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Beyond global mobility: how human capital shapes the MNE in the 21st century

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BEYOND GLOBAL MOBILITY: HOW HUMAN CAPITAL SHAPES THE MNE IN THE 21ST CENTURY

Abstract

The global mobility of people has transformed how multinational enterprises (MNEs) manage and benefit from multiple locations. We examine the changing locational boundedness of human capital with globalization and how this has impacted the competitiveness of MNEs. The growing use of quasi-internalization through the active reliance on global value chains and outsourcing has altered the way MNEs spatially organize their activities to optimize their access to human capital, a key source of ownership advantages. We identify areas for further research, including new strategies for managing human resources using these new forms of cross-border governance. Collectively, the papers in this special issue provide insights into how MNEs can leverage the movement and reorganization of their human capital to enhance their unique capabilities and succeed in international business.

INTRODUCTION

It is widely accepted that one of the central features of the last century has been economic globalization, with a key aspect being the intensity and extensiveness of international business (IB) activity. Globalization and migration have been interconnected and co-evolutionary processes, both within and between countries.

From both policy and managerial perspectives, migration—whether inward or outward, intended or unintended—matters, because the quality and quantity of a nation's human capital are strongly associated with its welfare and competitiveness. Migration and migrants are politically and socially controversial topics, with popular discourse often focused on explaining various development challenges, from poverty and inequality to societal unrest and resource constraints (Hernandez, 2024; de Haas, 2023; van der Straaten, Narula & Giuliani, 2023). While the importance of migration in influencing civil society and economic activity is rarely disputed, the debate centres on whether the effects of migration are negative or positive, and whether these outcomes are causally related to migration (Haas, Castles, & Miller, 2020; Benveniste, Oppenheimer & Fleurbaey, 2022; Gamso & Yuldashev, 2018).

From an IB perspective, and in the context of this special issue, we focus specifically on the mobility (or lack thereof) of human capital. Human capital plays an undeniably central role in MNE activity, and MNEs, in turn, shape the fabric of modern society through the flows of knowledge, goods, services, and capital (both within and between countries) via their global value chains (Hajro, Brewster, Haak-Saheem & Morley, 2023).

To clarify, migration broadly refers to the movement of people across and between geographic regions, and the migration lens considers how this movement affects location-bound socio-economic activity. In contrast, IB considers how firms and MNEs strategically

choose locations to best complement their mobile assets. Human capital mobility is not concerned with migration per se, but with how the outcomes of migration influence the location-bound assets available to firms and how MNEs reconfigure the spatial organization of their activities to optimize the benefits of multinationality. In other words, the movement of individuals matters only insofar as they are employed (or employable) directly or indirectly by firms and enterprises engaged in cross-border economic activity. Such mobility may occur within the formal and informal hierarchies of the MNE, its subsidiaries, and affiliates, or independently through non-affiliated suppliers operating within the MNE's milieu.

Migration *per se* has largely been viewed as a sociological issue, but in recent years, management and IB scholars have increasingly focused on its consequences for the economic activities of entrepreneurs, firms, and MNEs (e.g., Acosta & Marinoni, 2023; Fry & Furman, 2023; Shukla & Cantwell, 2018; Li, Hernandez, & Gwon, 2019). These scholars have effectively distinguished between different categories of globally mobile populations.

Human capital, with its dual nature as both a location-specific asset and an ownership advantage, has been the subject of growing interest in the field of IB (Andersson et al., 2019; Hajro et al., 2023). This special issue explores how changes in global mobility influence MNE performance, recognizing that MNE performance is closely linked to its ownership, location, and internalization advantages. MNEs, in this view, are not merely passive actors; they actively contribute to mobility by relocating key employees between locations to enhance firm-specific efficiency and innovation, as well as by establishing operations in locations that provide proximity to appropriately skilled (potential) employees.

