

The Impact of MNC's Home Country Politics on Host Country Nationals' Organizational Commitment

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MNC home country government policies/events may not resonate well with HCN employees. If HCN employees disagree with the MNC's home country policies or events, such policies or events may provoke or stir emotions toward the MNC's home country thus increasing the MNC's political risk. Exploring the issue of a MNC's home country policies or events impact on the HCN employees' organizational commitment, we develop a conceptual model and propositions that consider the characteristics of the MNC, the policy/ event, and the individual.

INTRODUCTION

Concerns with the political aspects of the business environment have always been an issue for multinational corporations (MNCs); thus, political risk in international business research has received considerable attention (e.g. Bremmer & Zakaria, 2006; Bruce, Wilkinson, & Owen, 2003; Makhija, 1993; Nigh, 1985). In the past, research on international political risk has focused primarily on the assessment of host and/or home country government policy, political events, macroeconomic uncertainties, and appropriate organizational responses, particularly at the organizational level (Delios & Henisz, 2003; Ring, Lenway, & Govekar, 1990). One aspect of political risk research that has not been as rigorously examined is the relationship between political risk and organizational commitment by host country nationals (HCNs) within MNCs. The success of international operations relies on the local employees in the host unit; however, we do not know whether home country political policies or events affect its international companies' overseas employees' behavior or not. Extant research offers little guidance about the impact of politics on organizational behavior within MNCs. Given the potential importance of home country politics on MNC global operations, the lack of attention to this area seems particularly surprising. This gap represents an opportunity for refining the understanding of organizational commitment. In this study, we begin to examine the impact of political policies or events related to the MNC's home country on the behavior of its host country nationals.

When HCNs personally disagree strongly with the MNC's home country governmental policies/political events or they are in an environment that is strongly biased against the home country government's policy and/or political events, how would they react to such policy or events transpiring in the MNC's home country? For example, when host country nationals working for a U.S. organization in a country with a strong anti-US sentiment, how does this anti-US sentiment affect his or her perception of

the organization for which he or she works. If host country anti-U.S. sentiment escalates, what is the effect on employee behavior? Can an employee yell “death to America” at one moment and then return to work for an American organization as if nothing happened? Stated otherwise, do home country government policies and political events weaken an employee’s organizational commitment to his or her host unit of the MNC? We propose that HCNs’ reactions to home country government policy or political events could affect how they evaluate their companies, which may influence their behaviors and subsequent commitment to the MNC. Conceptually, we seek to provide insights into the extent to which such negative sentiment translates into employee behaviors.

The opening section of this study provides theoretical background on international political risk and organizational commitment. We next develop our conceptual model and related propositions. We conclude by discussing the implications, limitations, and future research directions of our work.

LITERATURE REVIEW

Although MNCs encounter many different kinds of risk, the risk associated with the political environment is considered one of the most important issues MNCs face in the international environment (Butler & Joaquin, 1998; Ghoshal, 1987; Nigh, 1985). Political risk is defined as the adverse consequence associated with political events (e.g., Butler & Joaquin, 1998; Root, 1972; Kobrin, 1979). Political risk affects the operations of the MNC. The negative outcomes arising from political events have a profound impact on the outcome of MNCs’ investments (Boddedwyn, 1988; Brewer, 1993); therefore, the related literature focuses on how a MNC can forecast and manage political risk to mitigate the risk (e.g., Caves, 1996; Hoskisson, Eden, Lau, & Wright, 2000; Lenway & Murtha, 1994; Kostova & Zaheer, 1999; Rugman & Verbeke, 1998). In this paper, we specifically focus on the reactions of host country national employees arising from a MNC’s home country government policies and/or political events.

