



Employer Attractiveness in Latin America: The Association Among Foreignness, Internationalization and Talent Recruitment



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ABSTRACT

Rapid economic development is provoking a skilled talent shortage in Latin America, causing firms to compete intensely for scarce talent (Manpower Group, 2011). While foreign-headquartered firms may bear a “liability of foreignness” (Zaheer, 1995), the question remains whether this alleged liability extends to attracting workers in the Latin American context. We propose an interactionist model grounded on person–organization fit and marginalization theories. Our model, which distinguishes between foreignness and internationalization, argues that they interact with marginalization variables to impact employer attractiveness. Our multi-level analysis of 76,191 individual evaluations of 80 firms within five Latin American countries supported hypotheses that members of marginalized groups based on gender, education, and income were relatively more attracted to foreign headquartered and more international firms. Our findings contribute to an emerging body of evidence suggesting that the impacts of foreignness and internationalization are not necessarily monolithic across all contexts.

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1. Introduction

In contrast to a surplus of skilled workers in developed countries, many emerging markets are experiencing a skilled talent shortage (Elvira and Davila, 2005; Gross and Mancini, 1996). For instance, finding qualified talent remains the number one challenge reported by U.S. companies operating in China (AmCham, 2011). Similarly, in Latin America, employers are having more difficulty filling skilled jobs than the global average, with 37% of them reporting a shortage of available talent – a 3% increase over one year (Manpower Group, 2011). These figures are not altogether surprising, because multinational enterprises (MNEs) face steep competition for talent in emerging markets (Lewin et al., 2009; Turban et al., 2001). However, are MNEs headquartered outside of their host nation disadvantaged in employee recruitment in those local markets? MNE theory suggests so, because foreign-headquartered firms are often said to bear the so-called “liability of foreignness” (Denk et al., 2012; Hymer, 1976; Zaheer, 1995). This liability is purportedly derived from intangibles such as stakeholder concerns about foreign firm legitimacy, cultural sensitivity, and long-term commitment to the host country (Kostova and Zaheer, 1999; Zaheer, 1995). However, in Latin America, the applicability of this alleged liability is questionable; an alternative viewpoint suggests that reverse ethnocentrism (e.g., Agbonifoh and Elimimian, 1999; Huddleston et al., 2001) may also be present in some cases, suggesting that foreign firms could be revered above domestic ones, particularly among certain, marginalized individuals.

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Internationalization refers to the “process by which firms become more international” (Newburry et al., 2006: 668), or more generally, the extent to which firms maintain operations outside a focal country. Firm internationalization, which is often overlooked in the liability of foreignness debate, may play a similar role to having a foreign headquarters in recruitment since more international firms tend to be less embedded in the local operating environment, regardless of their HQ location. Multinationals have been shown to operate differently than their domestic counterparts (Chacar et al., 2010), and with the advent of “multilatinas” (Martínez et al., 2005), internationalization has rapidly become an issue in Latin America not solely connected with foreign firms (e.g., Fleury et al., 2013). Locally-headquartered firms may be highly international, while foreign-headquartered firms may at times have operations that are highly concentrated in certain countries. While being foreign and being international both suggest less embeddedness in a focal country, distinguishing between these constructs recognizes the different mechanisms by which this lack of embeddedness occurs.

We propose and test an interactionist perspective of foreignness and internationalization as precursors of employer attractiveness in Latin America. To reconcile divergent prior findings, we introduce marginalization theory (e.g., Arnold, 1995) to explain the relative attractiveness of firms for individuals under different socio-economic conditions. Our basic prediction is that certain types of prospective employees may perceive foreign headquartered and more internationalized firms to better fit their aspirations due to their historic marginalization in the Latin American context. Consistent with the interactionist tenets of person–organization (P–O) theory (Kristof, 1996; Schneider, 1987), we maintain that just like organizational attributes such as social responsibility or diversity do not appeal to every prospective employee (Cable and Turban, 2003; Martins and Parsons, 2007; Turban and Greening, 1997), neither foreignness nor internationalization are necessarily assets or liabilities, and instead, may attract employees whose aspirations have traditionally been unmet by locally headquartered or less international employers. Unlike judgments of post-hire fit where employees have a great deal of relevant organizational information, initial judgments of employer attractiveness are likely to rely on organizational characteristics such as foreignness or internationalization, which signal the organization's culture and values (Lievens et al., 2001; Newburry et al., 2006; Rynes, 1991).