A key source of competitiveness for MNEs is their ability to access, integrate, and deploy knowledge across geographic boundaries, much of which is embodied in and facilitated by globally mobile individuals (Hernandez & Kulchina, 2020; Santangelo, Rocha,

& Sofka, 2024; Uhlback & Anckaert, 2024). The ownership advantages of MNEs derive from their firm-specific and location-bound human capital, as well as from effective processes within their various networks that leverage this capital for knowledge utilization and acquisition (Mudambi, Narula, & Santangelo, 2018; Santangelo & Phene, 2022).

Globalization has continued to reshape our understanding of human capital and MNEs in several ways. First, the traditional view of human capital as immobile has changed, bringing both positive and negative implications. Until recently, politicians and economists considered the quality and availability of skilled and unskilled workers, along with the knowledge they possess, to be immobile and location-bound assets that attracted firms to specific regions and countries (Malmberg & Maskell, 2002; Beugelsdijk, McCann & Mudambi, 2010; Lavoratori, Mariotti & Piscitello, 2020). This is no longer the case, as advancements in technology, remote work opportunities, and the rise of digital platforms have enabled workers to operate from virtually anywhere in the world. Additionally, the shift toward flexible work arrangements has led to the rise of a new trend: digital nomadism.

Second, the role of skills as a critical aspect of human and economic development has become even more vital with globalization. However, not all countries have the policies or resources to maintain and upgrade the skill levels of their local human capital, resulting in underperforming private sectors, fewer domestic jobs, and increased outward investment as firms choose to relocate. Some countries have addressed their human capital shortages by promoting immigration to fill their domestic supply gaps. In other cases, fewer domestic opportunities have led to a degree of human capital flight through emigration, exacerbating the brain drain of talented individuals in response to the imbalance between the supply and demand of human capital.

This special issue was curated to address these concerns by exploring the evolving dynamics and complexities of global mobility, offering a nuanced understanding of its impact

on the spread and activities of MNEs. Building upon the contributions of the special issue papers, we identify gaps in current research that need to be addressed to better understand the complex relationship between global mobility and MNEs.

Specifically, while MNEs have greatly benefited from the growth in global mobility, globalization and the perceived rise in migration levels have faced considerable societal, social, and political resistance. Social resistance to mobility has manifested in rising protectionism (Evenett, 2019), xenophobia, and ethnocentrism (Hjerm & Nagayoshi, 2011; de Haas, Castles, & Miller, 2020), as well as increased pressure on MNEs to prioritize home-country employment by keeping jobs "at home." The tension between political imperatives and economic realities has led to an imperfect alignment between public opinion, political rhetoric, and the actual migration policies implemented by countries.

It is perhaps no accident that MNEs have thrived amid globalization, not only by exploiting optimal human capital assets globally but also by benefiting from reduced transaction costs associated with most cross-border transactions, facilitated by the growing digitalization of business processes. This has shifted the operating landscape for MNEs, with an increased use of quasi-internalization modes that allow firms to organize their overseas operations through contractual and non-equity arrangements—rather than relying solely on full internalization—most commonly associated with outsourcing and offshoring (Narula et al., 2019).

Quasi-internalization has permitted access to immobile, location-bound human capital and related knowledge without having to internalize these resources (Gereffi, 2019, Magnani et al., 2019; Asmussen, Chi, & Narula, 2022), and has seen rapid growth in alliances, outsourcing and the use of global value chains (GVCs). Firms have increasingly used these non-equity relationships in low-wage (and weak-regulation) countries to reduce the burden of home country regulation through cascading compliance, while also benefiting from lower-

cost inputs (Dindial & Voss, 2024). From a global mobility perspective, this means that MNEs have been able to access immobile human capital outside the structure of their own organization, while also avoiding the costs and responsibility of direct employment (Goerzen & Van Assche, 2023). This has permitted domestically oriented firms to reap some of the benefits of multinationality without investing in the resources and capabilities ordinarily required by traditional MNEs. With the growing and iniquitous of outsourcing, many domestic firms have become capable of tapping into local knowledge and begun to reap the benefits of knowledge recombination without altering their organizational modes. This trend, as we discuss later, has also benefitted from workforce organization trends such as work-from-anywhere (Choudhury, Foroughi, & Larson, 2021)

All these factors highlight the necessity for an all-encompassing perspective on global mobility, as well as a more nuanced understanding of the implications of changes in global mobility for the spread and activities of MNEs. In the next section we place mobility in the context of the MNE. We then propose how – in the context of the papers included in this special issue – the changes in the spatial organization and governance of the MNE and the global value chain have been affected (and effect) global mobility. We systematically consider how theoretical contributions to IB theory regarding quasi-internalization affect our understanding of global mobility and the MNE, and evaluate how these influence the ownership and location advantages of the MNE and IB more generally.