The concept of organizational commitment has captured the attention of organizational researchers for many years (Hom & Griffith, 1994). Employee organizational commitment is often considered as the psychological attachment of workers to their workplaces (Allen & Meyer, 1990; O’Reilly & Chatman, 1986). Mowday, Porter, and Steers defined organizational commitment as “the relative strength of an individual’s identification with and involvement in a particular organization” (1982, p. 27). Researchers have examined the construct, antecedents, and outcomes of organizational commitment extensively (Mathieu & Zajac, 1990; Morrow, 1993; Mowday, et al., 1982). Organizational commitment has been found to influence organizational outcomes such as job satisfaction (Bateman & Strasser, 1984; Mowday, et al., 1982), motivation (Mowday, Steers, & Porter, 1979), attendance (Mathieu & Zajac, 1990), job turnover (Hom & Griffith, 1995), and performance (O’Reilly & Chatman, 1986; Somers, 1993).

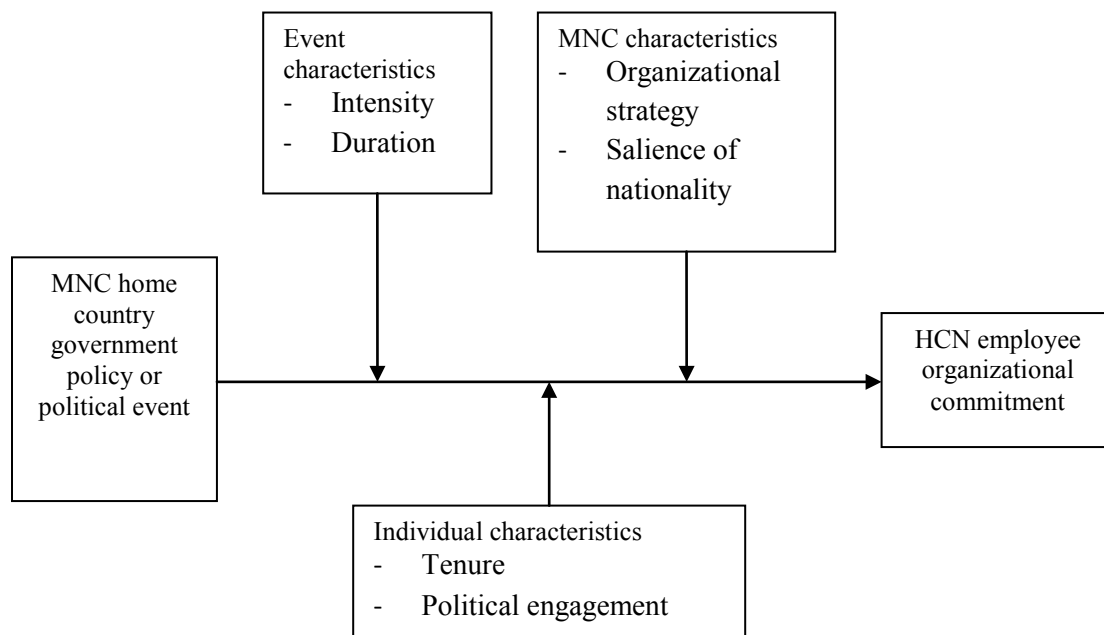
Viewing organizational commitment as a multi-dimensional construct, Allen and Meyer (1990) further refined it and distinguished among three forms of organizational commitment: affective, continuance, and normative. They defined affective commitment as “an emotional attachment to, identification with, and involvement in the organization;” continuance commitment is “the perceived costs associated with leaving the organization;” and, normative commitment is the “perceived obligation to remain in the organization” (Allen & Meyer, 1990, p. 21). This study focuses on affective commitment because it the most relevant in this context. Following Mowday and his colleagues (1982), we define commitment as the belief in and acceptance of organizational goals and values, a willingness to exert effort on behalf of the organization, and a desire to maintain organizational membership.

