Today’s world-class companies such as Nokia employ effective employee performance management (PM) practices. They have realized that seeking sustaining competitive advantage from the effective management of human resources is of utmost importance. Until today, however, there has existed little understanding about how these companies manage the performance of their critical personnel group, the expatriate employees. A key finding of the case study of Nokia Telecommunications is that the performance of different types of expatriates in varying situations is, and should be, managed dissimilarly. Reflecting this finding, it is suggested that companies should develop alternative PM tools. © 2000 John Wiley & Sons, Inc.

**Introduction**

Today’s companies no longer succeed by frequent introduction of new products or use of first-class technology alone. Companies have realized that they must also seek sustaining competitive advantage from the effective management of human resources. Unlike new production technology, for example, the success that comes from managing people effectively is often transparent with regard to its source (Pucik, 1992; Gratton, 1997; Beer, 1997).

Traditionally, performance appraisal has been used as a guide for employee performance. Lately, it has been supplanted in more and more companies with performance management (PM), a more comprehensive human resource management process. Through goal setting, performance appraisal and feedback, continuous training and development efforts, and performance-related pay, PM can help companies incorporate strategy into individual employee efforts and turn employees’ potential into the desired results (Delery & Doty, 1996; Sparrow & Hiltrop 1994). Other benefits of PM are that it can assist in motivating employees for good performance and can strengthen their commitment to the organization. Furthermore, it can assist in other organizational processes that are important to a company’s long-term success, such as organizational learning, knowledge management, change management, and succession management. Thus, good performance management provides a company with the basis for managing its business today and preparing for its future through the performance of its people (Williams, 1991).

Effective performance management becomes particularly relevant to expatriate employees who are critical to multinational corporations (MNCs) strategy formulation and
implementation (Black, Gregersen, Mendenhall, & Stroh, 1998; Dowling, Welch, & Schuler, 1999). For example, expatriates can establish a company or a company function in a foreign location and can provide a foreign unit with the knowledge that the parent company considers necessary for the foreign unit to function effectively. Other rationales for sending expatriates are to serve as key contacts for coordination and to act in a control function between the parent company and subsidiaries (Edström & Galbraith, 1977; Torbiörn, 1982; Ondrack, 1985; Borg, 1987; Black et al., 1998).

Since expatriates can play a central role in the global success of companies and their use is expensive (Harvey, 1996), it seems critical to manage expatriate PM effectively; yet the research literature in this area is scarce. For domestic employees, studies are available regarding all elements of a PM system, namely goal setting, performance appraisal, training and development, and performance-related pay. For expatriates, similar studies are practically nonexistent. For example, it is not well known whether performance goals should be set by the sending company unit or the receiving unit for an engineer leaving from France to work in the United States. How should the engineer’s training and development matters be dealt with while s/he is on assignment? What if the receiving unit uses a different performance management system than the sending unit? Whose system should then be used to manage the engineer’s performance? Essentially, the research completed to date in an international setting is limited to one segment of PM, namely performance appraisal (Mendenhall & Oddou, 1991; Schuler & Florkowski, 1994; Gregersen, Hite, & Black, 1996). Yet, expatriate goal setting, training and development, and performance-related pay, for example, are areas in need of much more research.

In response to this need, I present several key findings from a case study on performance management practices at Nokia Telecommunications (NTC). The study addresses previously neglected areas of expatriate PM in an attempt to increase our understanding of this increasingly key international HRM topic. To accomplish this objective, I explore several aspects of the following research question: How is the performance of expatriates managed in different types of international assignments?

**Research Approach**

Due to the process nature of PM as well as the lack of rigorous theoretical models, a qualitative case study approach was deemed an appropriate method for exploring expatriate PM (Yin, 1994; Eisenhardt, 1989). For that purpose, Nokia Telecommunications, a Finnish-based MNC operating in the telecommunications industry, was selected as the case company. In the Finnish context, Nokia has extensive experience sending and receiving people on foreign assignments (15 years), and it has more expatriates on assignment (about 1,200) than any other company based in Finland. It could, therefore, be expected that NTC would have numerous established practices for managing expatriate performance.

