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# Expatriate Compensation: A Total Reward Perspective

Christelle Tornikoski

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**PhD. Program in Management**

# **Expatriate Compensation: A Total Reward Perspective**

This dissertation serves for a double PhD/Doctoral degree from EMLYON Business School (France) and the University of Vaasa (Finland)

Defended on June 29th, 2011 by

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## ABSTRACT

For the past decade it has been pointed out that employee perspectives on and reactions to HRM should be reinstated within the relationship between HRM practices and performance, since employees are deemed critical to organizational outcomes. Furthermore, research has shown the limited effect of financial compensation practices on employee commitment and retention.

The scarce theoretically grounded studies which have examined expatriate compensation have been guided by the view that financial compensation is a pivotal control and incentive mechanism, a flexible means to achieve corporate outcomes.

This dissertation considers expatriate compensation from an individual perspective. It comprises four articles, of which three are based on empirical data. The first theoretical article brings to the fore the necessity of considering expatriate compensation as embedded into the employment relationship, which is itself entwined with the international environment of the expatriation. In the second article the relationship between expatriates' state of psychological contract related to their compensation package and affective commitment is investigated using quantitative empirical data. The third article examines more closely this previous relationship by considering the mediating role of perceived employer obligations. The fourth articles uses qualitative interview data to investigate, from a total reward perspective, what factors influence career decisions of global careerists.

The dissertation shows that organizations would do well to encompass rewards most valued by expatriates into their compensation packages. Secondly, it shows that expatriates systematically assess their total reward package, interpret and give meaning to compensation signals in terms of fulfillment of perceived employer obligations. Simultaneously they re-adapt or adjust their attitudes at any moment through their employment relationship. Thus to retain expatriates organizations might do well to pay more attention to what expatriates value most in their employment relationship rather than simply paying them more.

**Keywords:** Expatriate, compensation, total reward, psychological contract, commitment, retention



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Finishing a Doctoral dissertation often marks the end of a personally challenging period of life. It is challenging in the sense that writing a dissertation is often synonymous with loneliness, uncertainty, deep self questioning, searching for recognition and legitimacy from the academic world as well as from the “outside” world. During this work perseverance is needed. Henceforth, reaching the ultimate completion is really a self-rewarding outcome of all the months and years of hard work; a huge intrinsic reward. This sinuous and lengthy way to complete the defense is the “ritual” process that ensures our knowledge meets the rigors of the academic world’s requirements. During this long process (especially mine since I originally registered myself as a European doctoral student in 1996), the tiniest direct or indirect support and help from individuals and organizations are invaluable. Therefore and before all, I wish to thank from the bottom of my heart all of those who have helped me in any way during these past 15 years.

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# 1 INTRODUCTION

## 1.1 Background

Since mid 90's organizations and employees have had to face an increasing speed of activities and career internationalization. Expatriation, either assigned or self-initiated, has become a normal part of business career advancement (Schell & Solomon 1997) but also an essential prerequisite step to some managerial positions either in the home country or abroad. Organizations look for employees able, for instance, to transfer technical, administrative or management know-how, improve communication between headquarters (HQ) and a subsidiary, to ensure that HQ's policies are carried out locally, coordinate subsidiary's activities with overall activity of corporation, gain experience and acquire skills for future positions with foreign operations (Stahl & Cerdin 2004). While the number of expatriates has and is expected to steadily increase, organizations have had to face fierce international business competition as well as challenges linked to the economic crisis. They consequently have had to adapt their strategies in order to reduce and control their costs. This has led them to downsize, restructure, merge or, relocate to remain competitive and to modify their approach to the way of compensating expatriates.

Expatriate compensation is often considered extremely costly and time consuming for the organizations involved (Bonache & Pla-Barber 2005). Thus it has two inherent handicaps when it comes to the management of contemporary employment relationships (Rousseau, 2001). This perception pressures companies to either decrease their investment in international experience and knowledge, (Bonache & Pla-Barber 2005; Pate & Scullion 2010, Schell & Solomon 1997) or to look for alternate international employee populations, such as self-initiated expatriates (Meyskens, Von Glivow, Wether & Clarke 2009; Thite, Srinivasan, Harvey & Valk 2009) or to decrease the coverage and amount of their expatriate compensation packages (Perkins & Daste 2007).

However, compensation practices and strategy are one of the most powerful and salient means in the employment relationship to send clear messages to members of the organization, informing them about expected attitudes and behaviors (Schell & Solomon 1997, Rousseau & Ho 2000). There is a danger that the pressures that organizations feel to reduce compensation costs may lead to an alteration in the expatriates' perceptions not only of their compensation package, but also of their whole employment relationship prompting expatriates to change their attitude toward their employer or simply change their employer.

Research has already noted that employees have lost their job security and therefore severed their socio-emotional attachment to their employer. There has been a shift in the psychological contract between employees and employers for the past decade (Rousseau 1995; Altman & Post 1996). Henceforth, the exchange relationship has become much more transactional and calculative nowadays (Pate & Scullion, 2010). This trend concerns national employment relationships (Rousseau 1995; Millward & Brewerton 1999) as well as international ones (Pate & Scullion 2010). This means that “*parties involved in the employment relationship are directed by multiple motives, or “a mix of selfish and social interests” (Macneil 1980). The parties pursue their self-interests (opportunism) and strive to keep their commitment (thus remaining as legitimate players) simultaneously (Yan et al. 2002: 377).*” The standard today for what employees consider acceptable in their exchange relationship may have shifted such that getting more than they deserve is more satisfying than what they actually deserve according to Shore (2004).

A consequence of this spiral of changes is that organizations increasingly face tremendous challenges in attracting, motivating and retaining these valuable people for sustaining their strategic development abroad. They have to overcome the challenge of designing compensation programs that not only span the world and support the organization’s strategic goals and objectives, but also guarantee consistency, equity and transferability throughout the entire working life of the new mobile work force (Bailey 1995). Key challenges for organizations are whether they have means of modifying the content of expatriate compensation packages to increase their costly and valuable employees’ affective commitment (antecedent to job satisfaction and turnover attitudes) so as to retain them without incurring incremental costs. Prior to this understanding, organizations need to learn how their expatriates perceive and react to their compensation practices signaled by their package, what types of rewards their employees value most and how these affect their decisions regarding their stay in or leave from their employing organizations.

In other words organizations look for information about how to commit their costly employees to the organization from the beginning of the international assignment until the success of their repatriation. Understanding what kind of compensation elements and rewards motivate expatriates most during their international assignment might provide this information. Indeed Cerdin & Le Pargneux (2009) suggest a fit between what motivates expatriates and the success of the international assignment (from pre-expatriation until repatriation success). Previous research on financial rewards has focused on the strength of the link between pay and performance, and the impact of corporate governance characteristics like

board composition and ownership structure on CEO's or executive pay. The present research examines the relationship between expatriate compensation package (defined as a "bundle of total rewards) and expatriates' affective commitment and global careerists' career decisions.

The following paragraphs present the key concepts used in this research.

## 1.2 Key Concepts

### 1.2.1 *Expatriates*

"Expatriates" have traditionally represented employees sent by their employing organization on international assignment abroad for a certain period of time, usually from two to five years (Edström and Galbraith 1977; Stroh, Gregersen & Black 2000). This population of "assigned expatriates" (AES) has been most studied by previous IHRM literature. However since a decade or so IHRM researchers have turned their interest in parallel to a fast growing population of employees who secure a job abroad on their own initiative without necessarily having a pre-defined return scheduled. This other population of mobile employees across borders are called "self-initiated expatriates" (SIEs) (Inkson, Arthur, Pringle, and Barry 1997; Suutari and Brewster 2000; Inkson and Myers 2003; Lee, 2005, Myers and Pringle, 2005; Vance 2005; Doherty & Dickman 2008; Peltokorpi 2008; Le Pargneux 2009; Peltokorpi & Froese 2009; Bieman & Andresen 2010; Cerdin & Le Pargneux 2010). Even though SIES have been around for as long as AEs, if not even longer time, researchers might have overlooked them as they do not belong to the traditional samples or data sets obtained from organizations. Researchers (e.g. Inkson et al. 1997) have described the differentiating characteristics between SIE and AE populations: individual background variables, employer and task variables, compensation & repatriation issues as well as career -anchors (Le Pargneux 2009; Cerdin & Le Pargneux 2010), - capital development (e.g. Jokinen, Brewster & Suutari 2008) and -types (Biemann & Andresen 2010) among other themes. This research refers to both populations when using the term "expatriate" and specifies one or the other population whenever it is needed.

Moreover the sample of Article 4 consists of global careerists. Those are expatriates whose career encompasses a succession or collection of multiple international assignments (e.g. Suutari 2003; Cappellen& Janssens 2005; Stahl and Cerdin 2004; Thomas, Lazarova & Inkson 2005; Mäkelä & Suutari 2009; Herman & Tetrick 2009; Mäkelä & Suutari 2010). Very valuable to organizations from a

global knowledge perspective they are nevertheless difficult to retain (Suutari 2003, Suutari & Mäkelä 2007).

### 1.2.2 Compensation

In this study I adopt the definition provided by Milkovich & Newman's (2002). According to them compensation represents "*all forms of financial returns and tangible services and benefits employees receive as part of an employment relationship*" (in Werner & Ward 2002: 202). In this study "tangible services" are understood as synonyms with "tangible returns" from the organizations to the employee in exchange of a contribution. They refer to any return which is either visible symbolically and physically, or easily computable and comparable between them or with those of other employees.

Compensation is a core and defining feature of any exchange relationship (Bloom & Milkovich 1996; Rousseau & Ho 2000). "*Adam Smith was among the first to propose a formal theory of the relationship between compensation and work. He characterized pay in terms of "the net advantage" resulting from an exchange of multiple returns which, when added and subtracted, determine what the worker will provide to the employer*" (Bloom & Milkovich 1996:26 referring to the work by Mahoney 1979; Smith 1776/1976). According to Bloom & Milkovich (1996), pay or compensation is fundamental to the value and meaning that the different parts of an employment relationship (employee, employer, third part) ascribe to it. Reviews of compensation research generally stay within one of the above perspectives and focus on specific aspects of compensation (Milkovich 1988; Heneman 1990; Welbourne & Gomez-Mejia 1995; Lazear 1999; Gerhart 2000; Rynes & Gerhart 2000), namely salary, performance-related pay, insurances, benefits and allowances in the case of expatriate compensation (Werner & Ward 2004).

### 1.2.3 Total reward

As previously written compensation refers to financial and tangible returns. However, authors such as Blau (1964), Herzberg (1966), Deci (1975), Guest (1999), Bloom & Milkovich (1996), Rousseau & Ho (2000) support that pay and financial returns are not the only motivators for employees and that other returns or rewards are as important within the wider context of the work experience. Henceforth, adopting a total reward approach consists in considering all kind of returns or rewards *perceived* by the individuals within the context of their employment relationship as part of this "bundle" (Bloom and Milkovich 1996) of total rewards. It includes financial, tangible as well as intangible, non financial rewards.

#### 1.2.4 *State of psychological contract*

The state of the psychological contract (SPC) describes employees' subjective perceptions (accurate or not) of the actual HRM practices of their employer in comparison to their psychological contract (Guest 1998, 2004a, 2004b; Guest & Conway 2002; Conway and Briner 2005). This state is directly related to, and yet distinct from their "psychological contract". A psychological contract refers to individuals' beliefs regarding the terms and conditions of an exchange relationship between themselves and their employer (Rousseau 1989). Each employee holds beliefs regarding the returns their employer has agreed (either implicitly or explicitly) to provide him/her in exchange for his/her contribution. The SPC (e.g. Guest 1998; Guest 2004a, 2004; Guest and Conway 2002) is thus operationalized as the employee's perceived discrepancy between this "ideal" return and the "actual" one they perceive as receiving from the organization (HRM practices such as compensation and rewards in this case). As in Robinson's study (1996), the focus of this study is not the accuracy of the perception, but the employee's subjective perception of this discrepancy. This SPC is considered to be either positive or negative.

The three following paragraphs summarize the research gaps identified in the literature and present the related objectives and the structure of this dissertation.

### 1.3 Research gaps

In an in-depth review of the extant literature on expatriate compensation initially (Suutari & Tornikoski 2000a, 2000b, 2001) it appeared that this literature was extremely scarce (Bonache & Fernández 1997; Bonache 2006) in comparison to other issues such assignment acceptance, concerns and expectations of dual career expatriates (Harvery 1997), adjustment (Caligiuri, Hyland, Joshi & Bross 1998; Shaffer, Harrison & Gilley 1999), psychological withdrawal (Shaffer & Harrison 1998), pre-departure concerns (Garonzik, Brockner & Siegel 2000), and commitment (Gregersen & Black 1996). This scarcity was even more striking when considering the abundant literature on managerial compensation in domestic settings. The previous research had focused on the strength of the link between pay and performance, and the impact of corporate governance characteristics like board composition and ownership structure on CEO's or executive pay. So an organizational perspective had guided previous research as prescribed by organizational control theories, such as agency theory. Consequently little was known about how employees and especially expatriates perceived their compensation package

(Guest, 1999) or how their perceptions of their compensation were linked to their attitudes (Bloom & Milkovich 1996) (Articles 2 and 3).

Furthermore, previous research on compensation has been almost exclusively concentrated on financial or monetary compensation (Werner & Ward 2004). Even though financial rewards seem to be effective in attracting employees, these rewards alone have been pointed at as not enough to bind the employee to the organization (Herzberg 1966; Barringer & Milkovich 1995; Malhotra, Budhwar & Prowse 2009). Henceforth, the lack of consideration of other rewards or “valued returns” as understood and perceived by international employees was striking when considering how critical and decisive these last components seem to the employee’s decision in staying in a company (Stahl, Miller & Tung 2002; Dewhurst, Guthridge & Mohr 2009) (Article 4).

Finally, another gap issue identified in the literature on expatriate compensation was that it has been descriptive and practice oriented (exceptions include, Guzzo et al., 1996; Bonache & Fernández 1997; Gregersen, Hite & Black 1996). This reflects the concerns of professionals (Bonache 2006). The lack of theoretical underpinning of compensation studies such as expatriate compensation is addressed by the first paper of this dissertation. Multiple calls for research on the link between perceptions of HRM practices and more specifically compensation and employees’ attitudes and behaviors (Bloom & Milkovich 1996; Guest 1999; Rousseau & Ho 2000) draw further attention to the research gaps that exist in this area.

## 1.4 Objectives of the dissertation

In reference to the research gaps outlined above, the research questions of the dissertation follow the work of Guest (1999) on the employees’ perceptions of HRM practices (expatriate compensation), Bloom & Milkovich (1996) on issues in managerial compensation, and Rousseau & Ho (2000) on psychological contract issues in compensation. They tackle the following concern of multinational organizations: *how to increase the affective commitment of our expatriates toward our organization and ultimately retain them in the long run through the design of their compensation package?*

*(i) Can organizations encourage the loyalty of their international employees through the composition of their compensation packages?*

*(ii) How do expatriates create meaning regarding their exchange relationship based on their compensation package?*

*(iii) How does this meaning creation impact on their affective commitment?*

*(iv) What do global careerists value most in their careers?*

*(v) What influences their career decisions from a total reward perspective?*

The three empirical articles comprising this dissertation address one or more of the above research questions. These research questions find their theoretical roots into the general theoretical framework developed in Article 1. However it is important to stress that this theoretical framework has evolved tremendously throughout this dissertation period. Even though presented as the first article of this dissertation, Article 1 could be equally presented as the last. Articles 2, 3 and 4 are empirical examples of the theoretical progress of this dissertation since they focus on expatriates' perceptions. Indeed the original framework, which considered expatriate compensation from four separated theoretical perspectives (among which the one deemed to be the one used by organizations and the one used by the expatriate), now combines them. It is argued that to fully understand the complex managerial issue of expatriate compensation, the expatriate package has to be considered as being embedded into the employee-organization relationship which is itself entwined with the international context of the expatriation. A summary of the four articles, including which research questions they address is given in Table 1. Then the respective roles of each author of Article 4 are described.

**Table 1.** Summary of the four articles of this dissertation.

	Article 1	Article 2	Article 3	Article 4
Type of paper	Theoretical	Empirical	Empirical	Empirical
Methodology		Quantitative	Quantitative	Qualitative
Research questions addressed		(i)	(ii) & (iii)	(iv) & (v)

Tornikoski is the single author of Articles 1, 2, and 3. Article 4 is co-authored with Vesa Suutari and Liisa Mäkelä. For that article Tornikoski provided a list of expatriates from her sample which could be identified as global expatriates. Based on her previous results on the relationship between intangible rewards and expat-

riate's affective commitment it was commonly decided with the co-authors that a qualitative study examining the relationship between the same rewards and global careerists' career decisions would be very valuable. Tornikoski's main responsibilities, beside providing access to the sample, was (1) the elaboration of the question of the semi-structured interview (2) two later rounds of data analysis together with the co-authors, (3) the redaction of the theoretical sections, as well as (4) the results and conclusion together with Suutari. As joint author of this paper Suutari's responsibilities were the management and supervision of the content of the paper, data analysis and redaction of the paper. Mäkelä's main co-authoring responsibilities were to design the interview, collect and analyze the data, as well as to participate in the redaction.

## 1.5 Structure of the dissertation

The dissertation is organized into five chapters that precede the presentation of the four individual articles. The current chapter introduces the background to the dissertation and presents the thesis's main research objectives. The second chapter reviews the previous literature that is pertinent to the individual articles; namely compensation in the field of management, expatriate compensation and total reward in particular, as well as issues of psychological contract in compensation. The chapter positions the dissertation in terms of the current knowledge in these areas. This chapter is also designed to complement the theoretical article of this thesis (Article 1).

The third chapter of this dissertation describes the research strategy and methodologies adopted in this dissertation. Due to the different methodologies applied in the four empirical papers, the chapter is divided in four sections. Within each subsection the specific methodology's justification, the method of data collection and analysis as well as the relevant issues of validity and reliability are presented. The fourth chapter goes on to provide summaries of the four individual articles. The fifth and final chapter seeks to draw together all the individual articles in order to arrive at some conclusions for the dissertation as a whole. More specifically, the final chapter discusses the main findings, their managerial implications and the theoretical contributions to the literature. In closing, the limitations of the dissertation are outlined and some avenues for future research are suggested.

## 2 LITERATURE REVIEW

The purpose behind the review of previous research is to position the present dissertation in terms of existing knowledge in the field. The review begins by presenting the traditional approaches to managerial compensation. Then it focuses on compensation psychology and expatriate compensation. The review also looks at the salient issues in the previous research so to logically explain how the theme of this dissertation was reached.

### 2.1 Approaches to managerial compensation

Compensation theories encompass a multitude of theories which have traditionally been classified according to the questions they address (Gomez-Mejia & Balkin 1992). The first category treats compensation and pay systems as dependent variables (as outcomes). It aims at answering questions regarding factors explaining differences in managerial compensation (Bloom & Milkovich 1996). These theories have largely focused on the impact of corporate governance characteristics like board compensation and ownership structure on the content of financial compensation package (especially variable pay) of top executives and CEOs (e.g. Tosi & Gomez-Mejia 1989; Balkin & Gomez-Mejia 1990; Gerhart & Milkovich 1990; Beatty & Zajac 1994; Björkman & Furu 2000; Balkin, Markman & Gomez-Mejia 2000). Agency theory or human capital theory, for instance, can be found among the theories of this first category (see Figure 2.1. in Bloom & Milkovich 1996: 24).

The second category of theories treats managerial compensation and pay systems as an independent variable (as causes) and aims at answering questions regarding the link between compensation decisions or practices/policies and managers' attitudes and behaviors, as well as organizational performance (Bloom & Milkovich 1996). This research has largely focused on the strength of the link between financial compensation and performance. Equity theory, expectancy theory and, psychological contract theory can be found among these theories.

Werner & Ward (2004) followed the same previous categorization logic to classify their findings. They reviewed the literature of compensation and compensation-related issues within the field of management between 1996 and 2002. Their findings are presented in the following section. Then, their own more detailed categorizations is used to present three themes that are most important to this

study, as well as to classify the extant literature considered for this thesis for the period between 2003 and 2010.

### 2.1.1 *Managerial compensation research between 1996 & 2002*

Werner & Ward (2004) reviewed the research articles included in 20 top journals in the field of management from 1996 to 2002. Less than six percent of these articles were related to compensation. The authors followed the traditional way of looking at pay, namely whether pay and pay systems is an outcome (dependent variable) or a determinant (independent variable) (Gomez-Mejia & Balkin 1992; Bloom & Milkovich 1996). They separated the corresponding articles into 12 categories labeled as follows; environmental determinants of compensation, firm determinants of compensation, job and group determinants of compensation, gender and race determinants of compensation, other individual determinants of compensation, compensation psychology, organizational justice, individual outcomes of compensation, firm outcomes of compensation, benefits, international compensation, and executive compensation (see Table 2. for the description of these topics).

Moreover, they linked the themes which had received little research attention in the top journals during this time period (see Figure 1.). Among other links, they especially related *international compensation* described as “international comparisons of compensation and compensation in multinational enterprises” to *compensation psychology*, and *individual outcomes*. In these following paragraphs the results summarized by Werner’s & Ward’s (2004) which are the most closely related to the research of this dissertation are considered. At the end of each category an explanation regarding the link between these results and the topic of the current dissertation is given.

***Compensation psychology*** (includes; pay satisfaction, motivation, meaning of money, and reactions to compensation). This included a considerable amount of compensation research within the domain of industrial and organizational psychological (compensation psychology, organizational justice, and individual determinants and outcomes). This research on that topic has considered pay as a determinant and examined the relationships between pay satisfaction and a large number of variables such as turnover intent, professional tenure, commitment and organizational citizenship behaviors. Research on motivation and individual incentives has been shown to be positively related to work motivation. However, the same research highlights that organizations tend to rely too much on these individual incentives to motivate their workforce, while ignoring the potential negative impact of such incentives on employee’s intrinsic motivation. In addition, some

studies examined the relationship between the meaning individuals give to money, and demographic, attitudinal and, behavioral variables. Another large proportion had looked at psychological reactions to compensation such as organizational and applicant attraction, job choice decision making, employee attitudes, commitment, perceived organizational and informal support, meaningfulness of pay increases.

**Table 2.** Categorization of Compensation Articles by Topic.

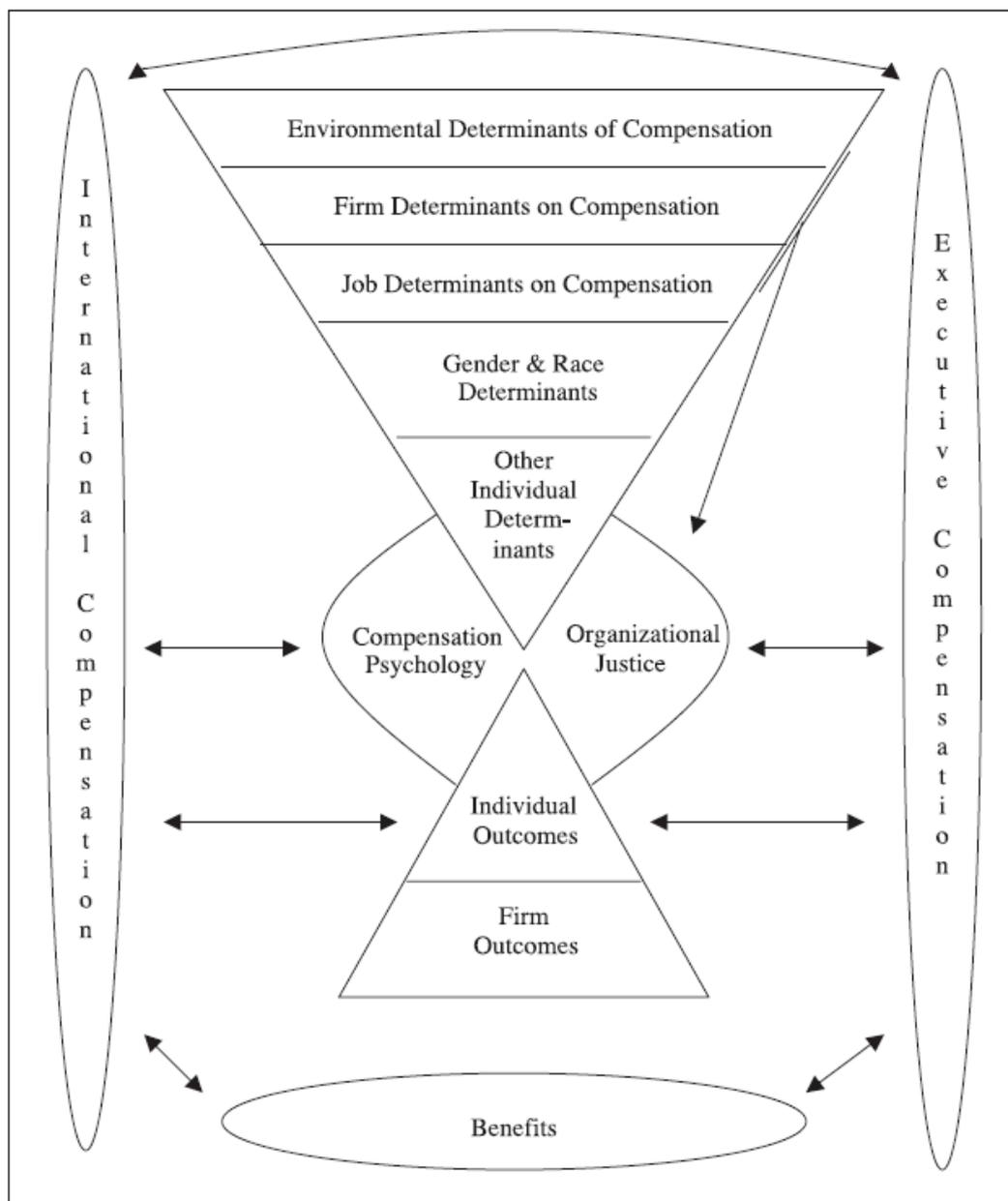
Category of compensation research	Topics included	Number of Articles in Top 20 Journals
1. Environmental Determinants of Compensation	Legal environment, business environment and industry analysis.	44
2. Firm Determinants of Compensation.	Firm practices, unionization, and other firm characteristics.	31
3. Job and Group Determinants of Compensation	Job factors, job change, and group factors.	18
4. Gender & Race Determinants of Compensation	Gender wage gap analysis, non-North American gender gap analysis, gender gap determinants, and race wage gap analysis.	47
5. Individual Determinants of Compensation.	Behavioral, experiential, and individual characteristic determinants.	39
6. Individual Outcomes of Compensation	Outcomes of incentive pay (performance, absenteeism, turnover, stress) and outcomes of pay level (performance, turnover).	27
7. Compensation Psychology	Pay satisfaction, motivation, meaning of money, and reactions to compensation.	42
8. Organizational Justice	Equity, ethical issues, and procedural justice.	31
9. Firm Outcomes of Compensation	Outcomes of pay (performance, costs), outcomes of individual incentives (performance) & outcomes of group incentives (performance, survival).	26
10. Benefits	Usage of benefits, benefit satisfaction, and benefit outcomes.	33
11. International Compensation	International comparisons of compensation and compensation in multinational enterprises.	18
12. Executive Compensation	Determinants of CEO pay level, determinants of CEO pay mix, and CEO pay outcomes.	40

Source: Warner and Ward, 2004:205. Table reproduced with the permission of the authors and Elsevier.

Werner & Ward (2004) stressed that it was interesting to note that still no consensus seems to exist when it comes to the issue of how extrinsic rewards affect intrinsic motivation and that some researchers still attempt to address this issue. Finally, they stressed that factors which had received little attention in that category included “*employee satisfaction with and reactions to change in compensation plans (Heneman 1990; Heneman & Judge 2000), the effects of psychological contracts regarding pay (Rousseau & Ho 2000), the reactions to different pay bundles or hybrid programs (Rousseau & Ho 2000; Gerhart & Rynes 2003) and reactions and pay risk (Wiseman, Gomez-Mejia & Fugate, 2002) (Ibid: 213)*”. The research of this dissertation addresses the second and third of these gaps by looking at the effects of the state of the psychological contract regarding different bundles of expatriate compensation on their’ affective commitment (Essay 2 & 3).

***Individual outcomes*** (includes; outcomes of incentive pay (performance, absenteeism, turnover, and stress) and outcomes of pay level (performance and turnover). Werner & Ward (2004) showed that different forms of incentive pay were related to job satisfaction, less turnover for high performers, less willingness to resign, among other outcomes. Higher level of pay was found to be related to lower turnover, greater job acceptances, and greater perceived success of experienced workers. Individual outcomes of pay level were the least researched issue in this category. Furthermore, the authors stressed that the impact of monetary incentives on performance had clearly been established by the research and that future research “*should also look at outcomes of pay aspects other than level and incentives, such as the nature of the pay mix, pay dispersion and total compensation (Gerhart & Rynes 2003) (Ibid: 213)*.” The research of this dissertation answers this call by looking at the relationship between different types of components of the expatriate total reward package as well as the total reward package itself, and expatriates’ affective commitment (Essay 2). Moreover, Essay 4 examines the role played by intangible non-financial rewards in global careerist’s career decisions.

***International Compensation*** (includes; international comparisons and compensation in multinational enterprises (MNEs)). Even though the reviewed studies used the American compensation systems as a comparison, Werner and Ward (2004) stressed the complexity of international compensation practices due to important differences between countries in terms of working conditions, laws, cultures but also different mixes of employees (expatriates, locals, and third-country nationals) and the introduction of exchange rate risk. This area of research has been the least examined among all the compensation themes reviewed and categorized by Werner & Ward (2004). This has been also stressed by Bonache (2006).



Arrows indicate linkages receiving little research attention in the top management journals from 1996 to 2002

**Source:** Warner and Ward 2004: 206. Figure reproduced with the permission of the authors and Elsevier.

**Figure 1.** Themes in compensation research during the period 1996–2002.

When relating the three compensation topic areas to each other, Werner & Ward (2004) argue that if many of international studies have made international comparisons of pay determinants or looked at international factors that affect pay while others look at justice issues or firm outcomes, few have looked at international aspects of (CEO’s) pay, individual outcomes, and compensation psycholo-

gy (Heneman & Judge 2000). Thus, Werner & Ward (2004) believe that these three cross-areas are especially viable areas for research. Although concentrating on expatriate compensation rather than CEOs', the current dissertation makes the link between their individual outcomes and compensation psychology as previously argued. Thus it also addresses the call by Werner & Ward (2004) for the study of the interconnection between different approaches and topics of compensation (see Figure 1).

The next paragraphs present the review of literature which examines both managerial compensation or reward issues and employee attitudes and behaviors for the period from 2003 to 2010, as above mentioned. The review of research on expatriate compensation then follows.

### *2.1.2 Managerial compensation research between 2003 & 2010*

The review of the literature on managerial compensation and employee attitudes and behaviors for the period between 2003 and 2010 (see Table 3.) in American and European journals shows that the large majority of this research can be classified in the category of compensation psychology. Amongst these reviewed studies, authors examine the effect of employees' perceptions, evaluations (Fujimoto & Nakata 2007), and cognitive appraisal (Jolink & Dankbaar 2010) of their compensation or of the compensation practices of their employer on their attitudes and behaviors. They do not consider the impact of the use of rewards (e.g. Haar & Spell 2004) on their attitudes (job satisfaction, organizational commitment) and behaviors (quit/withdrawal intent, performance, creativity, knowledge sharing).

In the traditional organizational control perspective adapted in HRM research, Guest (1996) was among the first researchers to stress the need to focus on the perceptions of employees. He argued that it was necessary to better understand the effect of organizational HRM practices on employee' behaviors and attitudes, and the role of the latter in the relationship between HRM practices and the ultimate organizational performance (see Katou & Budhwar 2010, Ghebreorgis & Karsten 2007 for instance). The study by Slåtten (2010) shows the employee emotions play a mediating role between the employees' appraisal of their managers' rewarding practices and their behavior.

Even though all these studies focus on compensation they are all concerned with different aspects or types of compensation. For instance some consider monetary rewards, social rewards, job design, feedback and manipulatable consumable visual-auditory rewards (Bhattacharya & Mukherjee 2009). Some others like Buch & Tolentino (2006) focus on extrinsic, intrinsic, social and organizational re-

wards. Katzenbach (2003) discuss the difference between monetary and intrinsic pride. Shore (2004) considers salary, Fujimoto & Nakata (2007) merit-based pay, Parkes (2008) incentives schemes, while Bakker & Demerouti (2007) focus on effort-related rewards. Hallock, Salazar & Venneman (2004) examine individual performance pay, and so on. This multitude of type or aspects of rewards renders the use and comparison of findings arduous.

Furthermore, even though authors might use the same distinction, such as in the case of intrinsic and extrinsic rewards, the components they include in such categories differ. For instance, on one hand Lin (2002) includes expected organizational rewards (i.e. salary incentives, bonuses, promotion incentives or job security) and reciprocal benefits) in the category of extrinsic rewards and knowledge self-efficacy and enjoyment in helping others in the category of intrinsic rewards. On another hand Buch & Tolentino (2006: 357) define extrinsic rewards as “*those that employees receive from their organization or management as a result of their performance or participation. These rewards can take many forms, some direct (...) [e.g.] recognition from management and small tokens of appreciation and acknowledgement) and indirect (...) [e.g.] enhanced job security, new opportunities for promotion, and better performance appraisals.*” They also define intrinsic rewards as “*those that an individual receives internally as a result of their involvement in activities that enhance feelings of self competence, growth, satisfaction, responsibility and autonomy*” (Ibid: 358). Originally rewards had been dichotomized into extrinsic and intrinsic rewards on the basis of the functions they served (Guzzo 1979) however this distinction seems blurred in current research.

Finally as already stressed by Werner and Ward (2004) the large majority of these studies are quantitative. Nevertheless the study by Rosa, Qualls & Fuentes (2008) was entirely qualitative.

**Table 3.** Literature review of managerial compensation research between 2002 and 2010.

<i>Author(s) (year)</i> Type of paper	HRM & Re- ward related issues	Summary
<b>Compensation psychology / Reactions to compensation (to be continued)</b>		
<i>Jolink &amp; Dankbaar (2010)</i> Theoretical	Rewards, recognition, employee perceptions	Argue that the use of less conspicuous, visible reward and recognition systems will be positively linked to employee perceptions of the costs and benefits associated with their behavior (networking) and attitude. Argue it is a good means to signal that organization values employee attitude or behavior while not controlling the process.

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**Compensation psychology / Reactions to compensation (to be continued)**


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<i>Podsakoff, Podsakoff &amp; Kushova (2010)</i> Theoretical	Leadership contingent reward, recognition & punishment, employee behaviors	Review and discuss the reasons why transactional leadership has been relegated to a lesser role than transformational leadership. Argue that leader contingent reward behavior has stronger positive relationships with all the facets of employee satisfaction than leader non-contingent reward behavior; the same is true for the relationships between leader contingent and non-contingent punishment behavior and these facets of satisfaction. Review ten misconceptions regarding the administration of rewards and punishments.
<i>Slåtten (2010)</i> Quantitative	Reward and empowerment, employee emotions, behaviors	Shows that the direct relationship between employee's cognitive appraisal of their managers' rewarding practices (reward and empowerment) and their behavior (service quality delivery) is mediated by their emotions (joy or frustration). She finds that employees' feelings explain more of the variance in employee-perceived quality than managerial practices.
<i>Bhattacharya &amp; Mukherjee (2009)</i> Quantitative	Reward systems, rewards, employee engagement	Investigate the role of reward strategies including monetary rewards, social rewards, job design, feedback and, manipulatable consumable visual-auditory rewards in inspiring, energizing, motivating and thus "engaging" I.T. employees of three different. They show that employees look for opportunities, which serve their interest to a greater extent, and constantly switch over organizations in this quest. They conclude that along with money and benefits, companies should value the other factors in 'engagement', which makes employees feel cared about and valued and hence, reduce their interest in leaving.
<i>Emery &amp; Barker. (2007)</i> Quantitative	Employee perceptions, attitudes & behaviors	Examine the impact of employee perceptions of leadership styles on organizational commitment and job satisfaction. They find a higher correlation between transformational leadership and the dependent variables than with transaction leadership and no impact of leader gender on leadership factors used i.e. charisma, intellectual stimulation, and individual consideration.
<i>Fujimoto &amp; Nakata (2007)</i> Longitudinal quantitative	Merit-based pay, employee motivation	Use evaluative attitudes toward HRM to consider the impact on worker motivation (perceived job worth & "company" commitment). Results suggest that negative effect of worker's satisfaction with HRM on motivation to be stronger once merit-based systems permeated across Japanese firms. They show that variability in occupations affects whether merit-based compensation enhances worker motivation (measured by company commitment and job worth).
<i>Ghebre-giorgis &amp; Karsten (2007)</i> Quantitative	Employee perceptions, attitudes & behaviors, organizational performance	Use employee perceptions of HRM policies and practices. Study shows a positive attitude of employees to HRM practices, and a productivity increase while employee turnover, absenteeism, and grievances are low.
<i>Malhotra, Budhwar, &amp; Prowse (2007)</i> Quantitative	Perceptions of rewards, organizational commitment	Show that intrinsic rewards are more powerful indicators of affective and normative commitment than extrinsic rewards. Among extrinsic rewards, promotional opportunities, satisfaction with fringe benefits and, pay satisfaction emerged as determinants to the affective, normative and continuance components of commitment, respectively.

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**Compensation psychology / Reactions to compensation (continued)**


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<i>Chang (2006)</i> Quantitative	Individual performance pay, organizational commitment	Does not find any significant positive relationship between pay for individual performance (estimated by HR managers) and organizational commitment (perceived by employees).
<i>Hallock, Salazar &amp; Venneman (2004)</i> Exploratory quantitative	Employee perceptions, satisfaction, pay equity	Find that when examined separately, employees' perceived influence on decision-making, pay equity and influence on stock performance significantly correlates with ESOP satisfaction. When combined, only employees' perceived influence on stock performance, perceived influence on decision-making and age explained a statistically significant amount of variance in ESOP satisfaction.
<i>Shore (2004)</i> Research note, quantitative experiment	Employee perception of reward (salary), equity sensitivity	Examines the relationship between equity sensitivity of three types of individuals i.e., Benevolents, Entitled, and Equity Sensitives and three dependent variables i.e. pay satisfaction, perceived pay fairness and turnover intentions. Results support that all individuals do not react in the same way, do not have the same tolerance of pay inequity. The authors question the validity of the traditional equity theory (Adams 1965) since no evidence that people are most satisfied when their outcomes/inputs ration exceeded that of their referent other.
<i>Haar &amp; Spell (2004)</i> Quantitative	Perceived value of benefits, organizational commitment, social exchange theory	Find significant relationship between knowledge that employees have of work-family programs offered by organization and affective commitment. However they show that the value of paid parental leave is positively related to normative commitment, whereas the perceived value of childcare policy is negatively associated with both affective and normative commitment. They state that the consideration of perceived value of practices, rather than use might be best way of exploring a work-family practice-commitment relationship.

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**Compensation psychology (in IHRM) / Meaning of money**


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<i>Parkes (2008)</i> Practical	Incentive schemes, Psychological contracts, leadership, performance management	Argues that organizations need to understand the needs of individuals and the rewards/incentives they value to prevent the breach of their psychological contract. She advocates leadership policies which require all supervisors and managers not only to manage employee but also to know them as people. The only condition to know what appropriate monetary and non-monetary rewards to use and how to provide them in a fair way.
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**Compensation psychology / Motivation (to be continued)**


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<i>Bakker &amp; Demerouti (2007)</i> Theoretical	Effort-reward imbalance model and demand-control model, motivation	Provide an overview of the studies that have been conducted with the Job Demands-Resources model. They describe job resources as "those physical, psychological, social, or organizational aspects of the job that either are functional in achieving work goals, reduce job demands and the associated physiological and psychological costs, or stimulate personal growth, learning, and development.
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**Compensation psychology / Motivation (continued)**


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<i>Buch &amp; Tolentino (2006)</i> Quantitative	Employee perception of rewards	Investigate how employees perceive rewards, i.e. intrinsic, extrinsic, social and organizational rewards, associated with the change program called Six Sigma. They find that employees value these four types of rewards, perceive somewhat a link between their successful participation to the change program and their receipt of intrinsic and social rewards, but not of extrinsic rewards. They also find that those involved in this change program perceived much more the link between their program performance and their intrinsic and organizational rewards (meaning improved quality, productivity and profits) than those who did not.
<i>Katzenbach (2003)</i> Practical	intrinsic organizational pride, monetary rewards	Explains that monetary compensation cannot motivate people to form the kind of emotional involvements with their work and organization that pride can. "Money by itself is likely to produce mostly self-serving behavior and skin-deep organizational commitment- not the type of institutional-building behavior (Ibid: 34)" which involves intrinsic pride. He argues that intrinsic pride is the key because it is a lasting and powerful motivating force, which can become an institutional capability practiced by managers at all levels. It can be developed by management attitudes, approaches and disciplines and can build organizational responsiveness, provide strategic advantage, and deliver higher levels of performance.