HOST COUNTRY NATIONALS EMPLOYEES’ COMMITMENT WITHIN MULTINATIONAL CORPORATIONS

When an organization expands its global operation, it will hire more local nationals in each of its host country locations. The foreign employees’ commitment toward the organization will influence the success of international operations (Meyer & Allen, 1988; Mowday, et al., 1982). How to promote foreign employees’ commitment to the organization becomes a challenge for MNCs (e.g. Gregersen & Black,

1992; Handy, 1992). However, most research on organizational commitment within MNCs focuses on the impact of culture on organizational commitment (e.g. Chen & Francesco, 2000; Fischer & Mansell, 2009; Palich, Hom & Griffeth, 1995; Smith, Fischer, & Sale, 2001; Wasti, 2003). One important factor has not been investigated in this stream of research – home country politics/events influence on host country nationals’ actions. Host country nationals’ sentiments aroused by MNCs’ home country politics should not be ignored. Marketing research has investigated the impact of political events or animosity on consumer behaviors (Klein, Ettenson, & Morris, 1998; Knight, Holdsworth & Mather, 2007; Leong, et al., 2008, Pappu, Quester, & Cooksey, 2007). This research suggests that consumers’ purchase intentions and behavior can be affected by consumers’ perception of a product’s home country. Animosity toward another nation can be an important and powerful predictor of foreign product purchase, even when this hostility is unrelated to beliefs about the quality of products produced in that country. We argue that the same logic can be applied to international organizational behavior research. In Figure 1, we present our model of how an MNC’s home country government policies and/or political events may impact host country national employees’ organizational commitment. We will develop our arguments supporting the model in the following discussion.

FIGURE 1
HCN’S COMMITMENT TO THE ORGANIZATION IN LIGHT OF A MNC’S HOME COUNTRY GOVERNMENT POLICIES AND/OR POLITICAL EVENTS



Working for a foreign organization does not mean host country nationals will embrace or agree with the icons, popular culture, or government policies/political events associated with MNCs’ home countries. Home country policies or political events may not resonate well with HCNs. If host country nationals strongly disagree with their MNC’s home country government policies and/or political events, such government policy or political event may provoke or stir emotions such as hostility or animosity toward the MNC’s home country. Such negative sentiment might affect employees’ evaluation of the organization for which they work. Which then raises the question whether it possible that HCNs may harbor a negative sentiment toward the MNC’s home country without a similar sentiment/view of the employing MNC. Just like the impact of animosity on consumer behavior, we argue that negative sentiment affects organizational behavior independently of judgments of the organization for which host country nationals work. Yet, if a negative sentiment is sufficiently strong, it will affect HCN employees’

affective evaluations of their companies. In turn, the lower levels of organization judgment and affect lead to decreased commitment to the organization.

Furthermore, host country nationals may not distinguish between the interests of the MNC and MNC's home country government (Nigh, 1985). Even worse, they may view MNCs' subsidiaries as extensions of the home country government's policies (Gladwin & Walter, 1980; Vernon, 1977). In the past some governments, such as U.S. government, have used MNCs as an instrument of its foreign policy (Moor, 1980), and some MNCs did work with their home country governments (Behrman, 1971; Nigh, 1985). Although, these appear to be rare cases, these incidents may contribute to an overall perception of the potential linkage between a MNCs' home country national interests and the MNC's own self-interest. For example, after the 2003 invasion of Iraq, there was hostility toward the U.S. in some parts of the world. Many individuals associated Americans and/or American companies with what the American government was doing and considered Americans and American companies as convenient symbols of U.S. government policy with which they disagreed and could demonstrate against. On March 26, 2003, antiwar demonstrators protested in front of McDonald's in Argentina, expressing their anger with signs that read "McDonald's sells happy meals to finance the war" (Postlewaite, 2003: 390). If host country national employees of MNCs such as McDonald's are strongly against an MNC's home country government policy or political event and they believe what they do is contributing to the perpetuation of the government policy or political event, we would expect that the employee's organizational commitment would decline impacting the employee's pro-MNC behaviors. Concomitantly, if HCNs employees are suspicious that a hidden agenda exists between their MNC and the home country government, the host country national employees may resist accepting the organizational values and goals, which may lower their attachment to the MNC

It would seem logical, therefore, to suppose that employees' attachment to the MNC could be affected by the sentiments aroused by an MNC's home country government policies and/or political events. That is, all else being equal, an MNC affiliated with a home country national government executing a government policy or engaging in a political event viewed unfavorably could lead to lower organizational commitment among HCN employees. This leads us to the following proposition:

Proposition 1: An MNC's home country government policy/political event will affect an HCN employee's organizational commitment toward the MNC.

