in their life cycle (Oviatt and McDougall 1994; for reviews see Rialp, Rialp and Knight 2005; Schwens and Kabst 2008; Keupp and Gassman 2009). These early internationalizers do not necessarily follow an incremental path but enter foreign markets at various steps of the establishment chain 'leap-frogging'. Hence, early internationalizers start by directly establishing an international joint venture or a wholly owned subsidiary instead of first penetrating the foreign market with export activities. According to the International New Venture Theory (INVT) by Oviatt and McDougall (1994), leap-frogging is possible for young firms as these oftentimes possess (1) a high degree of prior international experience of the management team, (2) a sizeable amount of network contacts in the foreign market, and (3) a strong knowledge intensity of its products.

However, if internationalization does not necessarily unfold in an incremental manner as suggested by the PTI, the question arises of how this impacts the international staffing of the firm. Is there a leap-frogging in international staffing as well? In accordance with the determinants of early internationalization, namely networks, international experience, and technological intensity, we therefore discuss whether leap-frogging occurs not only with regard to international market entry modes but also in respect of international staffing policies.

Numerous studies provided insights into the motives for using expatriates (Collings and Scullion 2006; Hippler 2009), discuss different forms of expatriate assignments (Meyskens, von Glinow, Werther and Clarke 2009), or explored which determinants allow for early internationalization (for a review see Schwens and Kabst 2008). Studies simultaneously examining the role of International Human Resource Management in the context of early internationalization have so far been largely absent. Welch and Welch (1997, p. 404) state that 'while the role of the key decision-maker is stressed [...] this has not been extended to an investigation of related personnel aspects, such as the implications for HR strategies in terms of staff selection, training, and other support activities.' This is surprising because rapid internationalization behavior of the firm exposes challenges to the international staffing strategy of the firm as well. The success of global business depends most critically on recruiting the quality of senior management in the multinational companies (MNCs) (Schuler 2000). Thus, international staffing is a key success factor for the firm (Bonache-Pérez and Pla-Barber 2005; Colakoglu, Tarique and Caligiuri 2009) and may be even more important when firms are young at the time of internationalization, partly owing to the rapid growth of small and medium sized enterprise (SME) internationalization and the resource scarcity (Anderson and Boocock 2002). Therefore, there is a great need to study the international staffing of early internationalizers.

In this paper, we relate the leap-frogging approach of early internationalizers to the international staffing of the firm. Thus, our paper has two major research aims: first, we elaborate the impact of (1) prior international experience of the management, (2) technological intensity, and (3) network contacts on the international staffing of the firm. Second, we predict that the impact of these three variables on international staffing is moderated by early (opposed to late) internationalization. Figure 1 illustrates our research model and the sets of hypotheses.

To achieve our research aim, we proceed as follows. First, we give an overview of the PTI and Ethnocentric, Polycentric, Regiocentric, and Geocentric (EPRG) concept. Drawing on this theoretical fundament, we propose hypotheses which we then test on a

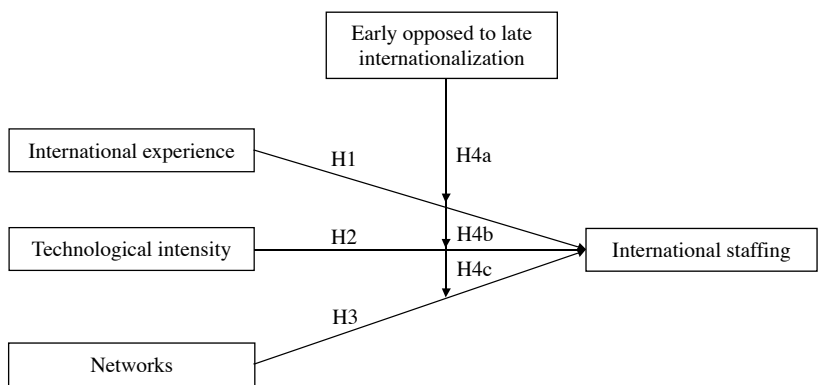


Figure 1. Research model.

dataset of German medium-sized enterprises with international activities. The final section discusses the results, points out limitations, and provides implications for future research.

Theory and hypotheses

To examine the determinants of international staffing, we link the PTI (Johanson and Vahlne 1977, 1990) with the EPRG concept (Perlmutter 1965, 1967, 1969a,b,c) as prior research has shown strong complementarities between the EPRG concept and the process models as suggested by the PTI (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977, p. 90). Both approaches suggest ideal types of specification and emanate from a pattern of gradual development over time. Figure 2 illustrates the analogy drawn between PTI and the EPRG concept.