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**Firm determinants of compensation / Firm practices**


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<i>Rosa, Qualls, Fuentes (2008)</i> Exploratory qualitative	Reward practices, superior behavior, employee autonomy, creativity, idea testing, innovation	Find that managers who believe they are rewarded for delegating and trusting fared best when creativity and innovation arose, while those who perceived rewards as coming from anticipating what employees would uncover became nervous. This delegation implies challenge, autonomy and shared goals. Intrinsic rewards or factors were found to lead to creativity and innovation. They conclude that systems rewarding managers for delegating rather than controlling responsibility for knowledge management, dissemination and testing to employees were those found in companies touted for innovative track records.
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**Firm outcomes of compensation / Outcomes of group incentives**


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<i>Katou&amp; Budhwar (2010)</i> Quantitative	Compensation and incentive policies, employee attitudes, involvement organizational performance	Find a strong and positive effect of compensation and incentive policies on employee attitudes and involvement. They also find that HRM outcomes fully mediate the HRM-performance relationship. This implies that this mediation exists. The nature of this mediation is of the one-to one type of relationship i.e., ability is linked to skills, motivation to attitudes, and opportunity to behaviors. The degree of impact of the motivation-attitude relationship on organizational performance is greater than the one of opportunity-behavior then than the one of ability-skills on the dependent variable.
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**Individual determinants of compensation** / Individual characteristics determinants, Behavioral characteristic determinants
 

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<i>Gahan &amp; Abeysekera (2009)</i> Quantitative	Extrinsic & intrinsic rewards, work values, self-construal, cultural adaptation, national cultures	Aim at understanding factors influencing employee's value orientation. They consider both extrinsic work values i.e. job outcomes which yield material benefits, such as pay, promotion and comfortable working conditions, and intrinsic work values i.e. rewards derived from job itself, such as self actualization, sense of achievement, self-determination and competence. They find that both national culture and self-construal are significant predictors of intrinsic rewards and, that the relationship between national culture and intrinsic rewards is mediated by individual self-construal and moderated by cultural adaptation. Their results show no significant relationship between individual national culture, self construal and extrinsic rewards.
<i>Lin (2007)</i> Quantitative	Extrinsic and intrinsic motivators, knowledge sharing	Examines the role of both extrinsic (expected organizational rewards such as salary incentives, bonuses, promotion incentives, or job security) and reciprocal benefits) and intrinsic (knowledge self-efficacy and enjoyment in helping others) motivators in explaining employee knowledge sharing attitudes and intentions. The author shows that employee attitudes toward knowledge sharing significantly impacts behavioral intentions and, that reciprocal benefits, knowledge self-efficacy, and enjoyment in helping others significantly associate with employee knowledge sharing attitudes and intentions. In addition expected organizational rewards do not significantly influence employee attitudes and behavior intentions.

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**Individual outcomes of compensation** / Outcomes of incentive pay (performance, absenteeism, turnover, stress)
 

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<i>Deckop, Merriman &amp; Blau (2004)</i> Quantitative	Pay for performance, employee attitudes and behaviors	Investigate whether employee risk preference interferes with organizational control mechanism on attitudinal and behavioral outcomes. They find that the degree of consistency between risk preference and control by pay affects withdrawal intentions, satisfaction and organizational citizenship. They also suggest that use of pay for performance should take into account employee risk preference broadly in the organization.
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The research on compensation in the field of management has been largely dominated by a North American perspective at least in international academic journals. The literature review by Werner & Ward (2004) is an illustration of this state of the research on compensation (although this can be explained by their selection of 20 top American journals to make their literature review). This situation can also be explained by the general domination of the American discourse in the management field (Guest 1999; Willmott 1993).

## 2.2 Expatriate compensation

The focus of the scarce previous compensation studies in the context of expatriation has been on how to control subsidiaries (Roth & O'Donnell 1996; Bonache & Fernández 1997) through the adequate compensation of CEOs or top managers (Sanders & Carpenter 1998, Björkman & Furu 2000), namely variable pay, for instance. There has thus been a lack of consideration of other compensation issues despite the strategic role of expatriates in organizations. However since the beginning of 2000 research has turned to issues which are central to this international context (see Table 4.). The issue of equity and justice in compensation between expatriates and locals (Chen, Choi & Chi 2002; Toh & Denisi 2003; Bonache, Sanchez & Zárraga-Oberty 2009) has received most attention. The other research has examined expatriate satisfaction with their compensation packages (Suutari & Tornikoski 2001) and the content of expatriate compensation package (Suutari & Tornikoski 2000; Baruch, Steele & Quantrill 2002). No study could be found that addressed the relationship between expatriate compensation package and their attitudes and behaviors. However the recent qualitative of Pate and Scullion (2010) shows the need for such research. Indeed they stress how higher financial compensation packages do not ensure organizations of the loyalty of their expatriates since they seek to ensure their employability.

The little research focused on expatriate compensation has been guided by the prescription of organizational control theories. Thus these empirically and theoretically based expatriate studies (e.g. Roth & O'Donnell 1996; Björkman & Furu 2000) have mainly used agency theory (e.g. Eisenhardt 1989a) as theoretical grounding. The approach of such theories is important to apprehend the design and content of expatriate compensation package. For this reason the following paragraphs first describe the agency and its implications in approaches to expatriate compensation.

### 2.2.1 *Traditional approach to expatriate compensation: example of agency theory*

Rooted in Adam Smith's (1937) observation that corporate directors use "other people's money" to pursue their own interests, agency theory has evolved to examine the employment relationship at the individual level (Jensen & Meckling 1976; Fama & Jensen 1983; Eisenhardt 1989a). It thus describes that a "principal" hires an "agent" for his/her specialized knowledge, skills and, his expected capabilities to fulfill the principal's objectives and goals. This employment relationship is symbolized and directed by a contract. This contract or agreement de-

scribes rights of each party, rules according to which agents' base salary will be determined, and performance evaluated and then paid.

**Table 4.** Literature review of expatriate compensation research.

<i>Author(s) (year) Type of paper</i>	Expatriate compensation & HRM relat- ed issues	Summary (to be continued)
<i>Bonache, Sanchez &amp; Zárraga- Oberty (2009) Quantitative</i>	Expatriate pay differential, HCN's perceived pay unfairness	Examine the issue of pay unfairness perceived by host country nationals (HCN) regarding pay differential with expatriates. They identify four factors which may attenuate the negative influence of this perceived pay differential: awareness of expatriate contributions and special needs, expatriate interpersonal sensitivity, HCN pay advantage over other locals, and HCN contact with expatriates.
<i>Sims &amp; Schraeder (2005) Conceptual</i>	Organizational perspective	Identify a list of possible salient contextual factors and common practices which can directly affect expatriate compensation.
<i>Phillips &amp; Fox (2003) Conceptual</i>	Expatriate balance sheet, compensation package	Suggest that transnational corporations need to engage in a paradigm shift from the notion of expatriate compensation to transpatriate compensation due to globalization of markets and operations.
<i>Toh &amp; Denisi (2003) Theoretical</i>	Expatriate pay policies	Examine HCNs' reactions to expatriate pay policies. They thus consider the referent selection process of HCN and outline the conditions when they are likely to select their expatriate peers as comparative referents and the negative effect it has on their perceived deprivation. They also discuss the role of national culture in this process and propose a model.
<i>Chen, Choi &amp; Chi (2002) Quantitative</i>	Expatriate pay differential. HCN's perceived pay unfairness	Examine the issue of pay unfairness perceived by HCNs regarding pay disparity with expatriates' compensation. They find that the unfairness perceived by HCNs was lower when they considered the pay of other locals than when they compared it with expatriates. They also find that expatriates' interpersonal sensitivity toward locals reduced the effect of disparity on perceived fairness and that perceived compensation fairness positively related to compensation satisfaction and negatively to turnover intentions.
<i>Baruch, Steele &amp; Quantrill (2002) Qualitative</i>	Components of compensation package, retention after repatriation	Describe the different HRM practices, such as selection and compensation, in terms of expatriation and repatriation management. They stress the crucial potential role of expatriation in the development of a psychological contract between the employee and the organization. They find that up to 50 percent of former expatriates had left their organization within a few years after repatriation.
<i>Reynolds (1997) Historical review</i>	Historical perspective to Expatriate compensation	Discusses the reasons behind the costs of expatriate compensation, and traces the development of the most common compensation methodologies and, assesses the state of the field.

<i>Author(s) (year)</i> Type of paper	Expatriate compensation & HRM relat- ed issues	Summary (continued)
<i>Klaus (1995)</i> Practical	Expatriate program de- sign, ax- effective com- pensation	Describe how to establish an effective expatriate program. He reviews the best practices to ensure successful American international assignment, such as development of an expatriate compensation policy, employee selection, immigration, tax-effective compensation, orientation and training, relocation, assessment and repatriation, and program administration.

Central to the agency relationship is the conflict between the parties' self-interest that guide their behaviors and the low availability of information from the agent to the principal (also referred to as "information asymmetries"). The more autonomy and independence the agent enjoys as well as the greater the specialized knowledge required to perform the task (Gomez-Mejia & Balkin 1992; Holmstrom 1979), the higher "information asymmetries" are the more the significance of this problematic situation, called "moral hazard" (Eisenhardt 1988) increases. The principal who fears the rational, self-interest motivated and risk-adverse agent to shirk or not to provide the work efforts he engaged himself for (Stroh, Brett, Bauman, & Reilly 1996) looks then for ways of dealing with this agency problem. The principal has basically two options (Demski & Feltham 1978; Eisenhardt 1988). He can either (1) invest in information gathering to ensure that the agent acts according to the principal's interests and objectives (Ouchi 1977; Jensen 1983; Eisenhardt 1988, 1989a) or, (2) design a reward system to motivate the agent and monitor his/her actions according to objectives/goals to be performed to the satisfaction of the principal (Jensen 1983; Gomez-Mejia & Balkin 1992). When seeking to align the agent's behavior, the principal designs and develops compensation systems including fixed pay (behavior-based pay) and variable pay (outcome-based pay).

Thus, from the perspective of agency theory, researchers have discussed and described the content of expatriate compensation package as including three main component categories; (1) fixed pay and variable pay, (2) benefits, and (3) allowances (see e.g. Gomez-Mejia & Welbourne 1988; Dowling, Schuler & Welch 1994; Harvey 1993a, 1993b; Briscoe 1995; Schell & Solomon 1997; Suutari & Tornikoski 2000, Bonache 2006).

### 2.2.2 *Outcomes of organizational control theories: expatriate compensation policies*

Following the financial prescription of organizational control theories such as agency theory, organizations have developed several approaches to expatriate compensation package. These approaches, namely home-country-, host-country approaches as well as hybrid and regionally based pay systems, are briefly presented here to understand organizations' positioning. Some length of Suutari & Tornikoski (2001: 4-6) is quoted below for that purpose..

*“The home-country policy, which links the expatriates' basic salary to the salary structure of their home country, is the most common compensation approach (Crandall & Phepls 1991; Dowling et al. 1994; Bonache 2006). By using this pay system, (basic home salary plus allowances) organizations tend to enable expatriates to maintain a lifestyle equivalent to that which they would have in their home country (Dowling et al. 1994, Helms & Crowder 1994). Typical allowances include the expatriate allowance, the cost-of-living allowance, housing allowance, education allowance, hardship allowance, car allowance, and home-leave allowance (for a more specific description, see Black et al. 1999). In addition to allowances, one has to consider inevitable incidental benefits due to the fact that social policies vary widely across countries. Still, the aim is to protect the benefits provided by the policies to the person in the home country (see Dowling et al. 1994; Allard 1996). The compensation package can also include bonuses such as a performance-based bonus and a seniority bonus (see Dowling et al., 1994). Protection against exchange risk and taxation differences (see Helms & Crowder 1994; Schell & Solomon 1997) which has been found to be very complex for both parties (Suutari & Tornikoski 2001).*

The popularity of the home-country policy can be justified by the fact that it provides clear and explainable differences between the salaries of expatriates who hold equivalent positions in different countries (Logger & Vinke 1995). However, this turns out to be a serious drawback to the approach because it results in lack of equity as there are salary differentials between expatriates and local managers as well as between expatriates of different nationalities (Chadwick 1995; Logger & Vinke 1995; Schell & Solomon 1997; Bonache et al. 2009; Chen 2010). As the number of nationalities in the workforce expands, the home-country policy becomes the most expensive plan to maintain with regard to purchased data and administration costs. It has also been stated that this method works better when all or most of the expatriates come from the same country (Black, Gregersen, Mendenhall & Stroh 1999).

The other approach is the so-called *host-country policy*. The main difference from the previous approach is that it considers expatriates as local nationals and links their basic salary to the salary structure of the host country (Crandall & Phelps 1991; Dowling et al. 1994; Logger & Vinke 1995). It compensates them according to the policies and program of the assigned country (Chadwick 1995), which makes this approach fairly simple and straightforward (Black et al. 1999). However, the significant international additional payments (such as cost-of-living adjustments, housing, schooling, travelling and other premiums) are usually connected with the terms of the home-country salary structure (Dowling et al. 1994). Crandall and Phelps (1991) specify that under this host-country pay system expatriates are expected to live under the conditions of the local economy, so the notion of equity with the home country is not an issue. This approach aims not only at reducing the salary inequalities perceived by the employees of the same subsidiary but also at reducing the high costs of expatriate treatment to their minimum for the company. This policy is popular (Briscoe 1995; Allard, 1996; Bonache et al. 2009). According to Black et al. (1999) it operates best with a relatively small number of expatriates or with a cadre of international expatriates. As a result of this approach, obtaining host-country salary data can be a problem. Secondly, it complicates the compensation issue of the repatriation situation (Schell & Solomon 1997).

According to Schell and Solomon (1997), companies have also introduced so-called *hybrid systems* that blend appropriate features from both home- and host-based approaches to respond to specific business challenges. These systems are very diverse and thus complicated to administer. The purpose of these systems is to end up with an international expatriate workforce that, while not coming from one location, is paid as though it were. On the other hand, the compensation is also unrelated to local markets so they provide no equality with local staff.

A so-called *regionally based pay system* has also been introduced (Dowling et al. 1994; Chadwick 1995; Black et al. 1999). It allows companies to compensate expatriates working in their home regions at somewhat lower levels than those who are working in regions far from their home. Some companies are also exploring *the lump sum approach* (Dowling et al. 1994; Schell & Solomon 1997). The idea of this approach is to pay a total salary to the expatriate, who will determine how to spend it (Briscoe 1995). This is done in order to control costs, eliminate discussion about inadequacies of allowances, ease the administration, and empower expatriates to make decisions on their own (Schell & Solomon 1997).”

Thus organizations have designed and used financial expatriate packages to control, motivate and retain their employees, as advocated by organizational control

theories such as agency theory. However, the issue of expatriate compensation remains extremely complex and organizations fail in keeping on assignment or retaining a large amount of their valuable and talented employees especially in modern relationships which involve geographical distance and are based on electronic or “virtual” communication (Deckop & Merriman 2004: 64; Wiesenfeld, Raghuram & Garud 1999).

### 2.2.3 *Limits of the traditional approach to expatriate compensation*

The previous paragraphs describe how the prescription of organizational control theories has led organizations to design financial expatriate compensation package. Research on the link between pay and employee attitudes and behaviors have described salary as “a side bet which thereby increases calculative commitment” (Mathieu & Zajac 1990: 179) and financial rewards alone as not enough to bind the employee to the organization (Malhotra, Budhwar & Prowse 2009). The qualitative study by Pate and Scullion (2010: 66) brings support to these previous findings. They show that despite the highly competitive total compensation package provided by employers, expatriates in the banking sector case *were the most dissatisfied expatriates (...) and also the most inclined towards more robust bargaining with an individualistic and calculating interpretation of the employment relationship<sup>1</sup>*”.

Furthermore the results of the study by De Vos and Meganck (2007) highlight that there is a discrepancy between HR managers and employees’ views regarding financial rewards: the formers develop retention policies relating financial rewards while employees attach most importance to inducements related to the social atmosphere, career development and job content. Dickmann, Doherty, Mills & Brewster (2008) as well as Pate & Scullion (2010) indicate that HR managers seem to overestimate the weight of financial compensation over other motivators expressed by expatriates. As an illustration Stahl, Miller & Tung (2002), Stahl and Cerdin (2004) show that among French and German expatriates financial considerations came either at the fifth or sixth position after non-financial motivators. The respective studies by Stahl, Chua, Caligiuri, Cerdin and, Taniguchi (2009) and by Suutari, Mäkelä & Tornikoski (2009) show that expatriates and global careerists give importance to the ongoing developmental opportunities

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<sup>1</sup> See Herzberg’s concept of escalation of needs (1966) which means that “once a person has experienced a new level of a given hygiene factor, the new level becomes the minimal acceptable level” (Sachau 2007: 386).

linked to their international jobs, the meaningfulness and importance of the jobs, as well as their high levels of autonomy. All these criteria have previously been reported to be typical characteristics of international jobs (Boies & Rothstein 2002; Bossard & Peterson 2005). Managers also valued the international aspect of their career environment (Segers et al. 2009) as was reported in earlier research among global careerists (Suutari & Mäkelä 2007) or expatriates (Cerdin & Le Pargneux 2010). The financial aspects of compensation were seen as important too. However, they were more often considered as prerequisite and implicit conditions of the job offer rather than a motivation.

Organizational control theories, such as agency theory, seem to reach their limits when comes to explaining contemporary employment relationship (Rousseau 2001) of expatriates. Moreover, despite the efforts of HR managers in designing very effective total compensation packages the marginal to non-significant relationship between financial rewards and employee outcomes, such as affective commitment (Malhotra et al. 2007) and loyalty (De Vos & Megank 2007) tends to question the consideration of expatriates' traditional total compensation package from the sole financial perspective advocated by agency theory.

Thus it is asserted here that researchers and HR managers need to identify what expatriate value most to commit them affectively to the organizations. This is in line with Guest (1999) who advocates that is necessary to consider a worker's perception of HRM practices to satisfy them. It is especially the case for expatriates who are generally far from the organizational context they used to work into and whose employment relationship is now embedded into a destabilizing international environment. Adopting a total reward perspective seems appropriate.

#### 2.2.4 *New approach to expatriate compensation package: a total reward approach*

Adopting a total reward perspective of expatriate compensation package means considering their perceptions related to the content of their work as it "*embraces everything that employees value in the employment relationship*" (O'Neal 1998: 6). Indeed adopting a total reward approach implies that "*each aspect of reward, namely base pay, contingent pay, employee benefits and non-financial rewards, which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole*" (Armstrong & Stephens 2005: 13). Consequently, this approach provides a much broader perspective of the traditional compensation package and leads to the consideration of the whole expatriate package as a "*bundle*" (Bloom & Milkovich 1996) of total rewards.

The theoretical underpinning of this total reward approach can be found in motivation theories such as the two factor theory by Herzberg (1966). His model makes the distinction between *hygiene factors* which prevent employees from dissatisfaction and *motivator factors* which, as their names indicate it, motivate and satisfy employees. Among the first category can be found the working environment, interpersonal relationship status and pay while in the second one rewards such as achievement, recognition, responsibility are included. Other authors such as Armstrong and Stephens (2005) also make the distinction between relational and transactional rewards. They define the first ones as “*tangible rewards arising from transactions between the employer and employees concerning pay and benefits*” whereas the second ones as “*intangible rewards concerned with learning and development and the work experience*” (Ibid: 14).

Total reward can be considered as including financial rewards and non-financial rewards if reference is made to the traditional organizational control approach to compensation. Moreover as described by Guzzo (1979) rewards have also been distinguished between intrinsic and extrinsic rewards. The former are obtained when activities are “*engaged in for their own sake*” (De Charms 1968: 74) and “*induce cognitions of personal causality of one’s behavior*” (Guzzo 1979: 81). When it comes to extrinsic rewards, these are rewards for which “*there is no inherent connection between the activity and the reward*” (De Charms 1979: 74) and “*which induce cognition of external causality of behavior*” (Guzzo 1979: 81). This distinction made it very difficult to categorize rewards, so building on this earlier work Deci (1975) added that rewards which induce cognitions of personal causation are intrinsic whereas those which produce perceptions of external causation are extrinsic.

Even though these definitions may help in grasping the defining differences between rewards as well as the content of the “total reward” bundle from different angles and provide answers to very specific questions they also render the task of researchers extremely complex as they overlap each other. Moreover the consideration of categories of rewards, out of their context of the expatriate employment relationship, makes it difficult to understand the potential consequences of such a total rewards package on employees’ attitudes and behaviors. Similarly, when considering the multitude of theories available to examine managerial compensation, Bloom & Milkovich (1996) “*simultaneously account for the features of the pay system itself (treating pay as an independent variable) and related contextual features that may influence the consequences of the pay system (treating pay as a dependent variable) (...). The point is that context matters. The impact of any managerial plan is influenced by the environment in which it operates (...), the organization adopting the plan (...), and the individual managers covered by the*

*plan (...).* (Ibid: 24-25).” Therefore if we follow this logic it appears essential to consider the employment relationship in which the compensation package is embedded to fully grasp the distinctive dimensions associated to these rewards and their potential consequences to employees’ outcomes.

In the social exchange theory (Blau 1964) the notion of rewards is central to the notion of social exchange. Indeed, according to Blau a social exchange occurs any time a social behavior is motivated by an expected return or response from another. The perceived value of these exchange returns, namely entailed reciprocal obligations of this social exchange, is what matters most in this social exchange. The nature of these returns is to be left to the discretion of the parties who provide them. So Blau (1964) embedded the notion of returns within the social exchange relationship. Following the work of Blau (1964) Foa & Foa (1975) also “attach” the context of the relationship to the exchanged rewards but in addition provide two dimensions to classify these returns. The first dimension labeled *particularism* “indicates the extent to which the value of a given resource [i.e. return] is influenced by the particular persons involved in exchanging it and by their relationship” (Foa & Foa, 1975: 80). The second dimension, *concreteness*, “ranges from concrete to symbolic and suggests the form or type of expression characteristic of the various resources [or returns] (Foa & Foa 1975: 80-81).”

It is important to stress here that Foa & Foa (1975) considered “particularism” to be similar to Blau’s (1967) notion of extrinsic and intrinsic rewards previously mentioned. Furthermore, Sachau (2007) argues that Herzberg’s (1966) hygiene and motivator factors should be understood as extrinsic and intrinsic rewards too. Therefore, for clarification purposes, this study assumes that particularistic returns encompass intrinsic rewards, motivator factors and non-financial rewards whereas non-particularistic ones, which are also referred to as universal, encompass extrinsic rewards, hygiene factors and financial rewards. In terms of “concreteness”, rewards which are neither visible symbolically and physically, nor easily computable and comparable between them, or with those of other employees, are included in the category *intangible*. Those that are easily computable and comparable by employees are encompassed by the category *tangible*.

The consideration of this bundle of rewards whose nature and quality are embedded into the exchange relationship between the employee and the employer call logically for another approach than the one illustrated by the agency theory previously, namely psychological contract theory (Rousseau 1989).

### 2.2.5 *Psychological contract approach to expatriate compensation*

#### 2.2.5.1 *Psychological contract*

The concept of psychological contract is usually traced back to the work of Argyris (1960) and to the social exchange theory grounded in the work of Blau (1964). Nevertheless, Rousseau's (1989) seminal work on the psychological contract is the one that has given basis to the main developments of the theory and has provided a framework to study the employment relationship.

*“By definition, the psychological contract is subjective, reflecting an individual's beliefs regarding an exchange of agreement binding that individual and another party. (...) There need not necessarily be mutuality or complete agreement in for a psychological contract to exist. (...) employees and employers can have divergent understanding of what the promise is (Rousseau & Ho 2000: 276)”*. In addition *“although all psychological contracts entail expectations that a person or a firm will act in a particular way, not all expectations are contractual. An important aspect of psychological contract is that the beliefs comprising that contract result from promises (Rousseau & Tijoriwala 1998: 680)”*.

The extant literature reveals a shift in the meaning of the contracts in organizations. The relationship between employees and employers seems to have evolved from the search for long-term relationship towards the one of employability (Rousseau 1995; Rousseau & Tijoriwala 2000). This evolution has been described by Rousseau (1989, 1995) as the passage from the traditional relational/transactional psychological contract towards a broader range of assessment of the employment relationship i.e. relational, transactional, transitional and, balanced PC (Rousseau 1995; Rousseau & Ho 2000).

#### 2.2.5.2 *Expatriate psychological contract and compensation*

The psychological contract in the context expatriation (see Table 5.) has been the focus of an increasing number of studies in the past few years. Research has especially examined the role of the psychological contract in expatriate adjustment during the international assignment (Chen & Chiu 2009; Halsberger & Brewster 2009; Chen 2010). The notion of a shift of expatriate psychological contract from relational to transactional (Lewis 1997; Pate & Scullion 2010), the relationship between expatriate's psychological contract and expatriates' organizational commitment and, intent to quit (Guzzo, Noonan & Elron 1994; Chi & Chen 2007) have also been examined. Furthermore, several authors (Yan, Zhu & Hall 2005; Halsberger & Brewster 2009) have developed theoretical frameworks including the psychological contract to explain the success of international assignments and

careers. However, the study by Guzzo et al. (1994) remains one of the few which has explored the relationship between expatriate compensation package and expatriates' outcomes from the psychological contract perspective.

In their study, they argue that the terms and scope of the exchange agreement between employee and employer are much broader than the ones for their national counterparts since they affect not only the employee's working life but also their private life and the one of their family. They state that international corporate assignments, regardless of their length, significantly influence both the working and personal lives of the valuable and talented employees in all aspects. They imply that the exchange goes further than just the exchange of a package of compensations between the two parties and thus regard expatriate psychological contract as relational. However the recent qualitative study by Pate & Scullion (2010) clearly shows that expatriates' psychological contract is transactional and based on bargains.

**Table 5.** Literature review of expatriate psychological contract.

<i>Author(s)</i> <i>(year)</i> Type of paper	Expatriate psychological contract & HRM issues	Summary (to be continued)
<i>Chen</i> <i>(2010)</i> Quantitative	Perceptions of organizational justice, social exchange	Examines the relationships amongst organizational justice, social exchange, expatriates' PC, and adjustment. The author finds a positive influence of perceived organizational justice on expatriates' perceived social exchange and PC as well as a positive relationship between perceived social exchange and perceived PC fulfillment as well as foreign adjustment.
<i>Pate &amp; Scullion</i> <i>(2010)</i> Qualitative	Reactions to expatriate PC shift, compen- sation bargain- ing, employa- bility	Find a shift of expatriate PC towards a transactional overall tone. They describe the response of expatriates to the modification of their contracts: seeking to ensure their employability; being more inclined toward harder bargaining for better packages before IA with an individualistic and calculating interpretation of the employment relationship; and aiming at reducing their dependence on a single organization.
<i>Chen &amp; Chiu</i> <i>(2009)</i> Quantitative	Perceived fulfillment of PC, organiza- tional com- mitment	Find a significant influence of expatriates' perceived fulfillment of the PC on their adjustments to foreign situations and their organizational commitment and both direct and indirect influences of psychological barriers on expatriate organizational commitment.
<i>Halsberger &amp; Brewster</i> <i>(2009)</i> Theoretical	Impact of PC on adjustment, & career	Argue that the extent to which expatriates gain social and intellectual capital during their IA is considerably dependent on their adjustment during and after IA, this adjustment being itself influenced by their PC. They propose a model of careers and adjustment.

<i>Author(s)</i> <i>(year)</i> Type of paper	Expatriate psychological contract & HRM issues	Summary (to be continued)
<i>Festing &amp; Müller</i> (2008) Quantitative	Role of IHRM support on expatriate PC	Shows among other results that IHRM support has an impact on the type of PC perceived by expatriates: the lack of IHRM support leads expatriates to perceive their PC as transactional whereas the existence of such a support make them perceive a relational PC.
<i>Chi &amp; Chen</i> (2007) Quantitative	Repatriates' perceived PC fulfillment, counterfactual thinking, and attitudes	Find that repatriates' perceived PC fulfillment is positively related to organizational commitment and negatively to turnover intentions counterfactual thinking and job attitudes. They show that an upward counterfactual thinking relates positively to turnover intent and, a downward counterfactual thinking positively to organizational commitment. They also find that repatriates' perceived PC fulfillment relates to an upward counterfactual thinking but not to a downward one.
<i>Lee</i> (2005) Quantitative	Perceived underemployment, PC, employee attitudes	Finds that SIEs' perceived underemployment is determined by factors such as lack of autonomy, job suitability, job variety and, fit to their PC. Moreover perceived underemployment is negatively related to job and career satisfaction.
<i>Yan, Zhu &amp; Hall</i> (2005) Theoretical	IA, Career building, agency relationship, PC	Examine the alignment or nonalignment of organizational and individual expectations of IAs and its effect on IA success. They present a theoretical model, grounded in career, agency and psychological contract theory, which includes four basic configurations: mutual loyalty, mutual transaction, agent opportunism, and principal opportunism. They also suggest a matrix of alignment of organization-individual alignment which can help understanding changes in employment contract (PC) over time.
<i>Lewis</i> (1997) Qualitative	Expatriate PC "breakdown"	Develops a framework through which to analyze the nature of expatriates' psychological contract and address expatriates' psychological needs and expectations. She proposes a "Breakdown" model of expatriate PC.
<i>Guzzo, Noonan &amp; Elron</i> (1994) Practical	Perceived PC fulfillment, POS, organizational commitment, intent to quit	Investigate the mediating role of expatriates' psychological contract fulfillment in the relationship between HR practices and individual outcomes, namely organizational commitment, intent to quit, and intent to return early to a domestic assignment. They find that the PC mediates the positive relationship between HR practices and perceived organizational support. The latter positively influences expatriates' organizational commitment which in turn positively affects their intentions to quit the company.
<i>Guzzo &amp; Noonan</i> (1994) Theoretical	Judgments of adequacy of PC fulfillment, systematic assessment, commitment	Theoretically examine HR practices as a communication means for the formation of the PC of employees. They consider that employees do not systematically analyze and assess their employment relationship but rather do it at certain times only. They argue that judgments about the adequacy with which their PCs are fulfilled have important effects on employee commitment.

Nevertheless, Guzzo et al. (1994) show that the psychological contract perspective is useful in explaining the relationship between HRM practices and expatri-

ates organizational commitment. Even though these authors approach expatriate compensation from a financial perspective (financial inducements, organizational general support and, family-oriented support) the results of their study tend to indicate that the use of a total reward package might help in the understanding of differences in the relationship between compensation practices and expatriates' affective commitment. This argument is supported by Bloom and Milkovich (1996) who advocate that psychological contracts theory might be very useful in understanding the effects of various bundles of valued returns when studying the relationship between employers and employees. Indeed, they consider the psychological contract as a collection of promises, of obligations to exchange contributions for returns whose nature might evolve during the employment relationship.

The previous literature review section has aimed at providing an overview of the extant literature on managerial compensation, expatriate compensation, and the constructs of total rewards as well as expatriate psychological contract. It has also highlighted the existence of research gaps in different research areas. Furthermore, it has allowed positioning the present research at the interconnection of several of these research areas, namely compensation psychological, individual outcomes and expatriate compensation. The following section presents the methodology used in the three empirical papers of this dissertation.

### 3 METHODOLOGY

Article 1 adopts a practical rationality approach (Sandberg & Tsoukas 2011) to tackle the complexity of expatriate compensation. In such a way it provides the means to bring to the fore a global picture of what expatriate compensation issue and design involve and imply. This theoretical background of the dissertation enables to enounce propositions for future research (Article 1) as well as more focused research questions related to the entwined “employment relationship-compensation” relation (Articles 2, 3 & 4). These research questions are addressed through the collection of two different sets of data. Both quantitative and qualitative research methods have been used. The latter has allowed testing the relationships between expatriates’ perception of the delivery of their compensation package delivery and their affective commitment (Article 2) and the issue of expatriates’ sensemaking in compensation (Article 3). The former set of data has helped identifying and understanding the returns global expatriates value most in their employment relationship and the impact they have upon their career decision making (Article 4). The following table displays a summary of the methodologies used in the three empirical articles of this dissertation, namely Articles 2, 3 and 4.

**Table 6.** Research characteristics and methodologies in the empirical articles.

	<b>Article 2</b>	<b>Article 3</b>	<b>Article 4</b>
<i>Compensation-related research</i>	Total reward package within psychological contract framework	Total reward package within psychological contract framework	Role of total rewards in global careerist’s career decisions
<i>Research Paradigm</i>	Practical rationality	Practical rationality	Practical rationality
<i>Research focus</i>	Etic	Etic	Emic
<i>Research design</i>	Survey	Survey	Multiple cases
<i>Method of data collection</i>	Self-administered questionnaire	Self-administered questionnaire	Semi-structured interviews
<i>Sources of data</i>	263 highly educated Finnish expatriates working abroad	263 highly educated Finnish expatriates working abroad	20 managers identified as global careerist in the sample for Articles 3 & 4
<i>Research context</i>	Multiple*	Multiple*	Multiple*
<i>Method of data analysis</i>	Factor analysis; Validity tests; Multiple regression	Factor analysis; Validity tests; Multiple regression	Content analysis using replication logic

\*Finnish expatriates in different countries and activity sectors.

The following section outlines the research strategy used in this dissertation, i.e. its philosophical underpinning. First, the research stream followed by this dissertation is presented. This provides a logical background for the research strategy used in this dissertation. Secondly, the description of the methodology pertaining to each individual article is presented. However, for sake of repetitiveness, as the methodology used in Articles 3 and 4 is identical, this will be described only once. Thirdly, in order to avoid duplicating the methodological description already included each of the three articles themselves, the following sections will focus on the justifications of the methodology used, the data collection process and, the method of analysis. Lastly, the issues of validity and reliability of the three individual articles all together will be discussed at the end of the methodology chapter.

### 3.1 Research strategy

In scientific research it is important to understand the researcher's philosophical assumptions which have led his/her methodological choices. In social sciences this understanding is needed since the researcher's philosophical stand point manifests itself in his/her assumptions about the phenomenon under study (ontology), the knowledge basis (epistemology) and the relationship between the human subjects and their environment (s)he aims at analyzing (methodology) (Hurmerinta-Peltomäki & Nummela 2006). The philosophical assumptions found in this dissertation are illustrated in the following paragraph. Then the research stream and background of this dissertation is presented.

#### 3.1.1 *The philosophical underpinning of this study*

As with any scientific work this research is based on certain assumptions, either explicit or implicit, which have guided the researcher all along his or her investigation. These assumptions provide certain lenses through which the investigator looks at the world and perceives his or her research object(s). The inquirer is guided into his or her research by these general assumptions, laws and techniques that the members of his or her particular scientific community adopt, in other words by a paradigm (Chalmers 1980: 86). "It represents a *worldview* that defines, for its holder, the nature of the "world", the individual's place in it, and the range of possible relationships to that world and its parts" (Guba & Lincoln 1994: 107). The quoted authors (1994:108-110) indicate that three fundamental questions provide responses to the basic beliefs that define inquiry paradigms.

The first question is *ontological*, “*what is the form and nature of reality and, therefore, what it there that can be known about it*” (Ibid: 108). According to Burrell & Morgan (1979) this question concerns the nature of the social world and the phenomenon that the inquirer wishes to discover and describe. The researcher has to find the answer to basic ontological questions such as whether this “real” world is objective and external to the individual (positivism) or whether the creation of the individual’s own consciousness (subjectivism), how things really are and how they work. In business and management literature, two aspects of ontology most commonly found are objectivism and subjectivism (Saunders, Lewis & Thornhill, 2007). However in this dissertation a practical rationality approach is adopted. The following arguments follow those of Sandberg and Tsoukas (2011).

The practical rationality framework developed by Sandberg and Tsoukas (2011), to overcome the increasing concern of none-relevance of management theories to practice, is based on the existential ontology developed by Martin Heidegger (Guignon 1983; Dreyfus 1995). This ontological perspective considers that it is our “being-in-the world” that provides our reality and the basis of our understanding, the intelligibility of things and subject-object relations, as well as the underpinning of our knowledge. “*Our most basic form of being is “entwinement”: we are never separated but always already entwined with others and things in specific socio-material practice worlds* (Ibid: 15)”, such as compensation management in this dissertation. The practical rationality approach considers “*entwinement as the primary mode of existence (...) [it] means that, for something to be, it needs to show up as something, namely as part of a meaningful relationship totality with other things*” (Ibid:15). In this dissertation, it is argued that organizations need to understand the subjective reality of expatriates regarding their compensation to be able to manage it correctly and efficiently. This implies that the only way for them to understand the reality of expatriate and the way they make sense of their compensation package is to consider compensation management as being embedded into or entwined with their socio-exchange relationship.

The second philosophical question is *epistemological*, “*what is the nature of the relationship between the knower or would-be knower and what can be known?*” (Ibid: 108)”, in other words what is the nature of the relationship between the inquirer and the object of his or her study. In this dissertation, the researcher and the epistemological subject-object relation under study are assumed independent. To ensure such independence the influence of the investigator on the object’s reality and vice versa must not exist. This independence is assumed by rigorously following prescribed procedures and checked by reliability and validity testing prior and after gathering the data.

The third question is *methodological*, “*how can the inquirer (would-be knower) go about finding out whatever he or she believes can be known?*” (Ibid: 108)”. The answer to this question is constrained and determined by the answer to the two previous questions, in other words, not any methodology can be used. Pike (1954) made the difference between etic and emic approaches to research which imply differences in methodologies. Rousseau & Tijoriwala (1998: 682) state that “[E]tic frameworks assess general constructs, typically derived from theory, meaningful to individuals across a variety of settings. Such constructs are often closely tied to common (and formal) organizational practices and structures, such as rewards or career paths). (...) The standardized methodologies typical of this approach (quantitative assessment and analysis upon structured surveys) characterize normal science, where theory testing and hypothesis disconfirmation are the focus”. This approach is used in Articles 2 and 3. Moreover quantitative methods are mainly used in managerial compensation research (Werner & Ward 2004)

However Werner & Ward (2004) believe that qualitative research could be very useful in theory building and “*a viable contributor along with quantitative research in addressing important compensation issues* (Ibid: 23-25)”. This was one of the objectives in Article 4, namely the explanation of the role of total rewards in global careerists’ career decision making. In the last empirical article of this dissertation a qualitative approach was thus chosen for the generation of expatriates’ emic framework. Rousseau & Tijoriwala (1998: 682) describe that “[*e*]mic frameworks are generated by the respondents themselves [namely, Finnish expatriates in this dissertation] and are attempts to reflect the individual’s mental model in an unfiltered fashion, unconstrained by preconceived notions of the researcher.”

The following section sets the background of this study, which originated from Guest’s critical approach, the traditional way of considering workers in the HRM research before discussing the research methodologies used in the four empirical articles of this dissertation.

### 3.1.2 *Background of this research strategy*

As background to this dissertation I refer to the positivist philosophical approach to HRM adopted by Guest (1999, 2004b) and his followers such as Conway (see Guest & Conway 2004 for instance). Even though strongly criticized by authors such as Legge (2001), this psychologically informed and empirically driven approach tends to increasingly displace, in Northern Europe at least (see Allvin & Sverke 2000; Kalleberg & Rogues 2000), the traditional model of pluralistic in-

dustrial relations when it comes to the study of the employment relationship (Harley & Hardy 2004).

In his critical point Guest (1999) stresses how HRM research neglects workers' concerns and mainly concentrates on how to reach organizational outcomes such as performance. This dearth of information also noted by Clark, Mabey & Skinner (1998) incites Guest to call for more research where the described reality is the one of the employee.

Referring to Storey's (1987) distinction between "soft" and "hard" versions of HRM, Guest (1999) states that "the hard" version is widely acknowledged to place little emphasis on workers' concerns and, therefore, within its paradigm, any judgments of the effectiveness of HRM would be based on business performance criteria. In contrast, "soft" HRM, while also having business performance as its primary concern, would be more likely to espouse a parallel concern for worker's outcomes. So from the "hard" HRM perspective workers are presented as another key resource or objects for managers to exploit, resulting from a long-standing capitalist tradition in which the worker is viewed as a commodity. The resultant exploitation may operate through flexibility, business process-reengineering, outsourcing, performance-related pay to increase control and efficiency despite the fact that may go against the interests of workers. "*It is simply a reassertion of management control under a convenient new label*" (Ibid: 6).