Primarily, I collected data through 81 semistructured interviews. The interviewees consisted of company expatriates (mainly Finnish) who worked in different positions and different situations, line managers who had experience of sending expatriates on foreign assignments, local employees working outside Finland, and human resource personnel. The aim in collecting data from different types of employees who understood expatriate PM was to get a holistic understanding of the process. The interviews were conducted in NTC units in Finland, Thailand, China, the United Kingdom, and the United States. To cross-check and complement the interview data, I also assessed an extensive amount of internal company documents on expatriate PM.

This data were analyzed at several stages: (1) after the interviews in Finland, (2) after each data collection trip abroad, and, finally, (3) when all the data necessary for reaching a saturation point were collected. These analyses produced five groups of expatriates. While PM practices for members in a particular group were similar, clear differences in PM existed between groups. My search to explain the differences among these groups produced, in turn, several contingency factors for expatriate PM. These factors were identified by noticing variations in expatriate PM and
then asking why such differences occurred. To answer the why question, potential contingency factors emerged. The relevance of the factors thus identified was then compared to other expatriate situations at NTC. This process continued until convergence occurred for the major contingency factors for expatriate PM.

Results of the Research

Expatriate Performance Management Practices at NTC

Although Nokia Telecommunications has a global, standardized PM system in place, meaning that all employees’ performance is managed (to a great extent) similarly, my analysis revealed a reality that strayed from this unity—especially given that five groups of expatriates emerged at NTC. These groups were defined primarily by the nature of their job and included the following categories:

1. Top managers
2. Middle managers
3. Business establishers
4. Customer project employees
5. R&D project personnel

For each of these expatriate groups, it was common PM practice that all expatriates knew what was expected of them, how well they were performing, and that they received the opportunity to develop new competencies in order to meet the requirements of present and future job assignments.

Some differences in the PM among the expatriate groups were also clear. These differences revolved around: (1) whether and how performance goals were set, who set them, and what type of goals they were; (2) how expatriates’ performance was evaluated and who conducted the evaluation; (3) whether training and development plans were agreed upon with expatriates; (4) whether expatriates had the opportunity to attend training while on assignment; and (5) what type and how clear the linkage was between expatriate performance and pay. The following section reviews the typical PM characteristics of each expatriate group.

Top Manager Expatriates

Top manager expatriates occupied highly independent senior positions overseas, and their performance was managed distantly; they commonly formulated their own performance goals. One interviewee explained, “My boss and I agreed on key result areas that were important, then it was my task to set more specific goals and milestones.” Because of the wide scope of their jobs, these interviewees’ performance management goals were fairly broad. For instance, one goal that was derived from a Finnish expatriate’s key result area, Project Management Improvement, was “managing future projects more in line with each project management handbook”.

Most of the top managers’ performance goals were concrete—defined in their incentive scheme. To illustrate, a goal such as “profitability” was specified in the incentive scheme by assigning a target level of operating profit. Linkages between performance goals and incentive objectives were very clear for the expatriates in this group. In fact, expatriates in this group generally perceived incentive objectives as their major goals.

Top manager expatriates’ superiors were located in a country other than the expatriates—either at corporate headquarters or regional headquarters. For example, two superiors of the country manager in Italy were both located in Finland. As a result, top manager expatriates’ performance was evaluated by a supervisor located in another country—a situation suggested as prone to evaluation bias (Gregersen et al., 1996; Oddou & Mendenhall, 1991). The interviewees did not find this a major problem, yet sometimes they wished that their manager had been more geographically proximate to discuss puzzling issues in the foreign location.

In PM discussions with their managers, expatriates at high organizational levels cover developmental and longer-term matters (i.e., career planning); however, their managers rarely initiated discussions about top manager expatriates’ training needs. Instead, these expatriates generally knew when additional training was necessary and had no trouble communicating those needs to their managers.
**Middle Manager Expatriates**

In addition to having superiors co-located in the host country, some middle manager expatriates reported to one or more superiors back at headquarters in Finland. Performance goals for the middle manager expatriates, however, were agreed upon in the host country as a joint effort between the employee and the superior. Middle managers’ performance goals varied from fairly specific to very specific, for example, ranging from “achieve targeted market share and results” to “collect accounts receivable in 60 days or less”. Qualitative, yet quantitatively measurable, goals also were included; for example, “employee satisfaction” was measured through a yearly opinion survey.