The basic idea of the PTI is that companies lack knowledge about foreign markets which hampers foreign market entry and subsequent internationalization. Furthermore, knowledge can only be acquired stepwise as ‘the model focuses on the gradual acquisition, integration, and use of knowledge about foreign markets and operations, and on the incrementally increasing commitments in foreign markets’ (Johanson and Vahlne 1977, p. 23). Hence, the

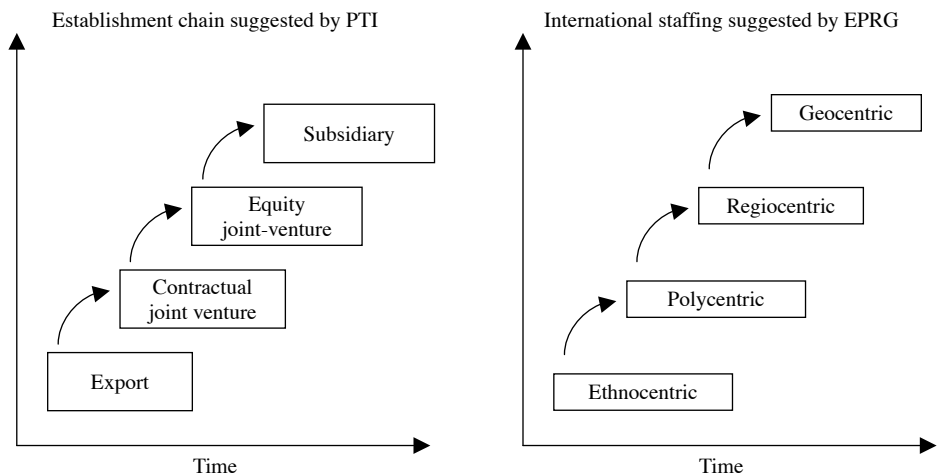


Figure 2. Incremental process of the PTI and EPRG.

internationalization process resembles a learning process. The acquired knowledge over time is considered a firm's resource. One key characteristic of PTI is the psychic distance (Johanson and Wiedersheim-Paul 1975) which is defined as the sum of factors preventing the flow of information from and to the market. Such hindrances of the information flow result from differences in legal, political, linguistic, cultural, or economic norms between country markets. Through gradual internationalization from psychically close to more psychically distant markets, firms reduce the frictions resulting from psychic distance incrementally. Furthermore, the process takes place along the establishment chain. That is, foreign market treatment occurs in the steps 'no regular export', 'independent representative (agent)', 'sales subsidiary', and 'production' in the final stage (Johanson and Vahlne 1977, p. 24). Firms begin to export as a response on received requests to sell products abroad (Aharoni 1966). Thus, internationalization is a reactive process.

Although different concepts concerning international human resource management have been introduced in the past years, the EPRG concept by Perlmutter (1965, 1967, 1969a,b,c), Heenan and Perlmutter (1979) and Perlmutter and Heenan (1974) still belongs to one of the most cited concepts in international human resource management. The EPRG concept assumes that value orientation and the leading philosophy of the management board influence the type of internationalization and especially international staffing to a great extent. Heenan and Perlmutter (1979) and Perlmutter and Heenan (1974) distinguish four ideal types of value orientation of the firms' management. By doing so, they characterize staffing policy as well (Mayrhofer and Brewster 1996).

According to the (1) *ethnocentric orientation*, fundamental decisions are made at headquarters, and foreign subsidiaries possess little autonomy. The key positions in the home country as well as abroad are assigned by managers from the headquarters. In the (2) *polycentric orientation*, the headquarters considers foreign subsidiaries as independent national entities, and autonomy is granted to a great extent. The foreign subsidiaries are usually managed by host country nationals (HCNs). A transfer of parent country nationals (PCNs) to foreign subsidiaries is not intended. According to the (3) *regiocentric orientation*, foreign assignments are organized by regions. In each region, subsidiaries are interconnected and regulated by a regional center. The regional center acts autonomously and instructs foreign subsidiaries in the region. In respect of staffing, a pool of managers is used across country borders yet only in the marked-off regions. These employees can be HCNs as well as employees who are from neither the home nor the host country – the so-called third country nationals (TCNs). In the (4) *geocentric orientation*, the headquarters and foreign subsidiaries are highly integrated worldwide and interdependent to a high degree. Not the geographical position but the respective competence determines the type of cooperation between the entities. In reference to international staffing, the most qualified employees for key positions are chosen without consideration of their origin.