Following Guest's track Inkson (2008) asks "*Are Humans Resources?*" Indeed according to him, workers should be considered as means rather than objects. This is the Soft HRM perspective. According to this approach only by winning the commitment of employees is it possible to achieve corporate goals which remain the ultimate goal to reach for any organization. The focus is thus placed much more centrally on workers or employees, which draws attention to the key role of organizational culture and commitment which thus become the center of HR policy concerns. This perspective leads Guest (1999: 10) to state that organizations need to construct a "*new reality*", which leads to the construction of new meanings not only for the organization but also for appropriate behavior, the nature of employment and the obligations of the workers (see the concept of psychological contract, Rousseau 1989).

This short description of Guest's critical approach to the traditional way of considering workers in HRM research leads me to present the exact focus of the three specific empirical articles of this dissertation. The methodologies used in these articles are described in the following section.

## 3.2 Quantitative methodologies

As indicated above, quantitative methodologies were used in two of the three empirical articles, namely articles 2 and 3. Since the methodologies used in these two articles and their sets of data are identical, they are reported together.

### 3.2.1 *Survey via self-administered questionnaire (Articles 2 & 3)*

#### 3.2.1.1 *Methodological justification*

The decision to use a self-administered survey methodology in Articles 2 and 3 was based on a number of factors. Firstly, even though compensation research has mainly been quantitative and based on surveys (Werner & Ward 2004) and could justify such a choice, the major reason for choosing this methodology was that the studies in Article 2 and 3 focus on individual perceptions of total rewards within the theoretical framework of the psychological contract.

Secondly, by definition, a psychological contract is an individual perception. Individuals hold beliefs regarding the terms and conditions of an exchange between them and their employer in the context of an employment relationship, such as in this study. As stated by Sproull (1981) beliefs cannot be measured directly and operationalized because they are contaminated by content unrelated to promissory interpretation (Rousseau & Tijoriwala, 1981). Researchers need to measure the statement about them and the fixed-response questionnaires have been widely used for that purpose. Moreover Rousseau & Tijoriwala (1998: 681) state that “*subjective or self-reported measures are the most direct source of information on the nature and content of the PC.*” This implied that employees had to be the direct respondents of the researcher’s questions related to their perception of the fulfillment of their employers’ obligations with regard to the delivery of their rewards. This was another justification for the use of a survey addressed directly to Finnish expatriates.

Thirdly the aim of the study in Articles 2 and 3 was to assess expatriates’ perceptions of delivery of expatriate compensation by their employers when comparing it with the compensation they expected to get based on their understanding of their original agreement about their job abroad. Considering the individual perceptive nature which characterizes psychological contracts, the choice of self-administered survey methodology was justified by the arguments of Rousseau & Tijoriwala (1998: 681) according to which “*assessment focusing on promises, resulting obligations, and reciprocal exchange are preferred forms of measures when operationalizing the PC and its items* (Ibid: 81).” They refer to these as-

assessments as evaluation-oriented measures which “employ comparative judgments regarding the individuals’ actual experience relative to an existing psychological contract. Evaluations include assessments of contract fulfillment, violation, and change (Rousseau & Tijoriwala, 1981: 690).”

A fourth reason which justified the use of a questionnaire methodology in Article 2 was the need of quantitative data to test a nil null hypothesis, as it is usually done in psychological research despite an old and continuing controversy related to the use of such hypotheses (Nickerson 2000). This nil null hypothesis, as understood by Carver (1978, 1993), infers the absence of a relationship between a dependent perceptive variable (expatriates’ positive state of PC relating to a package of tangible universal rewards) and an independent perceptive variable (their affective commitment) in Article 2.

A fifth and more practical justification for a survey method was the rare opportunity of collecting data on a large and geographically dispersed sample of expatriates offered by a cooperation project with *Suomen Ekonomiliitto* (SEFE) – the Finnish Association of Graduates in Economics and Business Administration. Cooperation with SEFE not only allowed access to a large number of potential respondents but also was an effective way to legitimize the survey in the eyes of the expatriates targeted. Another option for doing this survey would have been to contact several Finnish organizations to gather an adequate sample of expatriates. However, this alternative would have meant a reduced research context since expatriates would have been linked to a reduced number of organization. Henceforth, the sample would have been less representative of the Finnish population of expatriates. In addition the survey would have been more time consuming and costly. So this option was not chosen.

### 3.2.1.2 *Questionnaire development and data collection*

The self-administered questionnaire design was based on knowledge of the work of Bloom & Milkovich (1999), Rousseau & Ho (2000) (for the main references) on psychological contract in compensation. This knowledge was acquired through a thorough review of the literature on compensation, total rewards and psychological contract.

All the variables of the frameworks of Articles 2 and 3 are perceptual. The dependent variable of their respective frameworks (affective commitment) was based on the three reversed items of the revised version of the six-item measure developed by Meyer, Allen & Smith (1993) and confirmed by previous research by Bentein, Vandenberghe, Vandenberg & Singlhamber (2005). The mediating variables in the framework of Article 3 (expatriates’ perceived fulfillment of their

employers' obligations) represented on the 17 items of PC feature oriented measures (Rousseau & Tijoriwala 1998) developed by Janssens, Sels & Van den Brande (2003) and Sels, Janssens & Van den Brande (2004). These employer obligation scales included four items for long-term involvement and for equal treatment, as well as three items for tangibility, personal treatment, and carefulness.

When it comes to the independent variable, namely the state of the psychological contract (SPC) regarding total rewards, it was a PC evaluation-oriented measure (Rousseau & Tijoriwala 1998) developed to assess the discrepancy between the "statu quo PC" described by Rousseau & Ho (2000) (and which corresponds to the original PC) and the perception of the actual delivery of expatriate compensation package. These self-developed scales and the survey design followed the logic used by Guzzo, Noonan & Elron (1994) in their study on the psychological contract of expatriate managers.

The self-developed measures were first written in English (the final items and scales used in the questionnaire are provided in the Table 4 of Article 2). Then scales already existing in previous literature and the 39 items measuring the SPC regarding total rewards were carefully translated into Finnish. Indeed even though respondents were likely to possess good linguistic skills in English, the decision to keep the questionnaire in Finnish was justified by the common language shared by all the respondents. This decision was also motivated by the fact that previous research (Harzing et al. 2002) has shown that answers of non-English speakers to the same questions vary depending on the language used. Thus researchers are encouraged to take the language issue into account when designing questionnaires. In the translation process, first from English to Finnish and then back to English as advocated by Brislin (1980), attention was paid to issues of language equivalences when it came to vocabulary, idioms, grammar as well as concepts (Sekaran 1983). Furthermore to reduce the direct translation weaknesses and address the concerns of equivalence, the Finnish version of the questionnaire was submitted to a pilot study among a few expatriates and then submitted to experienced HRM academics and several HR managers for comments and feedback. This face validity exercise (Bryman & Bell 2007) led to the change in the wording of several items as well as two introduction sentences.

In the questionnaire, respondents were first asked to provide some background information about the nature of their assignment abroad, their employing organization, the length of their relationship with their employer and the length of their assignment (so far and then estimated). This information was used as control variables in the analysis. Then in the section related to their employment relation-

ship, items regarding the perceived obligations of their employers had to be answered by the respondents according to a 5 point-Likert scale (1= “strongly disagree” to 5= “strongly agree”). Respondents were then asked to indicate the extent to which what was actually provided to them by their employer in terms of compensation differed from what they thought or understood had been agreed on when they had accepted their assignment or job abroad. They anchored their answers on a 7 point-Likert scale (-3= “much less than I understood/though it would be”, the middle of the scale 0 = “about the same as I thought it would be, or not concerned by this compensation, and +3= “much more than I thought it would be”). Finally they were asked to answer some additional background information about themselves; namely gender, age, marital status, the number of employers in their whole career, the number of months of their foreign experience, their level of gross salary, their hierarchical position, the size of their employing organization (in terms of employees) and the sector (private/sector) of the organization. At the end of the questionnaire, the respondents were asked if they would be willing to participate in interviews related to this study. The aim was to get the sample for the qualitative study of Article 4.

Data access and questionnaire administration services were provided by SEFE to ensure the anonymity and confidentiality of their members. The Finnish covering letter of the questionnaire outlining the aims of the project and the conditions of confidential and anonymous answer was e-mailed to the potential respondents in May 2007, one month before the questionnaire was actually sent. The on-line questionnaire was made available for one month during which two follow-up e-mail messages were sent to expatriates. The final data was ultimately delivered by SEFE at the early beginning of July, 2007.

Only two criteria needed to be fulfilled by the respondents to be part of this survey. They had to be Finnish nationals working abroad since this research focused on Finnish expatriates during their international assignment. Second they had to be receiving a salary while abroad since the central theme of the research was expatriate compensation. This minimum of prerequisite criteria ensured the maximum variance in expatriates’ background variables used later as control variables. According to SEFE membership database, these criteria produced a target population of 820 members. These members were either assigned-expatriates (e.g. people sent abroad by their employer) or self-initiated expatriates (SIE, e.g. people who went to find a job abroad on their own initiative). This sample included highly educated people with at least a Master of Science in Economics as the lowest common educational degree. It may be considered as a good representation of the whole population of internationally qualified economics graduates in Fin-

land as union membership levels are very high in this country (71,2% of the labor population in 2003: Visser 2006; Reija 2003).

In total, 316 completed questionnaires were received which represents an overall response rate of 39%. Amongst those 316 completed questionnaires, 33 were excluded as respondents reported that they did not receive any salary while being abroad. Amongst the remaining questionnaires the answers of 14 respondents who had followed their spouse abroad were also eliminated as they did not correspond to the populations looked for in this study. Finally five other answers were eliminated because they did not belong to any categories of our survey: retired SIE, for instance. So a final sample of 263 answers, representing 32% of the total sample of SEFE members was available. It is interesting to notice that the sample included 134 AEs and 129 from SIEs so that the two subpopulations were somehow of equivalent size in the sample. This confirms the previous findings by Jokinen, Brewster & Suutari (2008) that showed that 50.5 % of their sample were SIEs. When comparing these proportions to the one found in Suutari & Brewster's study (2000), which reported a SIE ratio of 33%, the number of SIEs is much higher. This seems to confirm the increase of this international employee population mentioned by the study by Peltokorpi & Froese (2009).

Before going further with the analysis, it is important to stress that four AE and 24 SIE respondents refused to communicate information about their financial/extrinsic rewards. This shows the sensitivity of this topic.

Even though the status of the expatriate (AE or SIE) was used as control variable in the studies. It is worth giving some further detail about the characteristics of the sample here. Most of AEs were men (70.1%), about 40.5 years on average and married or living in a couple (76.9 %), 81.4 % of them held a managerial position (from middle to top management) in private organization for the large majority (91.8%), and for an average monthly gross salary of 9216.1 Euros in 2006. Almost half of them (49.1%) worked in MNCs of more than 20,001 employees, and about 12% in organizations whose size was lower than 500 employees. When comes to SIEs, a bit more than half were men (54.3%), were aged of 40.5 years on average and 72.9% of them were married or lived in a couple. In comparison with AEs, 52.7% of them hold a managerial position and about 43% an expert/technical position. 76.7% of them worked in the private sector; 38% in organizations bigger than 20,001 employees, while 27.1% did in organization whose size was lower than 500 employees. They earned an average monthly gross salary of 7371.5 Euros in 2006. The difference of wages between AEs and SIEs can be explained by the fact that SIEs usually accept local employment conditions

(see the study of pay differential between host-country nationals and AEs by Bonache et al. 2009).

When it comes to the international background of those two subpopulations, striking differences appear. As could be expected AEs had spent a much longer time in their current employing organization than SIE (on average 114.6 months for AEs vs. 55.8 months for SIE). However SIEs had spent more time on their current assignment, i.e. on average they had spent 20 months more than AEs abroad. One plausible interpretation for such a result is that SIEs had been first employed via recruitment or part-time agencies on that assignment (equivalent of a trial period) before being finally hired by their current employer. Thus, it is possible that self-initiated expatriates worked on the project/assignment for on average 5 months before being finally hired. Moreover as expected SIEs had spent much more time abroad than AEs on average, i.e. 31 months more abroad as well as more than twice the amount of international assignments/jobs longer than 1 year in their whole career than AEs had.

#### 3.2.1.3 *Data analysis*

In line with the aim of measuring expatriates' SPC related to their total rewards, first the perceptions of respondents regarding the discrepancy of the actual delivery of each components of their total reward package and what they had understood they would get based on their agreement with their employer, together with the three items measuring the dependent variable of affective commitment were subjected to factor analyses. These analyses used the Varimax rotation method with Kaiser Normalization using the SPSS software for Windows. This was used to test the internal and discriminant validity of these measuring instruments (Churchill 1979) in the studies of articles 2 and 3. The following two paragraphs describe in detail the analyses used in the two different articles of this dissertation.

In Article 2 beside the factor for affective commitment, six distinct compensation factors clearly emerged from this analysis. They corresponded to compensation and reward categories identified in the literature and consequently verified the validity of the measures for each component. These six compensation factors represented 22 of the compensation components in the original 39 (see the seven numbered factors as well as the Cronbach's alphas and percentages of total variance in Table 1 in Article 2). Then the mean value of the items of each compensation factor was averaged to obtain compensation variables. These variables were then grouped according to the two dimensions advocated by Foa and Foa (1975) i.e. tangible vs. intangible and particularistic vs. universal rewards. Consequently, the types of rewards used in the hypotheses were

measured as follows: Tangible Universal Rewards (TUR) corresponded to the mean of the variables (with a corresponding factor number): Insurances (2), International Move Allowances (5), International Adaptation Allowances (6) and Incentives (7); Intangible Particularistic Rewards (IPR) correspond to the sum of the variables Intrinsic Rewards (1) and Personal Social Rewards (3); and total rewards corresponded to the mean of TUR with IPR. This last aggregated measure thus provided an evaluation-oriented measure of the PC as advocated by Rousseau and Tijoriwala (1998), i.e. the state of their psychological contract related to their total reward package.

As indicated in the methodology, the three states of the psychological contract considered in this study are breach, fulfillment, and over-fulfillment. Fulfillment and over-fulfillment correspond to a positive state of the psychological contract, whereas a breach is negative. Each of the three variables, TUR, IPR and Total Rewards, were divided into two other dummy variables related to the two negative and positive states. The negative state, or breach, corresponded to answers from -3 to -1, and positive states corresponded to answers ranging from 0 to +3. When considering positive discrepancies in the case of TUR, the cases with a positive SPC were selected to test the hypotheses and the reverse was performed for the breach SPC.

In Article 3, the 22 items of compensation factorized in the previous study were kept and submitted to factor analyses together with the 17 items measuring employer obligations. The six compensation factors previously obtained were kept intact. When it comes to the employer obligations, those of personal treatment, equal treatment and long-term involvement were kept because the internal and discriminant validity of the other scales was not verified, due to insufficient loadings (i.e.  $<0.5$ ) and or to the fact that their items were mixed in factors other than those originally developed by Janssens, *et al.* (2003) and Sels, *et al.* (2004).

Then when comes to the aim of investigating the existence and sign of the relationship between the different variables of the framework, four consecutive regression analyses were used. This methodology followed the recommendations by Baron and Kenny (1986) regarding the appropriate approach to testing mediation effects.

### 3.3 Qualitative methodology

A qualitative research is particularly appropriate and used in process research (Van de Ven & Poole 2005), like it is the case of career decision making in Arti-

cle 4. In this article the qualitative approach leans on the prescriptions of the work of Yin (2003; 2004), Eisenhardt (1989b) and Eisenhardt & Graebner (2007) regarding the combination of deductive approaches with bottom-up theorizing (Shepherd & Sutcliffe in press). In the following section, presented first are the justifications of the use of a qualitative methodology through semi-structured interviews, then the data collection and data analysis. A discussion regarding the issues of reliability and validity follows that section; these issues are considered for the articles of this dissertation all together.

### 3.3.1 *Survey through semi-structured interviews*

#### 3.3.1.1 *Methodological justification*

The primary justifications for selecting a qualitative research design in Article 4 were linked to the aims of the study. Indeed this research first aimed at exploring the nature of the particular social phenomenon which is the career decision making of global expatriates and the role of rewards in this phenomenon. Since Silverman (2001) argues that a deeper understanding of social phenomena can be obtained through more qualitative methods of exploration, such a methodology was deemed appropriate. Furthermore it was considered as an adequate way to gather data that would enable the scientific discussion looking at global careers from another angle, developing new theory and, re-questioning the phenomenon. It was also considered as appropriate to provide the point of view of global careerists themselves, “perceiving receivers” of total rewards during their working life abroad, as advocated by Guest (1999). In addition, it gave the perspective of the “practitioners” (i.e. global careerists) entwined into their international environment (Sandberg & Tsoukas 2011) rather than the one of “human resources” being managed from the organizational perspective.

Second, this research aimed at obtaining “unstructured data” meaning data that had not already been coded or categorized thanks to a small number of cases (Atkinson & Hammersley 2002) thus bringing out underlying patterns and relationships. This was aimed to provide appropriate data for further theory building. Third, the traditional approach to compensation has mainly been quantitative. Werner & Ward (2004) could not identify a sole compensation study analyzed entirely qualitatively. Thus they called for methodology driven studies (case studies, interviews, and participant observation). They believed that “*qualitative research can be very useful in theory building and can be a viable contributor along with quantitative research in addressing important compensation issues* (Werner & Ward 2004: 223).”

The choice of semi-structured interviews which is one of the frequently used qualitative methods was first justified by the bottom-up approach used in this study (Yin 2003; 2004). There was a clear identification of the type of data that was looked for based on previous empirical and theoretical research on repatriation, global career and, expatriate compensation. Thus it was possible and easy for the researchers to pre-set precise questions addressed to global careerists. Furthermore semi-structures interviews were considered to be an efficient way of getting data about the reasons behind the respondents' career decisions. The open-ended questions allowed the respondents to express themselves in detail about their career decisions, hence the reasons behind these decisions could be identified without or little direction from the researcher. This ensured a high validity of the collected data. Moreover considering the geographical distance between the researcher and the global expatriates and the difficulty of getting any second interview of the same respondents, the method was deemed the most appropriate (Bernard 1988). Furthermore the weaknesses of semi-structures interviews, however, are also acknowledged. Those pertinent to this study include the limited reliability of the data since global careerists may have answered the same question in a different way. However during this research several techniques were used to limit this weakness as discussed in the validity and reliability section.

### *3.3.1.2 Open-ended questions and data collection*

The themes of the interview were elaborated based on the knowledge of the international career literature, the research findings regarding what expatriates value most (Stahl & Cerdin 2004, Stahl et al. 2009), as well as the findings of Articles 2 & 3 related to the link between intangible particularistic rewards and expatriate affective commitment. Furthermore the idea of getting an in-depth view of the role of total rewards in global careerist's career decision making arose when analyzing career-related decision making from all separate, but related, perspectives namely preference, decisions and future interests. Four sets of questions were thus designed.

First, the interviewees were asked to give a detailed account of their previous career paths and current assignments. Second, they were asked about their reward preferences during their global career. Third, the respondents were interviewed about concrete career related decisions to change employer or reject an external job offer. Finally, they were asked for their future career plans concerning possible employer changes either in the international context or in their home country employment markets.

The contact information of the Finnish global careerists was provided by the responses to the survey designed for Articles 2 and 3. In that questionnaire, the re-

spondents were asked to indicate the number of international assignments/jobs they had had during the course of their working life. The respondents who had answered three or more were considered as global careerists since this number of international assignments indicated a more long-term orientation toward a global career. Due to the fact that the original sample of 820 SEFE members was confidential, only the respondents who had willingly communicated their contact could be selected. A sample of fifty or so possible respondents was obtained. Among those twenty were interviewed. The necessary sample size was evaluated based on the data saturation point rather than sample size (Ezzy 2002), i.e. after a large amount of interviews, the key findings started to appear clearly from the data.

These twenty interviews were conducted during April and May 2008. Since the respondents were located all around the world, the interviews were carried out by telephone by an experienced researcher in qualitative research i.e. the third author of the paper. Two pilot interviews were made to test the methodology based on the positive experience from previous studies using the same methodology among the same respondent group (Mäkelä & Suutari 2009).

The interviews lasted between 33 and 132 minutes, resulting in an extensive database of word-by-word interview transcripts for analysis. The interviews were all conducted in Finnish, and the verbatim quotations were translated into English by the authors.

### 3.3.1.3 *Data analysis*

The extensive interview data was content analyzed using replication logic. Replication logic specifies that, if the researcher has access to a certain number of cases, and if these cases provide similar results, then replication has taken place (Eisenhardt 1989b; Yin 1989). The replication logic procedure allows the development of theoretical frameworks, such as the role of total rewards in the career decision making of global careerists in this paper.

When analyzing the results on reward preferences, the data was allocated to emerging categories, also reflecting the theory-based dimensions concerning aspects of total reward, and coded according to observations and insights arising during the process. With regard to concrete career decision-making situations and plans, the researchers inductively raised such additional main categories identified from the data, which fell outside the original total compensation approach. This was done in order to gain a full understanding of the factors behind career decisions, and thus be able to identify the role of total reward concerns among the overall factors affecting the careers. Furthermore, the different interviews were systematically compared to assess the similarities and differences in the data. Fi-

nally, in order to achieve reliability a pre-tested semi-structured interview guide was followed and all the interviews were recorded. Henceforth this created a retrievable database that maintained a chain of evidence. This chain of evidence indeed increases the reliability of the information, allows the following of the derivation of the results and tracing of the steps in either direction (Yin 2003). More detail about the data analysis will be found in the following section since it was greatly guided by the issue of validity and reliability.

It is important to stress here that the findings of this study must be viewed in the light of the following limitations. First, the respondents were all Finnish managers with a university business degree. Second, the small sample size of this qualitative study implies clear limits to the generalization of the results. These limitations should be kept in mind when interpreting the findings.

### 3.4 Validity and reliability

When assessing the quality of research, four criteria are usually considered in the social sciences literature. These relate either to the issue of validity, namely construct, internal and external validity, or to the issue of reliability (Yin 2003: 34). *Construct validity* refers to “*whether or not a measure that is devised of a concept really does reflect the concept that it is supposed to be denoting*” (Bryman & Bell 2007: 41) and therefore requires the establishment of correct operational measures. *Internal validity* relates to the matter of causality and therefore is only applicable in explanatory studies. Crucial in addressing internal validity is the ability to show that the independent variable is indeed responsible for the change in the dependent variable. This implies that the researcher has to control for other variables, possibly affecting the dependent variable. It parallels the notion of credibility of the findings. *External validity* refers to the extent to which the findings of a study can be generalized beyond the specific context of the study. It parallels the notion of transferability of findings (Bryman & Bell 2007:42-43). Lastly, *reliability* is concerned with the repeatability of the study’s findings and whether the process, used in the empirical research, can be repeated while yielding the same results. Furthermore in quantitative research the notion of reliability refers to the stability of the measures used in the study, their internal consistency (Bryman & Bell 2007: 40-41). In other words, it refers to the extent to which an experiment, test or other measuring procedure yields the same results on repeated trials.

These four quality criteria are now discussed in connection with the three empirical articles of this dissertation, distinguishing between the quantitative and qualitative methodologies.

### 3.4.1 Construct validity

In the quantitative articles 2 and 3 construct validity was addressed in the careful design of the questionnaire. First, care was taken in ensuring that all constructs were sufficiently grounded in theory. In Articles 2 & 3 the state of psychological contract related to total rewards was principally based on the contributions of Guest and his followers (e.g. Guest 1999; Guest & Conway 2002), Rousseau & Ho (2000), Bloom and Milkovich (1996) when it comes to the state and motivation theories with regard to total rewards. As this construct had not been operationalized in previous studies, the researcher closely followed the methodology logic used by Guzzo, Noonan and Elron (1994) who had operationalized the construct of fulfillment of the psychological contract of expatriates in relation to their total compensation package. In terms of the definitional dimension of construct validity and how accurately the constructs had been operationalized, tests of *face validity* (i.e. intuitive test of whether a measurement seems to accurately reflect the content of the concept it is supposed to) conducted mainly for Article 2 by piloting the questionnaire (Bryman & Bell 2007) amongst expatriates, HR researchers and HR specialists. Whenever this was possible, both studies used existing operationalized instruments that had been validated in prior literature and adapted them to fit the context of these studies. This is particularly the case of the PC feature-oriented measure developed by Janssens, Sels & Van Den Brande (2003) and Sels, Janssens & Van den Brande (2004) to denote the construct of employer obligations. Furthermore in Articles 2 & 3 the construct of affective commitment was operationalized with items from the validated instrument developed by Meyer, Allen & Smith (1993) since the study by Bentein, Vandenberghe, Vandenberg & Singlhamber (2005) had shown the strong psychometric properties of this revised measure.

Construct validity in these two quantitative studies was further addressed against its two acknowledged sub-criteria of convergent and discriminant validity. *Convergent validity* refers to the homogeneity of the constructs comprising the model, in other words it refers to the degree of association among the different measures that purport to measure the same concept or construct. So measures should only highly correlate with other measures if they belong to the same variable. In both articles 2 and 3 convergent validity was assessed using Cronbach's alpha as a measure of internal consistency. Nunnally (1978: 245) recommends that instru-

ments used in research have reliability of about 0.70 or better. Therefore in these two articles the reliability values for all scales exceeded the recommended value. Regarding *discriminant validity*, it refers to the difference of constructs, reflecting the fact that each construct should relate to the specific measure derived from it and measures that should not be related are actually not (Churchill 1979). In both quantitative studies, the discriminant validity was evaluated using factor analyses, based on which some of the measures of employer obligations were excluded in Article 3 (see Table 1 in Article 2 and Table A1 in Article 3).

In the qualitative study of Article 4, the construct validity was most addressed in the data collection phase as previously described. It was mainly achieved by the role of the two researchers who verified separately the data and then compared their findings. This enabled investigator triangulation recommended in social sciences (Denzin 1978; Ritchie & Lewis 2003). This is also called cross examination and refers to double checking results. Furthermore as mentioned in the previous section a chain of evidence was established via the recording of the semi-structured interviews as recommended by Yin (2003).

#### 3.4.2 *Internal validity*

Internal validity and the credibility of the findings and conclusions regarding cause-effect relationships can be set against several criteria. With regard to the quantitative studies of this dissertation, two out of the three criteria of Cook & Campbell (1979) are applied, namely direction of causality and the absence of spurious relationships. In the issue of direction of causality, the quantitative Article 2 is grounded in sound theoretical logic and on previous findings by O'Reilly & Caldwell (1980) and Malhotra et al (2007) who support the view that intrinsic rewards (sub-variable of the independent variable which is total reward) have a positive linear relationship with affective commitment (dependent variable) whereas the findings by Mathieu & Zajac (1990) and Malhotra et al. (2007) tend to show the absence of relationship (positive or negative) between financial rewards (independent variable) and affective commitment.

With regard to Article 3, the framework leads to an incremental step in testing and extending theory since the construct of perceived employer obligation is located as a mediator between the previous independent variable (total reward) and the dependent variable (affective commitment). In this particular case, direction of causality is grounded in the conceptual work by Rousseau & Ho (2000) regarding the way meaning is ascribed to the psychological contract, by Guzzo et al. (1994) when it comes to the mediating role of the psychological contract, HRM practices and, individual outcomes.

In terms of non-spurious relationships and the possibility of unidentified variables which could explain the findings, in both the quantitative articles twelve additional factors, thought to affect the relationship between expatriates' SPC related to their total rewards compensation package and their affective commitment were included as control variable. This large number of control variables though could be criticized (Becker 2005) or could have been condensed by adopting some continuous measures, such as for firm size.

In the qualitative Article 4, internal validity refers to the validity of interpretation in explanatory studies and is addressed when analyzing the data (Yin 2003). Even though the issue of validity and reliability will be discussed in the following section, it is important to indicate here that a number of measures were used to control the validity and reliability of the study. During the analysis, the data was carefully read and considered several times by two authors so that they became deeply familiar with it. In addition, the data was constantly crosschecked with that from previous research, as well as across the multiple interviews, thereby increasing the internal validity of the study. In addition the investigator triangulation previously mentioned the raw material was cited as often as possible in support of the interpretation made (Andersen & Skaates 2004).

### 3.4.3 *External validity*

In the two quantitative studies of this dissertation, the extensive database of expatriates provided by SEFE allowed for a significant variation of observations from across country and organizational contexts, as well as across individual background characteristics, even though all the respondents were all highly educated with a minimum of a Master of Economics as a common educational background. Moreover given the good answer rate of 39 percent, this sample of expatriates is deemed to be highly representative of Finnish expatriates working abroad. In response to the question of whether the results of these studies are generalizable to expatriates of other nationalities, on one hand recent research on valued rewards and careers (Segers et al. 2007) shows evidence that differences exist. Therefore, differences in SPC and perceptions of affective commitment can be expected. On the other hand, the research (Stahl & Cerdin 2004; Stahl et al. 2009; Suutari, Mäkelä & Tornikoski 2009) has shown that expatriates valued similar intangible rewards related to their development and job characteristics and environment.

In Article 4, research generalization of the theoretical findings has been guiding this qualitative research. Indeed the aim was to deepen our understanding of the social phenomenon (Yin 1994) which is the career decision making of global ca-

reerists. So accordingly, in terms of external validity, the aim was to generalize a set of results to some broader theory, which Yin (2003) stresses should be based on replication logic in the case of multiple cases. This technique has been adopted in Article 4 as earlier described.

#### *3.4.4 Reliability*

The use of expatriate respondents' native language (Finnish) in the questionnaire and clear instructions, increased consistency and addressed the reliability issue in the quantitative Articles 2 & 3.

When it comes to the qualitative Article 4, the use of semi-structured interviews enabled direct communication of instructions and clarifications to respondents whenever the latter were required. In order for qualitative studies to be repeatable Yin (2003) recommends that researchers should document rigorously their data collection process to enable their pairs to reach the same conclusions. For that purpose and as previously indicated, a pre-tested semi-structured interview guide was used in that study.

## 4 SELECTED ARTICLES

### 4.1. Article 1: Expatriate Compensation: A Theoretical Approach

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The complexity of managerial compensation is undeniable. The multiple theoretical perspectives used to examine this strategic issue has, however, segmented its global understanding and blurred the relationships between its numerous facets, determinants and outcomes. Compensation complexity is even greater in the context of expatriation. The aim of this paper is to highlight the global picture when designing an expatriate package. For that purpose the traditional organisational control perspective deemed to be adopted by Human Resource specialists is examined. Then expatriates' motivations for accepting an international assignment are considered before turning to their social exchange relationship with their supervisor. This brings to the fore possible divergences in terms of focus and package design as well as tensions within the organisation itself. This also logically leads to the definition of the expatriate compensation package as a "bundle" of total rewards, namely a collection of interrelated valued rewards differentiated according to the dimensions of particularism and concreteness (Foa & Foa, 1975). This bundle can be considered the outcome of an "idiosyncratic deal" between the three parties. The impact of the international environment on the constituents of the package is in turn examined before offering some propositions to guide research and practice.

#### 1. Introduction

Compensation is of strategic business importance since it is used by organisations to attract, motivate and retain valuable employees. In the context of expatriation this importance has increased because foreign assignments are seen as a normal part of a business career rather than as an exception in a career in international companies (e.g., Schell & Solomon, 1997). Moreover the use of expatriation is expected to increase in the future (Bonache, Brewster, Suutari & De Saá, 2010).

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Re-printed with permission of the Editors Antoni, C.H., Baeten, X., Lucas, R., Perkins, S. & Vartiainen, M. of the book "Pay and Reward Systems in Organizations – Theoretical Approaches and Empirical Outcomes". Lengerich: Pabst Science Publishers.

Still, compensation is the aspect of expatriation, which has received least attention (Bonache & Fernandez, 1997; Suutari & Tornikoski, 2000, 2001; Bonache, 2006) and no study has focused entirely on the content of expatriate compensation package.

Expatriate compensation is often considered extremely costly and time consuming for the organisations involved (Bonache & Pla-Barber 2005). Henceforth it has two inherent handicaps when it comes to the management of contemporary employment relationships (Rousseau, 2001). This perception pressures companies to either decrease their investment in international experience and knowledge<sup>1</sup> or to look for alternate international employee populations, such as self-initiated expatriates<sup>2</sup> or to decrease the coverage and amount of their expatriate compensation packages (Perkins & Daste, 2007). There is a danger that these pressures may lead to an alteration in expatriates' perceptions not only of their compensation package, but also of their whole employment relationship prompting expatriates to change their attitude toward their employer or simply change their employer. So there is the need to understand possible ways of designing expatriate compensation package while limiting the risk of the end of the employment relationship.

The purpose of this article is to examine expatriate compensation through different theoretical lenses to see if it might help understanding the perspectives of the different parties involved in the expatriate employment relationship. These are considered to be first Human Resource (HR) specialists, who stand guarantor for the organisational interests in expatriation through the use of expatriate compensation package design, then the expatriate supervisor who has the responsibility of managing, motivating and committing the expatriate to the organisation through their relationship while standing for the organisation, and finally the expatriates who nowadays tend to manage their own career (e.g., Segers, Inceoglu, Vloeberghs, Bartram & Henderickx 2008; Sullivan & Baruch, 2009). The article also examines the international environment in which the employment relationship is embedded. The objective in doing so is first to globally understand the role of each perspective in the design and content of the expatriate package. Second, it is to show that expatriate compensation packages need to fit both organisational and individual objectives to ensure the success of the international assignment (Cerdin & Le Pargneux, 2009). The third aim of the developments of this paper to lead to

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<sup>1</sup> e.g. Bonache and Pla-Barber, 2005; Pate and Scullion, 2010, Schell and Solomon, 1997

<sup>2</sup> e.g. Meyskens, Von Glivow, Wether & Clarke, 2009; Thite, Srinivasan, Harvey & Valk, 2009

propositions, which might guide future research and practices on expatriate compensation issue. The paper structure follows the same logic and starts with a general presentation of compensation and the parties having an impact on it in expatriation.

## 2. Compensation and concerned parties in expatriation

Compensation is one of the means used by organisations to control expatriates' behaviours and attitudes (Eisenhardt, 1989) with the ultimate objective of reaching their strategic goals such as performance. Compensation is also considered as one of the most salient signals and earliest practices interpreted by employees regarding the nature and status of their employment relationship (Rousseau & Ho, 2000). Furthermore, it is at the core of any employment relationship and one of the most basic reasons why people engage themselves in working for an organisation (Bloom & Milkovich, 1996) and to accept an international assignment (Miller & Chen, 1978; Pate & Scullion, 2010).

Compensation has for long been considered as a total compensation package however, Bloom and Milkovich (1996: 27) state that "*defining compensation as a bundle of valued returns offered in exchange for a cluster of employee contributions*" provides a broader view of compensation. Depending on who considers or which theoretical perspective is adopted to examine compensation, this bundle might not mean the same or encompass the same "returns". For this reason, when considering the employment relationship previous research (e.g., Macneil, 1980; Yan, Zhu & Hall, 2002; Perkins & Daste, 2007; Pate & Scullion, 2010) have been concerned about who actually stands for the organisation when communicating and setting realistic expectations for the employee. Indeed research has shown that HR specialists frequently face troubles in their dealings with discontented expatriates (Paik, Segaud, & Malinowski, 2002).

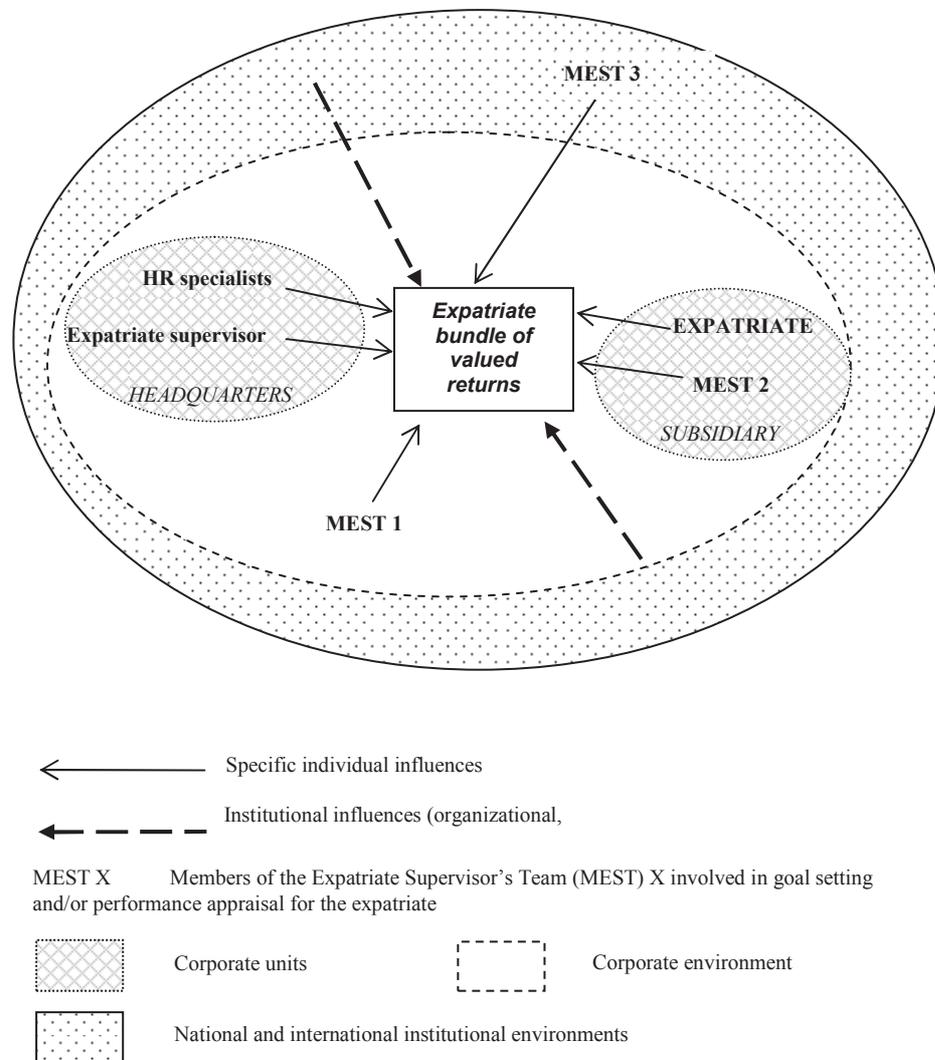
Examining the employer-employee relationship from an agency theory perspective in the context of international assignments, Yan, Zhu and Hall (2002: 338) indicate that the focus should be on "*the organizational entity lowest within the hierarchy that is directly involved in selecting, dispatching, and managing the assignee, including conducting performance reviews and repatriating the employee when the assignment is completed. This entity, however, should not be a particular individual who holds no institutionally binding power.*" This is in line with the argument of Macneil (1980) according to which players in the corporate hierarchy on behalf of the organisation usually perform the principal's functions.

However, when considering the employment relationship from the bilateral view of the psychological contract (Rousseau, 1989), Pate and Scullion (2010) stress that a clear definition of whom the employer stands for the organisation is not an easy issue to deal with. Indeed multiple agents may represent the organisation's perspective, such a line, senior and HR managers at the headquarters and at the subsidiary. The recent article of Perkins and Daste (2007) sheds some light on this issue. They distinguish between expatriate policy specialists who are "*personnel and development specialists responsible for design and quality assurance monitoring of expatriation policy* (Ibid: 551)" and expatriate supervisors who are "*the senior managers to whom expatriate report up-the-line* (Ibid: 551)". The authors show the potential tensions between these two categories of organisational representatives. It is considered in this paper that the former category is accountable for designing, communicating and applying corporate expatriation policy to expatriate thus adopting "organisational control" lenses. The latter manages individual expatriates whom they need to keep motivated and committed to the organisation so to ensure the success of the international assignment. Henceforth expatriate supervisors might wear "motivational and exchange" lenses. This difference in perceiving what the organisation-expatriate relationship means and what the related returns are creates tensions between the different parties involved. Still a fit between these different perspectives and, between the criteria used both by expatriates and the organisation to assess their respective success is argued to be critical to the success of the international assignment and the repatriation (Cerdin & Le Pargneux, 2009).

In this article, the distinction by Perkins and Daste (2007) between *HR specialists* and *expatriate supervisors* is adopted to anthropomorphise the organisation. In addition other potential supervisors will be referred to as the *supervisor's team*. Indeed the findings by Black, Gregersen and Mendenhall (1992), Gregersen, Hite and Black (1996), and Suutari and Tahvanainen (2002) indicate that expatriates might also have other potential international relationships with other supervisors or professionals who are also involved in his/her goal setting and outcome appraisal. Furthermore, it is argued here that expatriate compensation package is not only embedded into this employment relationship (Bloom & Milkovich, 1996) but also into the international environment surrounding the international assignment. Therefore the Figure 1 below summarises the specific individual and institutional influences on the expatriate package environments considered in this paper. The institutional context is going to be examined later on in this paper.