UNDERSTANDING GLOBAL MOBILITY IN THE CONTEXT OF THE MNE

People migrate globally for various reasons, including seeking better employment opportunities, pursuing higher education, reuniting with family members, escaping wars, conflicts or persecution, improving their quality of life, supporting business expansion, and pursuing entrepreneurial or innovative endeavours. The literature on migration offers fairly

detailed guidance on the nature of migration and has well established definitions, which we summarise in Table 1 (some examples include Cerdin, Dine & Brewster 2014; Hajro et al., 2019; and de Haas et al., 2020). This special issue has intentionally focused on a related (but nevertheless distinct) theme of mobility and the perspective of the MNE. The MNE is not merely passively reliant on human capital mobility as a key resource in shaping its location choices, but it actively contributes to global mobility (and migration) by defining demand for workers, and subsequently the location advantages and competitiveness of regions and countries. Thus, in our view, it is not just that people may choose locations, but by actively seeking human resources, MNEs play just as important a role in offering a vector to migration, both within and between countries.

In a broad sense, the economic, political, social, cultural, factors that shape global mobility can be categorized into push and pull factors. The nature and combination of push and pull factors vary for different groups, influencing how they contribute to MNEs, and how actively MNEs seek them as employees. Table 1 offers further details.

- INSERT TABLE 1 AROUND HERE -

Indeed, globally mobile employees have been distinguished based on the positive or negative value associated with them (Cerdin & Selmer, 2014), their legal status, and their employment outcomes (Andresen et al., 2014; McNulty & Brewster, 2017). These categories are often fungible, with individuals moving between them. For instance, countries including Canada, Australia, and the UK have developed policies that redefine highly skilled refugees as economic migrants. Although distinguishing among globally mobile employee groups is useful when identifying which characteristics matter for a particular project, we also endorse an inclusive approach to examining a wider range of globally mobile employees than has traditionally been done in IB (Muibi & Fitzsimmons, 2022).

Traditionally, IB research has focused most attention on corporate expatriates, who are sent on temporary assignments within the MNE. These important foundations often explained expatriates' acculturation while away from home and how MNEs could support their success (Mendenhall & Oddou, 1985). Yet, McNulty and Brewster (2020) argued that there may be limited additional value from further expatriate research, if it unnecessarily limits expanding IB research towards the broader globally mobile population. We continue to see an important role for expatriate research in the future of IB and point to papers in this special issue by Liu, Sekiguchi, Qin, & Shen, (this issue) and Takeuchi, Li, Kim, & Shay (this issue) to show the continued interest and novelty in this group.

Beyond corporate expatriates, the next largest group studied are high-skilled migrants, who are permanent economic migrants, followed by self-initiated expatriates, who presume they will eventually return to their countries of origin. Fan, Zhu, and Shaffer's (this issue) model of loneliness applies to all globally mobile employees, while Peltokorpi and Xie's (this issue) findings show that context-specific language capabilities can create and sustain unequal relations between skilled migrants and local employees. Coda Zabetta, Miguelez, Lissoni, and Hegarty (this issue) focus on top management teams and offer an expanded view of foreign-origin migrants. Their view includes both migrants and their descendants who identify with and have ties to their country of origin, with consequences for firm acquisitions.

New research has also identified the 'forgotten' role of globalizing actors who do not migrate themselves, such as staff involved in directing, disseminating, monitoring, and championing globalizing activities (Edwards et al., this issue). So far, IB research has focused less attention on lower-skilled migrants or digital nomads Although all of these groups are globally mobile, they vary in terms of their relative permanence, skill level, and embeddedness.