MODERATING EFFECTS OF CHARACTERISTICS OF EVENT, MNC, AND THE INDIVIDUAL

In addition to the potential impact of policy or event, there are other factors that tend to exacerbate and even accelerate the host country national employee's organizational commitment relationship to the MNC such as the characteristics of government policy or political event, the characteristics of the organization, and the characteristics of the individual. Each of these is discussed below.

Characteristics of the Event: Intensity/Duration of HCN Employees' Attachment to Event

The association between government policy and/or political events and the response of an HCN employee will be affected by the intensity of the employee's attachment to the event. Whether the HCN employee's sentiment arises from previous or ongoing hostility to a particular MNC's home country government policies or to a new, particular political event should result in a different level of impact on the host country national employee's organizational commitment. An employee who reacts to an isolated, single event garnering intense media coverage is less likely to attempt to continue to follow the event when the intensive media coverage is over. The antipathy generated by the event may, and probably will, dissipate. Thus, this event is less likely to have a long-term effect on the host national country employee's organizational commitment to the MNC. Yet, if such sentiment or antipathy is based on a series of events or a home country's continuing or reaffirmed government policy, the HCN employee's ongoing hostility/animosity can evolve over time. The impact on the host country national employee's

organizational commitment will be longer and more intense. For example, when French protesters interrupted the 2008 Olympic torch relay through Paris in anger over Chinese policies toward Tibet, Chinese citizens boycotted Carrefour supermarkets in retaliation. Chinese nationalist sentiment was running very high in the country over the perceived slight to Chinese national dignity, and many French companies bore the brunt of the backlash. The French MNC LVMH Group, Carrefour's parent firm, as well as Louis Vuitton were among French companies targeted by Chinese activists. Thus, Chinese employees who worked for French retailers during that period may have experienced ennui, negative feelings, or even antipathy toward their companies because of the affiliation with France although the French companies had nothing to do with the protests against the Chinese Olympic torch relay and the event had nothing to do with French government policy. Once the Olympic torch was safely in Beijing, Chinese nationalist sentiment against France and its MNCs dissipated. It appeared that no one continued to focus on the event anymore and Chinese boycott efforts toward the French MNCs lost impetus. Thus, the impact of such an event on long-term host country national employee organizational commitment is low.

Unless such events remain in the public spotlight for long periods or there are reinforcing events that continue to stoke the emotional engagement, we expect that HCN employees organizational commitment returns to the stable state enjoyed prior to the precipitating event. This insight therefore leads us to the following proposition:

Proposition 2: There is an inverse relationship between the intensity/duration of a government policy/political event and the degree of organizational commitment a host country national employee will experience. Single, isolated events engender low levels of organizational commitment conflict while larger and/or continuing events result in higher levels of organizational commitment dissonance.

Characteristics of MNC: Salience of Nationality

Although, MNC foreign subsidiaries are often the most visible home country institutions in the host country, not every MNC foreign subsidiary experiences the same negative sentiment or becomes the target of a boycott or other public action. Companies from the same country may not share the same images or associations. While some companies have a high profile abroad, other companies do not enjoy the same high stature or status. Some American MNC foreign subsidiaries are easy targets of anti-U.S. sentiment because of their high visibility. Particular American companies bear the brunt of such resentment due to their iconic symbolism. If an MNC has been considered as an icon of particular country or represents the popular culture of that country, then the association between the company and country will be higher or stronger. For example, McDonald's has been targeted in France, India, Pakistan, and other countries as well as Coca-Cola, which has been targeted for protests in India and Middle Eastern countries as citizens of those countries have protested against various U.S. government policies and/or political events. The MNC's iconic status is the reason why particular firms are selected for protests. Less well known companies rarely become targets of a boycotts or protests.

Those who work for high profile, iconic organizations tend to more easily associate the organization with its home country. When there is a negative event associated with the MNC's home country, that high degree of association with the country will have a more intense influence on the employees' organizational commitment and behaviors. This discussion thus leads to the following proposition.