In the following section the traditional approach used by research to examine expatriate compensation is presented. Second the tenets of agency theory are combined with a resource-based view perspective to explain how organisations might

consider expatriates and thus design their compensation package. Thirdly, a brief description of the content of the traditional total compensation package of expatriates is presented.



**Figure 1.** Individual and institutional influences on expatriate compensation bundle

### 3. Traditional theoretical approach to expatriate compensation

The focus of the scarce previous compensation studies in the context of expatriation has been on how to control subsidiaries (e.g., Roth & O'Donnell, 1996;

Bonache & Fernández, 1997) through the adequate compensation of CEOs or top managers (Sanders & Carpenter 1998, Björkman & Furu, 2000; Carpenter, Sanders & Gregersen, 2001), namely variable pay, for instance. This research has been guided by the prescriptions of organisational control theories which view financial compensation as a pivotal control and incentive mechanism as flexible means to be used organisations to achieve business objectives such as organisational performance. Thus they have mainly used agency theory as theoretical underpinning (see for instance, Roth & O'Donnell, 1996, Björkman & Furu, 2000). The understanding of such theoretical perspectives is important to grasp how expatriate compensation package might have been designed and what components it might consist of. Consequently, this section describes how a traditional approach to expatriate compensation, such as an agency theory perspective and completed by a resource-based approach, enables understanding factors that might explain the difference of expatriate compensation packages in terms of proportions of fixed pay vs. variable pay.

### *3.1. Compensation from an agency theory perspective*

Agency theory originated from Adam Smith's (1937) observation that corporate directors used "other people's money" to pursue their own interests. It then evolved to examine the employment relationship at the individual level (e.g., Jensen & Meckling, 1976; Fama & Jensen, 1983; Eisenhardt, 1989). It thus describes that a "principal" (considered to be HR specialists, here) hires an "agent" (namely, expatriates) for his/her specialised knowledge, skills and, his expected capabilities to fulfil the organisational objectives and goals. This employment relationship is symbolised, based on and directed by a contract. This contract or agreement describes rights of each party, rules according to which expatriates' base salary will be determined, and performance evaluated and then paid. Central to the agency relationship is the conflict between the parties' self-interest that guide their behaviours and the low availability of information from the agent to the principal (also referred to as "information asymmetries"). The higher "information asymmetries" are the more the significance of this problematic situation, called "moral hazard" (Eisenhardt, 1988) increases. This situation increases further the more autonomy and independence the expatriate enjoys and the greater the specialised knowledge required performing the task (Gomez-Mejia & Balkin, 1992; Holmstrom, 1979). HR specialists who fear the rational, self-interest motivated and risk-adverse expatriate to shirk or not to provide the work efforts he engaged himself for (Stroh, Brett, Bauman & Reilly, 1996) look then for ways of dealing with this agency problem.

According to agency theory HR specialists have basically two options (Demski & Feltham, 1978; Eisenhardt, 1988). They can either invest in information gathering to ensure that the expatriate acts according to the corporate interests and objectives (Eisenhardt, 1988, 1989; Jensen, 1983; Ouchi, 1977), or design a reward system to motivate the agent and monitor his/her actions according to objectives/goals to be performed to the satisfaction of HR specialists (Gomez-Mejia & Balkin, 1992; Jensen, 1983). When seeking to align the expatriate's behaviour, HR specialists design and develop compensation systems including fixed pay (behaviour-based pay) and variable pay (outcome-based pay). Tosi and Gomez-Mejia (1989) showed that "when an agent has high autonomy, independence and highly specialised knowledge, monitoring becomes very difficult and expensive, so principals depend on incentives to reward agents for appropriate outcomes" (Gomez-Mejia & Balkin, 1992: 923).

Thus, from the perspective of organisational control theories such as agency theory, money or tangible financial compensation is a pivotal control of employees' behaviours and incentive mechanism that HR specialists can use flexibly to achieve business objectives such as organisational performance (Gomez-Mejia & Balkin, 1992).

### 3.2. *Determinants of expatriate total compensation*

In the following paragraphs the tenets of agency theory are mainly examined from a resource-based view (RBV) perspective. This theory indeed aims at identifying whether the firms' resources (see human capital theory, Becker, 1964) are valuable, rare, non-substitutable and inimitable to determine the sustainable corporate competitiveness on the global market. Each of these four characteristics is necessary but not sufficient condition. Sole their combination is source of sustainable competitiveness (Barney, 1991). The aim here is to understand how organisations and HRM specialists may consider international assignments and expatriates from that RBV perspective to determine the financial content of expatriate compensation packages. The following Table 1 summarises the key developments.

#### 3.2.1. *Degree of expected challenge related to the international assignment task*

Task programmability has been identified as an important determinant of variable pay systems (Eisenhardt, 1989; Gomez-Mejia & Balkin, 1992; Stroh et al., 1996; Ouchi, 1977). It is defined as the degree to which the appropriate behaviour by expatriates can be clearly specified and defined in advance to achieve the organi-

sation's desired outcome (Eisenhardt, 1988; Ouchi, 1977). According to agency theory, the principal chooses between behaviour-based contracts (fixed pay) and outcome-based contracts (variable pay) by examining the ease of monitoring the expatriate's job performance (behaviours). The more programmable the assignment task of expatriates, the easier for the principal to specify the behaviours that expatriates need to perform.

In their study on the determinants of faculty members' pay, Gomez-Mejia and Balkin (1992) showed that in situations where an agent has an inherently non-programmable job, the principal chooses to monitor performance by assessing outcomes, in that specific case the number of publications. Tosi and Gomez-Mejia (1989) also showed earlier that an agent with highly specialised knowledge, high autonomy and high independence is difficult and expensive for the principal to monitor. Therefore, the principal favours variable pay to reward agents for their appropriate outcomes.

**Table 1.** Agency theory tenets and corresponding concepts in the context of expatriation

Considered agency theory tenets	Corresponding concepts into the expatriation context	Operationalization
Task programmability	Degree of expected challenge related to the international assignment task	<ul style="list-style-type: none"> <li>- Degree of autonomy</li> <li>- Degree of independence</li> <li>- Degree of specialised knowledge</li> <li>- Degree of intensity of expatriate's interaction with locals</li> </ul>
Outcome measurability	Degree of information gathering	<ul style="list-style-type: none"> <li>- Size of expatriate supervisor's team</li> <li>- Frequency of communication between expatriates and their supervisor</li> </ul>

By definition expatriates are strategic resources (Hsieh, Lavoie & Samek, 1999). They differ from their national counterparts, as they are *scarce* employees due the rarity or uniqueness of their specified knowledge, skills and capabilities. They are also *valuable* employees in creating and sustaining firm competitive advantage. Moreover they have been considered as *inimitable* since transferors of the strategic tacit knowledge of the company. Finally they are holders of qualities that make them *irreplaceable* such as being highly socialised and trustworthy. This resource-based definition of expatriates helps introduce the discussion related to

the difficulty for principals to define the programmability of the international assignment task, or in other words defining the extent of challenges inherent in the assignment tasks expatriates are expected to cope with.

Expatriates are likely to have been socialised into the organisational culture and management practices. As such they are sent abroad for either specific staffing needs, or organisation development purposes such as control and coordination, knowledge transfer and instilling corporate culture (Riusala & Suutari, 2004), or alternatively management development purposes (e.g., Edström & Galbraith, 1977; Welch, 1998; Stahl & Cerdin, 2004). Those assignment tasks often imply high levels of trust from the supervisor in expatriates, which often results, as Riusala and Suutari (2004) illustrate, in expatriates' high degree of autonomy.

When considering the agency relationship, expatriates' *degree of autonomy* within the strategic frames given by their supervisor for achieving the international assignment goals is defined here as the degree to which their decision making process and authority (discretion) to determine how to pursue the goals they have been assigned are expected to be free and independent from the intervention by their principal or by any other member of the principal's team (see definition of "task autonomy" by Hackman, 1980). This construct is perceived as the horizontal limit of expatriates' decision-making freedom within strategic frames set by the supervisor whereas the notion of degree of independence is perceived as its vertical limit. Following the logic of the previous definition, expatriates' *degree of independence* (or of financial discretion) within the strategic frames given by their supervisor for achieving the international assignment goals is the financial level up to which their decision regarding the means they will use to pursue their assigned goals are not expected to require the interventions by the principal or by any other member of the supervisor's team (see Tosi & Gomez-Mejia, 1989).

Moreover, expatriates' inimitability makes them extremely valuable for their organisation from a strategic point of view, whilst their scarcity increases this strategic value. These qualities are conceptualised here as the expected *degree of specialised knowledge* required from expatriates by the assignment task. This construct is defined as the perceived and expected difficulty for the supervisor and HR specialists of replacing the expatriate by equally competent employees for the same assignment task.

The international assignment involves a wide variety of situational contexts, which reinforces the inimitability of the expatriates based on very specific backgrounds and knowledge acquirement histories (Barney, 1991). However, beside this RBV perspective, these contexts, which differ from domestic assignment (Murphy & Cleveland, 1991), may also shake the supervisor's confidence and

predictions regarding the ability of their “trusted” and autonomous expatriates to behave adequately and perform efficiently and successfully in contact with locals and international counterparts. Consequently, the notion of “agency moral hazard” previously linked to information asymmetries still seems to be valid in the case of expatriates, even though Roth and O’Donnell (1996) and then Björkman and Furu, (2000) argue the contrary in the case of an agency relationship between executives at corporate headquarters and expatriate managers at the head of subsidiaries. The uncertainty related to the difficulty of predicting expatriates’ adequate and efficient behaviours while on assignment abroad can be also related to the *degree of intensity of expatriates’ interaction with locals* (Chen, Choi & Chi, 2002; Bonache, Sanchez & Zárraga-Oberty, 2010). This construct describes the expected international characteristics of the international assignment tasks to which expatriates will have to adapt and correctly respond in order to efficiently and successfully perform their assigned task.

The four defined degrees of high autonomy, high independence, specialised knowledge and intensity of interaction with locals seem to be inherent characteristics of expatriates’ international assignment task. They are considered all together as *the degree of expected challenge related to the international assignment task for the expatriate*. The higher this expected challenge, the less programmable the expatriates’ task is expected to be. As a consequence, and following the agency theory logic, it is suggested here that the higher the expected degree of challenge, the more difficult it will be for the principal to programme the outcomes of expatriates, therefore a contract more based on outcome-related pay might be favoured by the principal.

### 3.2.2. *Degree of information gathering*

Agency principals look for means to monitor expatriates’ behaviour and appraise their outcomes while limiting their costs. The first option available to the principal is a mechanism to motivate and encourage expatriates to act according to the organisation’s interest and display the type of behaviour required in the subsidiary’s compensation and incentive system (e.g., Bonache & Fernández, 1997). This system can be defined as “a pivotal control and incentive mechanism that can be flexibly used by management to achieve business objectives” (e.g., Gomez-Meija & Balkin, 1992:18). This concept leads to the agency constructs of outcome measurability (e.g., Anderson, 1985, Eisenhardt, 1988, 1989) also identified as an important determinant of variable pay systems (e.g., Eisenhardt, 1989; Gomez-Meija & Balkin, 1992; Stroh et al., 1996). It refers to the extent to which

performance/contribution outcomes of expatriates can be measured reliably and in a valid way.

In the case of an international assignment many factors like government policies, economic climate, competitors' actions, the weather, expatriates' family adaptation to the host country and other factors may intervene to cause variations in expatriates' outcomes in an international environment (Eisenhardt, 1989). The degree and complexity of external pressures on expatriates being high, the specification of their expected behaviour and the definition of the expected outcomes being arduous, the possible geographical distance between the supervisor and the expatriate and other factors render the expatriates' outcomes difficult to measure. According to agency theory, in such a situation, the HR specialists will favour another option to reduce the agency moral hazard, which is the gathering of information to ensure that the agent acts according to the principal's interests and objectives based on local conditions and comparability; in this case the HR specialists will prefer to compensate expatriates with fixed pay.

Furthermore, in her study Tahvanainen (1998) shows that typically more than one person evaluate expatriates' performance. Suutari and Tahvanainen (2002) also indicate that performance goal setters and appraisal raters might not always be the same persons, even though a main supervisor is usually named. As previously indicated, other supervisors or professionals are involved in the expatriate's goal setting and outcome appraisal and are referred in this paper as the expatriate supervisor's team. Each member of the team represents an additional possibility or perspective in gathering information on the expatriates' behaviours as well as external contextual features of the international environment in which the agent evolves. This team can provide important and multiple insights to appreciate the various facets of the host context and an expatriate's work (Gregersen et al., 1996) and thus help reduce information asymmetries. In addition, the frequency of communication between the supervisor and the expatriate is another means for the supervisor to appreciate and monitor the assignee's behaviour. Therefore, the size of the principal's team as well as the frequency of communication between the expatriate and the supervisor, in other words the *degree of information gathering* regarding the expatriate's behaviour, is expected to have a negative impact on an expatriates' proportion of variable pay.

### 3.3. *Traditional expatriate total compensation components*

The academic literature review on managerial compensation (see Werner & Ward, 2004) shows that most research on compensation either on national or international grounds mainly focuses on financial components of compensation, also referred to as total compensation package in the case of expatriate compensation.

In the case of the expatriate package, financial components include elements such as fixed pay and bonuses, benefits and allowances (Stone, 1986). The fixed pay corresponds to the compensation where the amount and payment is guaranteed. Its basis is influenced by the compensation approach adopted by the organisation (home country-, host country-, hybrid-, global-approach, (e.g., Suutari & Tornikoski, 2001; Bonache, 2006). Bonuses are significant elements of the total compensation package (Bailey, 1995) and include compensation whose amount varies or the distribution is uncertain such as performance-related pay, for instance (Igalens & Roussel 1999). When comparing national compensation packages with international ones, the main differences also lay into the composition of the remaining components of the total compensation package, namely the allowances and benefits (Guzzo et al., 1994).

The previous literature points out the important role that allowances play in expatriate financial compensation (e.g. Bonache; 2005; Guzzo et al., 1994; Suutari & Tornikoski, 2001). Such allowances refer to payments that are typically used to bridge the gap between reasonable expenditure in the home and the host country (Torrington, 1994), to cover the costs of moving overseas, and to motivate the individual to make such a career move. When making the parallel between Herzberg's theory (1968) they appear to be what the author called "the KITA" (or "kick in the *pants*") to make the employee accept the job or assignment. It includes typical allowances such as an overseas premium, a cost of living allowance, housing allowance. Moreover benefits such as insurances provided by the organisation may cover not only the expatriate's assignment-, travel-, health-, life-, accident- insurances, but also the family members' who move with the expatriate (e.g. Bonache, 2006; Festing & Perkins, 2009). They are difficult to deal with for organisations but nevertheless offered for business or moral reasons and support.

However, in the context of expatriation an employee-employer relationship encompasses much wider terms (Guzzo et al., 1994) than just financial or "monetizable" components (Rousseau & Ho, 2001). The international employee compensation package is consequently much broader in terms of components. Financial rewards alone have been shown to be insufficient in binding the employee to the

organisation (Barringer & Milkovich, 1995; Herzberg, 1968; Malhotra, Budhwar, & Prowse, 2009). Other rewards seem critical and decisive to the employee's decision to stay in a company (Stahl, Miller & Tung, 2002; Stahl & Cerdin, 2004), especially in an international context (Suutari, Mäkelä & Tornikoski, 2009). Therefore after looking at expatriate compensation through the organisational control lenses deemed to be worn by HR specialists, the following section presents the perspective of expatriates.

## 4. Expatriate compensation embedded into the employment relationship

### 4.1. *Expatriates' perspective*

The results of the study by De Vos and Meganck (2007) highlight that there is a discrepancy between HR specialists and employees' views regarding financial rewards. The former develops retention policies relating financial rewards while employees attach most importance to inducements related to the social atmosphere, career development and job content. Dickmann, Doherty, Mills and Brewster (2008) as well as Pate and Scullion (2010) indicate that HR specialists seem to overestimate the weight of financial compensation over other motivators expressed by expatriates. Furthermore, Stahl et al. (2002), Stahl and Cerdin (2004) show that financial considerations came either at the fifth or sixth position after non-financial motivators among French and German expatriates. The respective studies of Stahl, Chua, Caligiuri, Cerdin and Taniguchi (2009) and Suutari, Mäkelä and Tornikoski (2009) stress how expatriates and global careerists value the ongoing developmental opportunities linked to their international jobs, the meaningfulness and importance of the jobs, as well as their high levels of autonomy.

All these motivators have previously been reported to be typical characteristics of international jobs (Boies & Rothstein 2002; Bossard & Peterson 2005). Expatriate managers also value the international aspect of their career environment (Segers et al., 2008) as reported in earlier research among global careerists (Suutari & Mäkelä, 2007) or expatriates (Cerdin & Le Pargneux, 2010). The financial aspects of compensation are seen as important too but are more often considered as prerequisite and implicit conditions of the job offer rather than a motivation. In fact, financial considerations occupy only the fourth position after job-related characteristics, location of the assignment and the type of organisation as pull factors for employees (Suutari et al., 2009). All in all, it appears that expatriates are greatly concerned about their career success all along their international assignment (Tung, 1988; Cerdin & Le Pargneux, 2009).

Henceforth, organisational control theories, such as agency theory, seem to reach their limits when it comes to explaining contemporary employment relationship (Rousseau, 2001) of expatriates. Moreover, despite the efforts of HR specialists in designing very effective total compensation packages the marginal to non-significant relationship between financial rewards and employee outcomes (De Vos & Megank, 2007; Malhotra et al., 2007) tends to question this sole financial perspective. Thus it is asserted that researchers and HR specialists need to identify what expatriate value most to motivate, commit them to the organisation and consequently retain them during and after their international assignment. The fact that HR specialists frequently face troubles in their dealings with discontented expatriates (Paik et al., 2002) seem partly originating from the fact that they provide them with inadequate packages.

The following paragraph examines the expatriate supervisor's perspective on expatriate compensation.

#### 4.2. *Expatriate supervisor's perspective*

Typically the expatriate supervisor has developed a personal relationship with the assignee since he/she had a time period long enough before the international assignment to get to know the expatriate. Based on this personal relationship, expatriate supervisor is aware of and know what the expatriate values most and look for in his/her work and consequently in their international assignment. He/she is able to perceive what is essential to provide to the expatriate to keep him/her motivated and willing to achieve the goals of the organization. The returns expatriate supervisor tend to exchange are the ones valued by expatriates based on their trusting relationship. As seen previously, these returns are mostly intangible and non-financial, such as recognition, development support for instance (Rousseau & Ho, 2000; Rousseau, Ho & Greenberg, 2006).

When comparing expatriate supervisors' perspective with the one of HR representative described previously, clear differences emerge. This observation adds insights to the existence of socio-political tensions between these two corporate representatives identified and described by Perkins and Daste (2007).

### 4.3. Theoretical perspectives

#### 4.3.1. Psychological contract

The expatriate supervisor is the one who embodies the organisation in the expatriate's eyes and thus the party with who expatriates consider having an exchange relationship (Blau, 1964), and the basis of their psychological contract<sup>3</sup> (Rousseau, 1989). Bloom and Milkovich (1996) state that:

*“Psychological contracts theory views the relationship between employer and employee as a collection of promises; a set of obligations to exchange contributions for returns. As this exchange becomes less like a simple sales transaction and more like an on-going relationship, the location of valued returns moves from an exclusive focus on cash wages to a variety of socio-emotional benefits (Macneil, 1980, 1985; Rousseau and Parks, 1993). Psychological contracts theory asserts that what the organization offers [i.e. [a] bundle of valued returns] is crucial for understanding what the employee contributes in exchange. Psychological contracts are schemas (Cantor, 1990) which give meaning to the bundle and direct individual reactions to it (Ibid: 27-28)”.*

The two quantitative studies which consider the relationship between expatriate compensation and psychological contract have shown the mediating role played by the latter between expatriate compensation package and expatriates' attitudes (e.g., Guzzo et al., 1994; Tornikoski, 2011). The psychological contract based on the exchange relationship between the expatriate and his/her supervisors provides an interpretative means of their relationship. It enables understanding the signal sent by the content of the compensation package in terms of the conditions and the nature of their relationship. Henceforth the communicating role of expatriate supervisor with regards of the content of compensation package is essential in keeping the expatriate's psychological contract intact throughout the employment relationship including international assignment and repatriation. The underpinning of the psychological contract theory can be found in social exchange theory (Blau, 1964). According to this theory social exchange relationships are those in which voluntary actions are contingent on rewarding reactions. This theory will be used to describe the concept the “bundle of returns” exchanged between the expatriate supervisor and the assignee during the international assignment in the following paragraph.

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<sup>3</sup> “By definition, the psychological contract is subjective, reflecting an individual's beliefs regarding an exchange of agreement binding that individual and another party (Rousseau & Ho 2000: 276)”.

#### 4.3.2. *Expatriate bundle of valued returns: a total reward package*

The previous developments show that the “bundle of valued returns” (Bloom & Milkovich, 1996) exchanged between the expatriate supervisor and the expatriate is much broader than just the financial components considered in the traditional total compensation package. It encompasses returns, which are closely linked to the relationship between the expatriate and his/her supervisor. The value of these returns is mainly understood by and known of these two parties.

In social exchange theory (Blau, 1964) the notion of returns or rewards is central. According to Blau a social exchange occurs any time a social behaviour is motivated by an expected return or response from another. The perceived value of these exchange returns, namely entail reciprocal obligations of this social exchange, is what matters most in this social exchange. The nature of these returns is to be left to the discretion of the parties who provide them. So Blau (1964) embedded the notion of returns within the social exchange relationship. Following the work of Blau (1964), Foa and Foa (1975) also “attached” the context of the relationship to the exchanged rewards but in addition provided two dimensions to classify these returns. The first dimension labelled particularism “indicates the extent to which the value of a given resource [i.e. return] is influenced by the particular persons involved in exchanging it and by their relationship” (Foa & Foa, 1975: 80). This dimension varies from particularistic when the return exchanged is very specific to the parties of the exchange relationship (for instance recognition) to universalistic when the return can be exchanged without specific relationship between the two parties (for instance money). The second dimension, concreteness, “ranges from concrete to symbolic and suggests the form or type of expression characteristic of the various resources [or returns]” (Foa & Foa 1975: 80-81).

Foa and Foa (1975) considered “particularism” to be similar to Blau’s (1967) notion of extrinsic and intrinsic rewards previously mentioned. This distinction has been widely used in compensation psychology (see Werner & Ward, 2004 for a short description of their area of research). However, as noted by Guzzo as early as in 1979 the definition of these concepts has evolved (see Deci, 1975) and is far from reaching a consensus when comes to its components and their respective effects on each other (e.g., Werner & Ward, 2004).

Furthermore, Sachau (2007) who addresses the misinterpretations of Herzberg’s Motivation-Hygiene theory, stresses that what researchers nowadays refer to as extrinsic rewards can clearly be assimilated to the “hygiene factors” while intrinsic rewards can be understood as Herzberg’s “motivator factors”). In his motivational model, “the two factor model”, Herzberg (1966) makes the distinction be-

tween hygiene factors, which prevent employees from dissatisfaction and motivator factors, which, as their names indicate it, motivate and satisfy employees. Among the first category can be found the working environment, interpersonal relationship status and pay while in the second one rewards such as achievement, recognition, responsibility are included. The parallel with intrinsic/ extrinsic and with particularism is important because Herzberg (1966) described how those categories of factors are qualitatively different. In particular he stressed how hygiene factors, which are primarily in the job context, are linked to the perception of escalating needs. This escalation of needs means that *“once a person has experienced a new level of a given hygiene factor, the new level becomes the minimal acceptable level”* (Sachau, 2007: 386). At the same time, other authors such as Armstrong and Stephens (2005) make the distinction between transactional and relational rewards. They define the first ones as *“tangible rewards arising from transactions between the employer and employees concerning pay and benefits”* whereas the second ones as *“intangible rewards concerned with learning and development and the work experience”* (Ibid: 14).

For clarification purposes and based on social exchange theory (Blau, 1965) and the work of Foa and Foa (1975) it is argued here that particularistic returns encompass intrinsic rewards, motivator factors and non-financial rewards whereas non-particularistic ones which are also referred to as universal, encompass extrinsic rewards, hygiene factors and financial rewards. In terms of “concreteness”, rewards which are neither visible symbolically and physically, nor easily computable and comparable, or with those of other employees, are included in the category intangible. Those that are easily computable and comparable by employees are encompassed by the category tangible. Thus the content of the “bundle of valued returns” (Bloom & Milkovich, 1996)<sup>4</sup> exchanged between expatriates and their supervisors should be defined according to these two dimensions.

Furthermore, it should be acknowledged that the notion of “bundle of valued returns” find echoes in the concept of total reward (O’Neal, 1998: 6; Manus & Graham, 2003) grounded in business practice. Even though this concept is not new (CIPD 2009), very little academic research has been devoted to this topic (Giancola, 2009). Cohen (2007)’s analysis of the Academy of Management Journal’s preceding five years of publication uncovered approximately 300 articles in total with only eighteen articles concerning total rewards. She also had only found five article related to that topic in Personel Psychology Journal. Even though the

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<sup>4</sup> Defined as *“a collection of interrelated returns an organization offers”* to employees, including *“a set of reparations, benefits, and items of value”* (Bloom & Milkovich, 1996:27)

list of constituent elements of a total reward package does not seem to gather unanimity either from academics or professionals and evolves with time (Giancola, 2009), it “embraces everything that employees value in the employment relationship (O’Neal, 1998)”. As for the bundle of valued rewards, [the total reward] approach implies that “each aspect of reward, namely base pay, contingent pay, employee benefits and non-financial rewards, which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole”. (Armstrong & Stephens, 2005: 13). So in the present article expatriate bundle of valued rewards and expatriate total reward package are considered as synonyms and as interrelated to the employment relationship.

In order to shed more light on the complexity of designing expatriate total reward package, it is important to adopt a recently developed theoretical approach, still in its infancy: the one of idiosyncratic deals (i-deals) (Rousseau, 2001). This approach updates social exchange theory to apply more fully to the ever changing and more complex world of the relationship between organisations and their employees. This approach differentiates itself from the traditional theoretical stream by emphasising the bargaining power of valuable employees in the negotiation of the terms and the content of their contract with their organisation. As such this approach fits perfectly to the case of expatriates.

#### 4.3.3. *Expatriate total reward package: outcome of an i-deal*

Cerdin and Le Pargneux (2009) examined how the fit between career and international assignment is likely to affect the success of the international assignment from pre-expatriation until repatriation both from the organisational and the individual perspective. They argue that for such a success both the individual criteria of success and those of the organisation have to mesh. For individual criteria they include career success (measured by career satisfaction, promotion, pay increase), job success assessed through job satisfaction and development success through the acquisition of international knowledge, skills and abilities (KSA) and the building of network and relationship. When it comes to the organisational criteria of success of the international assignment, they include corporate performance assessed thanks to the achievement of key organisational objectives, accomplishment of organisational tasks, but also transfer of expertise, network and relationship building and, retention of expatriates.

The previous criteria of success are closely related to the returns that each party tend to include in or attach to the expatriate bundle of total rewards during the expatriate package negotiation. The notion of fit in turn appears clearly linked to the concept of idiosyncratic deal. This notion was first developed by Rousseau

(2001) and then with her colleagues (Hornung, Rousseau & Glaser, 2008; Rousseau, et al., 2006). Indeed they state that, in the case of valuable employees, special terms and conditions of the employment relationship preferred by the worker can be negotiated between the two parties while at the same time helping the employer attract, motivate, and/or retain this highly valued contributor. Thus this kind of deal benefits both parties. These individualised employment arrangements differ then, to some extent, from what other workers in the company may get, but remain at the discretion of the parties and have to be transparent and justifiable to prevent perceptions of injustice. Furthermore, the individualisation of the contract can vary from a few elements in a larger standardised employment package to a total idiosyncratic employment bundle arrangement (Rousseau et al., 2006). Therefore when examining what might influence the composition of expatriate total reward package, the degree of standardisation of those packages and their negotiability are critical aspects.

Rousseau and her colleagues stress how the timing of i-deal in the employment relationship is important to understand the bargaining power of each party on the content of compensation package. I-deals can be negotiated prior to employment, during the recruitment, of a high market valued employee. These i-deals are called ex-ante i-deals. This kind of contract can easily concern self-initiated expatriates for instance (e.g., Inkson, Arthur, Pringle & Barry, 1997; Peel & Inkson, 2004). I-deals can also take place once on the job, after months or years of employment relationship. These i-deals are called ex-post i-deals. This is the particular case of most expatriates who have been working for many years within the organisation before being assigned abroad.

Depending on this timing, each party will have a very different degree of power in the bargaining over terms or conditions. For instance, if we consider the case of a valuable employee chosen to be assigned abroad, the assignment abroad might jeopardise the career of his/her spouse and the education of his/her children. Due to the employment relationship prior to the assignment, the employee is in a better position to negotiate a possible dual career allowance and education allowance than if he or she was just being recruited. The negotiation behind this idiosyncratic deal may be considered as a symmetric power exchange as both party benefits from it.

This dimension of the i-deal relationship significantly differs from the traditional approach to compensation and challenges its paradigms. Indeed the previous sections of this article have highlighted the extent to which in a multinational company the HR specialist's perspective is mainly concerned with corporate interests and outcomes, and differs from the approaches of expatriate and their supervisor

based on their socio-exchange relationship. This latter relationship is driven by a reciprocal exchange of returns to reach individual outcomes, even though the expatriate supervisor stands for the organisation. In his seminal and critical article on Human Resource Management research Guest (1999: 5) advocates that “*any concern for the impact of HRM should be as much with outcomes of relevance to workers as to business*”. He also shows that understanding employees’ reactions to HRM practices is necessary to better design HR practices and reach organisational outcomes. This implies here that the design of expatriate total reward package would have to encompass both organisational and individual concerns and returns perceived as necessary to reach success. This total reward package would have to be the outcome of a bargaining negotiation between the three parties concerned. This goes back to the notion of i-deal developed by Rousseau and her colleagues and in which bargaining powers are based on trust. This notion of i-deal also goes well along the arguments by Cerdin and Le Pargneux regarding the necessity of a fit between organisational and expatriates’ success criteria related to career and international assignment to ensure their mutual success.

However, only focusing on the employment relationship risks the exclusion of external factors. The international environment in which this employment relationship, the subsidiary and the corporation are embedded pressures them to follow normative, cognitive and regulatory institutions for their individual or organisational legitimacy (Kostova, 1999; Kostova & Zaheer, 1999; Scott, 1995). From an agency theory perspective, these external institutional pressures transfer a financial risk to agents, as their outcomes are only partially a function of their behaviours. Therefore international institutional dimensions of the expatriates’ assignment deserve specific attention. In the following section institutional theory is considered as a means to explain and identify the international institutional elements that might impact upon an expatriate total reward package.

## 5. Compensation: the importance of context

From an institutional perspective both human and organisational behaviours are under pressure to adapt and be consistent with their institutional environment. They are expected gradually to behave similarly to other individuals or resemble other organisations in the environment in which they are embedded (Bloom & Milkovich, 1996). In the context of international compensation management, the idea of a country-level effect on individual and organisational behaviour is central. As an alternative to Hofstede’s (1984) work mainly focusing on cultural aspects of countries, and based on the work of Scott (1995) and other institutional theorists, Kostova (1997) presented the country institutional profile construct.

This construct describes the external organisational environments at the country level and is particularly adapted for describing the environments in which multi-national enterprises evolve (Kostova & Zaheer, 1999; Xu & Shenkar, 2002) and, by extension, in which expatriates and their supervisors' work. This country institutional profile "*reflects the institutional environment in that country defined as the set of all relevant institutions that have been established over time, operate in that country, and get transmitted into organizations through individuals* (Kostova, 1997: 180)." Scott (1995) described the three "pillars" or main types of institutions that constitute an institutional environment: regulatory, cognitive and normative. The *regulatory* component reflects national laws and rules existing to ensure stability and order in societies. It rests on the setting, monitoring and enforcement of rules. This component "*is based on instrumental logic and uses legal sanctioning as the basis of legitimacy* (Xu & Shenkar, 2003: 610)." So subsidiaries and individuals working in those companies have to comply with this legal logic to be legitimate in the country where they located. The *cognitive* component "*reflects the cognitive structures and social knowledge shared by the people in a given country* (Kostova, 1997: 180)." Therefore organisations and individuals have to conform to what is taken for granted in the society in order to achieve legitimacy. "*The normative component consists of social norms, values, beliefs, and assumptions about human nature and human behaviour that are socially shared and are carried by individuals* (Kostova, 1997: 180)." Individuals as well as organisations get legitimacy by achieving prescribed desirable goals using adequate social norms (e.g., Xu & Shenkar, 2002).

This country institutional profile is used here to examine the country-effect on the expatriates' total reward package composition. Three perspectives are used: the parent company's home country, the subsidiary's founding conditions implying the dominance of either the home country institutional profile or the one of the host country, and the country where the main expatriates' agency principal is located. Finally, the institutional measure "institutional distance" based on the country institutional profile construct is also a link between agency and institutional theory.

## 5.1. *A Country Institutional Profile Perspective*

### 5.1.1. *Home country of the parent company*

It is also important to consider the possible impact of the home country of the parent company on the zone of negotiability and composition of the total reward package of expatriates. According to the construct of country institutional profile,

firms located in the same country will be likely to have similar kinds of policies and practices as they are expected to establish and maintain similar external legitimacy in their home institutional environment. It can be expected that the institutional pressures of the parent company will affect incentives and reward practices. Legitimacy requirements vary across countries (Kostova & Zaheer, 1999). This is illustrated by the findings of Rousseau (2001) and her colleagues that one of the most fundamental differences among 13 democratic nations was the extent to which terms and conditions of contracts were negotiable. She referred to this as a “zone of negotiability.” She described that every country and every organisation “sets a zone of negotiability through the constraints and guarantees it has, which establishes certain conditions of employment (e.g., wage rates, retirement benefits, termination practices) or customs (e.g., strict separation between work and nonwork time characteristics of many European countries) (Rousseau, 2001: 264).” The previous description explains differences in compensation and more specifically incentive and reward practices. Based on institutional theory, Björkman and Furu (2000) showed that top-managers in subsidiaries owned by US multinational companies received a higher proportion of variable pay than others. The nationality of the multinational company was also found to be a significant determinant of the compensation packages of Finnish expatriates in Suutari and Tornikoski’s (2000) empirical study. On average foreign employers offered to some extent better compensation terms and more commonly cost-of-living, hardship and dual-career allowances than Finnish employers did. In addition, Ferner’s (1997, 2001) review of the literature on the effects of the country of origin of MNCs on their foreign practices indicated strong support for the nationality of a multinational company as a determinant of compensation practices abroad.

#### *5.1.2. The founding conditions of the subsidiary (or the pressure of the dominant country institutional profile on the subsidiary)*

Moreover, it is suggested that the incentive and reward practices in the subsidiary might be affected by its founding conditions. Henceforth, it is important to consider its possible impact on the zone of negotiability and consequently on the composition of the expatriate total rewards package. In their examination of the organisational legitimacy of multinational enterprises Kostova and Zaheer (1999) described that each subunit of a multinational faces its own institutional environment in the host country where it is located. This external institutional pressure increases the complexity of the legitimisation of the subsidiary, as it has also to face internal institutional pressures within the organisation. Based on their work and the construct of institutional distance defined by Kostova (1997) (see definition in the second following paragraph), Xu and Shenkar (2003) proposed differ-

ent entry strategies of an multinational company and argued that the existence of normative, cognitive or regulative distances between the country of the parent company and the targeted host country of its subunit, would cause the firm to choose a different entry mode (acquisition, greenfield investment, wholly owned subsidiary or joint venture). Furthermore, in their paper explaining HRM practices in international joint ventures, Björkman and Lu (2001) found some strong support for the impact of founding conditions of joint ventures on the similarity of HRM practices to those of the parent company. They based their theoretical arguments on the work by Stinchcombe (1965) and Scott (1987) by referring to the influence of the initial resource mix that an organisation acquires at its founding context and the institutional pressures existing at the time of their creation. Later on Kostova (1999) argued that the successful transfer of strategic organisational practices from a parent company to a subsidiary is affected by three sets of factors at the country, organisation and individual levels.

### 5.1.3. *Country where the expatriate supervisor is located*

The expatriate supervisor can be located in the home country, the host country or even a third country (Gregersen et al, 1996; Tahvanainen, 1998). To illustrate the implications that the location of the expatriate supervisor can have on expatriates' variable pay Perkins and Hendry (2001) quoted the comments of Clive Wright from the multinational enterprise BOC which was moving by then to a more transnational form of organisation:

*“How does a “line of business” executive who’s sitting in South Africa look at the pay of people who are reporting to him in North America, Australia, UK, and Japan? What do the comparabilities need to be on that? How do we determine where they sit in the market? What do you do about performance parameters (because the performance systems are different in each of those countries)? (Clive Wright, BOC) (2001:68).”*

Thus individual expatriates face institutional pressures and in particular, the expatriate supervisor who sets assignment goals with respect to performance and contribution as well as appraises expatriates' related achievements. Therefore, it would be logical to consider that the institutional profile of the country where the principal is located would have an impact on the way performance and contribution are perceived, measured, appraised and on the extent to which terms and conditions of contracts are negotiable (Rousseau, 2001).

## 5.2. *Institutional Distance: A Link between Agency and Institutional Theories*

Building on the role of context Kostova and Zaheer (1999) highlight the importance of *institutional distance* between the home country of the firm and the host country where the subsidiary is located. This institutional distance refers to the difference or similarity between the three institutional pillars (regulatory, cognitive and normative) of the two countries that affects the firms' legitimacy and the transfer of routines to the corporate subunits and the transfer of strategic organisational practices. Following this logic, the institutional distance should be a key determinant of compensation policies and practices and therefore affect expatriates' compensation mix. Combined with the perspective of agency theory, institutional distance describes the complexity of the environment in which expatriates evolve. It also illustrates how commonly information asymmetries will be exacerbated by the difference in ways used by expatriates and HR specialists (as well as the corporate unit, division or subsidiary in which each of them are located) to articulate, disseminate and arbitrate cultural and social cues as well as strategic and organisational information (Kostova, 1999; Xu & Shenkar, 2002). Based on agency theory arguments and the notion of zone of negotiability described by Rousseau (2001) it can be expected that the greater the institutional distance, the more difficult it will be for HR specialists to obtain and accurately interpret information regarding expatriates' outcomes. It will be also more difficult to find common grounds of negotiation. Therefore, it is expected that information asymmetries will increase. Consequently, HR specialists will be more inclined to pay expatriates on outcome-based contracts. They will favour the use of variable pay as a motivator as well as control of expatriates' performance and contribution to goal achievements.

An extension of this previous line of reasoning would be to consider the cultural distance between the host country of the subsidiary and the country where the expatriate supervisor is located. The existence of this additional institutional distance would increase information asymmetries between expatriates and their supervisor. It would therefore reinforce the use of variable pay.

To conclude this section, it is important to return to the relationship between HR specialists, expatriate supervisors and the assignee. All of them are embedded in these institutional environments and adapt themselves accordingly and progressively. HR specialists who are the architects and communicators of expatriate compensation policies play the role of translators of all these institutional pressures. The way they look at expatriate assignments and compensation is indisputably influenced by these regulations, norms and cognitive structures. Consequently, the expatriate compensation packages they design tend to integrate all institu-

tional requirements. When it comes to the expatriate supervisor and his/her team wherever they are located confront the same situation, adapt and modify their behaviour according to the institutional pressures they face. This is necessarily reflected into their social exchange relationship with the expatriates they manage and the returns they exchange with them. As far as expatriates are concerned, depending on their country of origin, their location abroad, the nationality and the background of their co-workers, all these different institutional influences shape their values and motivations differently (e.g. Segers et al, 2008; Ward, 2008) throughout their international assignment. Consequently, it argued that ultimately institutional influences are encompassed in i-deals of total rewards and that these i-deals need to be adapted all along the international employment relationship, namely before, during and after an international assignment.

## 6. Towards an integration of different perspectives

Employees often perceive an international assignment as recognition of their value and their qualities. The distinctive and strategic purpose of their assignment also signals to them how important they are to their principal. Their organisation's decision to assign them abroad confers them some power to bargain what is and will be the most valuable to them once abroad. This symmetrical beneficial exchange means that the more the degree of expected challenge related to the task of the expatriate, the more the organisation embodied by HR specialists, should be ready to negotiate particularistic terms and conditions of the expatriate contract to ensure the success of the international assignment.