When middle manager expatriates’ performance had been evaluated formally, the evaluation was done in general by the host country manager. If the expatriate also had a manager in the home country, the local manager discussed the expatriate’s performance with the home-country manager prior to evaluation. Most of the ongoing performance feedback was given by the host country manager, and expatriates in this group generally felt it was satisfactory.

Each expatriate in this group worked under an incentive scheme. Unlike top manager expatriates, the linkage between the PM goals and incentive objectives was not always clear, since most middle managers’ incentive goals were referred to as “next higher level goals”, for example, “net sales of the department” in which the person worked. As a result, it was not always easy to identify the linkage between the expatriate’s personal performance and the achievement of incentive objectives. Nevertheless, the host country manager determined the size of financial rewards for middle manager expatriates, and together they developed the training and long-term development plans for the expatriates. If desired and needed, middle manager expatriates could take training courses while on assignment.

**Business Establisher Expatriates**

Business establisher expatriates were generally profit- and loss-responsible for starting up new businesses in foreign countries. These start-ups might be greenfield sites or turnkey operations, or they might be marketing operations in a new geographical area. A common characteristic of business establisher PM was that s/he worked with only a few performance goals. For example, a manager sent to China was given one performance objective: to establish a production line that produced mobile phone base stations. Another business establisher said of the only performance goal that he received before embarking on his assignment, “Before leaving for my international assignment, my boss in Finland was very clear about what I was supposed to accomplish during the assignment: acquire customers—period.”

Some business establishers had primary managers in the home country, while those who were sent to establish a specialized function in a host location (e.g., finance, accounting, marketing, human resources) generally had a primary superior co-located in the host country. Most business establishers did not have time to participate in training activities, although training plans had been agreed upon in earlier superior-subordinate PM discussions. Furthermore, most business establishers operated in the context of an incentive system, but the linkage between focused performance goals and incentive objectives was frequently unclear.

**Customer Project Expatriates**

Most customer project expatriates work on intensive projects for current customers that can last from a few months to several years. Expatriates are employed for all three project phases: (1) network planning, (2) implementation, and (3) operation and maintenance. Depending on the phase of a project, and the size and scope of it, the number of employees working for any one customer project varies. The largest number of employees, including expatriates, are needed during the implementation phase.

Unlike the expatriates in the three previous groups, customer project expatriates did not enter the assignment with agreed-upon, job-related performance goals. Instead, depending on the local manager and the nature
of the project, expatriates received information about performance expectations through day-to-day relationships with the project manager, project team members, and/or other project stakeholders. When customer project expatriates failed to get information about their performance expectations informally, however, they had to rely on a formal job description. It should be pointed out that most customer project expatriates put little trust in the value of formally agreed-upon performance goals. As one Finnish expatriate with extensive customer project experience explained:

It is very difficult to set specific personal goals for expatriates working on customer projects. In fact, it’s not even necessary. Instead, we put a goal on the wall that the network has to be operating by such and such a date. It’s usually much clearer that way.

Paralleling this relatively vague goal-setting practice, performance evaluation, formal and informal, was practically nonexistent for customer project expatriates. Except for one interviewee, customer project expatriates felt that they did not receive sufficient ongoing feedback. Thus, it appeared that a structured and formal goal setting and performance evaluation tradition did not prevail in “customer focused” projects. In other words, it appeared that job-related performance goals and performance evaluation were not covered in PM discussions with customer project expatriates.

Customer project expatriates, however, did engage in PM discussions that focused on training and development issues. These discussions were held with their home-based administrative manager, not the on-site project manager in the foreign country. These discussions took place in between foreign project assignments or during holiday breaks in the home country. The expatriates’ development plans were discussed in these PM meetings, as well as suitable training courses for reaching personal development objectives. As the projects are often hectic in nature, project expatriates could rarely take educational courses while on assignment, and usually ended up taking them in between assignments.