Proposition 3a: An MNC's salience for the host country national employee moderates the impact of government policies/political events on the HCN employee's organizational commitment and behaviors. As the MNC's salience increases, the impact of an event will increase.

Characteristics of MNC: MNC Strategy

The degree of integration between subsidiary and the rest of the organization may affect how HCN employees perceive the subsidiary. When a company has a multi-domestic or multinational strategy, a subsidiary has less communication with other units and conducts business more independently from other units as opposed to a more globally or international strategy which requires closer coordination among the disparate units (Bartlett & Ghoshal, 1989). Because of a MNC's multi-domestic or multinational strategy's emphasis on fit with the local environment, the subsidiaries, consequently, will develop unique subsidiary-level cultures. At the same time, due to the emphasis on fit with the local environment, these MNCs will tend to have fewer expatriates within the subsidiary. Thus, there will be a greater proportion of local nationals within the top management team of the subsidiaries. This emphasis on fitting into the local environment and resulting mirroring of the top executives to the host country natives results in HCN employees being less likely to perceive they work for a foreign organization. Therefore, the impact of a MNC's home country government policy or political event being associated with the MNC will be lower for this kind of company.

For a high integration organization (i.e., an organization following a global or international strategy where every unit around the globe strives to mirror as closely as possible the MNC's headquarters culture for continuity and standardization), the argument is just the opposite. In order to integrate the subsidiaries more consistently into a global system, MNCs will tend to have greater numbers of expatriates in their subsidiaries. In such a system, expatriates tend to be used as a way to control or transfer culture and/or knowledge among units (Bartlett & Ghoshal, 1989; Gupta & Govindarajan, 1991, 2000). As the proportion of expatriates within the top management team increases, national identity is likely to be salient in the minds of HCN employees. We argue that the degree of integration between the subsidiary and the rest of the organization will affect how host country national employees perceive the subsidiary. HCN employees of global-strategy MNCs will perceive the organization less as a local organization and thus more of an organization that reflects its home country. Therefore, the impact of MNC home country government policies and/or political events on host country national employees' organizational commitment will be higher for this kind of organization. From the above, we derive the following proposition:

Proposition 3b: MNC strategy will moderate the impact of governmental policies/political events on host country national employee's organizational commitment. MNCs with higher degrees of integration (i.e., a global strategy) will experience higher impacts from MNC's home country government policies/political events on HCN employees' organizational commitment while less integrated organizations (i.e., a multi-domestic strategy) will experience limited impact from MNC's home country government policies/political events on HCN employees' organizational commitment

Characteristics of the Individual: Personal Characteristics

Tenure

Individual attributes such as tenure may also moderate the impact of MNC home country government policies and/or political events on the HCN employee's organizational commitment. Tenure has been found to be associated with organizational commitment (Clisson & Durick, 1988; Gregersen & Black, 1992; Mowday, et al., 1982). As HCN employees' tenure with the MNC increases, they tend to have an increased commitment to the firm because of the individual psychological investment, the establishment and maintenance of social networks, and the familiarity with the MNC's organizational practices. Because of this, HCN employees with increasing length of tenure are more likely to have a stronger attachment to the MNC. Thus, the impact of MNC home country government policies and/or political events on HCN employees' organizational commitment will be lower. Conversely, HCN employees with only short periods of tenure are expected to have less investment in their firm. In congruence, their organizational commitment and attachment to the MNC is expected to be lower. Thus, the impact of

MNC home country government policies and/or political events on the host country national employee's organizational commitment may be higher. From the previous discussion, follows the proposition:

Proposition 4a: The degree of impact on a host country national employee's organizational commitment from a MNC's home country government policy/political event is inversely related to the length of employee tenure at a MNC.