***Proposition 1:*** *In contemporary employment relationships, the more the degree of expected challenge related to the task of the expatriate, the more the organisation is ready to make an idiosyncratic deal to ensure the success of the international assignment.*

In addition, when considering traditional expatriation based on internal recruitment, expatriate total reward packages are outcomes of ex-post i-deals. This means that they occur after years of social exchange between the expatriate and his/her supervisor. As a consequence the returns exchanged include forms of personal or emotional support, which are particularistic to this relationship and more difficult for others outside the relationship to identify and to compare with. Following the arguments of Rousseau et al. (2006) that ex-post i-deals are more likely to be based on intangible particularistic rewards, it implies that:

**Proposition 2:** *In contemporary employment relationship, the more valuable the expatriate for the organisation, the more the organisation proactively includes intangible particularistic rewards in their total reward package.*

Thanks to his/her knowledge of the expatriate the supervisor should play a critical role in the i-deal negotiation as he/she is the main person able to identify and understand what particularistic rewards the expatriate values most. Consequently, HR specialists' perspective to compensation and theirs should be combined:

**Proposition 3:** *In contemporary employment relationships, organisations whose HR specialists and expatriate supervisors work together on the design of adequate total reward packages for their expatriate, has a competitive advantage over competitors.*

The proactive collaboration of HR specialists and expatriate supervisors prevents the organisation from the risk of a pervasive and escalating use of financial universalistic rewards. This also reduces the risk that their expatriates behave in a way that goes against the strategic corporate goals and consequently reduces the need to seek external information about the behaviour of the agent (decrease of information asymmetries). If this collaboration is an improvement on traditional organisational control approach to compensation prescribes, it is not enough. Indeed the expatriate needs to have a chance to state if they are at all interested in the international assignment (Cerdin & Le Pargneux, 2009) and if they have then the possibility of negotiating their returns to ensure that they really fit with what they value and seek in the international assignment. Therefore it is argued that.

**Proposition 4:** *In contemporary employment relationships, the more an expatriate total reward package fits to the perspectives of HR specialists, the expatriate supervisor's and the expatriate, the greater chance the international assignment has to be a success from both organisational and individual point of view.*

While being abroad expatriates are often geographically isolated from the people they worked with in the organization. The virtual communication with the supervisors can also become difficult and sporadic. Depending on the degree of challenge inherent to the assignment, the support and the link to the organisation are however essential to expatriates since many aspects of their work and life depend on it (Guzzo et al. 1994; Pate & Scullion, 2010). However, very often, during the international assignment, the expatriate supervisor becomes unreachable for having either been promoted to other responsibilities or simply left the organisation. Consequently, the person who has followed the assignee for many years in the organisation, with whom intangible particularistic rewards that they value most have been negotiated for the international assignment, who embodies the organi-

sation in the expatriate's eyes and with whom their psychological contract disappears. At the stage, it is clear that:

***Proposition 5:*** *In contemporary employment relationships, an organisation that ensures that their expatriates are managed and followed by the same team of HR specialists and supervisors all along the international assignment will commit their expatriates to the organisation in the long-term and prevent breaking their psychological contract.*

## 7. Conclusion

### 7.1. Summary of the arguments of this article

This paper addresses the complex and challenging issue of expatriate compensation. It shows the limits of the traditional organisational approach to compensation in explaining the contemporary employment relationships of a multinational company with their valuable expatriates and in designing an adequate compensation package to retain them. The example of an agency theory perspective deemed to be the one used by HR specialist is considered. This theory assumes an asymmetrical relationship in which a principal attempts to control the self-interest motivated and risk-averse behaviour of the agent. However, this perspective, does not apply to the way many contemporary organisations operate in expatriation (e.g., Perkins & Daste, 2007) and deal with their valuable employees. De Vos and Meganck (2007) showed that HR specialists who design expatriate compensation relate financial rewards while employees attach most importance to other inducements related to their work environment and career success. Consequently, expatriate compensation packages which are composed mainly of fixed and variable pay do not correspond to current realities of expatriates' expectations and results in their discontentment (Barley, 1995, Pate & Scullion, 2010). The compensation package asked by agents nowadays is what is considered to be "a total reward bundle" (Bloom & Milkovich, 1996), meaning a collection of interrelated intangible/tangible and particularistic/universalistic elements (Foa & Foa, 1975) exchanged with the organisation in return of their contributions. This bundle should include the intangible particularistic rewards that they get from their social relationship with their supervisor and the returns they value most and look for in their international assignment. It is stated that the package should be the outcome of an idiosyncratic deal (Rousseau, 2001) between HR specialists, the expatriate supervisor and the expatriate.

## 7.2. *Theoretical contributions*

Firstly, the main contribution of this paper is to provide a global theoretical background to the field of expatriate compensation. The dearth of theoretical grounded studies in that field had indeed been stressed by many authors such as Bonache (2006), Rousseau and Ho (2000). Furthermore, Bloom and Milkovich (1996) had point at the fact that the multitude of theories available to researchers and practitioners to examine managerial compensation had led to a segmented perception of this complex issue. This limits the understanding of the link between the findings of very specific research. Secondly, this article provides an original choice of theories since both the more classical and more recent ones are taken into account. By translating them to the context of expatriate compensation this article provides an overall, even though non-exhaustive, review of factors that might have an impact on the design and composition of expatriate compensation package.

Thirdly, by anthropomorphising the organisation through the consideration of HR specialists and the expatriate supervisor and associating different theoretical perspectives to each of them, the present article provides a theoretical explanation of the socio-political tensions existing between the two, originally described by Perkins and Daste (2007). Fourthly, this article shows the limits of traditional organisational control approaches to compensation in contemporary organisation. Nowadays, a package of financial rewards is not sufficient to satisfy and commit expatriates to the organisation. Therefore the consideration of other theories such as social exchange theory combined with concepts such as bundle of returns (Bloom & Milkovich, 1996), particularism and concreteness of returns (Foa & Foa, 1975) both pointing at the notion of total rewards used in business life is necessary. The fifth theoretical contribution is to show that the high risk and uncertainty linked to the challenge of task, the very complex international environment in which the employment relationship takes place, and to the behaviour of the agent can be significantly reduced by the organisation by negotiating idiosyncratic deals with their valuable expatriates. The content of this i-deal needs to benefit, and encompass what is the dearest, to both organisational and individual parties. In other words the expatriate compensation package needs to fit both parties' perceptions of what is needed to be successful.

A sixth contribution was to make the link between the Career-Assignment fit model developed by Cerdin and Le Pargneux (2009) and the notion of total reward bundle. Indeed this bundle thus encompasses all returns considered as necessary to achieve success both according to the individual and organisational criteria. A last contribution is to provide propositions for future research. It should be noted here that even though this article focuses on assigned expatriates, the

recent study by Tornikoski (2011; 2010) shows that self-initiated expatriates interpret the signals sent by their compensation package and react in the same way as assigned expatriates.

### 7.3. *Practical managerial and business contributions*

A first practical managerial contribution of this article is to translate the tenets of agency theory in the context of expatriation: task programmability is translated into degree of expected challenge related to the international assignment and outcome measurability into degree of information gathering. This translation provides a possible operationalization of these concepts in the context of expatriation.

A second practical managerial contribution is to point at the decisive role of expatriate supervisors into the design of expatriate compensation package. This article stresses the need of collaboration between HR specialists and expatriate supervisor to successfully and proactively answer expatriates' expectations in terms of compensation package. Since they are the ones who know expatriates best they are also the ones who understand what is needed to provide them with to lead to a successful assignment. However, HR specialists as guarantors of the organisational interest need to indicate to which extent returns, especially the financial ones, are possible. Besides being crucial, the role of expatriate supervisors is also a difficult one because they are between two "self-interested" parties: the organisation represented by HR specialists and the one of expatriates. Thus their role appears to be the one "mediating translator" so that both parties understand each other's objectives, success criteria and expectations. Furthermore, they are also employees with their own career perspectives and expectations. So the role should be clearly supported by the organisation. This also sheds light on the high importance to the term "human" in the Human Resource Management expression (Inkson, 2008). A good and trustworthy relationship between "a individual principal" and his/her agent is essential to a successful employment relationship, especially in an expatriation context.

A third contribution is to show the corporate goals in contemporary organisations cannot longer be achieved unilaterally. Contemporary organisations have to take their employees' criteria of success into account. Pate and Scullion (2010) confirmed this by showing that expatriate psychological contract is nowadays transactional, showing that expatriates are "*most inclined towards more robust bargaining with an individualistic and calculating interpretation of the employment relationship* (Ibid: 66)." Henceforth, idiosyncratic deals offer means for organisations and their expatriates to align their expectations in terms of international as-

signment success. This alignment is achieved through the negotiation of the compensation between the expatriate, his/her supervisor and the HR specialists. Furthermore, since i-deals fit to the parties' values and benefit both the organizational and the expatriate, they provide legitimacy and a means to explain such an individualised bundle to other employees of the organisation. So where other employees perceive some injustice in such treatment, these particularistic rewards aligned with the values of the organisation can be justified and thus decrease this organisational threat.

A last comment would be to stress that idiosyncratic deals are very difficult to copy since intangible particularistic exchanges between expatriate supervisors and assignees lack fixed metrics: In addition they are often not visible and make the exchange difficult to standardise or to govern by rules (Rousseau et al., 2006), Thus i-deals provide a strategic and sustainable competitive advantage to the organisation on the market.

## 4.2. Article 2: Fostering Expatriate Affective Commitment: A Total Reward Perspective<sup>1</sup>

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### ABSTRACT

**Purpose:** To examine whether organizations can encourage the loyalty of their international employees through the composition of their expatriate packages.

**Design/methodology/approach:** Two separate but complementary theoretical perspectives – the total reward approach, and the exchange-based construct of state of the psychological contract (SPC) – are used to explain the affective commitment of expatriates. Hypotheses are developed and tested on a sample of 263 assigned and self-initiated expatriates from Finland.

**Findings:** A positive SPC relating to tangible universal rewards (i.e. the compensation package traditionally considered in previous expatriate research) is not linked to an increase in the overall affective commitment of expatriates. In contrast, a very strong positive relationship was found between the expatriates' SPC relating to total rewards (which include intangible particularistic rewards) and affective commitment.

**Research limitations:** The sample only includes highly educated Finnish expatriates, which limits the external validity of the results. Moreover the cross-sectional nature of this study does not allow for confirmation of the cause-effect relationship between the SPC and affective commitment.

**Practical implications:** The results suggest that, as a rule, organizations could improve the retention of their valuable international employees via the exchange of intangible particularistic rewards usually found in socio-emotional and trusting employment relationships.

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**Originality/value:** First this study focuses on expatriate perceptions regarding their compensation. Second it applies the “concreteness” and “particularism” dimensions developed by Foa and Foa (1975) to distinguish between the constituting components of the bundle of total rewards and provide an evaluation-oriented measure of the SPC relating to this bundle. Third this approach enables explaining expatriates’ affective commitment

**Keywords:** affective commitment, psychological contract, expatriates, total rewards, evaluation-oriented measure.

**Paper type:** Research paper

## 1. Introduction

Loyalty refers to an employee’s perceived socio-emotional link and attachment toward their employing organization. Affectively committed employees are regarded as being willing to build and maintain long-lasting relationships with their employer. Multinational organizations face the strategic challenge of affectively committing their valued international employees such as assigned expatriates despite offering competitive compensation packages.

Compensation for expatriation is often considered extremely costly and time consuming for the organizations involved. This perception pressures companies to either decrease their investment in international experience and knowledge, (Bonache and Pla-Barber, 2005; Pate and Scullion, 2010, Schell and Solomon 1997) or to look for alternate international employee populations, such as self-initiated expatriates (see Meyskens, Von Glivow, Wether and Clarke, 2009; Thite, Srinivasan, Harvey and Valk, 2009). However, there is a danger that the financial pressure that the organizations feel to reduce compensation costs may lead to an alteration in the expatriates’ perceptions not only of their compensation package, but also of their whole employment relationship leading to a change in attitude toward their employer.

Thus the purpose of this study is to examine whether organizations can influence the loyalty of their expatriates (assigned (AEs) and self-initiated ones (SIE)) through the composition of their compensation package they provide. From a psychological contract (PC) theory point of view, Rousseau and Ho (2000: 274) postulate that “HR practices influence business strategies implementation through their effects on the psychological contracts individuals form with their employers and the motivation levels that result”. From a strategic HRM perspective, Bowen and Ostroff (2004), and Wright and Nishii (2007: 4) argue that “HR practices serve as communication mechanisms signaling employees to engage in certain

behaviors”. Located between these two approaches, the empirical study by Malhotra, Budhwar and Prowse (2007) shows a link between perceived rewards and employees’ affective commitment. Taken together these three complementary perspectives point towards the importance of employee perceptions of HRM practices and their possible link to individual behaviors and attitudes.

The main contribution of the present research is the combination of two new theoretical approaches to explain affective commitment. First, a practical-oriented “total reward perspective” which finds echoes in the academic notion of “bundle of valued returns” (Bloom and Milkovich, 1996) is introduced to address expatriate compensation as a bundle of intangible particularistic and tangible universal rewards (Foa and Foa, 1975). Second, the theoretical construct of the state of the psychological contract (SPC) (i.e. perceived discrepancy between the received expatriate compensation package and the package which had been understood as promised) is applied and operationalized based on a PC evaluation-oriented measure advocated by Rousseau and Tijoriwala (1998). It is argued here that to understand the potential link between the delivery of the expatriate compensation package and the affective commitment of expatriates, we need to consider the employment relationship in which the exchange of rewards is embedded, and the way the delivery of this package is perceived by the expatriate.

## 2. Theoretical background

In the following paragraphs I present the three different theoretical constructs used to study the link between the perceptions expatriates have of their compensation package and their affective commitment.

### 2.1. *Affective commitment*

Affective commitment has been defined as employees’ emotional or affective attachment to, identification with, involvement in, and enjoyable membership in the employing organization (Allen and Meyer, 1990; Meyer and Allen, 1991). The impact of this construct on an employee’s working attitude and behaviors has been shown to be the strongest (e.g. Meyer, Stanley, Hercovitch, Topolnytsky, 2002; San Martin, 2009), outweighing the effect of the continuance and normative components of commitment (Allen & Meyer, 1990). Affective commitment also seems the most beneficial facet of commitment for enhancing organizational effectiveness. Affectively committed employees are prone to make efforts on behalf of the organization due to the positive experiences and rewards they have

received in exchange for their relationship with their employing organization (Iverson and Buttigieg, 1999).

## 2.2. *Expatriate compensation: a total reward perspective*

The expatriate compensation package, also known as the “total compensation package”, has traditionally been studied from organizational and financial perspectives advocated by organizational control theories, such as agency theory (Fama and Jensen, 1983; Jensen and Meckling, 1976). Authors have thus discussed and described how employing organizations provide their expatriates with packages that include three main component categories: (1) fixed pay and flexible pay, (2) benefits, and (3) allowances (see e.g., Bonache, 2006; Gomez-Mejia and Welbourne, 1988; Harvey 1993a, 1993b; Schell and Solomon, 1997; Suutari and Tornikoski, 2000).

In this paper, the expatriate’s perspective of their compensation package is adopted. This individual perspective is combined with a total reward approach. The latter implies that “each aspect of reward, namely base pay, contingent pay, employee benefits and non-financial rewards, which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole” (Armstrong and Stephens, 2005: 13), embracing “everything that employees value in the employment relationship” (O’Neal, 1998). Consequently, this approach provides a much broader perspective of the compensation package and leads to the consideration of the whole expatriate package as a “bundle of valued rewards” (Bloom and Milkovich, 1996) in exchange of contributions (Blau, 1967).

Although components of any compensation bundle are interrelated, a distinction between the different types of components is needed to differentiate the traditional compensation package from the total reward one. The distinction made between two dimensions by Foa and Foa (1975) to classify returns is useful in this regard. The first dimension labeled *particularism* “indicates the extent to which the value of a given resource [i.e. return] is influenced by the particular persons involved in exchanging it and by their relationship” (Foa and Foa, 1975: 80). The second dimension, *concreteness*, “ranges from concrete to symbolic and suggests the form or type of expression characteristic of the various resources [or returns]” (Foa and Foa, 1975: 80-81).

The difficulty in using such distinctions is that very few academic studies have referred to it previously. Among the exceptions are the theoretical developments by Rousseau and Ho (2000) on psychological issues in compensation, and Rous-

seau (2001), and Rousseau, Ho and Greenberg (2006) with regard to the content of idiosyncratic deals (i-deals). Previous empirical research on compensation has distinguished between either financial vs. non-financial (e.g. Armstrong and Stephens, 2005) rewards or intrinsic vs. extrinsic rewards (Deci, 1972, e.g. Malhotra, *et al.*, 2007), or hygiene vs. motivator factors (Herzberg, 1966), thereby rendering the comparison of empirical findings problematic. This difficulty is exacerbated by the lack of consensus among researchers on what components should be included in these different categories (Werner and Ward, 2004).

It is important to stress here that Foa and Foa (1975) considered “particularism” to be similar to Blau’s (1967) notion of extrinsic and intrinsic rewards and that Sachau (2007) argues that Herzberg’s (1966) hygiene and motivator factors should be understood as extrinsic and intrinsic rewards too. Therefore, for clarification purposes (even though this would require much more theoretical discussion), this study assumes that particularistic returns encompass intrinsic rewards, motivator factors and non-financial rewards whereas non-particularistic ones (also referred to as universal) encompass extrinsic rewards, hygiene factors and financial rewards. In terms of “concreteness”, rewards which are neither visible symbolically and physically, nor easily computable and comparable between them or with those of other employees are included in the category “intangible”. Those which are easily computable and comparable by employees are encompassed by the category “tangible”.

Fixed pay, flexible pay, benefits and insurance, as well as expatriates allowances, can thus be classified as tangible universal rewards (TUR), whereas opportunities for higher professional status and good working conditions which are important to expatriates (Suutari, Mäkelä and Tornikoski, 2009) are classified as intangible particularistic rewards (IPR). Also included in this latter category are all the non-financial rewards related to the work itself, such as having a meaningful role, a wide scope of responsibilities, and a strategic role in the organization. These exchangeable rewards are those that expatriates seem to strive for. They are all linked to developmental growth (see Herzberg’s (1966) similar concept of “psychological growth”), which attracts international mobile employees and represents what global leaders seem unwilling to sacrifice (Suutari *et al.* 2009).

It is therefore expected that studying the link between the perceptions expatriates have of their total compensation package and their affective commitment will provide employing organizations with information and a means to influence both ends of this link. More specifically, this means is the understanding of the state of their employees’ psychological contract (SPC).

### 2.3. *State of the psychological contract*

The state of the psychological contract describes employees' subjective perceptions (accurate or not) of the actual HRM practices of their employer in comparison to their psychological contract (Guest, 1998, 2004a, 2004b; Guest and Conway, 2002; Conway and Briner, 2005). This state is directly related to, and yet distinct from their "psychological contract". Indeed, a psychological contract refers to individuals' beliefs regarding the terms and conditions of an exchange relationship between themselves and their employer (Rousseau, 1989). Each employee holds beliefs regarding the "ideal" returns (Foa and Foa, 1975) their employer has agreed (either implicitly or explicitly) to provide him/her with in exchange for his/her contribution. The SPC (e.g. Guest, 1998; Guest, 2004a, 2004b; Guest and Conway, 2002) is thus operationalized as the employee's perceived discrepancy between this "ideal" return and the "actual" one they perceive as receiving from the organization (HRM practices such as compensation and rewards in this case). As in Robinson's study (1996), the focus of this study is not the accuracy of the perception, but the employee's subjective perception of this discrepancy.

In this paper, I posit that employees hold a "sub" psychological contract for each particular set of HRM practices (e.g. recruitment, career development), and that they automatically and systematically assess their discrepancies throughout the duration of their exchange relationship (Eagley and Chaiken, 1993). Moreover, they cognitively assess each of the HRM practices during their exchange relationship. The interrelation of all these discrepancies or variances (Wright and Nishii, 2007) provides the Global SPC (GSPC) of the exchange relationship, which can be either described as relational, transactional transitional or balanced (Rousseau 1995, Rousseau and Ho, 2000). In this paper I focus on the SPC relating to reward practices.

A SPC can be either negative or positive. The negative state, i.e. "breach" (Robinson and Rousseau, 1994), has been defined as "a global cognitive appraisal of the extent to which prior transactions have not fulfilled the perceived promises of one's psychological contract" (Dulac, Coyle-Shapiro, Henderson, Wayne, 2008: 1082). This study shares the view that breach and "over-fulfillment" are two possible opposite states of the psychological contract (Conway and Briner, 2002).

Consequently, by following this logic, over-fulfillment is a global appraisal of the extent to which prior transactions have exceeded the perceived promises of one's psychological contract. "Fulfillment" (a perceived adequacy between the "actual" delivery and the "ideal") is thus also considered to be a positive SPC (Rousseau, 1989). Indeed, if employees perceive that they are receiving the rewards they had

understood they would receive, they are satisfied, and perceive their exchange relationship positively in terms of compensation and rewards. In other words, the state of “fulfillment” is not considered as a “neutral” state of the psychological contract. Hence, when discussing the positive state of expatriates’ psychological contracts, it includes the notions of both fulfillment and over-fulfillment. The perception of this positive or negative discrepancy in the delivery of an expatriate bundle of rewards is therefore expected to influence expatriate affective commitment.

When combining these three previous theoretical perspectives (affective commitment, total rewards and the SPC) into a theoretical framework, several hypotheses can be formulated.

### 3. Hypotheses

In light of the arguments developed in previous sections and the difference in nature between TUR and IPR, the nature of the relationship between the SPC and affective commitment is expected to differ depending on the nature of the rewards included in the expatriate bundle. This is related to the argument by Rousseau and Ho (2000: 287) that “the psychological contract is expected to differ as a function of the resources accessed.” Thus, in the following sections I consider the expatriate compensation package from both the traditional compensation approach (TUR package) and the total reward perspective (bundle of TUR and IPR).

#### 3.1. *Traditional Compensation Package*

##### 3.1.1. *Negative SPC: Breach*

Rousseau’s and Ho (2000) use six features to classify types of compensation and psychological contracts. More specifically they consider *core* versus *peripheral* attributes of compensation. *Core* refers to basic and relatively enduring features of the agreement with their employer. They are “stipulated in an initial or ongoing employment agreement” (whereas peripheral attributes are “not explicitly stipulated in the agreement”). Thus, they are the basis on which employees base their expectations and understanding relating to their exchange agreement (Rousseau and Ho, 2000: 290-292). Any changes in core attributes are usually associated with a great perception of loss. Rousseau and Ho (2000) list salary, insurances, incentive stock options, moving expenses, and education assistance as representing this *core* feature.

All these compensation components, in the case of expatriation especially, are used by employers to prevent “the pain” employees may endure while abroad and compensate for “needs” they may have had before leaving their original geographical location and previous working life (e.g. Bonache; 2006; Guzzo, Noonan & Elron, 1994; Suutari and Tornikoski 2001). Allowances, in particular, are payments typically used to bridge the gap between reasonable expenditure in the home and the host country (Torrington, 1994), as well as to cover the costs of moving overseas and to motivate the individual to make such a career move. However “concrete [i.e. tangible] resources (particularly ones with clearer monetary value, such as pay and material goods) are readily exchanged with limited interaction and virtually no relationship between the parties” (Rousseau, Ho & Greenberg, 2006: 986). Thus, TUR are the price of their move abroad or expatriation, the threshold of their coming negotiation, and the minimum of what they will be ready to accept in the future (see notions of KITA and escalating zero point by Herzberg, 1968, 1970).

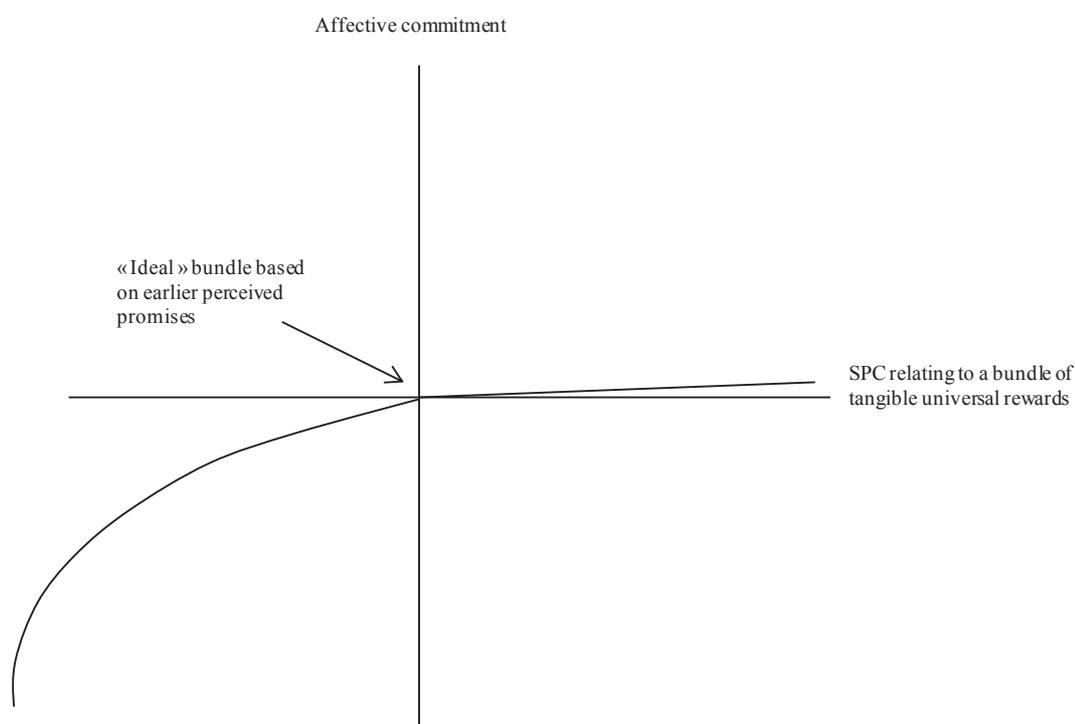
Hence, it can be presumed that employees who perceive that their employer has not fulfilled their agreement in terms of the delivery of the promised compensation package would perceive their exchange relationship negatively and this would, in turn, affect their affective commitment accordingly (see left-hand side of Figure 1). The following hypothesis is thus formulated:

*H1a: There is a hill curvilinear relationship between expatriates’ negative SPC relating to a package of tangible universal rewards and their affective commitment.*

### 3.1.2. Positive SPC

Even though salary presents the core attribute described by Rousseau and Ho (2000) it is described as “a side bet which thereby increases calculative commitment” (Mathieu and Zajac, 1990: 179). This latter construct is encompassed in one of the two other dimensions of organizational commitment called “continuance commitment” (i.e. commitment associated with perceived costs of leaving the organization) in Allen and Meyer’s (1990) seminal work. Malhotra et al. (2007) tend to support this view as they find that pay satisfaction is positively linked to continuance commitment whereas there is no relationship with affective commitment. Moreover, the qualitative study by Pate and Scullion (2010: 66) also shows that despite the highly competitive package provided by their employer, expatriates in the banking sector “were the most dissatisfied expatriates and (...) also the most inclined towards more robust bargaining with an individualistic and calculating interpretation of the employment relationship” (see Herzberg’s con-

cept of escalation of needs (1966) which means that “once a person has experienced a new level of a given hygiene factor, the new level becomes the minimal acceptable level” (Sachau, 2007: 386).



**Figure 1: Hypothesized relationship between expatriates’ SPC relating to a bundle of tangible universal rewards and their affective commitment**

Consequently, as previously mentioned these TUR seem “just” the return for work or the price of the relationship and do not encompass any socio-emotional meaning regarding the exchange relationship. Hence, I expect that, despite the perception of a positive discrepancy between the actual delivery of tangible universal rewards and what expatriates had understood they would receive, they will not show any higher degree of affective commitment towards their supportive employer (see right hand side of Figure 1). The corresponding hypothesis is thus:

*H1b: There is no relationship between expatriates’ positive SPC relating to a package of tangible universal rewards and their affective commitment.*

### 3.2. Intangible Particularistic Rewards

“Particularistic resources include bestowing special status (e.g. recognition), services that benefit another’s well-being (e.g. development mentoring), and love

expressed via concern and socio-emotional support (e.g. support and flexibility in response to a family crisis) (...) Personal relationships are typically the basis for particularistic resource exchanges” (Rousseau *et al.*, 2006: 985). Thus, unlike for TUR, the value of IPR is influenced both by the particular persons or parties involved in exchanging them and by their relationship (Foa and Foa, 1975). The exchange of such rewards is based on and involves the socio-emotional dimension of the relationship between the expatriate and his/her employer. The findings by O’Reilly and Caldwell (1980) and Malhotra *et al.* (2007) support the view that intrinsic rewards have a positive linear relationship with affective commitment. Consequently, the following hypothesis is advanced:

*Hypothesis 2: There is a linear relationship between expatriates’ perceived discrepancy related to the delivery of their IPR sub- package and their affective commitment.*

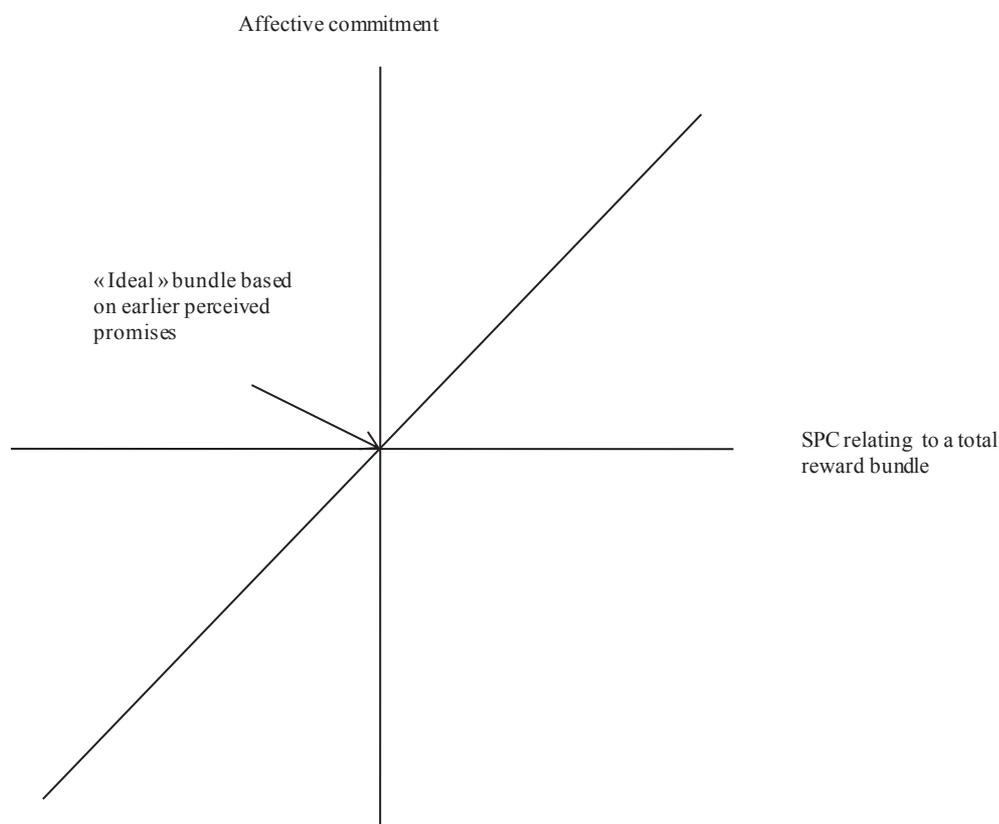
### 3.3. Total Reward Package

The total reward package represents the bundle of all types of rewards classified in this paper according to the two dimensions described by Foa and Foa (1975), i.e. TUR and IPR.

Rousseau and her colleagues (Rousseau, 2001; Rousseau *et al.*, 2006) state that in the case of valuable employees (such as assigned expatriates here) special terms and conditions of the employment relationship preferred by the employee can be negotiated between the two parties while at the same time helping the employer attract, motivate, and/or retain this highly valued contributor. Thus, this kind of deal benefits both parties. These authors call such exchange agreements, “i-deals”. In the case of expatriates, the negotiation of their total reward package usually occurs after their employment relationship has gone on for a period of time (e.g. the socialization period of employees prior to their assignment for AEs or pre-recruiting period for SIE). This negotiation echoes with what Rousseau *et al.* (2006) call more specifically “ex-post i-deals”. These ex-post i-deals involve commitment from both sides, as well as an exchange of information and trust.

In addition, Robinson and Rousseau (1994: 246) stress that “the psychological contract, unlike formal employment contracts, is not made once but rather it is revised throughout the employee’s tenure in the organization (...). Events in the form of new job assignments, relocations, and organizational restructuring may overlay new terms upon old ones”. This is particularly the case for international assignments and jobs. Promises related to what expatriates value most, based on reciprocal trust, can forecast how proportionally negative their reaction would be

if they perceived that their employer actually failed to deliver what they had promised (even if the employee's perception might be inaccurate) and vice versa.



**Figure 2: Hypothesized relationship between expatriates' SPC relating to a total reward bundle and their affective commitment**

According to Rousseau *et al.* (2006), ex-post i-deals tend to include more particularistic rewards than universal ones. In addition, Malhotra *et al.* (2007) support the view that intrinsic rewards are more powerful determinants of affective commitment than extrinsic ones. Consequently it is expected that any positive discrepancy in the delivery of IPR will override any possible negative perceptions relating to the delivery of TUR (see Figure 2). Therefore:

*Hypothesis 3: There is a positive linear relationship between expatriates' SPC relating to their total reward bundle and their affective commitment.*

## 4. Method

### 4.1. *Sample*

The hypotheses were tested on data collected through an online questionnaire. This questionnaire was made available in June/July 2007 to the 820 members of The Finnish Association of Business School Graduates (SEFE) who were working abroad at the time. These members were either assigned expatriates (AE, e.g. people sent abroad by their employer) or self-initiated expatriates (SIE, e.g. people who secured a job abroad on their own initiative). Hence, the sample included highly educated individuals with a Master of Science in Economics and Business Administration as the lowest common educational degree. In total, 316 completed questionnaires were received; representing an overall response rate of 39%. The final usable sample was 263 (134 AEs and 129 SIEs).

### 4.2. *Measures*

#### 4.2.1. *Dependent variable: Affective Commitment*

Affective commitment was measured using the three reversed items of the revised version of the six-item measure by Meyer, Allen and Smith (1993). Previous research by Bentein, Vandenberghe, Vandenberg & Singlhamber (2005) and Dulac, *et al.* (2008) confirmed the strong psychometric properties of their revised measure. These three items are: “I do not feel like 'part of the family' at my organization” (R), “I do not feel 'emotionally attached' to this organization” (R), and “I do not feel a strong sense of 'belonging' to my organization” (R). This choice was made in an effort to increase the response rate to an already long questionnaire (202 questions). Respondents answered according to a 5-point Likert scale, where “1 = strongly disagree” to “5 = strongly agree”. The reliability test for this three-item scale produced a Cronbach’s alpha of 0.82.

#### 4.2.2. *Independent variable: State of the psychological contract (SPC)*

Based on academic literature on expatriate compensation (Armstrong and Stephens, 2005; Bonache, 2006; Rousseau and Ho, 2000; Suutari and Tornikoski, 2000) and the experience of several HR managers in charge of expatriate compensation in Finland, a list of 26 tangible universal rewards and 13 intangible particularistic rewards was created that could potentially be included in the total reward package of expatriates. This list was first developed in English then trans-

lated into Finnish and then translated back to English as advocated by Brislin (1980).

For each of the 39 items, expatriates indicated the extent to which what was actually provided to them by their employer differed from what they thought or understood had been agreed on when they had accepted the assignment or job abroad. Their answers expressed the discrepancy they perceived between the actual delivery and their “ideal” package (Foa and Foa, 1975). They gave their answers according to a 7-point scale, where  $-3 =$  “*much less than I understood/thought it would be*”, the middle of the scale  $0 =$  “*about the same as I thought it would be*” and,  $3 =$  “*much more than I thought it would be*”. A column titled, “*does not concern me*” was added in case the respondents did not receive a particular compensation item. The logic utilized by Guzzo *et al.* (1994) was used to construct the survey. Nevertheless the Likert scales were modified for two main reasons. First, the labeling of the scale  $-3 =$  “*less than I thought it should be*” was modified as it was important that the respondents gave an answer based on their own perception of what had been agreed upon.

Second, the 5-point Likert scale was extended to seven points, as it was considered that a scale anchored by  $-3 =$  “*less than it should be*” and  $0 =$  “*more than it should be*” lacked balance. Indeed, it omitted considering the possible answers to the following anchors: “*a bit more than it should be*”, “*more than it should be*” and “*much more than it should be*”. In other words, it failed to consider cases in which expatriates perceived that their employer exceeded their expectations based on their agreement. This change measures the “over-fulfillment” state of the psychological contract. This notion of “exceeded delivery” was introduced by Guest (1998) and has also been discussed by Guest (2004a, 2004b), Conway and Briner (2002) and, Turnley and Feldman (2000). The items regarding the perceived actual delivery of total rewards in comparison to their “ideal” package are presented in the Table 4 at the end of the paper.

The list of compensation components together with the three items of affective commitment were subjected to factor analyses. These analyses used the Varimax rotation method with Kaiser normalization. Beside the factor for affective commitment, six distinct compensation factors clearly emerged from this analysis. They corresponded to compensation and reward categories identified in the literature and consequently verified the validity of the measures for each component. These six compensation factors represented 22 of the compensation components in the original 39. The seven numbered factors, the regression results as well as the Cronbach’s alphas and percentages of total variance are provided in Table 1.

The variables corresponding to the obtained factors reflect the average of the mean item values. These variables were grouped according to the two dimensions advocated by Foa and Foa (1975) i.e. tangible vs. intangible and particularistic vs. universal rewards. Consequently, the types of rewards used in the hypotheses were measured as follows: TUR corresponds to the mean of the variables (with corresponding factor number): Insurances (2), International Move Allowances (5), International Adaptation Allowances (6) and Incentives (7); IPR correspond to the sum of the variables Intrinsic Rewards (1) and Personal Social Rewards (3); and total rewards correspond to the mean of TUR with IPR. This last aggregated measure thus provides an evaluation-oriented measure of the PC as advocated by Rousseau and Tijoriwala (1998), i.e. the state of their psychological contract related to their total reward package.

As indicated in the methodology, the three states of the psychological contract considered in this study are breach, fulfillment, and over-fulfillment. Fulfillment and over-fulfillment correspond to a positive state of the psychological contract, whereas a breach is negative. Each of the three variables, TUR, IPR and Total Rewards, were divided into two other dummy variables related to the two negative and positive states. The negative state, or breach, corresponded to answers from -3 to -1, and positive states corresponded to answers ranging from 0 to +3. When considering positive discrepancies in the case of TUR, the cases with a positive SPC were selected to test the hypotheses and the reverse was performed for the breach SPC.

**Table 1: Factor analysis of total reward components and affective commitment items**

		Pattern Matrix							% of Total Variance explained		
	Items	Cronbach's alpha	Component								
			1	2	3	4	5	6	7		
1	Meaningful & Important Role	.909	.888							16.86	
	Large Scope Responsibilities		.860								
	High Hierarchical Responsibilities		.828								
	Challenging Work		.805								
	Strategic Work		.774								
	Work Recognition		.627								
2	Accident Insurance	.892		.915						12.30	
	Health Insurance			.873							
	Travel Insurance			.822							
	Life Insurance			.817							
3	High Social Status Opportunities	.749			.810					9.25	
	High Professional Status Opportunities				.709						
	Good Work-Life Conditions				.680						
	Personal Psychological Rewards				.635						
4	Affective Commitment 1	.816				.879				9.10	
	Affective Commitment 3					.812					
	Affective Commitment 2					.803					
5	Removal Allowance	.785					.830			8.78	
	Relocation Allowance						.830				
	Lump Sum						.760				
6	Cultural Training	.707						.843		7.68	
	Language & Cultural Training for Relatives							.776			
	Language Training							.691			
7	Corporate Shares	.844							.924	7.05	
	Option Plans								.916		
<b>Total</b>									<b>71.03</b>		

Extraction Method: Principal Component Analysis  
 Rotation Method: Varimax with Kaiser Normalization  
 a Rotation converged in 6 iterations  
 Values lower than .37 not displayed  
 N= 263

#### 4.2.3. Control variables

Twelve control variables were included in the analysis to rule out potential alternative explanations for the findings. Table 2 presents the descriptive statistics and the correlations of all the variables used in the study. At the individual level of analysis, the respondents' *international profile* (AE = 1, SIE = 0) was controlled since it could potentially explain differences in the composition of the compensation package and related SPC. *Age* and *gender* (1= male) are important for understanding organizational commitment. *Marital status* (married or living with someone as a couple = 1) was also found to be significantly related to affective commitment. The level of base pay has been found to be positively related to both self-reported work performance and affective commitment. Therefore, the respondent's *monthly gross salary* for 2006 (in Euros) was also controlled for. As a higher managerial position is usually related to higher organizational commitment, respondents' *hierarchical position* was also controlled for through five levels of hierarchical positions (with "other level" as a reference group). The *number of employers* an expatriate had worked for may be indicative of their attitudes and behaviors regarding their employment relationship. Five categories were included (with one employer to date as a reference group). *Tenure* in the current employing organization as well as the *time spent on the current assignment/job* overseas and months of *international experience* in the respondent's career to date were also included, as all three of them might affect the expatriate's affective commitment. Moreover, the time spent on the current assignment/job overseas may, for instance, overlap with former employment agreements with the new employment terms for assigned expatriates (Robinson and Rousseau, 1994). On the organizational level of analysis, *firm size* was controlled for with four categories with "more than 20,001" as a reference group. The last control variable made the distinction between whether the firm was *private or public* (reference group) because both variables might explain a difference in the coverage and quality of the standard compensation package offered to expatriates.