Two articles in this special issue contrast the implications of staffing from two distinct groups. Yao, Yang, Chang, and Lu and colleagues (this issue) show that MNEs react to the perception that expatriates are "stealing" locals' jobs by replacing some expatriates with host country nationals. Belderbos, Leten, Nguyen, and Vancauteren (this issue) also examine the factors predicting substitution between employing migrants in the MNE's home country and foreign workers in their overseas affiliates.

It is well-documented that – despite the rhetoric – many states continue to deliberately seek to address shortages of human capital in specific sectors through immigration incentives (de Haas, 2023). Nations compete to attract such employees by introducing policies specifically designed to attract highly skilled individuals to emigrate. Indeed, we are witnessing the emergence of digital nomads, a new form of globally mobile workers. These workers engage in 'geo-arbitrage' by constantly seeking new places to live that offer greater relocation incentives programs provided by local authorities (Teodorovicz, Choudhury & Starr, 2024). As explained later in this paper, the relative permanence and level of embeddedness of this new form of people mobility has implications for conveying firm-specific or location-specific advantages to the MNE.

INCREASED GLOBAL MOBILITY: HOW THIS HAS CHANGED LOCATION ADVANTAGES

One of the key observations from this special issue is that global mobility has a direct and interactive role with the ownership advantages of MNEs (see next section). However, less commented on (but worthy of considerably more attention) is the *indirect* effect of changes in global mobility on the activities of MNEs through the changes in *location* advantages.

It should be made clear from the outset that MNEs are by no means the primary determinant of increased global mobility. In addition to forced migration—such as political

and economic refugees fleeing conflict zones, which are outside the scope of this special issue—there is a much larger systematic movement of people due to improved transportation networks, regional integration schemes (e.g., the free movement of people within the EU, the African Continental Free Trade Area and other regional integration schemes), reduced barriers resulting from multilateral and bilateral agreements (e.g., between Canada and the US), and explicit immigration policies by nation states to overcome domestic human capital bottlenecks. Greater cross-border flows of skilled individuals through legal migration means that there is less reason for firms to internationalize primarily in search of talent. Belderbos, Leten, Nguyen, and Vancauteren (this issue) provide support for this assertion by noting that the MNE can hire migrants in its home country and in some cases substitute these for hiring in the host country.

Talent now moves independently, partly in response to demand, as a result of nation states developing industrial policy that incorporates explicit mechanisms to build up human capital (and attract immigrants) to specific targeted sectors for which there is forecasted to be demand for specific skillsets. Indeed, the global North has long relied on immigration. For instance, 58% of doctorate-level computer and mathematical scientists in 2021 in the US were immigrants (Snyder, 2024). Similarly, countries such as Australia, Japan, Germany, Singapore and Canada have policies to attract skilled immigrants. More broadly, the US was home to 51 million migrants in 2020, followed by Germany with about 15.8 million (Natarajan, Moslimani & Lopez, 2022). Indeed, now there are greater opportunities for MNEs to hire foreign origin migrants on their top management teams to support overseas expansion as documented by Coda Zabetta, Miguelez, Lissoni and Hegarty (this issue).

Some populist governments have responded to the pushback to globalization by reducing flexible immigration policies and threatening to introduce sweeping restrictions on immigration. These swings in popular support may change the patterns of immigration from

different countries and can affect the spatial organization of MNE activity. For instance, following Brexit, many MNEs relocated regional headquarters to other EU countries (Driffield et al., 2024). Such restrictions have proven to be ineffective in practice; in the UK, decreases in inflows of EU workers after Brexit has resulted in a rapid rise of non-EU immigrants to address specific skills shortages exacerbated by Brexit (de Haas, 2023). Anti-globalization sentiments have rarely translated into permanent roadblocks to migration, as MNEs are uniquely equipped to navigate these restrictions, given their often-considerable political clout. Belderbos, Leten, Nguyen, and Vancauteren (this issue) posit that the MNE continue to have the flexibility to hire host country workers at their subsidiary in the host country. Nonetheless, in the absence of governmental restrictions, popular rhetoric and public opinion may shape employee attitudes and confound the efforts of MNEs to integrate immigrants. Peltokorpi and Xie (this issue) show that the perceived lack of linguistic capital creates a disadvantaged position for skilled migrants within the Japanese MNEs.