The EPRG concept is dynamic in its nature and allows for changes over time. Perlmutter (1969a, p. 17) himself states that '[t]here appears to be evidence of a need for evolutionary movement from ethnocentrism to polycentrism to geocentrism'. When firms grow internationally along the establishment chain, their staffing and development policies also change (Kelly 2001). In the early phase of international firm development, corporations adopt an ethnocentric staffing policy by sending out managers to the host country subsidiaries to transfer parent company culture and to ensure conformity with financial and organizational procedures. After a certain time, they adopt a polycentric staffing policy to management development, promoting, as confidence grows, HCNs to senior positions in their subsidiaries; yet the polycentric style prevents HCNs from reaching the most senior positions at corporate headquarters. As the company becomes

even more international, it adopts a regiocentric and finally a geocentric policy based on developing the best person for the job irrespective of his or her nationality (Kelly 2001). In summary, the pattern of value orientation and international staffing, respectively, starts with an ethnocentric orientation, leads to polycentric orientation, and ends in a regiocentric or geocentric orientation.

The gradual and dynamic character is, therefore, similar to PTI's assumption that internationalization appears as an incremental process. Such an international staffing pattern is supported by several empirical studies. Cheah-Liaw, Petzall and Selvarajah (2003), for example, show that in Australian–Malaysian Joint Ventures, staffing in the initiation phase was ethnocentric, giving way to polycentric staffing in the transitional phase and geocentric staffing in the maturation phase. These movements from an ethnocentric to a geocentric staffing policy are due to forces of globalization which constrain firms to change to geocentric staffing policy. In a similar vein, Adler and Ghadar (1990) argue that the more a firm becomes global the more likely it follows the geocentric policy. In support of these argumentations, Kobrin (1994) found that the geocentric mindset of firm managers was positively associated with the extent of internationalization (percentage of sales, employees abroad, and manufacturing presence). Thus, a geocentric staffing policy is the most efficient way for MNCs to handle their international business (Calof and Beamish 1994; Caligiuri and Stroh 1995; Muratbekova-Touron 2008).

Early internationalization and international staffing

The phenomenon of early internationalizers questions the incremental patterns of internationalization as suggested by the PTI. Early internationalizers venture into foreign markets right from inception at various stages of the establishment chain (leap-frogging). The INVT by Oviatt and McDougall (1994) states that not only large and long-lived multinational enterprises (MNEs) enter foreign markets but also increasingly start-ups at, or shortly after their inception (Autio, Sapienza and Almeida 2000). Oviatt and McDougall (1994) identify three major determinants allowing firms to venture into foreign markets at such an early stage in their life cycle.

First, early internationalizers are characterized by an *internationally experienced management team* helping the firm overcome the liabilities of foreignness resulting from legal, cultural, linguistic, or political barriers of the foreign market (Hymer 1960; Zaheer 1995). Prior international experience provides the firm with the necessary knowledge to access the foreign market at an advanced mode of market commitment. An internationally experienced management allows the firm to better handle the liabilities of foreignness (Hymer 1960; Zaheer 1995), reducing uncertainty about the foreign market.

Second, early internationalizers are characterized by a strong degree of *technological intensity*. Owing to the mobility of their knowledge and the focus on a single product (or a limited number of products), early internationalizers utilize global demand in niche markets leading to exploit growth opportunities less constrained by national boundaries (Autio et al. 2000).

Third, early internationalizers possess a high degree of international *network* contacts which provide the firm with access to the knowledge of others as well as with resources allowing to overcome the liabilities of foreignness (Hymer 1960; Zaheer 1995) and to access the foreign market by more advanced modes of the establishment chain. Thus, prior international experience of the management, technological intensity, and network contacts enables the firm an earlier and faster international venturing at higher modes of market penetration than export does (leap-frogging).

However, we argue that early internationalization should impose fundamental challenges for the international staffing. If prior international experience, technological intensity, and network contacts allow for entry mode leap-frogging, they should also have an impact on international staffing enabling the firm a different process than from an ethnocentric (over polycentric and regiocentric) to a geocentric orientation. Firms should skip steps of international staffing and choose higher order types if they possess an internationally experienced management board, high technological intensity, and network contacts. Therefore, we illustrate in the following section how prior international experience of the management, technological intensity, and networks allow for leap-frogging in international staffing and how this differs between early and late internationalizers.