**Table 2. Descriptive statistics and correlations (to be continued)**

Variables	Mean	S.D.	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Gender	.62	.49	1.00														
2. Age	4.49	9.26	.15*	1.00													
3. Married – Living as a Couple	.74	.44	.20**	.26**	1.00												
4. Level of Monthly Gross Salary	8371.07	6512.28	.14*	.16*	.15*	1.00											
5. Months Foreign Experience	89.90	81.21	.11	.61**	.18**	.10	1.00										
6. No. of Employers = 2	.22	.41	.03	-.14*	.06	-.04	-.16**	1.00									
7. No. of Employers = 3	.25	.43	.14*	-.05	.01	.01	-.07	-.30**	1.00								
8. No. of Employers = 4	.14	.35	.01	.01	.10	.00	.11	-.22**	-.24**	1.00							
9. No. of Employers = or > 5	.29	.45	-.11	.25**	-.06	.02	.19**	-.34**	-.37**	-.26**	1.00						
10. Top Management	.14	.34	.17**	.15*	.16**	.11	.08	.03	.01	.03	.02	1.00					
11. Upper & Senior Management	.23	.42	.24**	.16*	.12*	.09	.15*	-.05	-.02	.06	-.03	-.22**	1.00				
12. Middle Management	.30	.46	-.05	-.06	-.02	.05	-.05	-.01	.02	.01	-.04	-.26**	-.36**	1.00			
13. Technical Expert	.30	.46	-.29**	-.19**	-.22**	-.22**	-.13*	.02	.01	-.08	.05	-.26**	-.36**	-.43**	1.00		
14. Org. size: <500 employees	.19	.40	.04	.12*	.07	-.07	.15*	-.03	-.10	-.01	.20**	.25**	.01	-.16*	-.07	1.00	
15. Org. size: 501-10,000 employees	.26	.44	-.05	-.04	.01	-.05	.04	-.06	.14*	-.05	.01	-.01	.10	-.09	.01	-.29**	1.00
16. Org. size: 10,001-20,000 empl.	.11	.31	-.01	.00	.07	.07	-.08	.09	-.11	-.01	.03	-.07	-.01	.12	-.04	-.17**	-.21**
17. Private / Public Sector	.84	.36	.12	-.12	.01	.05	-.18**	.12*	.03	.09	-.28**	.14*	.09	.13*	-.30**	-.08	-.10
18. Months in Current Org.	85.78	8.36	.04	.42**	.12*	.09	.28**	.10	.09	-.03	-.28**	-.01	.09	.12	-.18**	-.13*	-.01
19. Months on Current Job	52.51	61.96	.05	.44**	.09	.09	.69**	-.08	-.02	.10	.03	.03	.14*	-.08	-.06	.07	.03
20. AEs/ SIEs	.51	.50	.16**	.00	.07	.14*	-.19**	.15*	.03	-.03	-.31**	.06	.14*	.14*	-.28**	-.19**	-.04
21. Tangible Universal Rewards	.09	.50	.08	-.09	-.09	.08	-.01	.01	-.01	-.07	.04	.01	-.06	.02	.03	-.20**	-.02
22. Intangible Particularistic Rew.	.58	.91	.11	.08	.01	.10	.17**	-.01	.09	.03	-.08	.20**	.13*	-.01	-.25**	-.01	.01
23. Total Rewards	.34	.56	.12	.03	-.04	.12	.14*	-.01	.07	-.01	-.05	.16*	.08	.01	-.19**	-.09	-.01
24. Affective Commitment	3.15	1.00	.10	.09	.03	-.05	.12	-.04	.13	.04	-.18**	.22**	.10	-.02	-.23**	.02	-.02

\* Correlation is significant at the 0.05 level (2-tailed).

\*\* Correlation is significant at the 0.01 level (2-tailed).

N= 263

**Table 2. Descriptive statistics and correlations (continued)**

Variables	16	17	18	19	20	21	22	23	24
1. Gender (Male)									
2. Age									
3. Married – Living as a Couple									
4. Level of Monthly Gross Salary									
5. Months Foreign Experience									
6. No. of Employers = 2									
7. No. of Employers = 3									
8. No. of Employers = 4									
9. No. of Employers = or > 5									
10. Top Management									
11. Upper & Senior Management									
12. Middle Management									
13. Technical Expert									
14. Org. size: <500 employees									
15. Org. size: 501-10,000 employees									
16. Org. size: 10,001-20,000 empl.	1.00								
17. Sector (Private)	.08	1.00							
18. Months in Current Org.	.10	.01	1.00						
19. Months on Current Job	-.07	-.11	.39**	1.00					
20. International Profile (AEs)	.12	.21**	.37**	-.16**	1.00				
21. Tangible Universal Rewards	.04	-.01	.01	.17*	-.07	1.00			
22. Intangible Particularistic Rew.	.03	.05	.09	.23**	.01	.22**	1.00		
23. Total Rewards	.04	.04	.08	.26**	-.02	.62**	.90**	1.00	
24. Affective Commitment	.06	.21**	.14*	.05	.11	.04	.30**	.26**	1.00

\* Correlation is significant at the 0.05 level (2-tailed).

\*\* Correlation is significant at the 0.01 level (2-tailed).

N= 263

## 5. Results

Ordinary least square (OLS) regressions were used to test the hypotheses. First, all control variables pertaining to the respondent and the organizational characteristics were included to obtain the baseline models, “Model 1” for the sub-sample who perceived a breach related to TUR, “Model 3” for the sub-sample who perceived a positive SPC related to TUR and Model 5 for the whole sample. All the regression results are displayed in Table 3.

A hill curvilinear relationship between a breach SPC related to TUR and affective commitment was expected in Hypothesis 1a. Model 2 shows that the curvilinear relationship is indeed negative, but it is not statistically significant. Thus, these results do not support Hypothesis 1a. In Hypothesis 1b it is argued that there would not be any relationship between the SPC and the dependent variable when expatriates perceive a positive SPC relating to TUR. Model 4 (compared to Model 3) shows that the relationship is positive but not significant. So the null hypothesis H1a is supported. The results of these two hypotheses partially support the hypothesized curvilinear hill relationship between the SPC and affective commitment for TUR as illustrated in Figure 1.

**Table 3. Regression results regarding the shape of the relationship between SPC and affective commitment**

Variables	H1a : Breach				H1b Positive SPC				H2		H3					
	Model 1		Model 2		Model 3		Model 4		Model 5		Model 6		Model 7			
	Beta	S.E	Beta	S.E	Beta	S.E	Beta	S.E	Beta	S.E	Beta	S.E	Beta	S.E		
Intercept	2.50***	.70	2.41	1.46	2.54*	1.41	2.50***	.70	2.88***	.64	2.78***	.62	2.71***	.63		
Gender (Male)	-.17	.16	.47	.30	.47	.30	-.18	.16	-.02	.15	-.01	.14	-.04	.14		
Age	.01	.01	-.01	.03	-.01	.03	.01	.01	-.00	.01	.00	.01	.00	.01		
Married or living as a couple	-.17	.18	.32	.31	.30	.31	-.16	.18	-.12	.16	-.06	.15	-.06	.15		
Level of Monthly Gross Salary	.00*	.00	.00	.00	.00	.00	.00*	.00	.00 <sup>†</sup>	.00	.00 <sup>†</sup>	.00	.00 <sup>†</sup>	.00		
Months of Foreign Experience	.00	.00	.01*	.00	.01*	.00	.00	.00	.00*	.00	.00*	.00	.00*	.00		
No. of Employers =2	-.50 <sup>†</sup>	.28	.11	.46	.13	.45	-.51 <sup>†</sup>	.28	-.33	.25	-.37	.24	-.35	.24		
No. of Employers =3	-.30	.28	.52	.46	.54	.45	-.30	.28	.03	.25	-.05	.24	-.02	.24		
No. of Employers =4	-.49	.31	.82	.49	.81	.49	-.49	.31	-.20	.27	-.24	.26	-.21	.26		
No. of Employers = or >5	-.71*	.31	-.02	.54	.01	.53	-.71*	.31	-.47 <sup>†</sup>	.28	-.47 <sup>†</sup>	.27	-.49 <sup>†</sup>	.27		
Top Management	1.87**	.58	-1.62	1.13	-1.55	1.10	1.86***	.58	.91 <sup>†</sup>	.53	.61	.52	.62	.52		
Upper & Senior Management	1.40*	.56	-2.35*	1.13	-2.32*	1.12	1.39*	.57	.44	.51	.21	.50	.23	.50		
Middle Management	.91	.55	-1.60	1.11	-1.58	1.10	.90	.55	.22	.50	.05	.49	.05	.49		
Technical Expert	.77	.55	-2.00 <sup>†</sup>	1.14	-1.99 <sup>†</sup>	1.12	.76	.56	.05	.50	-.01	.49	-.03	.49		
Org. size <500 employees	.18	.22	-.09	.42	-.14	.39	.19	.23	.00	.19	.02	.19	.08	.19		
Org. size: 501-10.000 employees	-.09	.18	-.15	.34	-.16	.33	-.08	.18	-.05	.16	-.02	.16	-.01	.16		
Org. size: 10.001-20.000 employee	.20	.24	.16	.47	.18	.47	.20	.24	.25	.22	.20	.22	.20	.22		
Sector (Private)	.12	.22	1.36***	.43	1.33**	.42	.12	.22	.32	.20	.38 <sup>†</sup>	.19	.38 <sup>†</sup>	.19		
Months in Current Org.	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00		
Months on Current Job	.00	.00	.00	.00	.00	.00	.00	.00	-.00	.00	.00 <sup>†</sup>	.00	.00 <sup>†</sup>	.00		
International Profile (AEs)	-.12	.18	.69*	.32	.67*	.32	-.12	.18	-.06	.16	-.03	.16	-.02	.16		
(Tangible Universal Rewards) <sup>2</sup>			-.12	.27												
Tangible Universal Rewards							.03	.20								
Discrepancy rel. to IPR										.26***	.08					
SPC related to Total Rewards													.41***	.12		
F Statistic	2.336*		2.192*		2.413**		2.284**		2.216**		2.757***		2.742***			
R square	.515		.517		.250		.250		.174		.217		.216			
ΔR square (vs. Model 1)	-		.002		-		.000		-		.042		.041			
N	66				174				263							

a. Dependent Variable: AffCom

Unstandardized coefficients are provided with standard errors

In Hypothesis 2 a linear relationship between expatriates' perceived discrepancy related to the delivery of their IPR sub- package and their affective commitment was predicted. Model 6 shows that the relationship is positive and strongly significant ( $\Delta R$  square= 0.042;  $\beta$ = 2.78; SD= 0.62;  $p < 0.001$ ). This result provides strong support for Hypothesis 2.

Displayed in the same Table 3, Model 7 examines the linear relationship between the SPC related to the total reward package and the dependent variable. The results indicate that the linear relationship is also positive and strongly significant ( $\Delta R$  square= 0.041;  $\beta$ = 2.71; SD= 0.63;  $p < 0.001$ ). These results thus find support for Hypothesis 3.

## 6. Discussion

This study provides an answer to some of the many questions relating to the assessment of HRM practices by employees and the link it has with their behaviors and attitudes. It shows a strong and positive link between expatriates' state of psychological contract relating to their total reward and their affective commitment.

### 6.1. Contributions

The first contribution of this study is the description and measurement of the concept of the state of the psychological contract relating to the expatriate total reward package. The evaluation-oriented measure (Rousseau and Tijoriwala, 1998) used in this study provides scholars with the means to make the distinction between the breach relating to an HRM practice such as the compensation package, as well as the positive states of fulfillment and over-fulfillment which are largely overlooked in previous academic research (Conway and Briner, 2002). Even though the mediating effect of the SPC between HRM practices and individual attitudes and behaviors is only implied here, the results point towards its existence. However, more research is needed to confirm this.

The second contribution lies in it shedding more light on the nature of the relationship between the SPC and employees' attitudes, which is shown to differ according to the constituting elements of the HRM practice – in this case the compensation package. This tends to support the idea that the relationships between SPCs relating to HRM practices and affective commitment might differ across HRM practices.

The third important contribution is the combination of a total reward perspective with two dimensions, i.e. “concreteness” and “particularism” developed by Foa and Foa (1975), to examine the expatriate compensation package. This allowed the study to show that the state of the psychological contract of expatriates relating to compensation is mainly driven by the perception of the “delivery” of intangible particularistic rewards.

### *6.2. Implications for practice*

The first message implied by the results is that if TUR are useful in attracting expatriates and making them accept certain assignments, this type of rewards seems inadequate when it comes to the retention of these valuable (and expensive) employees. Thus, to retain them employing organizations would do well to pay particular attention to the social exchange relationships between expatriate supervisors and their expatriates prior to, during and after their international duties. This would help them to identify the existing exchange of “invisible” rewards (i.e. IPR), the expression of their reciprocal trust and the basis of their employees’ psychological contract. This is in line with the arguments by Rousseau et al. (2006) regarding the need for idiosyncratic deals if organizations hope to retain highly valuable employees.

The second practical message is the questioning of practices focusing mainly on financial compensation and the design of expatriate compensation package in much the same manner as Inkson (2008) questions HR managers in his paper “Are humans resources?”.

### *6.3. Limitations*

As with any research, this study is subject to certain limitations. The first is related to the external validity of the results, since the sample only includes highly educated Finnish expatriates. The cross-sectional nature of this study also does not allow for confirmation of the cause-effect relationship between the state of the psychological contract and affective commitment. Future longitudinal studies are needed to corroborate these results. A third potential limitation is the use of the controversial null-hypothesis (Nickerson, 2000).

#### 6.4. *Suggestions for future research*

With regards to future research, greater clarification and consensus is needed on what components to include both in IPR and TUR, from a practical and academic point of view. Moreover, further research could contribute to the field of the psychological contract by considering SPC and several HRM practices at the same time and from a longitudinal perspective. Finally, the study shows a difference in the perception of breach relating to the delivery of a bundle of TUR when controlling for the population group of respondents. Future research could examine whether perception differences exist between various populations of employees such as AEs and SIEs.

## 7. Appendixes

**Table 4. Scale for measuring the state of the psychological contract  
(to be continued)**

Please assess the rewards you receive in comparison with what you and your employer had agreed upon when you arranged your job/assignment abroad. Use the provided seven point scale where -3 = much less than I thought it would be, the middle of the scale 0 = about the same as I thought it would be and, +3 = much more than I thought it would be.

		<i>Does not concern me</i>
Gross salary	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Performance-related pay	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Seniority-related pay	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Amount of corporate shares	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Amount of option plans	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Travel insurance coverage	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Health insurance coverage	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Accident insurance coverage	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Life insurance coverage	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Retirement insurance coverage	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Unemployment insurance coverage	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Insurance coverage for accompanying spouse and/or children	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Saving plans	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Vacation bonus	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Amount of home-leave travel	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Amount of language training	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Amount of cultural training	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Amount of language and cultural training for my family	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
International or host country pension schemes	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Housing allowance <i>(compensation for costs of accommodation and utilities in host country)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Education allowance <i>(compensation for cost of children's education)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Car/transportation allowance <i>(compensation for the cost of travel to work)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Dual-career allowance <i>(compensation for loss of spouse's job in home country)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Removal allowance <i>(compensation for cost of transfer of furniture and other personal effects)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Relocation allowance <i>(compensation for cost of physical transfer of you and your family)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
Lump sum for moving in and out of the country <i>(also called settling-in allowance or resettlement allowance)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	

**Table 4. Scale for measuring the state of the psychological contract (continued)**

Please assess the rewards you receive in comparison with what you and your employer had agreed upon when you arranged your job/assignment abroad. Use the provided seven point scale where -3 = much less than I thought it would be, the middle of the scale 0 = about the same as I thought it would be and, +3 = much more than I thought it would be.

		<i>Does not concern me</i>
<b>My work is challenging</b> <i>(e.g. My work is intellectually stimulating and challenging; allows me learning new things to prepare me for the future; making full use of my skills)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
<b>My work is autonomous</b> <i>(e.g. I have the freedom to make the most of my own work decisions; freedom from tight supervisory controls)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
<b>My work is important strategically</b> <i>(e.g. I have a strategic role in the company; the opportunity to work with top-flight professionals)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
<b>I have good working and living conditions</b> <i>(e.g. I enjoy a good work/family balance; high quality of life)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
<b>I have responsibilities high in the hierarchy of the company</b>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
<b>I have a large scope of responsibilities</b>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
<b>I have a meaningful and important role in the company</b> <i>(e.g. Opportunities to participate in the company's success. being able to play a role in the company's future. the chance to get in on the ground floor of important projects)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
<b>I have professional growth opportunities</b> <i>(e.g. Opportunities for professional advancement. career opportunities that keep me ahead of the crowd)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
<b>I have networking opportunities</b> <i>(e.g. Opportunities to create useful new contacts. opportunity to create and develop a solid professional network for my future career)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
<b>My work is recognized</b> <i>(e.g. Recognition of my work by top-flight professionals. recognition of my work by my peers. formal recognition of my work and efforts from the company hierarchy. peer evaluation and control)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
<b>My work gives me the opportunity to enjoy a high social status</b> <i>(e.g. Living in a beautiful/enriching/exotic location. opportunity to acquire higher social status goods/services than in my home country)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
<b>My work offers me professional status opportunities</b> <i>(e.g. Opportunity to gain access top professional circles)</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	
<b>I enjoy personal psychological rewards</b> <i>(e.g. Opportunity to create some distance from life in my home country. use the time for self-reflection and for fostering independence. )</i>	-3 <input type="checkbox"/> -2 <input type="checkbox"/> -1 <input type="checkbox"/> 0 <input type="checkbox"/> +1 <input type="checkbox"/> +2 <input type="checkbox"/> +3 <input type="checkbox"/>	

### 4.3. Article 3: Expatriates' Compensation Information Processing and Affective Commitment: A Psychological and Total Reward Perspective<sup>1</sup>

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#### ABSTRACT

In this paper I examine how expatriates create meaning regarding their exchange relationship based on their compensation package and how this affects their affective commitment. The results of this cross-sectional study amongst 263 Finnish expatriates suggest that employees systematically assess their total reward package cognitively, interpret and give meaning to these compensation signals in terms of fulfillment of perceived employer obligations and simultaneously re-adapt or adjust their attitudes at any moment thorough their exchange relationship. I find that “ascribing meaning” plays a full mediating role in the relationship between HRM practices assessment and employee attitude. In addition, this study gives empirical support for some of Rousseau and Ho's (2000) theoretical arguments regarding psychological contract (PC) issues in compensation. Furthermore it provides evidence that three of the PC feature measures for employer obligations developed by Janssens, Sels and Van den Brande (2003) can be replicated. Finally the implications of these findings for future research are discussed.

**Keywords:** psychological contract, total reward, bundle, affective commitment, cognitive assessment, expatriate

## 1. Introduction

Organizations use HRM practices such as recruitment and selection, performance management, training and development as well as compensation and rewards to induce and direct the work, attitudes and behaviors of employees in order to facilitate the implementation of the corporate strategy. However, compensation and rewards practices may differ from other practices as they seem to be amongst the most salient and earliest interpreted practices from the perspective of employees since compensation often constitutes their main source of income (Rousseau and Ho, 2000).

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As early as the recruitment process for a job or assignment, compensation already signals and communicates the terms, the nature and the potential of the employment relationship (Bloom & Milkovich, 1996, Guzzo and Noonan, 1994). The terms of this exchange agreement between the individual and his/her organization define the psychological contract (PC) (Rousseau, 1995). This construct “accounts for the perceived promises that employees believe their organizations have made to them” (Dulac, Coyle-Shapiro, Henderson &, Wayne, 2008: 1079). Thus, based on their understanding of this exchange agreement, employees not only perceive the reciprocal obligations involved in this exchange, but also evaluate the state of their psychological contract (SPC) (Guest, 2004) throughout their employment relationship (Schein, 1978).

Research findings (Robinson, 1996; Tekleab, Takeuchi & Taylor, 2005; Dulac *et al.*, 2008) suggest that an employee’s cognitive assessment of what they receive relative to what they had understood was promised to them shapes their attitudes and behaviors towards their employers. The negative SPC, i.e. a “breach” (Robinson, 1996; Robinson & Morrison, 2000) and its link to employees’ behavior and attitudes has been the subject of much research. Recent studies focused on, for instance, the mediating effect of this SPC between Perceived Organizational Support (POS) as well as perceived Leader-Member Exchange (LMX) and work outcomes such as affective commitment, trust in the organization (Dulac *et al.*, 2008). Although closely related to HRM practices, POS and LMX focus on the social relationship of employment (Blau, 1964) rather than the exchange of perceived obligations as the PC does. In addition, the link between specific HRM practices and POS and LMX is unclear. Therefore, the relationship between specific HRM practices such as compensation, PC and employee attitudes warrants further scrutiny.

Malhotra, Budhwar, & Prowse (2007) found a positive relationship between employees’ perceptions of rewards and their organizational commitment. This finding is important because from a psychological contract perspective (Rousseau, 1995), an individual’s assessment of compensation practices should be considered rather than the compensation practices themselves in order to fully understand the employee’s cognitive assessment and process linking HRM practices to employee attitudes. Finally, while psychological contract theory is well developed, research that investigates empirically the states of the psychological contracts remains scarce.

Until the theoretical model of international assignments by Yan, Zhu, & Hall (2002) very few studies had used the psychological contract perspective in an international context. To the author’s knowledge, Guzzo, Noonan & Elron (1994),

Chen and Chiu (2007) are among the few researchers who considered the psychological contract of expatriates and quantitatively examined it. Thus, there is a clear need for further research on the psychological contract in the international context (Arthur & Rousseau, 1996).

The purpose of this study is to fill the previously identified gaps in research and to contribute to psychological contract theory development by quantitatively testing the cognitive and interpretative process linking compensation practices to employees' affective commitment. In doing this the theoretical arguments by Rousseau and Ho (2000) are applied regarding the process used by employees to interpret HRM practices, compensation practices specifically. A total reward perspective is also applied to examine the link between cognition (SPC related to the total reward bundle), meaning (perceived degree of fulfillment of employer's obligations), and employee attitudes (level of affective commitment) at a given moment (Rousseau and Tijoriwala, 1998) made possible by cross-sectional data (Guest, 1999). The theoretical framework of the study is tested on a sample of 263 highly educated Finnish expatriates while abroad since compensation and commitment are two key issues in the management of expatriation and expatriate retention.

## 2. Theory and hypothesis development

The expatriate compensation package, also known as the "total compensation package", has traditionally been studied from organizational and financial perspectives advocated by organizational control theories such as agency theory (Fama & Jensen, 1983; Jensen & Meckling, 1976). Authors have thus discussed and described how employing organizations provide their expatriates with packages that include three main component categories: (1) fixed pay and flexible pay, (2) benefits, and (3) allowances (see e.g., Bonache, 2006; Briscoe 1995; Dowling et al. 1994; Schell and Solomon, 1997; Suutari and Tornikoski, 2000). The special focus on the content of the compensation package can easily be explained by the complexity of such packages as well as the time and costs required in their design and management.

In this paper, I adopt an individual perspective on compensation by examining the expatriate compensation package from the international employee's point of view. In addition, I use a total reward approach. This approach implies that "each aspect of reward, namely base pay, contingent pay, employee benefits and non-financial rewards, which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole" (Armstrong and Stephen, 2005:

13), embracing “everything that employees value in the employment relationship” (O’Neal, 1998). Consequently, this approach provides a much broader and more holistic perspective of the compensation package than the traditional total compensation approach. Furthermore it leads to the consideration of the whole expatriate package as a “bundle” (Bloom and Milkovich, 1996) of total rewards.

Compensation is a salient component of the exchange relationship. In the context of expatriation the compensation package is the most concrete, visible and comparable expression of the exchange relationship between the geographically distant employer and the expatriate. Due to the coverage of this compensation package, its delivery is thus essential to the expatriate not only because it represents the main signal of the continuity and state of their exchange relationship but also because many aspects of their live abroad really depends on it (Guzzo *et al*, 1994)

Psychological contract has been argued as a valuable construct to examine the employment relationship (Rousseau, 1995; Guest, 1999; Guest and Conway, 2002). It is essentially concerned with the individuals’ beliefs regarding the terms and conditions of the exchange relationship between themselves and their employer, their perceptions of their reciprocal obligations (Rousseau, 1989). Each employee holds beliefs regarding the “ideal” returns (Foa and Foa, 1975) their employer has agreed (either implicitly or explicitly) to provide him/her in exchange for his/her contribution.

In the case of an international exchange relationship, the assignment terms and conditions are usually agreed on prior to the assignment. This agreement represents what Rousseau and Ho (2000:280) call the “cognitive statu quo” of the psychological contract related to the exchange relationship abroad, in other words it represents the basis on which expatriates rely. This is the source of their understanding of what is expected from them (their obligations) and what they will get from their employer in return (their employers’ obligations).

Over time, throughout their international employment relationship, expatriates cognitively assess the state of their exchange relationship by comparing their subjective perceptions (accurate or not) of the actual HRM practices (compensation in this study) of their employer in comparison to their initial understanding. Therefore the “cognitive statu quo” becomes expatriates’ comparative referent (Adams, 1965). This assessment of their psychological contract leads to the notion of state of the psychological contract or SPC (Guest, 1998, 2004; Guest and Conway, 2002; Conway and Briner, 2005). This state is thus directly related to, and yet distinct from, their “psychological contract”. This concept is operationalized as employees’ perceived discrepancy between this “ideal” return and the “actual” one they perceive as receiving from the organization (i.e. HRM practices

such as compensation and rewards in this paper). As in Robinson's study (1996), the focus of this research is not the accuracy of the perception, but the employee's subjective perception of this discrepancy.

In this paper, I posit that employees hold a "sub" psychological contract for each particular set of HRM practices (e.g. recruitment, career development), and that they automatically and systematically assess their discrepancies throughout the duration of their exchange relationship (Eagley and Chaiken, 1993) and not at certain times only as argued by Guzzo and Noonan (1994). Expatriates cognitively assess each of HRM practices during their exchange relationship. The interrelation of all these discrepancies provides the global SPC of the exchange relationship, which can be either relational, transactional transitional or balanced psychological contracts (Rousseau 1995, Rousseau & Ho, 2000).

In their theoretical arguments regarding PC issues in compensation, Rousseau and Ho (2000) state that in their cognitive assessment of the terms of their PC, employees create meaning from the signals sent by the HRM practices. In other words, they ascribe meaning to their exchange relationship expressed in terms of reciprocal obligations. Following this theoretical logic a positive SPC related to the total reward package can be assumed to be linked to a perceived fulfillment of expatriates' employer's obligations. Consequently the following hypothesis is formulated.

***H1: Expatriates' SPC related to their total reward package is expected to be positively related to the perceived fulfillment of their employers' obligations.***

Furthermore these systematic assessments or "judgments about the adequacy with which their PCs are fulfilled", as stated by Guzzo and Noonan, have important effects on employee commitment. This was confirmed by the results by Guzzo et al. (1994) who found that the perceived sufficiency of company practices (what they refer as "fulfilled psychological contract") mediated organizational practices and attitudes towards retention and organizational commitment. Due to the salient nature of compensation in the case of expatriate exchange relationship, it can be assumed here that expatriates' SPC related to expatriates' total reward package will be also related and their affective commitment (Allen & Meyer, 1990).

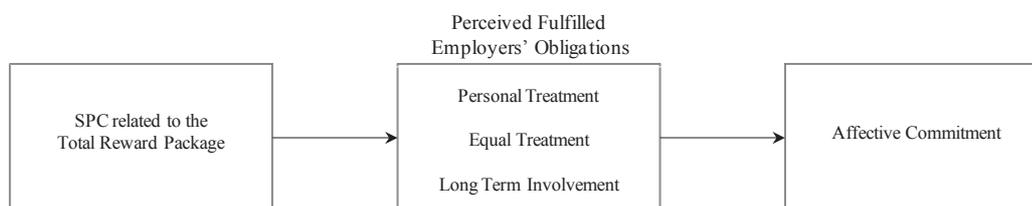
***H2: Expatriates' SPC related to their total reward package is expected to be positive related their affective commitment.***

Pate and Scullion (2010) stress that if expatriates have traditionally have been managed through the provision of enhanced rewards packages and promised career acceleration, the imperative cost-reduction strategies that organizations have been facing for the past decades, do not allow them to offer the same “deal” (Coyle-Shapiro and Kessler, 2000) anymore. This change in expatriate arrangements may have not only led to a disparity of expectations among expatriates but also a breakdown of their psychological contract. Indeed Rousseau and Ho (2000) stress how past compensation practices have a sustained and long-lasting effect on psychological contracts as they become the basis upon what expectations are created. The sudden change in expatriate compensation practices without their consent may have led to a perceived violation of their PC. This consequently leads to a divergence in perceived obligations which may have great impact on expatriates’ commitment. For instance, Dulac and Coyle-Shapiro (2008) showed for instance to a perceived violation of the PC had a strong negative effect on employees’ affective commitment. Moreover research has found that merit based rewards for instance had the greatest impact on the psychological contract of highly professionals (Flood, Turner, Ramamoorthy, and Pearson, 2001). Consequently, it can be assumed that there is a significant positive link between perceived fulfilled employers’ obligations and expatriates’ affective commitment (and vice versa).

***H3: Perceived fulfilled employers’ obligations are positively related to expatriates’ affective commitment.***

The model presented in Figure 1 shows that if the three hypotheses above are supported then the perceived employers’ obligations might be assumed to mediate the relationship between the SPC related to expatriates’ total reward package and there affective commitment. This would support the argument by Rousseau and Ho (2000) according to which the bundle of compensation components shapes the meaning that individuals ascribe to their exchange relationship (ibid: 283) and consequently and automatically adjust their attitude toward their employer.

***H4: Perceived fulfilled employer’s obligations are expected to mediate the relationship between expatriates’ SPC related to their total reward package and their affective commitment.***

**Figure A1: Hypothesized model**

The two following sections present the methodology as well as the results of this study.

### 3. Methodology

#### 3.1. *Sample and data collection*

I tested my hypothesis using data collected through an online questionnaire. This online questionnaire was distributed during June-July 2007 amongst the 820 members of The Finnish Association of Business School Graduates (SEFE) who were working abroad at the time. These members were either assigned expatriates (AE, i.e. people sent abroad by their employer) or self-initiated expatriates (SIE, i.e. people who secured a job abroad on their own initiative). Hence, the sample included highly-educated people possessing at least a Master's degree in Economics and Business Administration in terms of formal education. They worked for very diverse companies located in at least 24 different countries, in a wide sector range. In total, 316 completed the questionnaire representing an overall response rate of 39%. The final usable sample was 263 (134 AEs and 129 SIEs).

#### 3.2. *Measures*

##### 3.2.1. *Dependent variable: Affective Commitment*

Affective commitment was measured using three reversed items from the revised version of the six-item measure by Meyer, Allen and Smith (1993). Previous research by Bentein, Vandenberghe, Vandenberg & Singlhamber (2005) and Dulac et al. (2008) confirm the strong psychometric properties of their revised measure. These three items are: "I do not feel like 'part of the family' at my organization" (R), "I do not feel 'emotionally attached' to this organization" (R), and "I do not feel a strong sense of 'belonging' to my organization" (R). Respondents answered

using a 5-point Likert scale from “1 = strongly disagree” to “5 = strongly agree”. The reliability test for this three-item scale produced a Cronbach’s alpha of 0.82.

### 3.2.2. *Mediating variable: Perceived fulfillment of employer’s obligations*

Although the theory about PC and its implied obligations has been well developed, Rousseau and Tijoriwala (1998) note that PC feature measures, i.e. measures of the dimensions and the related perceived obligations of PC, are underdeveloped. They consequently call for further research in this area due to the potential importance of these feature measures for understanding the process of communicating contract-related information. Two closely related studies by Janssens, Sels, & Van den Brande (2003) and Sels, Janssens, & Van den Brande (2004) answer this call for feature measures of PC. Building on the typology developed by Rousseau (1990:390, 1995) and the one by Shore and Barksdale (1998), these authors (2003: 1354-55 for quotations below) list six important dimensions (i.e. time frame, tangibility, scope, stability, exchange symmetry and contract level) defining and potentially differentiating psychological contracts. According to them, each of these dimensions can be expressed in terms of employer and employee obligations. Therefore the scales developed by Janssens, Sels and Van den Brande (2003) and Sels, Janssens and Van den Brande (2004) were used measure respondents’ perceptions of the fulfillment of their employer obligations in this study. The authors’ original phrasings “*I expect from my employer that he...*” and “*My employer can expect from me that I*” were modified to read “*Considering my overall employment relationship with my employer and what we have agreed on about this job/assignment abroad I consider that my employer...*” These modifications were considered necessary to obtain perceptions of obligations based on promises as Rousseau’s conceptual understanding of the psychological contract specifies. Indeed, Rousseau and Tijoriwala (1998: 680) argue:

*“by definition, a psychological contract is an individual perception. (...) Thus, in operationalizing the psychological contract, the focal individual can report on beliefs regarding his or her own obligations as well as beliefs regarding reciprocal obligations by another. The individual is the direct source of information regarding the contract because it is the perception of mutuality, not mutuality in fact, that constitutes a psychological contract. (...) Although all psychological contracts entail expectations that a person or a firm will act in a particular way, not all expectations are contractual. An important aspect of psychological contract is that the beliefs comprising that contract result from promises”.*

Thus, respondents were asked to indicate to what extent they agreed with the 17 statements describing their employer’s obligations (4 items for long-term involvement and for equal treatment as well as 3 items for tangibility, personal treatment, and carefulness) by rating them on a 5-point Likert scale from *strongly disagree* (1) to *strongly agree* (5). Examples of these statements relating to em-

employers' obligations include: *Considering my overall employment relationship and what we have agreed on about this job/assignment I consider that...* (1) *my employer offers me employment security;* (14) *my employer treats all employees at the same level equally,* (17) *my employer applies the same benefits to all employees at the same level.* Two items of the scale measuring employers' "long-term involvement" were modified to read "my employer makes a commitment to me in a long time perspective" as well as "my employer would offer me a transfer to another job should my current job disappear" to better fit the sample of respondents as most of them had already been abroad for more than one year. Sole the employers' obligations of personal treatment, equal treatment and long-term involvement were included in the analysis because their scales were the sole whose reliability criteria was verified with a Cronbach's alpha superior to 0.7. The respective Cronbach's alphas of these three mediating variables are displayed in Table A1.

**Table A1: Factor analysis of total reward components and employer obligations measuring instruments**

	Cronbach's Alphas	Pattern Matrix								% of total variance explained
Large Scope Responsibilities	.910	.894								<b>20.43</b>
Meaningful & Important Role		.885								
High Hierarchical Responsibilities		.868								
Challenging Work		.835								
Strategic Work		.798								
Accident Insurance	.892		.925							<b>12.23</b>
Health Insurance			.875							
Travel Insurance			.845							
Life Insurance			.818							
Personal Treatment 3	.832			.912						<b>10.35</b>
Personal Treatment 1				.867						
Personal Treatment 2				.694						
Equal Treatment 3	.846				.869					<b>6.92</b>
Equal Treatment 4					.866					
Equal Treatment 1					.716					
High Social Status Opportunities	.749					.869				<b>5.61</b>
High Professional Status Opportunities						.723				
Good Work-Life Conditions						.703				
Personal Psychological Rewards						.661				
Relocation Allowance	785						.853			<b>5.07</b>
Removal Allowance							.846			
Lump Sum							.791			
Long Term Involv. 1	.745							.828		<b>4.53</b>
Long Term Involv. 4								.785		
Long Term Involv. 2								.708		
Cultural Training	.707								.834	<b>4.31</b>
Language Training									.770	
Language & Cultural Training for Relatives									.748	
Corporate Shares	.844								.933	<b>3.56</b>
Option Plans									.921	
<b>Total</b>									<b>73.01</b>	

Extraction Method: Principal Component Analysis  
Rotation Method: Promax with Kaiser Normalization  
a Rotation converged in 6 iterations  
Scores under .37 are not displayed  
N=263

### 3.2.3. *Independent variable: State of the psychological contract (SPC)*

To measure the SPC related to the total reward package the evaluation-oriented measure (Rousseau and Tijoriwala, 1998) developed by Tornikoski (forthcoming) was used to assess the discrepancy between the “status quo PC” and the perception of the actual delivery of their expatriate package by their employer. Respondents were asked to assess the rewards they received in comparison with what they and their employer had agreed upon when they had arranged their job/assignment abroad. They assessed 39 reward components according to a 7-point scale, where -3 = “much less than I understood/thought it would be”, the middle of the scale 0 = “about the same as I thought it would be, or not concerned by this compensation item”, and 3 = “much more than I thought it would be”.

The 39 items measuring total rewards components, together with the 11 items of three employer psychological obligations, were put through factor analyses using Promax rotation and Kaiser normalization in order to evaluate the internal and discriminant validity of the variables. The results (displayed in Table A1) show nine clearly distinct factors: six compensation factors (including 22 out of the 39 original items) and the three employer obligations. The six compensation factors represent six total reward component variables: Insurances, International Move Allowances, International Adaptation Allowances, Incentives, Intrinsic Rewards and Personal Social Rewards. The six obtained variables reflect the average of the mean item values. Finally, the SPC related to the total reward package corresponds to the mean of these six variable averages.

### 3.2.4. *Control variables*

Twelve control variables were included in the analysis to rule out potential alternate explanations for the findings. Table A2 presents the descriptive statistics and the correlations of all the variables used in the study. At the individual level of analysis, the respondents' international profile (AE = 1, SIE = 0), age and gender (1 = male) were controlled since they could potentially explain differences in perception of the compensation package and related SPC (Barber and Bretz, 2000). Marital status (married or living with someone as a couple = 1; not married = 0) was also found to be significantly related to affective commitment.