Political Engagement

Different political events elicit different responses from individuals. Some individuals are highly politically engaged while others find little of concern for themselves in the political discussions of the day. While not everyone has the same response to the same political event, there are some who maintain a high interest in government policies and political events. These engaged individuals follow a particular event with a high level of interest and involvement. Concurrently, these individuals are more likely to seek information and discuss the issue with others. Political events in general and unique, specific events are sources of interest and become issues for the politically engaged. Thus, a government policy or political event is more likely to stir emotions for them. For others, however, a government policy or political event may not be an issue at all. These individuals demonstrate a low level of interest. They are less likely to get involved/respond to a government policy or political event. These individuals don't seek information, and they don't follow closely current government policies or political events. Therefore, government policies and political events associated a MNC's home country will have much lower impact on them.

From the above discussion, we expect that HCN employees who are attuned to the MNC's home country government policies and political events and are more politically engaged to experience a change in their organizational commitment to the MNC arising from MNC home country government policies and political events. Conversely, we expect HCN employees who are limited in their political engagement to experience little change in their organizational commitment to the MNC arising from MNC home country government policies and political events. This leads to the following proposition:

Proposition 4b: The higher a HCN employee's own political engagement, the greater an impact a MNC's home country government policy/political event has on a host country national employee's organizational commitment.

DISCUSSION AND CONCLUSION

Klein noted that "A country's actions can haunt its international firms decades after the fact" (2002, p. 360). Thus, the actions of a nation-state's government to promote the objectives of the nation can reverberate to impact the success of that nation's MNCs in unintended ways.

To date, academic studies have not assessed the individual level outcomes of MNC's home country government policies or political events. We have suggested that a relationship can be established between a subsidiary's employees' organizational commitment and a MNC's home country government policies and/or political events. In this paper, we conceptualized how host country national employees react to the MNC's home country government policies and/or political events. A country's policies and/or actions in the international arena might affect how its MNCs' overseas employees perceive and react to the companies for which they work. As national affairs transpire between countries, HCN employees' affective evaluations of their MNC are expected to be influenced. The impacts of the MNC's home country government policies or political events on HCN employees' organizational commitment is expected to wax and wane depending on diverse factors such as intensity/duration of an policy/event, the salience of the MNC's nationality, the overall strategy of the MNC, and various individual personal characteristics.

Operating an international business makes it necessary that managers and researchers have a better understanding of foreign employees' reactions toward and commitment to their organization. This paper

seeks to make two contributions to the existing management research on political risk and organizational behavior. First, this paper identifies the effect of a previously undiscussed factor in the study of international organizational behavior, (home country governmental policies and/or political events on HCNs). Thus, our theorizing is an attempt to provide the missing link between the streams of political risk and organizational commitment literatures on this topic. International politics are legitimate and important areas of inquiry for researchers in international organizational behavior research. Second, the research focuses on the political risk arising from the home country rather than the risk of host country events. Previous political risk research focused on the host country, not the home country. Our study is in line with the growing literature examining the effects of political risk.

This study, motivated by the disparities between previous strategy and international management research, has practical relevance to managerial decisions regarding organizational commitment and behavior. With increased political instability and conflict, operating an international business makes it necessary that managers and researchers have a better understanding of foreign employees' commitment to their company. Politics and business are inseparable; they are intertwined. A MNC's home country's unpopular government policies or political events that garner international attention may be viewed as being hostile by HCNs. Negative reactions to such policies may affect the performance of MNCs. In view of such possibilities, MNCs should develop strategies to neutralize or resolve potential negative sentiments. Additionally, MNCs may distance themselves from such unpopular policies or events by diminishing perceptions of the MNC's linkage to a specific home country.

Though the model presented here has conceptual strength, it also suffers from conceptual limitations. Several directions for future research remain to be investigated in order to provide an even more robust understanding of the phenomenon under consideration. First, other dependent variables such as organizational identity or turnover should be considered. We do not know whether MNC home country government policies and/or political events have an impact on HCN employees' organizational identity or whether it will affect their turnover. Second, other potential moderators or the antecedents of such negative sentiments should be examined. Examining additional dependent variables, moderators and antecedents will lead to the development of a more comprehensive model. Finally, future research might seek to understand what MNC actions may exacerbate the situation and develop strategies to defuse such negative sentiments.

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