Prior international experience of the management

There is evidence that the international experience of the founder and management enables firm to be active on an international level shortly after their establishment (McDougall, Shane and Oviatt 1994; Oviatt and McDougall 1995; Bloodgood and Sapienza 1996; Madsen and Servais 1997; Reuber and Fischer 1997; Westhead, Wright and Ucbasaran 2001; McDougall, Oviatt and Shrader 2003; Johnson 2004). Internationally experienced managers recognize the chances of internationalization for the company quickly. In addition, an internationally experienced management possesses approved routines to acquire knowledge in foreign markets which accelerates learning and enables leap-frogging. Thus, the experience of the founder and the management influences the speed and commitment of internationalization (Jones 1999).

We predict that international experience of founders and management also influences the firm's international staffing strategy because experienced managers are aware of the shortcomings of the ethnocentric staffing policy such as high dropouts during foreign assignments and cost-intensive training. Expatriates need this training because they typically lack knowledge of the local culture, economy, and political environment resulting in costly mistakes when they fail to understand local market conditions (Phatak 1995; Daniels and Radebaugh 1998). In addition, it is costly to relocate and maintain expatriates overseas (Dowling and Schuler 1990; Heim 1997). An internationally experienced management knows the disadvantages of an ethnocentric staffing policy, which is characterized by the dominant deployment of PCNs.

To avoid these problems, internationally experienced managers restrain from concentrating solely on deployments of PCNs. Instead, they choose a staffing policy, which is qualification orientated and regardless of the employee's origin. Downes and Thomas (1997) argue in a similar way when they recognize a turning away from elaborate deployment management with the increase in the international experience of the management. The above argumentation about the impact of an internationally experienced management board on international staffing policy leads to the following thesis:

Hypothesis 1: Prior international experience of the management team leads to the choice of more advanced types of international staffing.

Technological intensity

Empirical evidence shows that technological intensity is an important determinant for early internationalization (Autio et al. 2000). However, technologically intensive firms are exposed to the threat of unwanted knowledge diffusion. To protect and internalize

know-how, technologically intensive firms establish international joint ventures and wholly owned subsidiaries while internationalizing (Kabst 2004). The threat of unwanted knowledge diffusion resulting from the transfer of technology leads to a higher need of control. At first glance, an ethnocentric staffing policy seems to be appropriate to exercise control. However, applying an ethnocentric international staffing strategy also leads to problems referred to as volatility of foreign commitment and difficulties with the expatriate management (Killing 1983; Shenkar and Zeira 1987; Schaan 1988). Thus, a dominant control through an ethnocentric international staffing is not efficient. Instead of solely sending out PCNs, firms should rather focus on deploying employees on the basis of efficiency principles. To protect technology, it is sufficient to assign PCNs to key positions and assign the other management positions with respect to qualification (regardless of nationality; Kabst 2004). In this regard, PCNs may function as gatekeepers. Such a staffing policy fits neither the ideal type of an ethnocentric nor a polycentric orientation but represents a geocentric-orientated staffing policy.

On the basis of these arguments, we hypothesize the following hypothesis:

Hypothesis 2: Technological intensity leads to the choice of more advanced types of international staffing.

Networks

Numerous studies focus on the role of networks and early internationalization (Bell 1995; Coviello and Munro 1995; Oviatt and McDougall 1995; Knight and Cavusgil 1996; Madsen and Servais 1997; Schwens and Kabst 2009). By means of network contacts firms are able to overcome the liabilities of foreignness, because information exchange and interaction with network partners gives access to new knowledge and valuable resources. This access to distributed competences, resources, and abilities within networks enables firms to leap-frog early steps of internationalization (Grandinetti and Rullani 1994; Tavakoli and McKiernan 1999).

International networks lead to a more strategic and selective staffing as well. The presence of a large network is associated with the existence of a network-wide knowledge base with country- and market-specific knowledge which reduces the role of expatriates by transferring market-specific knowledge from the affiliate to the parent firm. Furthermore, having a broad base of international network contacts enables firms to draw from a larger pool of possible HCN managers with the relevant management experience and skills. Hence, a better availability of HCN managers with the required skills and experience reduces the likelihood of PCNs being assigned (Belderbos and Heijltjes 2005). Instead, an efficient and qualification-based deployment is more likely. In addition, networks also reduce search time as well as control costs (McDougall et al. 1994).