**Table A2: Descriptive statistics and correlations (to be continued)**

Variables	Mean	S.D	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1. Gender	0,62	0,49	1,00																			
2. Age	40,49	9,26	,15*	1,00																		
3. Married or living as a couple	0,74	0,44	,20**	,26**	1,00																	
4. Level of Monthly Gross Salary	8371,07	6512,28	,14*	,16*	,15*	1,00																
5. Months of Foreign Experience	89,90	81,21	,11	,61**	,18**	,10	1,00															
6. No. of Employers =2	0,22	0,41	,03	-,14*	,06	-,04	-,16**	1,00														
7. No. of Employers =3	0,25	0,43	,14*	-,05	,00	,01	-,07	-,30**	1,00													
8. No. of Employers =4	0,14	0,35	,01	,01	,10	,00	,11	-,22**	-,24**	1,00												
9. No. of Employers = or >5	0,29	0,45	-,11	,25**	-,06	,02	,19**	-,34**	-,37**	-,26**	1,00											
1. Top Management	0,14	0,34	,17**	,15*	,16**	,11	,08	,03	,00	,03	,02	1,00										
11. Upper & Senior Management	0,23	0,42	,24**	,16*	,12*	-,09	,15*	-,05	-,02	,06	-,03	-,22**	1,00									
12. Middle Management	0,30	0,46	-,05	-,06	-,02	,05	-,05	-,01	,02	,01	-,04	-,26**	-,36**	1,00								
13. Technical Expert	0,30	0,46	-,29**	-,19**	-,22**	-,22**	-,13*	,02	,01	-,08	,05	-,26**	-,36**	-,43**	1,00							
14. Org. size <500 employees	0,19	0,40	,04	,12*	,07	-,07	,15*	-,03	-,10	-,01	,20**	,25**	,00	-,157*	-,07	1,00						
15. Org. size: 501-1.000 employees	0,26	0,44	-,05	-,04	,00	-,05	,04	-,06	,14*	-,05	,00	-,01	,10	-,09	,01	-,29**	1,00					
16. Org. size: 1.001-2.000 employees	0,11	0,31	-,01	,00	,07	,07	-,08	,09	-,11	,00	,03	-,07	-,01	,12	-,04	-,17**	-,21**	1,00				
17. Private / Public Sector	0,84	0,36	,12	-,12	,01	,05	-,18**	,12*	,03	,09	-,28**	,14*	,09	,13*	-,30**	-,08	-,10	,08	1,00			
18. Months in Current Org.	85,78	80,36	,04	,42**	,12*	-,09	,28**	,10	,09	-,03	-,28**	,00	,09	,12	-,18**	-,13*	-,01	,10	,00	1,00		
19. Months on Current Job	52,51	61,96	,05	,44**	-,09	-,09	,69**	-,08	-,02	,10	,03	,03	,14*	-,08	-,06	,07	,03	-,07	-,11	,39**	1,00	
20 AEs / SIEs	0,51	0,50	,16**	,00	,07	,14*	-,19**	,15*	,03	-,03	-,31**	,06	,14*	,14*	-,28**	-,19**	-,04	,12	,21**	,37**	-,16**	1,00
21. SPC related to Total Rewards	0,35	0,57	,12	,03	-,02	,11	,14*	,00	,06	,00	-,05	,16*	,10	,00	-,203**	-,09	,00	,05	,04	,08	,25**	-,02
22. Personal Treatment	3,85	0,85	,00	-,02	,08	-,02	,06	,05	,05	,09	-,21**	,16*	,06	,07	-,22**	,03	-,08	,03	,27**	,00	,00	,01
23. EqualTreatment	3,38	1,01	,02	-,03	,04	-,01	,01	-,03	,10	,172**	-,21**	,11	-,03	,00	-,05	-,07	-,13*	,01	,12	-,09	,02	-,07
24. Long Term Involvement	3,65	0,95	-,03	,02	-,04	-,05	,03	,05	-,02	,09	-,12	,09	,00	,02	-,08	-,17**	-,12	,04	,01	,08	,08	,00
25. Affective Commitment	3,15	1,00	,10	-,09	-,03	-,05	,12	-,04	,13	,04	-,18**	,22**	,10	-,02	-,23**	,02	-,02	,06	,21**	,14*	,05	,11

\*. Correlation is significant at the .05 level (2-tailed). \*\* Correlation is significant at the .01 level (2-tailed). N=263

**Table A2: Descriptive statistics and correlations (continued)**

Variables	Mean	S.D	20	21	22	23	24	25
1. Gender	0,62	0,49						
2. Age	40,49	9,26						
3. Married or living as a couple	0,74	0,44						
4. Level of Monthly Gross Salary	8371,07	6512,28						
5. Months of Foreign Experience	89,90	81,21						
6. No. of Employers =2	0,22	0,41						
7. No. of Employers =3	0,25	0,43						
8. No. of Employers =4	0,14	0,35						
9. No. of Employers = or >5	0,29	0,45						
1. Top Management	0,14	0,34						
11. Upper & Senior Management	0,23	0,42						
12. Middle Management	0,30	0,46						
13. Technical Expert	0,30	0,46						
14. Org. size <500 employees	0,19	0,40						
15. Org. size: 501-1.000 employees	0,26	0,44						
16. Org. size: 1.001-2.000 employees	0,11	0,31						
17. Private / Public Sector	0,84	0,36						
18. Months in Current Org.	85,78	80,36						
19. Months on Current Job	52,51	61,96						
20 AEs / SIEs	0,51	0,50	1,00					
21. SPC related to Total Reward Package	0,35	0,57	-.02	1,00				
22. Personal Treatment	3,85	0,85	.01	,305**	1,00			
23. Equal Treatment	3,38	1,01	-.07	,21**	,50**	1,00		
24. Long Term Involvement	3,65	0,95	.00	,22**	,41**	,40**	1,00	
25. Affective Commitment	3,15	1,00	.11	,25**	,52**	,35**	,33**	1,00

\*. Correlation is significant at the .05 level (2-tailed).

\*\* . Correlation is significant at the .01 level (2-tailed).

N= 263

The level of base pay has been found to be positively related to both self-reported work performance and affective commitment. Therefore, the respondent's *monthly gross salary* was also controlled for. This control variable was accessed with continuous data (monthly gross salary for 2006 in Euros). Respondents' *hierarchical position* was also controlled for because AEs have been found to be more frequently employed at a higher managerial level than SIEs and a higher managerial position is usually related to higher organizational commitment and high status occupation has been found to perceive pay as less important (Barber & Bretz, 2000). Five hierarchical positions were considered, the fifth ('other') was used as a reference group. Four variables linked to expatriates experience were included as first, Feldman and Arnold, 1978) found experience with inversely associated with importance of pay and second experience has been found to impact on employees' affective commitment: *number of employers* (five categories with "one employer to date" as reference group), *tenure* in the current employing organization, *time spent on the current assignment/job* overseas and months of *international experience* in the respondent's career. On the organizational level of analysis, *firm size* was controlled for with four categories with "more than 20,001" as reference group. The last control variable made the distinction between whether the firm was *private or public* (reference group) because both variables might explain a difference in the coverage and quality of the standard compensation package offered to expatriates.

## 4. Results

Following the recommendations by Baron & Kenny (1986) regarding the appropriate approach to testing mediation effects, three regression equations were used. The four conditions to be verified when testing a perfect mediating effect are as follows:

### 4.1. *First equation: the independent variable must affect the mediating variable*

The results regarding the first equation for the three employer obligations are displayed in Table A3.

**Table A3: Results of the First Regression Equations**

Mediating Variables Variables	Personal Treatment				Equal Treatment				Long Term Involvement			
	Model 1		Model 1a		Model 2		Model 2a		Model 3		Model 3a	
	Beta	S.E	Beta	S.E	Beta	S.E	Beta	S.E	Beta	S.E	Beta	S.E
Intercept	3.25***	.53	3.05***	.51	3.43***	.65	3.29***	.65	4.33***	.62	4.2***	.62
Gender	-.23†	.12	-.25*	.12	-.13	.15	-.14	.15	-.14	.14	-.15	.14
Age	.00	.01	.00	.01	.01	.01	.01	.01	.00	.01	.01	.01
Married or living as a couple	.05	.13	.11	.12	.03	.16	.07	.16	-.17	.15	-.13	.15
Level of Monthly Gross Salary	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00
Months of Foreign Experience	.00*	.00	.00*	.00	.00	.00	.00	.00	.00	.00	.00	.00
No. of Employers =2	-.13	.20	-.16	.20	-.16	.25	-.18	.25	.05	.24	.03	.24
No. of Employers =3	-.09	.21	-.14	.20	.08	.25	.05	.25	-.11	.24	-.15	.24
No. of Employers =4	-.15	.22	-.16	.22	.19	.28	.18	.27	.07	.26	.06	.26
No. of Employers = or >5	-.55*	.23	-.58*	.22	-.62*	.28	-.63*	.28	-.28	.27	-.29	.27
Top Management	1.26**	.44	.97*	.42	.74	.54	.54	.54	.75	.51	.58	.51
Upper & Senior Management	1.04*	.42	.84*	.41	.40	.52	.26	.52	.34	.50	.22	.50
Middle Management	.97*	.42	.81*	.40	.41	.51	.30	.51	.21	.49	.11	.49
Technical Expert	.64	.42	.59	.40	.29	.51	.26	.51	-.05	.49	-.08	.49
Org. size <500 employees	.01	.16	.10	.16	-.38**	.20	-.32	.20	-.69***	.19	-.64**	.19
Org. size: 501-1.000 employees	-.16	.13	-.12	.13	-.44***	.16	-.42*	.16	-.50***	.16	-.48**	.16
Org. size: 1.001-2.000 employees	.04	.18	-.02	.18	.03	.23	-.01	.22	-.05	.22	-.08	.21
Private / Public Sector	.37*	.16	.43**	.16	.03	.20	.08	.20	-.31	.19	-.27	.19
Months in Current Org.	.00	.00	.00	.00	-.00*	.00	-.00*	.00	.00	.00	.00	.00
Months on Current Job	.00	.00	-.00*	.00	.00	.00	.00	.00	.00	.00	.00	.00
AEs / SIEs	-.24†	.13	-.20	.13	-.22	.16	-.19	.16	-.19	.16	-.16	.16
SPC Total Reward Package			.44***	.10			.31*	.13			.27*	.12
F Statistic	2.556***		3.542***		1,893*		2.130**		1.729*		1.906*	
R square	.196		.262		.153		.176		.141		.161	
Δ R square (vs. model 1)	-		.066		-		.023		-		.020	

Unstandardized coefficients are provided with standard errors      Significance levels: \*\*\*  $p < .001$ . \*\*  $p < .01$ . \*  $p < .05$ . †  $p < .10$       N=263

#### 4.1.1. *Personal Treatment*

Model 1 shows the link between the control variables and the perception of fulfillment of the employer obligation of treating their employees personally. This perception was positively and strongly linked to the hierarchical position of the respondents. The higher their position (top management), the higher their perception of being treated personally was ( $p < .01$ ). Respondents who worked in the private sector and had had several months of foreign experience before perceived that their employer treated them personally ( $p < .05$ ) in comparison with expatriates in the public sector and with no foreign experience. Female respondents as well as SIEs also appeared to perceive this fulfillment more than males and AEs did ( $p < .10$ ).

Model 1a shows that expatriates' SPC related to their total reward package is strongly and positively ( $\Delta R$  square= 0.066;  $\beta$ = 3.05;  $SD$ = 0.51;  $p < 0.001$ ) linked to their perception of fulfillment of their employer's obligation of personal treatment.

#### 4.1.2. *Equal Treatment*

Model 2 shows the link between the control variables and the perception of fulfillment of the employer obligation of treating their employees equally. Expatriates in organizations with up to 1.000 employees seem to strongly perceive they were not treated equally in comparison with expatriates in large organizations (more than 2.000 employees). This was also the case for expatriates whose tenure in the organization was low and for those who had changed employers more than five times in their whole career ( $p < .05$ ).

Model 2a shows that the relationship between expatriates' SPC related to their total reward package is and their perception of fulfillment of their employer's obligation of equal treatment is positive and significant ( $\Delta R$  square= 0.023;  $\beta$ = 3.29;  $SD$ = 0.65;  $p < 0.05$ ).

#### 4.1.3. *Long Term Involvement*

Finally Model 3 shows how control variables relate to the perception of fulfillment of the employer obligation of long term involvement. As for equal treatment, expatriates in organizations with up to 1.000 employees seem to strongly perceive their employers did not invest in a long-term relationship with them ( $p < .001$ ) in comparison to expatriates employed in large organizations.

Model 3a shows that the relationship between expatriates' SPC related to their total reward package is and their perception of fulfillment of their employer's obligation of long term involvement is positive and significant ( $\Delta R$  square= 0.020;  $\beta$ = 4.2; SD= 0.62;  $p < 0.05$ ).

**Table A4: Results of the Second Equation**

Variables	Model 4		Model 4a	
	Beta	S.E	Beta	S.E
Intercept	2.88***	.64	2.69***	.63
Gender	-.02	.15	-.04	.14
Age	.00	.01	.00	.01
Married or living as a couple	-.12	.16	-.06	.15
Level of Monthly Gross Salary	-.00†	.00	-.00†	.00
Months of Foreign Experience	.003*	.00	.00*	.00
No. of Employers =2	-.33	.25	-.36	.24
No. of Employers =3	.03	.25	-.02	.24
No. of Employers =4	-.20	.27	-.21	.27
No. of Employers = or >5	-.469†	.28	-.49†	.27
Top Management	.91†	.53	.65	.52
Upper & Senior Management	.44	.51	.26	.50
Middle Management	.22	.50	.08	.49
Technical Expert	.05	.50	.00	.49
Org. size <500 employees	.00	.19	.08	.19
Org. size: 501-1.000 employees	-.05	.16	-.01	.16
Org. size: 1.001-2.000 employees	.25	.22	.20	.22
Private / Public Sector	.32	.20	.38†	.19
Months in Current Org.	.00	.00	.00	.00
Months on Current Job	.00	.00	-.00†	.00
AEs / SIEs	-.06	.16	-.02	.16
SPC Total Reward Package			.39***	.12
F Statistic	2.216**		2.675***	
R square	.174		.212	
$\Delta R$ square (vs. model 2)			.038	

a. Dependent Variable: Affective Commitment

Unstandardized coefficients are provided with standard errors

Significance levels: \*\*\*  $p < .001$ . \*\*  $p < .01$ . \*  $p < .05$ . †  $p < .10$

N=263

To sum up the results displayed in Table A3, Models 1a, 2a and 3a verify H1, the first necessary condition of a perfect mediating effect, i.e. the independent variable affects the mediating variables.

4.2. *Second equation: the independent variable must affect the dependent variable*

Results for this second equation are displayed in Table A4. Model 4 shows the relationship between the control variables and expatriates' affective commitment toward their employing organization. The results indicate that the length international experience was positive and significantly related to the dependent variable ( $p < .05$ ). Moreover top managers appeared to be slightly more affectively committed to their employing organization ( $p < .10$ ) than expatriates in the reference group.

Model 4a shows that the relationship between the SPC related to the total reward package and affective commitment is strongly significant and positive ( $\Delta R$  square= 0.038;  $\beta = 2.69$ ;  $SD = 0.63$ ;  $p < 0.001$ ). This validates H2, the second condition when testing mediation.

4.3. *Third equation: the mediator must affect the dependent variable*

The results regarding the relationship between perceived employer obligations and affective commitment are displayed in Table A5.

Model 4b shows that the relationship between the perceived obligation of personal treatment and affective commitment is strongly significant and positive ( $\Delta R$  square= 0.178;  $\beta = 1.06$ ;  $SD = 0.62$ ;  $p < 0.001$ ). Model 4c relating to the perceived obligation of equal treatment, the relationship with affective commitment is also positive and strongly significant ( $\Delta R$  square= 0.094;  $\beta = 1.74$ ;  $SD = 0.64$ ;  $p < 0.001$ ). Finally, the results regarding the third perceived employer obligation of long-term involvement in the relationship with the employee with the dependent variable is also positive and strongly significant ( $\Delta R$  square= 0.089;  $\beta = 1.42$ ;  $SD = 0.67$ ;  $p < 0.001$ ).

Consequently, these results verify H3, the third necessary condition of mediation testing: perceived employer obligations are related to affective commitment.

4.4. *“Once three equations are verified, the effect of the independent variable on the dependent variable must be less in the third equation than in the second one. Perfect mediation holds if the independent variable has no effect when the mediator is controlled (Baron & Kenny, 1986:1177)”.*

If we look at Tables A4 and A5, we see that the  $\Delta R$  square of the second regression (independent variable on affective commitment) is 0.38 and thus lower to the one of each of the three perceived employer obligations. Testing the mediation (see the last column of Table A5), Model 4e shows that once the three perceived employer obligations are controlled for, the relationship between the SPC related to the total reward package and affective commitment is positive, but not significant. However, the relationship with affective commitment is positively and significantly related to the perceived fulfillment of personal treatment ( $\beta = .40$ ;  $SD = 0.09$ ;  $p < 0.001$ ) and long term involvement ( $\beta = .14$ ;  $SD = 0.07$ ;  $p < 0.05$ ) used as control variables.

Finally Baron & Kenny (1986: 1177) stress that “because the interdependent variable is assumed to cause the mediator, these two variables should be correlated”. When looking at Table A2 we see that the SPC related to the total reward package is positively and strongly correlated with the three different perceived employer obligations.

All the previous results strongly support the hypothesis (H4) of perfect mediation of the relationship between the SPC related to their total reward package and their affective commitment by expatriates’ perceived degree of fulfillment of their employer’s obligations.

**Table A5: Results of the Third Regression Equations and Perfect Mediation Testing Regression**

Variables	Third Regression Equations										Perfect Mediation Testing	
	Model 4		Model 4b		Model 4c		Model 4d		Model 4e		Beta	S.E
	Beta	S.E	Beta	S.E	Beta	S.E	Beta	S.E	Beta	S.E	Beta	S.E
Intercept	2.88***	.64	1.06†	.62	1.74*	.64	1.42*	.67	.50	.64		
Gender	-.02	.15	.10	.13	.02	.14	.02	.14	.10	.13		
Age	.00	.01	.00	.01	.00	.01	.00	.01	.00	.01		
Married or living as a couple	-.12	.16	-.15	.14	-.13	.15	-.06	.15	-.10	.14		
Level of Monthly Gross Salary	-.00†	.00	.00	.00	-.00†	.00	.00	.00	.00	.00		
Months of Foreign Experience	.003*	.00	.00	.00	.00*	.00	.00*	.00	.00	.00		
No. of Employers =2	-.33	.25	-.25	.22	-.27	.23	-.34	.23	-.28	.21		
No. of Employers =3	.03	.25	.08	.22	.00	.23	.06	.23	.05	.22		
No. of Employers =4	-.20	.27	-.12	.24	-.26	.26	-.22	.26	-.18	.24		
No. of Employers = or >5	-.469†	.28	-.16	.25	-.26	.27	-.38	.26	-.14	.25		
Top Management	.91†	.53	.20	.48	.66	.50	.66	.50	.12	.47		
Upper & Senior Management	.44	.51	-.14	.46	.31	.48	.33	.48	-.13	.45		
Middle Management	.22	.50	-.32	.45	.08	.47	.15	.48	-.29	.44		
Technical Expert	.05	.50	-.31	.45	-.05	.48	.06	.48	-.25	.44		
Org. size <500 employees	.00	.19	-.01	.17	.12	.18	.23	.19	.17	.18		
Org. size: 501-1.000 employees	-.05	.16	.04	.14	.10	.16	.12	.16	.16	.15		
Org. size: 1.001-2.000 employees	.25	.22	.23	.20	.24	.21	.27	.21	.22	.19		
Private / Public Sector	.32	.20	.12	.18	.31	.19	.43*	.19	.24	.18		
Months in Current Org.	.00	.00	.00	.00	.00	.00	.00	.00	.00	.00		
Months on Current Job	.00	.00	.00	.00	.00	.00	-.00†	.00	.00	.00		
AEs / SIEs	-.06	.16	.08	.14	.02	.15	.01	.15	.10	.14		
Personal Treatment			.56***	.07					.40***	.09		
Equal Treatment					.33***	.06			.12†	.07		
Long Term Involvement							.34***	.07	.14*	.07		
SPC Total Reward Package									.14	.12		
F Statistic	2.216**		5.416***		3.987***		3.549***		5.381***			
R square	.174		.352		.268		.263		.385			
Δ R square (vs. model 2)			.178		.094		.089		.211			

a. Dependent Variable: Affective Commitment

Unstandardized coefficients are provided with standard errors

Significance levels: \*\*\*  $p < .001$ . \*\*  $p < .01$ . \*  $p < .05$ . †  $p < .10$

N = 263

## 5. Discussion and conclusion

Overall, this study responds to the issue of how expatriates interpret and respond to compensation practices. This study tackles the challenge of understanding how actual HRM practices (i.e. compensation here) are perceived, how employees make sense of this sent HRM signal and how their interpretation affects their attitude. In other words these results allow understanding the HRM practice information processing at the individual level. They show that actual HRM practices such as compensation package delivery once assessed by the employee are ascribed a meaning in terms of perceived fulfilled employers' obligations. This interpretation leads automatically to employees' attitude response.

This quantitative study contributes to the development of psychological contract theory in several ways. First it provides empirical support to Rousseau & Ho's (2000) theoretical arguments regarding the cognitive and meaning creation process linked to the salient signals of compensation to employees. Second, due to the cross-sectional data in the study, the results show that employees systematically assess the compensation, interpret and give meaning to these signals in terms of fulfillment of their employer obligation (Guest, 1999), and simultaneously re-adapt or adjust their attitudes at any moment. Third the use an evaluation measure (cognition) to assess the SPC related to the total reward package linked to the feature measures (meaning) developed by Janssens et al. (2003) shows that total reward package signals to employees the state of their exchange relationship. Fourth, this study is one of the first to use the feature measures of employer obligations developed by Janssens et al. (2003). It validates three of their scales and provides support to their possible replication in other cultures. Fifth but not last, the use of the total reward approach in this study answers the theoretical construct of bundle of rewards developed by Bloom and Milkovich (2006).

From a methodological point of view these quantitative findings show that to understand employees' HRM information processing the combination of evaluation-oriented measures with feature measures (Rousseau and Tijoriwala, 1998) is necessary. The use of these two different kinds of measures of the psychological contract allows giving the meaning to the discrepancy between "actual" and "perceived" HRM practices throughout the exchange relationship. Therefore even though this study focus on the HRM practice information interpretation at an individual level, the same methodology might be helpful to researchers aiming at operationalizing the macro-constructs of "psychological climate" and "organizational climate" (Bowen and Ostroff, 2004) based on individuals' perceptions and "variance of HRM practices" (Wright and Niishi, 2007) in SHRM studies.

These results have also important managerial implications. The results show that the “cognitive statu quo” of expatriates’ psychological contract related to their expatriation is a referent to expatriates use to assess their exchange relationship while abroad. Tornikoski (forthcoming) showed that the link between SPC related to expatriates’ total reward package and their affective commitment seems mainly explained by the presence of intangible particularistic rewards into the compensation bundle. Sole expatriates’ managers who know best what their employees (based on past relationship) can include such “intangible” rewards, highly valued by their employees, as components of their expatriates’ total reward package when negotiating the expatriate package, basis of the cognitive statu quo of expatriates’ PC. Consequently, the relationship between these managers and the expatriates should be kept as steady as possible throughout the international assignment for the psychological contract not be broken in terms of delivery of these “invisible” rewards on with the expatriates’ SPC holds most. Without contact with their managers engaged in the original negotiation of their assignment agreement, expatriates lose the people with whom this exchange of valued invisible returns was possible. It can be assumed, for future research to test this assumption, that expatriates then perceived that their employer’s obligations are not fulfilled which leads consequently to a strong decrease of their affective commitment, and maybe turnover intentions.

This study was made possible thanks to a sample of highly educated Finnish expatriates from the Finnish SEFE Union. Future research could aim at replicating this study in other cultures to provide further support to its results.

## 4.4. Article 4: Career Decision Making of Global Careerists: A Total Reward Perspective<sup>1</sup>

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### ABSTRACT

Companies are reported to face a shortage of managers with global experience and competencies. At the same time, international careers can represent a paradigm for a boundaryless career – one in which individuals frequently change positions and employers. The key question is thus how to attract, motivate and keep internationally experienced managers. The present study aims at increasing our understanding of 1) the elements that global careerists value most in their total reward package, 2) the factors affecting their decisions to change employers or reject external job offers, and 3) the factors which are important to global careerists when considering their future career. Our results show that global careerists base their career decisions first on very motivational non-financial rewards while financial rewards appear to be secondary decisional factors. In particular, their developmental opportunities, job meaningfulness, high level of autonomy, and the international aspect of their career seem essential in global careerists' career decision making process. When looking at factors related either to employer changes or job offer refusals a similar decisional pattern emerges. Moreover, the location of the assignment and family-related concerns also appear as prerequisite conditions to any job consideration. Consequently, this study identifies five drivers and four counter-forces impacting the boundaryless nature of a global career. The results also highlight that global careers seem driven and supported by dual and complementing institutional conditions: stimulating career opportunities in the international arena, while career hindrances often emerge if repatriation is considered.

**Keywords:** global career, total rewards, expatriation, retention

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## INTRODUCTION

Due to the globalization of business, companies face new challenges in the management of their human resources. Identifying and developing talent on a global basis as well as correctly allocating the right skills geographically are among the key challenges of global HRM (Human Resources Management) (Roberts, Kossek and Ozeki, 1998). Overall, the increased international competition for talent has led to a growing interest in talent management practices within multinational corporations (MNCs) (Sparrow, Brewster & Harris 2004). The key question is “how to attract, develop and keep experienced and internationally competent managers?” This question is crucial since it has often been asserted that companies have a shortage of managers with globally applicable competencies and mindsets (e.g. Morrison 2000; Osland, Bird, Mendenhall & Osland 2006) and that the competition for such global managers is going to get tougher as time goes on.

International careers have been presented as a paradigm of the boundaryless career in which individuals frequently change their employers and thus do not seem very committed to a particular organisation (Baruch, Steele & Quantrill 2002; Bossard & Peterson 2005; Stahl, Miller & Tung 2002; Stahl and Cerdin 2004). This evidence has been drawn from repatriation research findings. Indeed these studies report that a large proportion of recent repatriates leave their employers after the international assignment while an even larger group seriously considers it (Baruch et al. 2002; Caligiuri & Lazarova 2001; Suutari & Brewster 2003; Pate and Scullion, 2010). Nonetheless, it is questionable whether assessing international careers by studying international employees’ reactions once back in a domestic career and facing repatriation challenges after a single assignment can provide the most accurate and balanced view concerning the nature of international careers.

In contrast with the earlier emphasis on repatriation, the recent research efforts have started to look at individuals with more long-term global careers in order to better understand the nature of international careers. By definition, global careers (e.g. Suutari 2003; Cappellen and Janssens, 2005; Dickman & Harris, 2005; Stahl and Cerdin, 2004; Thomas, Lazarova & Inkson 2005; Mäkelä & Suutari 2009; Herman & Tetrick 2009; Mäkelä & Suutari 2011) encompass a succession or collection of multiple international assignments. These global careers might also include short-term/long term internationally-oriented jobs in the home country or at the corporate headquarters. Internationally mobile managers, also called international 'cadres' (Briscoe, Schuler & Claus 2009) represent a real challenge for international HR managers. This management difficulty is visible through the variety of existing contracts and compensation packages offered to attract, moti-

vate and retain these international cadres: some are treated as assigned expatriates (having a traditional expatriate contract on each assignment); some are hired with local contracts, while others are considered as a separate group of global careerists with differentiated international contracts. Despite adopting this wide range of compensation practices, organisations do not seem very successful at retaining these highly valuable employees.

The emerging question is whether we accurately understand what motivates these professionals with global careers in their career moves involving employer changes in the international career context, as well as the factors behind their assumed “lack of loyalty”. Could it be that by mainly relying on evidence drawn from the repatriation context we have built views of the boundaryless nature of international careers that are too one-dimensional?

All these questions have led us to focus our study on the factors which impact on global careerists’ career and employer-related decisions. In order to understand their reasoning and what they look for in their long-term international careers, we adopt a total reward perspective as a central thread of our study. This choice was motivated by the fact that total reward “embraces everything that employees value in the employment relationship (O’Neal, 1998)”. From an exchange relationship perspective, organisations provide their employees with rewards as returns for their work, while trying to influence their behaviours and attitudes towards the organisational strategic goals. Thus compensation packages of international employees are logically provided by their employing organisation with the goal of attracting, motivating and retaining them.

Research on international compensation to date seems to have mainly concentrated on the expatriate compensation package (Bonache 2005, Suutari & Tornikoski 2001, Tornikoski, (forthcoming 2010) also called the “total compensation package”. While this traditional approach focuses on financial and monetizable components of an expatriate package, the total reward perspective is much broader as it encompasses both financial and monetizable elements and non-financial components such as having an interesting job, increased breadth of responsibility, a strategic role in the organisation, autonomy, development and career opportunities.

Adopting such a broad perspective on compensation seems important since a recent McKinsey Quarterly survey (Dewhurst, Guthridge & Mohr 2009) for instance, has shown that non-monetary motivators were viewed as no less—or even as more—effective motivators than the highest-rated financial incentives. Non-financial motivators were found to play a critical role in making employees feel that their companies valued them, took their well-being seriously, and strove to

create opportunities for career growth. Moreover the study by Stahl & Cerdin (2004) showed that the four most important reasons for accepting an international assignment given by French and German expatriates were all non-financial, being: personal challenge, professional development, importance of the job itself, and future opportunities for advancement. Thus in the case of global careerists the total reward approach provides a broader range of issues which might be considered as important in their career related decision making. In addition, a recent reward management survey by CIPD (2009) showed that two in five employers had already adopted such an approach in 2005 and a further 22% claimed that they were planning to introduce a total reward approach to their HRM practices in the next 12 months.

Thus the first goal of the present study was to analyse what global careerists value most in their careers and what influences their career decisions from a total reward perspective. For that purpose we make the distinction between financial and non-financial rewards. Second, we focus on the international employees' recent career decisions (either a change of employer or a rejection of external job offers) to identify what motivated such global career oriented choices. Our qualitative approach enables us to highlight some key influencing factors and the role of certain categories of valued rewards in this decision making. In the third part of this study, our data allows us to highlight the rewards which might play a role in global careerists' future career moves too.

Henceforth in the next sections, we first review the research related to international careers from the boundaryless career perspective. Then we introduce the total reward perspective before presenting the research methods and reporting the research findings. Finally, we sum up our findings and conclude this study.

## THE BOUNDARYLESS NATURE OF AN INTERNATIONAL CAREER

In order to frame our research-based perspective on the nature of international careers, we rely on two related career research traditions: 1) studies of short-term career impacts after repatriation, and 2) studies of longer-term global careers. When combined, these research perspectives provide us with a more holistic view of what we know about the boundaryless nature of international careers.

Research on expatriation from the international career perspective has focused on understanding the *repatriation challenges* facing expatriates and the *short-term career impacts* of single assignments (Baruch et al. 2002; Suutari and Brewster 2003; Stahl and Cerdin 2004; Pate and Scullion, 2010) – assuming that such ca-

reers take place in the home country after repatriation. The key message is that employee turnover after the assignments is a major challenge for an MNC due to the lack of suitable jobs with sufficient autonomy, responsibility, role discretion (Linehan and O'Sullivan 2003) or any kind of clear career direction (Dickman and Harris 2005). This is in addition to the general repatriation adjustment challenges facing expatriates and their families (Baruch et al. 2002).

As a result, international assignments increase both a manager's willingness to change employers and post-assignment turnover rates (Baruch et al. 2002; Caligiuri and Lazarova 2001; Suutari and Brewster 2003; Stahl and Cerdin 2004). Repatriation problems together with positive development and personal growth experiences abroad create push factors for searching for better career opportunities in external job markets (Hyder and Lovblad 2007). Even when a repatriation process is well managed, the individuals may select external opportunities that provide the best fit with their career objectives in the light of their development and personal growth during assignments (Lazarova and Cerdin 2007). Boundary-less careers seem to have become a paradigm for international managers (Bossard and Peterson 2005; Stahl et al. 2002).

The main limitation of such traditional studies is the short-term focus, i.e. they ignore the longer-term career impact of international assignments (Bolino 2007). Second, the focus has been on turnover rates, which are usually seen as failures from the corporate perspective. The question of whether an international assignment is actually a good career move from the perspective of an individual – even if not for the sending organisation – remains open (Yan, Zhy & Hall. 2002). Third, the focus on repatriation and career studies has been on long-term international assignments within MNCs while in reality, international careers may include a wide range of international work experiences including short-term assignments and self-initiated assignments. Such international work experience has to be better understood in order to fully explore the nature of international job markets.

Besides looking at the impacts of single international assignments, there is an increasing interest in adopting a wider view of international careers through a *longer and global career perspective*. For example, studies indicate that 40–60 % of European expatriates have earlier international assignment experience (Stahl & Cerdin 2004; Jokinen et al. 2008) and among self-initiating expatriates, the figure may even higher (Cerdin & Le Pargneux, 2010). It seems that an increasing number of international managers and professionals choose international careers over the longer term. As an outcome, the nature of global careers has started to attract more interest lately (Suutari 2003; Cappellen and Janssens 2005; Dickman &

Harris 2005; Stahl and Cerdin, 2004; Thomas et al. 2005; Mäkelä & Suutari 2009; Herman & Tetrick 2009; Mäkelä & Suutari 2011). The present study focuses on this particular group of internationally very experienced global careerists, who have varied, long-term, international work experience accumulated in several countries (Suutari and Mäkelä 2007). Their career tracks thus indicate that they are committed to operating in the global career context in the long term.

The factors that lead individuals toward global careers may include negative experiences such as those discussed in the context of repatriation above, i.e. people accept a new international assignment because it better values their international experience and competences, than the next assignment offered by their current employers (Black, Gregersen, Mendenhall & Stroh, 1999). Expatriates may also have gathered positive experiences of rich and varied work environments, which may be a key factor for managers who enjoy cultural diversity and who seek out new experiences, challenges and development opportunities in their work (Suutari 2003; Bossard and Peterson 2005). Moreover, internationally experienced managers may value the lifestyle benefits often offered by international assignments, such as an increased level of compensation, a better living environment or lower living costs.

In the light of these developments, it is questionable whether our understanding of the boundaryless nature of international careers (with the related career problems) is valid within this kind of global career context. For example, a group of global careerists interviewed by Suutari (2003) reported that they had faced a positive international job market situation instead of having career problems. Therefore rather than adopting a pessimistic approach to long-term international mobility the present study analyses the factors which explain global careerists' careers decisions, such as a change of employer. We do this by way of the total reward perspective discussed below, and in so doing build a broader theoretical framework for understanding what global careerists value and which factors relate to their employment turnover. As a consequence, this perspective highlights what organisations should take into account when designing their international compensation practices aimed at attracting and retaining the global careerist.

## A TOTAL REWARD PERSPECTIVE

Before considering the compensation literature, we first need to explain what we mean by a total reward perspective. As mentioned earlier this approach is holistic in nature. It encompasses 'each aspect of reward, namely base pay, contingent pay, employee benefits and non-financial rewards, which include intrinsic re-

wards from the work itself, are linked together and treated as an integrated and coherent whole' (Armstrong and Stephen (2005: 13).

This first definition is important because the literature review conducted shows that most research on compensation, be it on a national or international basis, has focused mainly on financial and monetizable (Rousseau & Ho, 2000) components of compensation. In the case of expatriate compensation, this total compensation package includes elements such as fixed pay, flexible pay, insurance and international allowances. The fixed pay corresponds to the compensation where the amount and payment is guaranteed. Flexible pay includes variable pay and deferred incomes. Variable pay refers to compensation in which the amount varies or the distribution is uncertain (e.g. performance-related pay and bonuses) (Igalens & Roussel 1999). When comparing national compensation packages with international ones, the main differences are found in the composition of the remaining components of the total compensation package, namely the allowances and benefits (Guzzo, Noonan & Elron 1994). Previous literature and the related scarce empirical research on expatriate compensation indeed point out the importance of allowances in expatriate financial compensation (Bonache, 2005; Guzzo et al. 1994; Suutari and Tornikoski 2001). Allowances in this context refer to payments that are typically used to bridge the gap between reasonable expenditure in the home and the host country (Torrington 1994), to cover the costs of moving overseas, and to motivate the individual to make such a career move (Festing and Perkins, 2009).

In existing research on expatriate compensation packages, researchers have mainly referred to the abovementioned elements. The lack of consideration of other rewards or "valued returns" as understood by international employees is striking, especially given how critical and decisive these last components seem to be to the employee's decision to stay with a company (Stahl et al. 2002). Furthermore financial rewards alone have been described, in fact, as not enough to bind the employee to the organization (Malhotra, Budhwar & Prowse, 2009).

In the expatriation context, Miller and Cheng (1979) found that financial compensation was the first motivator named by expatriates living abroad. However those findings have not been confirmed by more recent studies such as the ones by Stahl and Cerdin (2004) and Stahl et al. (2002). In these two studies among French and German expatriates, financial considerations came either in the fifth or sixth place after non-financial motivators. Moreover Dickmann, Doherty, Mills & Brewster (2008) indicated that HR managers seem to overestimate the weight of financial compensation over other motivators expressed by expatriates.

As mentioned earlier, these non-financial rewards include intrinsic rewards which are related to the work itself, such as having a meaningful role, a wide scope of responsibilities, and a strategic role in the organization. However non-financial rewards include personal rewards related to the work environment and the fact of working overseas such as perceived rewards linked to social- and professional status opportunities or work–life balance. By bringing consideration of such non-financial rewards into the expatriate package, the total reward perspective allows a broader view on what kind of elements individuals value and how they weight them when making career and employer-related decisions. Next, the methods of the study are presented.

## METHODS

We adopted a qualitative research design based on semi-structured interviews with 20 managers with a global career, which was defined as having had three or more international assignments during the course of their working life. This was seen to indicate a more long-term orientation toward a global career. The sample was derived from a larger quantitative survey of Finnish business graduates currently on expatriate assignment. The necessary sample size was evaluated based on the data saturation point rather than sample size (Ezzy, 2002), i.e. after such amount of interviews, the key findings started to appear clearly from the data.

Twenty interviews were conducted during April and May 2008. Since the respondents were located all around the world, the interviews were carried out by telephone. Two pilot interviews were made to test the methodology. The respondents represented a variety of industries. Not surprisingly, the majority of global careerists ( $n=15$ ) were males with a few females ( $n=5$ ). Fifteen of the 20 also had children (See Table 1).

From career related information (see Table 2) it can be seen that 25 % had three international assignments behind them, 30 % had five, and 45 % had had more than five international work placements during their career. Their assignment locations covered 13 countries and four continents.

**Table 1. Sample description.**

	Age	Gender	Line of business	Marital status	Children (n)
1	53	male	Public sector	married	2
2	46	male	Pulp and paper	married	3
3	54	male	Pulp and paper	married	2
4	61	male	Chemical industry	married	5
5	48	female	Tourism	married	-
6	48	male	Public sector	married	-
7	36	male	IT	married	1
8	60	male	Pulp & paper	married	3
9	64	male	Metal	divorced	2
10	59	male	Public sector	married	4
11	41	male	IT	married	3
12	56	male	Biotechnology	married	1
13	38	female	Consulting	divorced	-
14	39	male	IT	married	1
15	58	male	Finance	married	2
16	57	male	Consulting	married	2
17	35	female	Car industry	single	-
18	45	male	IT	married	-
19	61	female	Tourism	married	1
20	46	female	Public sector	single	1

The interviews lasted between 33 and 132 minutes, resulting in an extensive database of word-by-word interview transcripts for analysis. The interviews were all conducted in Finnish, and the verbatim quotations were translated into English by the authors. The interview data was content analysed using replication logic. Semi-structured open-ended questions were used in order to bring out underlying patterns and relationships. First, the interviewees gave a detailed account of their previous career paths and current assignments. Second, they were asked about their reward preferences during their global career. Third, the respondents were interviewed about specific career related decisions to change employer or reject an external job offer. Finally, they were asked for their future career plans concerning possible employer changes either in the international context or in their home country employment markets.

A number of measures were used to control the validity and reliability of the study. During the analysis, the data was first carefully read and considered several

times by two authors so that they became deeply familiar with it. Secondly, construct validity was enhanced via researcher triangulation, the authors analysing the raw data independently (Ritchie and Lewis, 2003). Third, the data was constantly crosschecked with that from previous research, as well as across the multiple interviews, thereby increasing the internal validity of the study.

**Table 2. Career related information.**

	Amount of employers (n)	Countries and lengths of assignments (years)
1	8	Thailand (4); Thailand(3); Switzerland (7->)
2	4	Italy (2); Italy (2); Taiwan (5); Italy (2); Hong Kong (2->)
3	14	South Africa (1); Australia (2); Japan (1); Germany (9->)
4	4	Vietnam (2); Africa (1); USA (2); Chile (11->)
5	1	China (3); Norway (4); Spain (4); India (3)
6	3	UK (2); Belgium (3); Thailand (4); UK (6); Thailand (3 ->)
7	4	USA (5); Brazil (4); China (1); Brazil (2->)
8	6	UK (2); USA (3); Netherlands (6); Czech (2->)
9	2	Germany (4); Singapore (2); Germany (10->)
10	6	South Africa (3), USA (5); Belgium (2); France (2); Belgium (9->)
11	3	Philippines (2); Thailand (2); Japan (4); Dubai (3->)
12	7	USA (13); UK (1); France (1); Italy (1); Russia (5); Spain (1); Denmark (2); Greece (2); USA (2->)
13	3	Switzerland (4); France (1); USA (2); Central Europe (2); China (4->)
14	1	Portugal (3); Italy (2); Morocco ( 3
15	7	Africa (4); Hong Kong (3); Netherlands (7->)
16	5	Saudi-Arabia (4); Kenya (5); Egypt (5); Jordan (3); Syria (3->)
17	8	USA (2); UK (1); Sweden (3->)
18	7	Germany (3); Taiwan (3); Germany (3); China (1); Germany (4->)
19	2	Germany (9); UK (5); USA (10); Germany (2);
20	5	Barbados (2); Nepal; Uganda; Cambodia; Belgium (9->)

When analysing the results on reward preferences, the data was allocated to emerging categories, also reflecting the theory-based dimensions concerning aspects of total reward, and coded according to observations and insights arising during the process. With regard to concrete career decision making situations and plans, the researchers also inductively raised such additional main categories identified from the data, which fell outside the original total compensation approach. This was done in order to gain a full understanding of the factors behind career decisions, and thus to be able to identify the role of total reward concerns among the overall factors affecting the careers. Furthermore, we systematically compared the different interviews in order to assess the similarities and differences in the data. Finally, in order to achieve reliability we followed a pre-tested semi-structured interview guide and recorded all of the interviews, thereby creating a retrievable database that maintained a chain of evidence (Yin, 2003).