Although our study follows the footsteps of other P–O studies that have identified certain individual by organizational interactions that determine employer attractiveness (Bretz et al., 1989; Cable and Judge, 1994; Williamson et al., 2010), our focus on foreignness and internationalization in a multi-country study represents an incremental contribution over prior studies, which have been limited to studying firm attractiveness in a single nation, such as the U.S. or China (Newburry et al., 2006 and Turban et al., 2001, respectively), notwithstanding the increasing variation in talent markets within both of these countries. From an ethical standpoint, our focus on the relative attractiveness of marginalized individuals to foreign headquartered and more international firms is consistent with the career aspirations of those who are often denied local opportunities for social advancement. That is, prior studies using P–O fit theories (e.g., Turban et al., 2001), country image or knowledge (Alkire and Avey, 2013; Froese et al., 2010) or a more general career opportunity perspective (Newburry et al., 2006) have largely overlooked the attraction of disadvantaged persons. This focus falls in line with calls for MNEs to attend to the “bottom of the pyramid” (London and Hart, 2004; Prahalad and Hammond, 2002), particularly those who benefit the least from globalization (Vassolo et al., 2011). Additionally, our study provides a complement and extension to more economics-based studies, such as that of Siegel et al. (2013), that examined the related construct of discrimination against specific societal groups (in their case, women in South Korea) from a foreign firm hiring perspective. By directly focusing on individual-level characteristics related to marginalization, and linking individual marginalization-related attraction and firm characteristics both theoretically and empirically, we attempt to provide a unique contribution to the extant literature.

We also recognize that individuals' knowledge regarding firm origins and internationalization is limited and often inaccurate (Magnusson et al., 2011), particularly in emerging markets (Akram et al., 2011). However, within our sample, we expect that individuals may be able to accurately ascertain whether a firm has a foreign HQ but will have significantly greater difficulty evaluating its degree of internationalization. As such, we use a perceptual measure to evaluate internationalization in this study, which we supplement with a direct internationalization measure.

Additionally, attention to Latin America is overdue in the emerging markets literature (e.g., Kotabe et al., 2000; Liberman and Newburry, 2013; Martínez and Kalliny, 2012). Vassolo et al. (2011) noted that Latin America's aggregated gross domestic product (GDP) is roughly that of China's and three times larger than that of India's. The region represents approximately 8% of the world population and GDP (Sanz and Jones, 2013). Taken together, the Latin American countries we study, namely Brazil, Mexico, Argentina, Chile and Peru, account for 67.1% of the Latin American population and 88.2% of the Latin American gross domestic product — GDP (PPP). Prior research has suggested that perceptions of globalization and trends such as the privatization or sale of state assets to foreign firms are complex and heterogeneous (Merino and Vargas, 2013; Wated et al., 2008). Thus, our study contributes to a much needed body of research on the factors that impact foreign firms operating in Latin America. Our marginalization-based hypotheses also may apply across a wide contingent of emerging market countries; however, the specific conditions shaping which groups are marginalized most likely vary across locations just as conditions of economic development and cultural values related to power distance and upward mobility differ across markets (see, e.g., chapter 9 of Park et al. (2013), chapter 10 of Fleury and Fleury (2011) and/or Ramamurti and Singh (2009)). Differences between predominant business forms (e.g., business groups in Latin America versus state-owned firms in China), predominant industrial sectors (e.g., natural resources in Brazil versus manufacturing in China or services in India), and methods of individual influence in firms (e.g., Smith et al., 2012) suggest that while the thrust of our marginalization hypotheses may be broadly applicable, it is prudent to begin developing theory at a more local level (in our case, the Latin American context). We discuss the broader generalizability of our results later in the article.

In the following section we introduce marginalization theory to FDI theories to develop hypotheses regarding the boundary conditions of the impacts of foreignness and internationalization on employer attractiveness in Latin America. To examine these

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