Therefore, we assume that a broad range of network contacts increases the probability that firms' staff foreign positions with HCNs or other external employees within the network, instead of sending their own employees abroad. These considerations lead to the following hypothesis:

Hypothesis 3: International networks lead to the choice of more advanced types of international staffing.

Early opposed to late internationalization

For early internationalizers, the prior international experience of the management team, technological intensity, and international network contacts may be even more important as

they provide the firm access to the right personnel in the right international spot. Late internationalizers on the opposite may have more time and patience to identify and train their international staff. They may be able to undertake more intensive activities to reduce information asymmetries between job candidates and the firm. Also, they may have more resources to conduct more intensive search activities to find the right personnel.

Early internationalization exposes the firm to fundamental challenges due to the liability of foreignness and also the resource scarcity that the firm faces. Qualified and experienced management staff for foreign assignments is usually missing. Even if qualified and experienced management staff is available, it is very cost intensive. This is due to training costs, hardship and mobility benefits, and the relocation costs of expatriates (Dowling and Schuler 1990; Heim 1997). These costs do not apply when hiring HCNs or TCNs. Thus, pursuing an ethnocentric staffing policy by sending out PCNs is improbable for early internationalizers due to staff scarcity and financial costs. Early internationalizers seek for other means like human resources from network partners to fill vacancies in the foreign affiliates. Network members provide a large pool of possible HCNs and TCNs with the required management experience and skills. This further underscores the importance of networks for early internationalizers.

PCNs will typically lack knowledge of the local cultural, economic, and political environment (Phatak 1995; Daniels and Radebaugh 1998). This often leads to costly mistakes because expatriates fail to understand local market conditions. As early internationalizers are often knowledge-intensive firms, they are dependent on rapid amortization of their R&D expenses. Therefore, they may not have the time, capacity, and patience to train PCNs to avoid the costly mistakes due to lacking cultural and market knowledge. A better alternative for early internationalizers to avoid these mistakes is the employment of the most qualified employees with required management experience and skills. This approach refers to a geocentric staffing policy and therewith a leap-frogging of lower stages of the EPRG concept.

Therefore, we assume that the relationship between prior international experience of the management team, technological intensity, and network contacts and international staffing is moderated by early internationalization (opposed to late internationalization). Hypotheses 4a–4c summarize our argumentation:

- Hypothesis 4a:* The relationship between prior international experience of the management team and international staffing is stronger for early opposed to late internationalizers.
- Hypothesis 4b:* The relationship between networks and international staffing is stronger for early opposed to late internationalizers.
- Hypothesis 4c:* The relationship between technological intensity and international staffing is stronger for early opposed to late internationalizers.

Methods

Sample

To collect data, we conducted a questionnaire-based survey. Our sample consisted of 4229 German medium-sized companies. We used the Hoppenstedt Enterprise Directory to identify the German population of internationally operating medium-sized companies. The final sample was composed of 4229 companies. Questionnaires were sent to chief executive officers (CEOs) or firm owners, perceived to be most knowledgeable about the firm's internationalization practices and strategic decisions. The final response rate was 10.6%

(499 questionnaires). We included 116 (*N*) companies into our analysis because companies which simply export are not considered. For these companies, deployment is excluded per definition and questions referring to international staffing policy are irrelevant.

The time lapse between the survey and the internationalization of the firm was minimum 0 years, maximum 29 years, and on average 8.9 years with a median of 6 years. Applying retrospective recall in our survey, the obvious disadvantages of such a method necessitate further comments. In organizational research, retrospective reports have been used extensively to study strategic decision-making processes (Mintzberg, Raisinighani and Theoret 1976; Bourgeois and Eisenhardt 1988). The primary problem is that key informants may not be able to accurately recall the past (Huber and Power 1985; Wolfe and Jackson 1987; Golden 1992). Asking for the first year of internationalization could be a problem in remembering due to the age of some of the companies in our data. However, our sample includes a significant number of family businesses (~79%). As we addressed the questionnaire to the top management, the likelihood that the CEO was involved in the first internationalization decision-making processes was high. Particularly in family businesses, the CEO is often closely related to the founder of the firm or established the company himself. This may significantly reduce the risk of informant fallibility (Golden 1992; Miller, Cardinal and Glick 1997), and leads to higher retrospective accuracy. Furthermore, Miller et al. (1997, p. 197) suggest in their analysis of both retrospective and non-retrospective strategy data '[...] that CEO reliability is no lower in retrospective than in nonretrospective reports.' Thus, aware of the disadvantages of retrospective recalls we agree with Miller et al. (1997, p. 194) that '[t]he reliability of any methodology is not perfect. [...] even if retrospective recall of strategic actions is perfect, a questionnaire assessment will not yield a perfect retrospective accuracy coefficient.'