The findings of this study must be viewed in the light of its limitations. First, the respondents were all Finnish managers with a university business degree. Second, in a qualitative study with a small sample size there are clear limits to the generalisation of the results. These limitations should be borne in mind when interpreting the findings.

## FINDINGS

The results of the study are reported in three sections. The first reports findings on the reward preferences of global careerists from a total reward perspective in order to understand what respondents value most in their international situation. The second section reports on specific decisions to either leave, or stay with, a current employer after receiving an external job offer—aiming to determine the factors influencing those decisions. Finally, the future career views of global careerists are analysed.

### *Global careerists' reward preferences from a total reward perspective*

The findings concerning the elements of total reward that global careerists value most are summarised in Table 3 and discussed in the following section.

From the interviews, it became clear that non-financial elements of total rewards were stressed ahead of financial rewards. Global careerists especially emphasised how much they valued the nature and environment of their job, in other words relational rewards (Armstrong and Stephen 2005). On the contrary, financial factors appeared seldom to be decisive once managers had chosen global careers.

Several key themes came up during the interviews. First, the importance of having a meaningful, strategic job in which one can clearly make an impact appears to be important for global careerists:

"I think that the most important thing is that you like your job - it has to mean something to you and you must have the possibility of making an impact ... it is a strategic kind of work in which you change things and develop those further."

Second, the data clearly shows that global careerists strongly seek out new challenges leading to ongoing development opportunities. The international context was stressed as being a much more appropriate vector, enabling them to utilise and develop the skills acquired through international experience than would be possible in their home countries. This factor has often been reported in repatriation studies (e.g. Doherty, Brewster, Suutari & Dickmann, 2007) to be a barrier to readapting to life in the home country:

"It is about having new tasks and learning new issues; facing new challenges, it is nice to do something new and different. The most rewarding thing is that you continuously learn something new."

**Table 3. Total reward elements most valued by global careerists**

	<u>n</u>
A) Meaningfulness and importance of the job	16
B) High level of challenge and related development possibilities	13
C) International nature of job	12
D) High level of autonomy	11
E) Financial compensation	11

Third, the fact of being able to work within international environments was clearly among the key factors that were perceived as important and personally rewarding (see also Suutari and Mäkelä, 2007) from a cultural perspective. Besides being able to have a cross-cultural flavour to their work, the respondents stressed that they value the richness of experiences they face and the opportunity to see different countries.

"My career has been really varied. I have really liked being in different countries and being involved with different kinds of people. It rewards you very well – how to say – to be an international person, to be able to see the world."

The fourth job-related factor emphasised in the interviews was the high level of autonomy that the managers enjoyed (see also Stroh and Gregersen 1998; Boies

and Rothstein, 2002). This high level of autonomy was related to factors such as the senior positions the respondents hold, the geographic distance from HQ and hence from their supervisors, leading to greater autonomy as they were less subject to supervision from HQ, where supervisors or colleagues might be unfamiliar with the local situation. Respondents operating in less developed countries revealed that they often could rely on neither their HQ nor local colleagues.

“What motivates me is pretty much having this kind of work with challenges and the freedom to do the job independently. These issues are really important to me.”

As discussed above, the career decisions made by global careerists were largely motivated by non-financial rewards. One of the interviewees aptly summarised the reality:

"I have a challenging job with a high level of responsibility. There is as much autonomy as I want; that has been a very important motivational factor to me. I have a very meaningful and important position in the organisation. I am not here for the money."

At the same time, it is still necessary to understand that financial issues do play a role in the career decision making of global careerists. However these financial elements of the total reward package seem to be more implicit conditions to the consideration of an assignment or job opportunity than primary motivational rewards. Indeed it was only when a job was perceived as potentially interesting and challenging enough that monetary and financial issues were brought to bear. Our data also pointed out that instead of just the total level of compensation, international managers in fact took into account the kind of standard of living they could achieve through their compensation level in the particular context of the considered job:

"Also the compensation issues, benefits and insurances have to be adequate – these are sort of self-evident issues ... The compensation is one motivator, it is typically economically more rewarding (to work abroad), but it has never been a primary motivator. It has been the possibility of learning something new and getting into new cultures.”

Various insurance provisions and basic allowances were considered important, while at the same time rather self-evident parts of the contracts. Thus global careerists did not see them as motivational elements at all. This was the case of compensation issues such as allowances. They were important from the family perspective since they facilitated their adjustment by offering an adequate standard of living, yet they were not motivational elements for global careerists:

"Insurances and such are somehow kind of obvious parts of the contracts in these types of organisations where you don't even have to discuss them. Without such elements there would not be many employees leaving."

Next, the study focuses on the actual career decisions that global careerists have made.

### *Factors influencing past career decisions*

To better understand global careerists' past career decisions, we focused on identifying: a) the reasons behind their last employer change and b) those behind their latest refusal of an external job offer. The key findings concerning the reasons behind employer changes are presented in Table 4 and discussed thereafter.

#### *Reasons behind an employer change*

In our qualitative data, reasons for changing employer originated from both the external environment and the internal motivation of global careerists. **External reasons** seemed even more common (n=10) than individual motivations (n=8). Three groups of external push factors appeared in particular. The most common was an organisational restructuring like a merger or acquisition. Such a restructuring might have led directly to either the job disappearing, or to the respondents' resignation due to changes in the nature of the employment relationship. However, in many cases the job remained roughly the same, even though the name of the employer changed.

"I started in July but then there was a merger in October and I lost my job. But I found a new job there before leaving for Spain on a project for the UN... When I began working in Sweden, it started to look like wherever I went, there was an immediate restructuring. My job disappeared in half a year during which the organisation was reorganised. But I still stayed in the same unit in Sweden."

**Table 4. Reasons behind global managers' previous employer change**

	<u>n</u>
1. External push factors	
A) Business restructuring (e.g. mergers and acquisitions)	8
B) External job offers from networks (social capital)	6
C) Periodic nature of employment contracts	6
2. Total reward pull factors	
A) Job-related characteristics	8
B) Location of the assignment	4
C) Organisation type	2
D) Financial compensation	2

The second category of external reasons to change employer was external job offers that global careerists received through their personal networks of contacts (see also Antal 2000; Mäkelä 2007, Mäkelä & Suutari 2009) or recruiters. Respondents described themselves as being passive in looking for external jobs, yet they were often offered jobs. As an outcome, their employer changes were very often related to actions taken after receiving such offers:

"Opportunities have just appeared. I hadn't been very consciously looking for those, but instead those appeared as an outcome of meeting someone from my previous jobs ... I have met huge amounts of interesting people and partly due to my travels and the people I met, these new opportunities have opened up for me."

The third push factor to another job and employer came from the nature of international posts. They were typically project-type jobs or expatriate assignments set for a certain period of time. If the term of the assignment or job was extended or the job made permanent, negotiations began with the change of international terms and conditions of the contract to local ones. Indeed, in general, MNCs are unwilling to extend expatriate terms beyond a determined time period, typically five years for Finns for instance. In that way, global careerists frequently faced the question of what was going to be their next career move. This pushed some of them to consider employment opportunities outside of their current employing organisation:

"I now have a time frame of two years to make decisions about my next job (due to my job contract): whether to continue with this employer, whether to continue in the same location or whether to leave for somewhere else"

In addition to the external push factors leading to a change of employer, some internal motivational factors, also termed “pull drivers” here, were identified. The first of them – job-related characteristics – once again appears as the most important reason for employer changes. The crucial role of challenges and related learning opportunities, a high level of autonomy and meaningfulness of the work were again brought up here. In addition these job-related rewards were so closely connected in expatriates' stories regarding their actual decision making situations that they were now treated as one pull factor group. Moreover the opportunity to further utilise and develop the competencies originally developed during their international careers was also stressed here:

“The responsibilities were broader and the new job was also at a higher managerial level (than the earlier one), and there were a lot of subordinates. In such situation you can utilise those skills and competences which you have acquired in your previous international jobs.”

The second internal motivation to change employer was the location of the assignment. Respondents had different reasons for choosing a particular location, from a general interest in getting experience of a place, to a stronger desire to work in a specific location, while some others wished to avoid or get away from certain locations. This concern about the job location was also closely related to the international managers' family needs. Thus the importance of work-life-balance-concerns among global careerists (Harris 2004; Mäkelä & Suutari 2011) was clearly identified here again.

“I have always said that the most important issue is that your family enjoys the stay because then it allows you to concentrate on work. We have always selected assignments which offer suitable living environments for the family.”

The third pull factor impacting on career decision making was the type of employing organisation. It emerged clearly that global careerists are drawn towards bigger, global organisations. Those organizations indeed need their expertise the most and thus offer them the best career opportunities:

“Our company was neither big enough nor global enough for there to be a huge amount of other opportunities in the future (while the situation was the opposite in the new firm).”

Finally the level of financial compensation and its related potential lifestyle emerged from the data too.

“The job-related issues were the most important ones, but you cannot underestimate the meaning of compensation either when the quality of life is so different here. You don’t have to be extremely well paid here (Thailand) when you achieve a quality of life which you can’t even imagine having in Europe.”

#### *Reasons behind an external offer refusal*

Next, we turned the focus of research to the reasons for staying with a present employer despite holding interesting external job offers. Six categories of reasons were identified (see Table 5).

The first group of factors for such refusals was related to the location of the job offered. The findings corroborate with what we had found in the context of employer changes. However a difference in the case of job rejections was that the role played by the job location was an even more common criterion:

“There have been head-hunters and such calling me, particularly in recent years. But there has not been anything interesting enough ... mainly the location of these jobs has not been so interesting.”

**Table 5. Reasons behind global managers’ refusals of external job offers.**

	n
A) Location of the assignment	9
B) Family reasons	7
C) Organizational commitment	6
D) Job-related characteristics	4
E) Financial compensation	4
F) Organisation type	2

Second, family reasons were often mentioned as important in this global career context:

"During the last two years I have received such offers that I have considered them more seriously, but I have ended up deciding to stay with my current employer ... I have rejected some of these assignments due to family reasons"

Third, when addressing the reasons behind a stay with a current employer after receiving external job offers, the interesting career alternatives offered by the present employer and the general good treatment they had received from their

employing company were brought up as a new theme. Such managers clearly communicated that they were highly committed to their employing organisation and did not see any reason to change employer. They strongly valued the socio-emotional relationship they had built with their employer (Tornikoski, forthcoming 2010). Respondents' stories also stressed the uncertainty involved in switching employer. They emphasised that it was impossible to know the realities of a job in a new organisation prior to joining it. These moves always involve more risk. Furthermore for some respondents who had had several different roles within the same organisation viewed their international mobility as giving them a means to explore new challenges and gain a variety of new experiences. This decreased their desire to change employer.

"It has been such a nice and rich working life that somehow you forget that you have worked for the same organisation for over 30 years. I count each international assignment as a new job, so in that sense this is my eighth job ... The job has been many-sided and challenging."

The respondents also reported that they had found a good job market situation within their employing organisation. New and challenging international jobs had become available for these internationally experienced managers so they did not look for other external opportunities. This finding is important because it gives a very different picture than the one drawn on the basis of repatriation experiences (Baruch et al. 2002; Bossard and Peterson 2005; Stahl and Cerdin 2004; Wittig-Berman & Beutell 2009).

I have received some job offers but those have not been attractive enough. I have been satisfied with how the company has taken care of issues, the kind of internal offers I have received and there has always been a good atmosphere. And new opportunities have appeared to me all the time."

The fourth factor behind refusals of job offers was the type of job offered. Again, managers' interviews revealed that in career choices job-related characteristics dominated financial issues. When the type of job offered was interesting, then other reasons often emerged behind these refusals of this particular offer.

"The salary and many benefits which they offered, the position at the managerial board and so on, not even that was enough - the nature of the job was such that I was not interested."

Though financial factors were not among the top priorities of global careerists, it also became clear that there were occasions when they had influenced the decision not to accept a job offer:

“My wife and I thought about the offer, but the tasks and economic benefits were not so interesting that we would have left.”

Finally, other company related factors, such as the organisation size in particular, reappeared here. A few respondents were not interested in accepting offers from smaller corporations, since those involved more personal career risks in comparison with bigger, international corporations:

"A few job offers were for start-up firms, – firms in which you would have had to take quite an economic risk from a family perspective and thus I have selected the most stable alternative.”

#### *Factors considered for possible future career moves*

When considering global careerists’ future career interests, we looked for two sets of answers. First we analysed the factors which would persuade them to change employer while pursuing an international career in the future. Second, we considered the factors they would perceive as influencing their decision related to a possible repatriation to their home country (see the summary of the results in Table 6). Due to the long international career history of the respondents, many global careerists (n=7) in our sample did not have any further career plans, and so reported no further planned changes of employer. Such respondents were excluded from the analysis.

**Table 6. Global careerists’ key considerations regarding their future career moves**

1. Motivating total reward factors regarding an employer change	n
A) Job-related characteristics	12
B) Organisation type	8
C) Location of the assignment	7
D) Financial compensation	3
2. De-motivating repatriation factors	
A) Job-related characteristics (lack of interesting and challenging jobs)	9
B) Global orientation	9
C) Family reasons	8
D) Financial compensation	4

### *Future employer change*

Our findings regarding factors motivating future employer changes in the international career context are clearly in line with our previous findings reported above. Therefore we only briefly discuss them here. First, concerns about job-related characteristics were again strongly stressed when discussing attractive future job offers. The discussion circulated around now familiar themes such as the new challenges and related developmental opportunities, the high levels of responsibility involved, autonomy, and the international nature of the job. Thus intrinsic rewards ranked first as being essential to their future career decision making. Then criteria such as the organisation's size and international dimension were carefully considered: the largest international companies were perceived as offering the most interesting career options. Moreover, preferences for a job's location were again stressed as a factor to be taken into account in the decision making process for a future career move. Some respondents had clearly decided the context in which they would work in the future, while others were bearing several options in mind that would influence their search for new experiences. As the following quotation highlights, the location related interests were often combined with family-related issues when deciding on future job issues:

“During the selection of next jobs the first step is to see what kinds of jobs are offered in different locations. But the family perspective has a pretty extensive meaning – what kind of living environment each country can offer to the family. Possible family problems will really quickly reflect on how well you enjoy your stay (and) in that way of the foremost priority is to take care that the family enjoys their stay in the host country.”

Finally, global careerists pointed out compensation-related concerns as a factor to be taken into account. Typically compensation-related issues were again not viewed as dominant motivational drivers when thinking about career related changes, yet ultimately the compensation package had to be good enough to make any career move worthwhile.

### *Future repatriation*

When global careerists related the factors affecting their considerations of a possible repatriation after their current assignment, they started stressing some very different career realities existing in their country of origin. In line with our previous findings, interviewees often emphasised job-related factors. Still, here the angle was totally different from the one found in earlier discussions. Indeed, whereas earlier they had mentioned the interesting nature of jobs in the international

arena and the widespread availability of such jobs, now they started emphasising de-motivating factors regarding their future repatriation:

“I don’t think I would be able to find a very good and rewarding job there – I mean both from a financial and job type perspective. And I have accepted that.”

Moreover, besides pointing out that the nature and characteristics of jobs in the home country are typically different from what they handle during their expatriation, they also stressed that companies do not handle the repatriation process well. This reality is widely discussed in the repatriation literature (e.g. Doherty et al. 2007; Wittig-Berman & Beutell, 2009). Interviewees also stressed that the often poorly handled repatriation processes and the related difficulty of identifying a suitable job after repatriation may encourage them to ignore their repatriation option and concentrate their efforts on looking for new international options. Consequently the sole idea of repatriating was perceived as a real challenge by interviewees.

“Most organisations do not handle repatriation issues well: in particular the kind of jobs people will do after coming back. In most cases those issues are not taken care of at all... When you are away ... the possibilities of getting promoted and getting career opportunities easily pass you by.”

The second key hindrance to repatriation perceived by these managers was their global orientation. Due to their global career identity (Suutari and Mäkelä 2007), they were so strongly committed to the international dimension of their careers that they tended to reject jobs that did not have any international flavour. That naturally reduced the amount of suitable jobs available in the home country:

“The international work is more interesting. It is really difficult for me to think that I would be working in a domestic context only.”

The third theme which emerged from our data was again family-related. Here, family-related concerns hindered repatriation especially when either spouse was a foreigner or children were studying or working abroad. Sometimes, on the other hand, family reasons clearly supported the repatriation decision.

“There will probably be no reason to stay here after the assignment has been completed. Or if the children were willing to stay here for some reason, then it would of course be one option. Our girl will probably continue her studies here.”

Finally, the compensation issues and related standard of living concerns appeared in the data again. The typical concern was that due to extra allowances, taxation

regime and cost of living differences, international posts offered a higher standard of living than domestic jobs.

“You realize that you cannot achieve the same standard of living as you achieved abroad. The gap can be huge ... If you had a high status job abroad, you may have had a great apartment and when you come back you may just be able to get a small one... the biggest problem is that international assignments are rendered so attractive to make people leave.”

## DISCUSSION

The present study aimed at increasing our understanding of 1) the elements of total rewards that global careerists value when deciding on their career moves, 2) the factors which had an influence on their past decisions to change employers or reject external job offers, and 3) the ones essential to their future career considerations.

The study's use of a total reward perspective to analyse global careerists' most valued rewards allowed us to identify two clear categories of rewards: non-financial ones and financial ones. Non-financial aspects of global careerists' total rewards package clearly dominated financial aspects in the decision process. It is important for corporations wishing to attract, motivate and retain global careerists to take this finding into account. The respondents clearly stressed the ongoing developmental opportunities linked to their international jobs, the meaningfulness and importance of the jobs, as well as their high levels of autonomy: All these criteria have previously been reported to be typical characteristics of international jobs (e.g. Boies and Rothstein 2002, Bossard and Peterson 2005). Managers also valued the international aspect of their career environment highly as was reported in earlier research among global careerists (Suutari & Mäkelä 2007) or expatriates and self-initiated expatriates (Cerdin and Le Pargneux, 2010). The financial aspects of compensation were seen as important too. However, they were more often considered as prerequisite and implicit conditions of the job offer rather than a motivation. In particular, elements such as allowances and insurances were seen as rather self-evident contracts elements.

When looking at factors related to either earlier or past career moves of global careerists, a similar view appeared, i.e. the non-financial aspects of their total reward package were put forward first in both cases. Moreover in a global career context, factors such as location of the assignment and family-related concerns appear to be unavoidable issues to consider before any final career move decision by managers. The latter supports the view that family-related factors have a deci-

sive influence in the decision making situations in the global career context (Harris 2004; Mäkelä & Suutari 2011). In addition, factors related to the employing organisation also appeared among the first key factors taken into account by global careerists. They saw better career opportunities for themselves in bigger global organisations, which could usually provide a wider range of worldwide operations. Our results also indicate that employer changes were very commonly related to factors beyond the respondents' control, such as mergers or acquisitions for instance.

Our findings come close to those of the classic Herzberg two-factor theory (for recent discussion see Sachau 2007). They clearly reflect the distinction between hygiene factors and motivator factors. Global careerists not only express their satisfiers or motivators as clearly intrinsic to their job (non-financial rewards) but also describe that their financial compensation appears to have the role of a “dissatisfaction avoider” or a “hygiene factor”. Even though Wiley (1997) found that hygiene and motivator factors can overlap, the consistency of our findings with two-factor theory might be explained by the fact that our study concentrates on what individuals value. The findings thus point in the same direction as the growing positive psychology field where Sachau (2007) calls for the resurrection of the two-factor-theory, and Tornikoski's findings (forthcoming 2010) focus on the important role played by intangible rewards on international employees' affective commitment towards their employing organisation.

When analysing these findings from the perspective of a boundaryless career, several factors identified could be termed 'drivers for the boundaryless nature of global careers'. The first driver was the *turbulence of the international business environment*, as reflected in a high number of restructurings, mergers, acquisitions, and divestments experienced by global careerists. This aspect should be considered when interpreting the number of changes of employer made by managers, as in many cases the change of employer is not the employee's own decision. The second driver toward the boundaryless nature of careers came from the *cyclical nature of global careers*, as international contracts are often established for a limited period and related to project-type jobs. Thus, global careerists have to regularly face the question of what to do next in their careers—a clear difference from typical managerial careers in domestic settings.

The third driver of boundaryless careers is the *extensive networks* global managers develop during their career involving a high geographical and organizational mobility and thus social capital. Through and due to their networks, expatriates receive many job offers from global career markets. The findings on the utilisation of social networks provide further evidence of the fact that social capital may

exert a significant influence in the course of global careers. For example, Antal (2000) and Mäkelä (2007) report that through their expanded networks, managers with expatriate experience possess more social capital than managers in similar positions but with only domestic experience. At the same time, they may face the challenge of managing their long absences from the home country and keeping up with the domestic networks from a remote international location. This can thus be a hindrance to finding an interesting job on their return (Mäkelä & Suutari 2009) and adequately readapting to their national and original environment.

The fourth driver behind the boundaryless nature of careers relates to the issues most widely discussed in the literature (e.g. Doherty et al. 2007), i.e. the *challenges of finding sufficiently interesting and challenging jobs at the repatriation stage*. As an outcome many repatriates leave their employer. The fifth driver was a lower standard of living after repatriation due to fewer compensation elements together with higher living costs and levels of taxation at the home country. In line with the literature (Dickman & Harris 2005) global careerists reported that repatriation management is typically still poorly managed from a financial and human perspective.

However, these drivers were balanced by strong counter-forces which reduced global managers' willingness to change their employer and thus encouraged the boundaryless nature of their global careers. First, good *internal job opportunities in an international context* were reported whenever a manager was flexible and had a positive attitude toward international mobility. In that way global careerists typically saw themselves as having good career opportunities involving access to interesting, challenging and autonomous jobs. Furthermore, they valued the global aspect of their work and the standard of living they were able to achieve through such a career. Second, their regular international mobility for their employer enabled them to encounter *new developmental experiences either in a new location or different units around the world*. So, changing employers did not necessarily offer greater benefits than changing positions and locations while staying with the same employer. Third, global managers showed a high level of *organizational commitment if their career and assignments were well managed* by their employer. Thus corporations which offered new, interesting jobs involving developmental challenges to their valuable competent and international managers clearly retained them

This overall picture appears to be very different compared to the oft-cited repatriation picture, usually characterised by companies not understanding or not being able to utilise the value of international experience and its relevance to domestic jobs. Some managers noted that despite the fact that their career progress could

have been even better if they had repatriated, they had decided to select the international arena since they were happy with what it offered them. Several respondents were also satisfied with their overall treatment and the level of corporate support they had received. As a result, the respondents had not been actively looking for new jobs.

In addition, the consideration of possible *risks associated with employer changes* was raised: it is difficult to know beforehand the kind of working environment and career realities a move to a new organisation might bring. The fear of making the wrong decision reduced their interest in such a career move. One example of a possible risk situation concerned the type of employers. Small corporations were often disregarded, being viewed as too great a risk, while bigger international organisations were seen as being able to offer better and longer-term career development opportunities.

Global careers seem driven and supported by dual and complementary institutional conditions: expatriates find better career opportunities in international contexts within their present employing organisation and other international job markets, while problems such as hindrances to career development often emerge if repatriation is considered.

These findings have many implications for MNCs aiming to attract and commit global careerists. First, the findings evidence that a recent shift within companies toward the total rewards approach (CIPD, 2009) is well founded. The focus on financial compensation is not enough, in particular, when dealing the most internationally experienced group of professionals, i.e. global careerists. Due to globalization, the need for such global key talent will increase and thus it is easy to understand that issues such as overall talent management and employer branding (Sparrow et al., 2004) as well as total rewarding take high priority on corporate development agendas. Our results also indicate that due to the turbulence of the international business environment and the periodical nature of international job contracts, career planning of key talents is both an important and very difficult task. MNCs wishing to obtain commitment from global careerists would do advance their cause by resolving what overall career issues and typical repatriation career challenges mean for their selected key talents. Otherwise their talented employee turnover will remain high, especially when repatriation is the only solution.

Due to the limited amount of research among global careerists, there are many directions for further research. Overall, the research on international careers has focused on analysing single instances of international job experience — mainly single, long-term international assignments from a selected angle such as pre-

departure training or repatriation challenges— where a longer-term career perspective is clearly less common and less often required. Second, there is a variety of different kinds of international work experience including short-term assignments, self-initiated assignments or virtual assignments (e.g. Suutari & Brewster 2009). In order to fully understand the nature of global careers, future analyses should include all kinds of international work experience, not only international assignments. Third, it would be necessary to collect data which makes it possible to directly contrast global careerists with respondents with traditional, domestic careers. For example, are global careers really more boundaryless or developmental than traditional careers? Fourth, more large-scale data collection is clearly needed in order to validate the findings from the existing studies which have mainly been qualitative studies and carried out among small samples of respondents. Finally, though the global careerists represent the most internationally oriented managers, the data collections have typically taken place in single country settings. Thus more international samples are needed in order to see whether there are differences across countries (e.g. careers within small, internationally oriented countries as opposed to careers within bigger countries with large domestic markets and less international mobility).

## 5 CONCLUSION AND DISCUSSION

The aim of this dissertation was to make a contribution to the current understanding of expatriate compensation. Empirically, the study seeks to provide some answers to the concern of multinational organizations when it comes to the question: how to increase the affective commitment of our expatriates toward our organization and ultimately retain them in the long run (Gregersen & Black 1990; Kraimer, Wayne & Jaworski 2001; Liu & Ipe 2010) through the design of their compensation package? Indeed the complexity and cost of the design and content of such packages push organizations to homogenize expatriate compensation package and reduce the length of their international assignments. However, despite the use of different compensation strategies (balance sheet, host-country, hybrid or global approaches) results in terms of expatriate satisfaction with their package or assignment, of success of their international assignments and their relatively high turnover rate after repatriation (Harzing 2002) question such approaches.

Previous research shows that an organizational perspective has mainly and traditionally been used to design employee compensation, however Guest (1996) and his followers as well as Bloom & Milkovich (1996) and Rousseau & Ho (2000) have advocated the consideration of employees' perceptions for this purpose. Thus, this thesis answers more detailed questions such as, how do expatriates perceive their compensation components? Do different types of components have different impacts of their attitude toward their employer? What is the shape of the relationship between expatriates' state of psychological contract and their affective commitment? How do expatriate create meaning on the basis of compensation signal?

Furthermore the theoretical paper of this dissertation stresses the necessity of considering expatriate compensation as being embedded into the employment relationship, itself being entwined (Sandberg & Tsoukas 2011) with the international environment of the assignment. The degree of uncertainty linked to the cultural and geographical distance experienced by expatriates renders them sensitive to any signal sent by their organization, such as their compensation package. Indeed their organization remains the main link they have with their home country (in particular for AEs) and the main, if not the sole, entity toward they can turn to while abroad. Henceforth expatriates are extremely sensitive to any signal sent by their organization and consequently systematically reassess their employment relationship. The present study is thus believed to make important contributions to expanding the literature on expatriate compensation and psychological contract.

## 5.1 Theoretical contributions

The results of this dissertation provide answers to the gaps identified by Werner & Ward (2004) in their literature on compensation in the field of management. First, these authors noted, while doing their comprehensive compilation of managerial compensation research, that the compensation research is largely quantitative and empirical, reflecting the dominant methods currently in management (Scandura & Williams 2000). They also stressed that of the 396 studies part of their selection only 18 (4.5%) were theoretical. The lack of theoretical studies can be explained by the complexity of the issue. The theoretical framework developed in this dissertation adopts a practical rationality approach (Sandberg & Tsoukas 2011) to expatriate compensation with the aim of providing of global picture of the issue. To do so the perspectives of the three main parties involved in and concerned by the design of expatriate compensation, namely HR specialists, expatriate supervisors and expatriates, are considered. This approach points out the necessity for these three parties to negotiate idiosyncratic deals (Rousseau 2001) because compensation cannot be dissociated neither from the context of the employment relationship nor from the context of the international assignment. It is considered to be the best way for the expatriate compensation package to benefit adequately both the organization and their expatriates. It is also argued to be the only way to ensure the international assignment success according to the criteria of both the organization and the expatriate (Cerdin & Le Pargneux 2009). Indeed the degree of uncertainty linked the geographical and cultural distances that expatriates face leads to systematically assess their employment relationship

Furthermore, the empirical results of this dissertation provide a contribution to the theory by confirming Guest's (1999) conceptual extension of the psychological contract, named *state of the psychological contract* (SPC). The consideration of compensation from this perspective allows examining the potential link between expatriates' perceptions of delivery of different types of rewards by their employers with their affective commitment. The findings of this research then provide indirect support to the thesis of Rousseau & Ho (2000) according to which the psychological contract varies as a function of the bundle of returns accessed to. Indeed as advocated by Bloom & Milkovich (1996), compensation is conceptualized as a bundle of returns of the exchange employment relationship. This approach enables making the parallel between this bundle of rewards and the practical total reward approach.

Second, the present cross-disciplinary research allows a better understanding of the link between HRM practices such as expatriate compensation and employees' reactions. The few cross-disciplinary studies in the field of compensation were

another gap observed by Werner & Ward (2004). They especially stated that “*Although we are beginning to see some interdisciplinary research (see Gibbons, 1998, psychology and economics), most studies are still discipline specific. Although this is not uncommon (Locker, 1994; Rynes & Bono, 2000), we believe that the field would benefit with substantially more cross-disciplinary research. Gerhart and Rynes (2003) state: “Perhaps the most important step for future theorizing would be to blend the economic and psychological approaches to the greatest extent possible. (...) Theoretical perspectives have ranged from the socio-psychological (expectancy theory, need theory, operant conditioning, social dilemma, equity/justice theory, cognitive evaluation theory, goal-setting theory, and social cognition theory) to organizational (structural theory, contingency theory, social field theory, resource-based theory, and institutional theory) to economic (agency theory, prospect theory, winner take all markets, macroeconomic theory, internal labor markets, work-life incentives, and transaction cost economics, (...)) (Ibid: 223).*” This dissertation does so and thus answers this call.

In addition this cross-disciplinary research shows that expatriates assess their psychological contract throughout their employment relationship. Extant theories such as equity theory (Adams 1965) suggest that people have a natural tendency to compare themselves with other social referents. When looking at the expatriates’ reality with psychological contract lenses, we notice that they actually do the same. However the “other referent” is in fact their own initial understanding of what their employer would deliver to them in terms of compensation. The psychological contract theory focuses on the inherent perceptions employees have of their employment relationship, in other words their perception of how employers fulfill their obligations. This perception of discrepancy (rather than gap) in compensation corresponds to the state of their psychological contract. Like in the equity theory, the study shows that whenever expatriates perceive their compensation to be lower than what they had understood they would receive it tends to affect their attitude since they try to redress such unbalance (Allen & Meyer 1990). The results of this study also show that expatriates do not react in the same way to a negative state of their psychological contract or to a positive one. This finding supports the “*theory and research [which] suggest that individual reactions to potential gain are qualitatively different from reactions to potential loss (Deckop-Merriman 2004: 74-75).*”

Third, Werner & Ward (2004: 223) also find that none of the studies they reviewed was entirely qualitative. Still they “*believe that qualitative research can be very useful in theory building and can be a viable contributor along with quantitative research in addressing important compensation issues.*” The fourth article of this dissertation answers that call. It qualitatively focuses on identifying the

rewards that global careerists value most and refer to when explaining their choices in their global career.

A fourth observation made by Werner & Ward (2004: 223) was that “*quantitative analysis almost always used data techniques that explore linear relationships. The strong probability that determinants and outcomes of pay may have curvilinear relationships has been suggested more than 35 years ago (Opsahl & Dunette, 1966). Pay would be an especially important area to determine curvilinear affects because doing so would allow companies to optimize returns on compensation*”. The second article of this dissertation provides the beginning of an answer in that direction. Indeed it shows that the hypothesized hill curvilinear relationship between a negative perceived discrepancy in the delivery of tangible universal rewards (i.e. monetary rewards) was not supported. In addition, the absence of relationship between tangible universal rewards and affective commitment when the perceived discrepancies were positive was supported. Moreover, Werner & Ward (2004) concur with Rynes & Gerhart (2000) that field data should continue to be the focus of most future research which is the case in this research.

Fifth, by providing Finnish results this study contributes to the field of compensation research which is largely dominated by North American studies. Werner & Ward (2004) stressed that the majority (80%) of the research they reviewed was published in North American Journals, authored by academics from North American universities, and used North American samples. This study shows the applicability of this research to non- North American contexts. It also considers a literature, samples of journals and, data other than North American ones as advised by authors such as Locke & Golden-Biddle (1997) from a theoretical perspective.

Finally, Paik, Paarboteeah & Shim (2007: 1769) state that “[c]onsiderable research has been conducted on organizational commitment and job satisfaction as individual or organizational outcomes mostly in the domestic setting (e.g. Bateman & Strasser 1984; Mathieu & Zajac 1990; Riketta 2002). Few studies, however, have examined the relationship between perceive compensation gaps (see for exception Guzzo et al. 1994) and organizational commitment, knowing that this latter impact on job satisfaction and job performance”. The present study contributes by providing results about such relationships in the field of expatriation where a dearth of research on expatriate compensation had also been noted (Bonache 2006; Pate & Scullion 2010).

By providing all these answers the present study points at the necessity of considering expatriate compensation package as a bundle of rewards or returns of the exchange relationship between the organization and the employee. This thesis points at the need for organizations to include returns other than simply financial

ones. The “other” returns are the ones that attentive managers who know their subordinates well are able to identify and exchange. However simply considering that a total reward package would be enough to retain expatriates would be forgetting the substantial geographical, cultural and psychological pressures that might shake or jeopardize the employment relationship. Therefore the thesis of this dissertation is that expatriate compensation should be considered as encompassing the context of the exchange relationship as well as the one of the international location in which the employment relationship is entwined.

## 5.2 Implications for practice

This research shows that intangible particularistic rewards (IPR) offer tremendous possibilities for managers for retaining their expatriates inside their organizations. These rewards are very much valued by expatriates and global careerists. They also would be of value to organizations as they are “invisible” and less costly than any bonus or additional financial compensation. In addition, the use of IPR might reduce the risk of comparison between expatriates and other employees since they are transparent and linked to their own perceptions. In other words, an IPR valued by one expatriate, might not be perceived in the same way by another talented employee. Thus, these rewards enable satisfying talented and valuable employees such as expatriates while decreasing the risk of “inequity” comparison between expatriates and employees abroad. Finally, a total reward strategy is not easily replicable by competitors. This represents an additional sustainable competitive advantage on the market to retain key employees.

In this dissertation, it is shown that contrary to what organizations tend believe they actually have the means to individualize their expatriates’ compensation packages for limited, or, no extra financial cost. Indeed, rather than considering expatriate financial compensation to commit and retain their valuable employees, the results of this dissertation show that in contemporary employment relationships, they would do well to focus on the use of intangible (non-financial) particularistic elements.

Moreover, the results of these quantitative and qualitative cross-sectional studies have several implications. Firstly, they indicate that non-monetary intangible rewards affectively commit expatriates towards their employers. They also show that these rewards are behind global careerists’ career decisions to stay with their current employers, whereas tangible rewards are not, as they have served their original purpose of attracting employees. The value of intangible non-financial rewards, or more precisely, intangible particularistic rewards, is influenced by the

particular persons involved in exchanging it (expatriate supervisors and expatriates) and by their relationship (Foa & Foa 1975). This value is mainly perceived by the individuals who receive it, is not visible, not easily computable nor comparable especially by those outside this exchange relationship.

Secondly, these results tend to confirm that monetary rewards are good at making a short term deal. They are transactional rewards whereas intangible non-monetary rewards are relational outcomes of the exchange relationship between a manager and an employee. Henceforth an emotional involvement dimension is inherent to them and long-term commitment.

Thirdly, these results imply that expatriate supervisors who interact with expatriates should be both involved in the design of expatriate compensation packages. Indeed, they are the ones who know best what these employees value most in their work and life, on which basis or criteria their relationship is based (psychological contract) and thus should be able to best fit their employees' own criteria of success with the organizational ones.

Fourth, the results of this dissertation also imply that even though expatriates may manage their own careers (see protean careerists (Hall 1996)), their boundaryless behaviors are and will be determined by the intangible outcomes of their social exchange with the organization. Therefore, even though time and costs press on organizational decisions and practices, the positive socio-emotional "human" dimension of the exchange should remain.

Fifth, these results practically imply that expatriates' psychological contract is based on the social exchange deal (encompassing the intangible rewards they value) they make with their supervisor. Thus, if ever, while abroad, their supervisors are either promoted, assigned to other organizational duties or quit the organization, then expatriates lose the person with whom they exchanged, agreed on their international assignment and developed a psychological contract with. Expatriates become totally isolated. Expatriate supervisors are the unique persons who know the importance and content of these expatriates' "i-deals". Consequently, expatriates' psychological contract becomes extremely easy to break or violate. A practical implication is that a team of main referents for the selected expatriates (including HR specialists to represent organizational interests and expatriate supervisors with whom expatriates communicate most) should be appointed for the whole period of international assignment.

Finally, these results also show that no difference could be found between AEs and SIEs in term of reaction to compensation practices. Consequently, even though these two populations tend to differ in terms of career pattern, compensation level and, managerial positions, they react similarly to compensation.

### 5.3 Limitations of this research

In this research the sample is composed of “highly educated” expatriates with a minimum of a Master of Economics or university degree in Engineering. This high level of education is important to keep in mind when examining the results of this research because previous studies have shown that highly educated employees value more good opportunities for promotion and interesting work (Warr 2008) and are more motivated in physical mobility and in managing their own careers (Segers et al. 2008).

Another limitation of this study may be the unique culture of the sample used for the present research. The recent studies by War (2008) and Segers et al (2008) have shown the importance of considering contextual factors like culture especially when considering career orientations. Segers et al. (2008) found that individuals living in low masculine cultures (e.g. higher focus on relationship and quality of life over extrinsic rewards and competition) are more value driven. In addition they found that employees in lower power distance cultures are typically expected to find their own path and are less influenced by authority. These individuals are more likely to prefer to control their own career management rather than rely on their employer’s career management systems (Sullivan & Baruch 2009: 1548-1549). Even though Finland was not represented in the Segers’ et al. (2008) sample, it can also be found among low masculine cultures and low power distance cultures present in these cultural characteristics. These characteristics are important to keep in mind in the case of Finnish expatriates as the results by Segers et al. (2008) show that protean architects<sup>1</sup> seem overrepresented in Scandinavia. These protean architects are value driven, self-directed in their career management, and psychologically and physically mobile.

Finally, the cross-sectional nature of this research can be considered as a limitation since it does not allow the confirmation of the causal effect relationship between the independent variables and dependent variables.

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<sup>1</sup> In reference to Hall’s (1996, 2004) protean careerists, who are flexible, value freedom, believe in continuous learning, and seek intrinsic rewards from work.

## 5.4 Suggestions for future research

At least two recent models, namely the one by Cerdin & Le Pargneux (2009) and the one by Perkins & Daste (2007) combined with the results of the present dissertation give very good direction of future research. First, further research could examine the extent to which intangible particularistic exchanged between expatriates and their organization actually represent the outcomes of the i-deal, resulting from the International Assignment (IA) Fit Model developed by Cerdin & Le Pargneux (2009). Another suggestion would be to study the extent to which the criteria or characteristics looked for and used to evaluate IA success, both from the organizational and the individual perspectives, could be found in the components of the i-deal of successful expatriates before and during their expatriation as well as after their repatriation.

Secondly, future research could aim to empirically show whether the description by Perkins & Daste (2007) of tensions existing between HR specialists and expatriate supervisors when it comes to the management of organizational interests, in the case of employee expatriation, could be explained by the confrontation of the two perspectives described in the theoretical article and introduction of this dissertation; organizational control perspective versus socio-exchange perspective.

## ABBREVIATIONS

PC	Psychological Contract
SPC	State of the Psychological Contract
IPR	Intangible Particularistic Rewards
TUR	Tangible Universal rewards
HCN	Host Country Nationals
AEs	Assigned Expatriates
SIEs	Self-Initiated Expatriates
IA	International Assignment



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