Finally, because of the informal goal-setting and evaluation approach with expatriates in customer projects, a strict linkage between performance and pay did not exist. Instead, the prevailing practice was for project expatriates to get a yearly bonus that was related not only to on-the-job performance, but also to the large number of extra hours that project expatriates typically put into completing a project.

Research and Development Project Expatriates

Research and development (R&D) projects are similar to customer projects, yet are also different. From a performance management perspective, one important difference is that R&D employees are physically proximal to their managers, whereas customer projects might be conducted at several sites, located hundreds of kilometers apart. As a consequence, in R&D projects, the delivery of ongoing feedback and daily PM tasks are easier to complete. Another important difference is that unlike customer projects, R&D projects are internal to the company. Thus, there is less direct connection to the customer, and as a result, the uncertainty faced by R&D project expatriates is lower so R&D projects are usually well planned and job tasks determined in detail. Naturally though, the specificity of R&D jobs varies. For example, a mechanical engineer’s job is less structured than a system engineer’s or system designer’s job.

Unlike expatriates working on customer projects, R&D project expatriates engaged in PM discussions that covered the standard three topics of goal setting, performance evaluation, and development. Performance goals set in PM discussions for R&D expatriates remained fairly vague and at the operative level. For example, one expatriate faced the broad goal of learning everything about a new generation telecommunications product. Typically, communication of specific performance goals happened in weekly or bi-weekly project meetings. Along with task information received in project meetings, job descriptions generally conveyed a rough level of what was expected from R&D expatriates. Like customer project expatriates, R&D expatriates at the operational
level did not desire more specific PM goals; they generally regarded their jobs as so clear that more specific goals were unnecessary. For R&D expatriates operating at a high hierarchical level, however, goals agreed upon in PM discussions tended to be more specific. This specification was done most often through a separate PM form, including key result areas and deadlines.

In general, R&D expatriates received a sufficient amount of ongoing performance feedback. They were physically proximate to superiors, and in project meetings, past project performance was reviewed regularly—although not always at the individual level. In one-on-one PM discussions, specific personal level feedback was given and received.

Developmental matters were also covered in PM discussions with R&D expatriates, yet it was very rare that they actually engaged in any training during the international assignment. There were several reasons for this: (1) expatriates’ lack of knowledge as to available training courses in host locations; (2) superiors’ inability to guide R&D expatriates’ development since expatriates often had more job experience than local managers; (3) an R&D expatriate’s job during the assignment was seen as personal development; and (4) unless training was arranged in the downtime phase of a project, expatriates were not allowed to participate in it. Finally, R&D expatriates were entitled to pay bonuses based on either attaining project milestones or at the discretion of a supervising manager.

Summary of Expatriate Performance Management Practices

To highlight the differences among expatriate groups, Table I summarizes the key characteristics of PM for the five types of expatriates studied at Nokia Telecommunications. As the table shows, differences between the groups focus primarily on the location of the manager who agrees to expatriate performance goals and then evaluates their performance; the type of goals set; the possibility of taking training courses while on assignment; and the type and clarity of linkage between performance and pay.

Managerial Implications

This article illustrates how expatriate performance management occurs in a large MNC—Nokia Telecommunications. This case study manifests the criticality of contingency factors when managing expatriate performance. The Nokia Telecommunications case underlines this point by demonstrating that despite the company’s standard performance management system intended for global use, expatriate performance was managed differently in at least five categories of expatriate assignments. One managerial implication of this result is that when developing an expatriate PM system, a company should pay attention to specific situations and plan accordingly. Essentially, off-the-shelf solutions may not produce the desired improvements in expatriate and company performance.

Another managerial implication of this study is that companies may need to provide several PM tools for superiors’ and subordinates’ use. While standardizing the objectives of a performance management process seems attractive (for example, all employees know what is expected from their performance, understand how they are currently performing, and receive consistent training and development), allowing diversity in the means and tools to achieve these objectives may be quite useful. In fact, the development of alternative PM tools—modified from a standardized global set—may result in a more effective implementation of performance management worldwide as it would likely formalize prevailing PM situations, unify the different existing PM practices, and provide appropriate tools for managing the differing expatriate experiences. On the basis of the interviews conducted at NTC, at least two types of PM approaches could be useful: one for managing managerial and professional expatriate performance and the other for customer and R&D project expatriate performance.