We tested the data for non-response bias as well as 'common-methods variance.' In reference to Oppenheim (1992), we conducted a *t*-test with the first 20% 'early respondents' and the last 20% 'late respondents' of response referring to the three surveys. The results did not show significant differences between both groups, which were based on criteria 'number of employees' and 'turnover' of medium-sized companies. Furthermore, we performed two principal component analysis (PCA) to test for common-methods variance. Because of the fact that analysis of several factor loadings with 13.6 and 17.5% explained variance has the highest eigenvalues, common-methods variance is no significant problem (Podsakoff and Organ 1986).

Owing to missing data, we conducted tests as suggested by Little and Rubin (1987) and Allison (2002); however, the tests did not show any significant problems due to missing variables.

Measurement

International staffing

According to Cheah-Liaw et al. (2003) and Caliguiri and Stroh (1995), we measured the dependent variable by an ordinal scale asking the respondents how they staff their foreign positions. Each step of the EPRG concept, namely ethnocentric, polycentric, regiocentric, and geocentric staffing, forms a category of this variable.

Prior international experience

We measured prior international experience with two 4-point Likert-scaled items (from 'I fully disagree' to 'I fully agree'). CEOs were asked whether (1) they had long-ranging international experience before entering the foreign market and (2) their firm has a

multitude of internationally experienced managers. The scale assessing prior international experience possessed in internal consistency reliability of $\alpha = 0.694$.

Technological intensity

We measured technological intensity with two 4-point Likert-scaled items ranging from 'I fully disagree' to 'I fully agree.' CEOs were asked whether (1) the foreign affiliate uses new internal company-specific technologies and (2) important internal company-specific know-how was transferred into the foreign market. The scale measuring technological intensity possessed an acceptable level of internal consistency reliability ($\alpha = 0.722$).

Networks

We measured networks with five 4-point Likert-scaled items ranging from 'I fully disagree' to 'I fully agree.' The items reflect the degree of quality and quantity of networks in the foreign market. Sample items include 'Knowledge and contact to business partners abroad was well developed' and 'There was an intense and truthful relation to business partners in the foreign country.' The scale used to measure networks possessed high internal consistency reliability of $\alpha = 0.804$.

To measure the moderator early (opposed to late) internationalization, we used a dichotomous variable. This moderator describes whether a company is active on an international level within the first 5 years of business activities, thus being an early internationalizer. For this purpose, the year of first international activities is subtracted from the year of establishment of the company. If the result is smaller or equals five, the company is an early internationalizer. If the result is higher than five the company belongs to late internationalizers. This measurement is in line with several studies focusing on early internationalizers (Zahra, Ireland and Hitt 2000; Coviello and Jones 2004).

Control variables

We entered the age of the company in our model because the older a company the further it progresses the incremental process of international staffing implying regiocentric or geocentric staffing. Furthermore, we entered a dichotomous variable, which shows whether the company is a family business in our model. We entered this variable because family businesses less likely hire non-family managers (Reid and Adams 2001; Graves and Thomas 2006) due to founders' reluctance to relinquish control (Davis and Harveston 2000; Boeker and Karichalil 2002), their preference for privacy (Gersick, Davis, Hampton and Lansberg 1997), and their entrenched nepotism (Kets de Vries 1996).

Results

Table 1 reports the means, standard deviations, and intercorrelations of the variables. All correlations stay below 0.7. Thus, none of the correlations are such that they would give rise to concerns. In addition, we calculated the variance inflation factor (VIF) values to test the extent to which values of the coefficients increased due to collinearity of the coefficient values. Our analyses for the relevant variables show several VIF values with the highest value of 1.43 [maximum recommended by Allison (1999) is 2.5]. Thus, there is no serious risk for multicollinearity between the dependent, direct, moderator, and control variables (Anderson, Sweeney and Williams 2002).

The results of our ordered Logit regression analysis are reported in Table 2. To test our moderator hypotheses (4a–4c), we used sub-sample analyses instead of interaction terms

technological intensity and advanced international staffing types. In the contrary, technological intensity increases the choice of lower steps of the EPRG concept and the choice of an ethnocentric strategy.¹ For a one-unit increase in technological intensity, the odds of choosing more advanced international staffing types are 0.490 times lower, given that the other variables are held constant. This is not in line with our argumentation and thus – even if we found a significant association – Hypothesis 3 is not supported.

Models 2 and 3 report the sub-group analyses of early and late internationalizers testing Hypotheses 4a–4c. Results of the sub-group analyses suggest fundamental differences between early and late internationalizers. Starting with the controls, we found that the international staffing of early internationalizer is not influenced by the fact whether the firm is a family business. In contrast, family-owned late internationalizers more likely send out PCNs and, therefore, follow an ethnocentric staffing policy.

Results show that networks have a positive and significant influence on international staffing, but are not significant in Model 3. For early internationalizers, a one-unit increase in networks yields a change in log odds of 1.645 meaning that the odds of choosing more advanced types of international staffing is 5.181 times greater than lower types, given that the other variables are held constant. For late internationalizers, however, networks have no impact on international staffing. Thus, the relationship between networks and advanced international staffing types is stronger for early opposed to late internationalizers, supporting Hypothesis 4a. International experience, however, shows a different pattern as predicted in Hypothesis 4b. International experience is neither significantly associated with the choice of more advanced types of international staffing in Model 2 nor is in Model 3. Hence, Hypothesis 4b is not supported. Similar to the results in the combined sample, technological intensity is also negatively associated with advanced international staffing types but becomes even stronger for early internationalizers. For a one-unit increase in technological intensity, the odds of advanced types versus lower types of international staffing are 0.125 times lower, given that the other variables are held constant in the model. For late internationalizer, however, technological intensity does not influence the international staffing pattern at all. Thus, we can conclude that although the direction of the coefficient is not as we assumed, the relationship between technological intensity and advanced international staffing types is stronger for early opposed to late internationalizers, supporting Hypothesis 4c. To verify the results of the sub-group analyses, we also employed the Chow tests, which can identify whether regression estimates of two sub-groups are significantly different. Overall, the Chow tests corroborate the findings of the sub-group analyses, indicating stronger relationships for early opposed to late internationalizers.

Discussion and implications for future research

The aim of this paper was to analyze the impact of (1) prior international experience of the management, (2) technological intensity, and (3) network contacts on the international staffing of the firm and to show how these relationships are moderated by early opposed to late internationalization.

Surprisingly, international experience of the management had no effect on international staffing policy in any of the three models. The structure of international experience seems to be more diverse than we have assumed. This could be caused by the measurement of international experience which primarily focuses on the quantitative international experience (Reuber and Fischer 1997; Kundu and Katz 2003; Dimitratos, Lioukas and Carter 2004; Brouthers and Nakos 2005). This measure possibly does not capture international experience adequately. It is possible that international experience is country

specific and is not transferable to other foreign engagements. Thus, it would be necessary to focus more on the quality of international experience and examine to what extent this experience gained from one foreign engagement is transferable to other countries.

Empirical results show that networks lead to leap-frog early stages of the EPRG concept. Management positions in foreign subsidiaries are staffed with employees of the host country and of third countries. Alternatively to innate learning, networks reduce asymmetric information and liability of foreignness on foreign markets. We conclude that the access to networks not only enables a faster market entry but also increases the possibility to skip early steps of the EPRG concept. For early internationalizers, the access to networks is even more important. As they are usually lacking all kinds of resources, networks provide them access to a larger pool of managers with the required experience and skills. Hiring managers from the network saves time and enables to bridge staff shortages, which is a deficit especially of early internationalization. Thereby, inherent problems of ethnocentric staffing policy, such as motivation, language, or cultural friction, are eased by staffing foreign positions with employees from the host country and employees from a third country.

The significant but negative relationships between technological intensity and advanced international staffing types in Models 1 and 2 do not conform to our expectations. Companies which transfer proprietary technology in foreign countries interestingly chose an ethnocentric strategy and staff expatriates for foreign assignments. Employees from the home country protect transferred technology and connect specific knowledge. This is a means to avoid unwanted diffusion and misuse. As the results of Model 2 suggest, this seems especially relevant for early internationalizers. This might be due to the fact that early internationalizers do not possess a portfolio of different technologies. Therefore, the protection of core knowledge is a crucial factor. For late internationalizers, however, technological intensity has no effect on international staffing at all. It seems that late internationalizers developed other techniques of protecting their knowledge and are thus not vulnerable to unwanted knowledge diffusion.