Furthermore, interview data suggested the importance of a well-understood relationship between the incentive system and performance management system. It seems that integrating
<table>
<thead>
<tr>
<th>Top Manager</th>
<th>Middle Manager</th>
<th>Business Establisher</th>
<th>Customer Project</th>
<th>R&amp;D Project</th>
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</table>
| **Goal Setting** | • To a great extent self-developed goals that are agreed with manager(s) located in another country (at the HQ or area HQ)  
• Emphasis on clear, financial goals  
• The manager in a host location sets the goals, yet many expatriates also have a manager at HQ  
• Goals vary from fairly specific to very specific  
• Goals are agreed upon with the primary manager, located either in the host or the home country  
• Relatively few, broad goals  
• No formal, work-related goal setting  
• The manager in the host location sets the goals  
• Goals vary from vague to specific | **Performance Evaluation** | • By the manager(s) located in another country  
• When actually done, performed by a manager in the host location  
• Satisfactory amount of ongoing performance feedback for most  
• By the primary manager(s)  
• Satisfactory amount of ongoing performance feedback for some  
• Formal evaluation rather nonexistent; if happens, it is done by a host country manager  
• Insufficient amount of ongoing feedback  
• By a manager in the host location  
• Satisfactory amount of ongoing performance feedback | **Training and Development** | • Expectation that the expatriate raises the issue  
• Discussed and agreed with the host location manager  
• Expatriates engaged in training while on assignment  
• Discussed and agreed with the primary manager  
• Expatriates had no time to engage in training while on assignment  
• Discussed and agreed with an administrative manager in the home country  
• Expatriates had no time to engage in training while on assignment  
• Discussed and agreed with a host country manager  
• Expatriates had no time to engage in training while on assignment | **Performance Related Pay** | • Clear linkage between performance and incentives  
• All worked under an incentive scheme, yet the linkage between performance and pay was often unclear  
• Most worked under an incentive scheme, yet the linkage between performance and pay was often unclear  
• Entitled to yearly bonuses that were not linked strictly to individual performance  
• Entitled to bonuses that were linked only in part to individual performance  
• Some expatriates entitled to bonuses that were linked only in part to individual performance |
these two systems so that a part of incentive objectives clearly stem from PM goals would prove beneficial, as then the systems would strengthen and complement each other.

Regardless of the effectiveness or availability of PM tools, expatriate PM success depends largely on the manager and expatriate in question: how well they both understand, internalize, and accept PM, and how skillful they are in its implementation (Latham & Wexley, 1982; Carson, Cardy, & Dobbins, 1991; Lindholm, Tahvanainen, & Björkman 1999). To this end, appropriate PM training should be available for all expatriates, including their superiors.

**Research Implications**

As this study examined expatriate performance management in a Finnish company that is large, highly internationalized, and uses hundreds of expatriates, future research could benefit by focusing on expatriate PM issues in smaller and less internationalized companies having fewer expatriates. Prior PM research and the findings of this study indicate that in such companies, expatriate performance management processes may well differ.

Replication of this case study in non-Finnish MNCs could provide further understanding, for example, about the effect of national culture on expatriate PM. This study did not address this issue directly because it studied expatriates who were mostly Finns in a Finnish company with largely Finnish superiors. As a result, cultural differences between superiors and subordinates were relatively small, and cultural differences in PM did not surface as much as they might have if superiors and subordinates had been from vastly different cultures (Hofstede, 1984; Trompenaars, 1993).

To conclude, this study scratched the surface of the complexity of expatriate performance management. Future studies should explore factors such as organizational structure, the managerial style and skills of the manager and expatriate, top management support for PM, and the maturity of operations in the host country. Clearly, at the domestic, international, and global levels, numerous intriguing questions for research and practice merit further inquiry.

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**MARJA TAHVANAINEN** works as a research manager for LTT Research Ltd. in Helsinki, Finland. She holds a Ph.D. in international business from the Helsinki School of Economics and Business Administration, where she has done some lecturing on global HRM, her area of academic specialization, and has studied various aspects of HRM in an international context. Currently, most of her research focuses on competence management as well as international technology transfers.