The negative association between technological intensity and advanced international staffing types may also result from our sample as we concentrate solely on medium-sized companies. Large MNCs usually have to staff several management positions abroad. While they staff most management positions with HCNs or TCNs solely technological, gatekeepers are staffed with PCNs. SMEs especially early internationalizers do not have the possibility of differentiation regarding deployment of many management positions abroad. Owing to their small size, they often have to staff only one management position abroad, namely the CEO. If SMEs chose PCNs to fill the only foreign position, this staffing policy is, of course, analogous to an ethnocentric strategy.

Although technological intensity, on the one hand, leads to early internationalization, on the other hand, it necessitates the need for protection from unwanted diffusion of proprietary knowledge. To prevent diffusion and imitation of company-specific knowledge, firms chose an ethnocentric staffing policy. By transferring PCNs, an unwanted diffusion of technology is secured. Therefore, firm's decision calculus is different. Neither the lack of knowledge nor the less-developed maturity concerning foreign markets influences staffing policy with early internationalizers. It is rather the protection against unwanted diffusion of proprietary knowledge which influences staffing policy with early internationalizers.

Regarding the control variables, age has consistently significant positive effects on international staffing types in all models. The older the company, the further the company has progressed within the learning curve and the more it has reached regiocentric or geocentric types of staffing policy. This connection conforms to the incremental process of staffing policy within the EPRG model and the concept of international corporate

evolution (Adler and Ghadar 1990). Furthermore, if the company is a family business, the probability for choosing more advanced international staffing types decreases. Family businesses prefer lower steps of the EPRG concept when they staff in foreign countries. One can assume that the patriarch has a clear idea of control, prefers deployment of PCNs, and wants to secure his power. This especially holds true for late internationalizing firms. Early internationalizers, however, chose their international staffing policy independent of their ownership structure. Although we fail to support all of our hypotheses, we show that the international staffing patterns of early and late internationalizing firms are fundamentally different and leap-frogging in international staffing exists.

As it is the case for most empirical studies, the present study has some limitations. Although the retrospective character allowed examining processes over time, difficulties such as the recollection apply to the dataset. Thus, longitudinal data are necessary to picture the incremental process of staffing policy within the EPRG concept. Furthermore, the EPRG typology represents a number of ideal types of organization and it is likely that not all MNCs will exactly fit any of the ideal types (Bonache and Fernandez 1997). Thus, future research should also examine alternative forms of international assignments (Meyskens et al. 2009). Another limitation is related to the choice of experience measure. We followed the dominant practice to use quantitative measures to capture international experience. This measure might capture the length but not necessarily the intensity of international experience. Future research should thus use differentiated measures for a more comprehensive assessment of international experience.

Further limitations arise from the limited number of predictors. There are surely further variables such as host country-specific factors which determine the international staffing policy. However, as this is – to our knowledge – the only study focusing on international staffing of early internationalizer, it is a first step in shedding some light on the expatriate management of early internationalizers. A significant amount of studies has been published in both research fields – in separation from one another. Studies taking an international staffing perspective in early internationalizing firms are largely missing so far. However, for early internationalizers, international staffing is a particular challenge. Early internationalizers venture into foreign markets early in their life cycle leading them to suffer from a high extent of resource scarcity and lesser personnel in comparison with larger firms. Their early internationalization efforts expose the firm to fundamental challenges with regard to their human resource management. Our study makes a first step into researching how early internationalizers are able to balance the challenges of fast international coverage and professional and long-term-oriented human resource management. Leap-frogging in international staffing allows early internationalizers to meet the prerequisites for a successful internationalization and staffing policy.

Finally, international staffing policy of early internationalizers is a young and fruitful field of research. Further studies, which can increase our state of knowledge, are eligible. Future studies should consider the significant importance of network relationships on the one side. On the other side, findings concerning international experience and technological intensity should be deepened and differentiated.

Note

1. To test whether low values of the EPRG concept, which are a consequence of high technological intensity, lead to an ethnocentric staffing policy we calculated a multinomial logistic regression. These confirm the arguments that deployment of PCNs is utilized for protection of unwanted diffusion of technology. Technological intensity is positively significant for ethnocentric strategies in multinomial models, but not for polycentric staffing strategies.

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