Gradual shifts in comparative advantage also play a significant role. Location advantages evolve as relative prices of key commodities and inputs (including wages) fluctuate, prompting MNEs to adjust their geographical configurations accordingly. Moreover, socio-political circumstances, such as changing social norms and political instability, can also lead to countries experiencing net outflows of skilled human capital, ultimately resulting in a decline in their location advantage. However, locations generally lose their competitiveness in human capital only gradually, and a proactive state can in principle respond to this by modifying the quality, quantity, and skills available through new education and training policies (Narula, 2003). However, implementing such changes takes considerable time. When there is a delay in addressing this, locations suffer from structural unemployment. That is, a mismatch develops between the skills available and the skills that firms seek. Modifying educational and training curricula to meet demand is not easily

achieved and may take years for society to reap the benefits of such changes. More troubling is that many developing countries are unable to restructure their education sectors to align with domestic labor demand, as neither governments nor private enterprises have the necessary resources to invest in the infrastructure needed (Pineli, Narula & Belderbos, 2021).

Table 2 explains how quasi-internalization has helped to overcome some of these bottlenecks due to restrictions to immigration.

- INSERT TABLE 2 AROUND HERE -

Neither MNEs nor domestic firms necessarily need to rely as much on directly hiring workers to address their skills shortages. The advent of new information and communication technologies have meant that MNEs are able to contractually engage individuals and firms in distant locations to work remotely (Choudhury, Foroughi & Larson, 2021). The Covid pandemic helped accelerate the use of remote working and virtual collaboration, and the growing trend towards work-from-anywhere and the rise of digital nomads (Teodorovicz, et al., 2024). As a result, MNEs can take advantage of the increased openness and connectivity to tap into these networks (Alcacer, Cantwell, & Piscitello, 2016). That is to say, while location advantages may continue to be location-bound, firms can utilize location advantages as the basis of firm-specific advantages despite not being collocated with these location-bound assets. Fan, Zhu and Shaffer (this issue) appear to substantiate this by considering globally mobile individuals who are not part of an MNE.

The overwhelming focus across the remaining special issue articles is on human capital within a fully integrated MNE. Of course, there are limits to the extent to which virtual collaboration can substitute for physical collocation, especially for innovation related activity, given both the tacit nature of knowledge (Minbaeva & Navrbjerg, 2023) and the nature of complementary resources needed (Gassmann & Zedwitz, 2003). Yet, large MNEs

such as Microsoft have chosen to rely on remote collaborations and knowledge exchanges as an alternative to mobility, despite the suboptimal outcomes (Yang et al., 2022). On the other hand, defensible intellectual property rights (IPRs) require codification. Moreover, not all countries' legal frameworks offer the same degree of IPR protection, or the capacity to enforce these rights. It is for this reason that MNEs prefer not to use arms-length contractual arrangements when conducting knowledge-intensive R&D activities, preferring where possible to depend upon full internalization within the MNE's traditional structure (Martinez-Noya & Narula, 2018). Furthermore, not all activities can be undertaken virtually. Manufacturing still requires location-bound human capital, and even where MNEs may outsource to lower tier firms within their GVCs, there is growing stakeholder sentiment that the responsibility of enforcing standards in the supply chain remains with the lead MNE (Van Assche & Narula, 2023). Suppliers are likely to shirk these responsibilities in the absence of the lead firm's direct enforcement, because the interests of agents who are contracted to monitor suppliers may not completely align with those of their (physically absent) principal (Short et al., 2016). Indeed, there is some discussion that the need for full chain compliance may lead to some level of re-internalization and reintegration of the supply chain (Van Assche & Narula, 2023).

Location advantages also come in the form of institutions, both formal and informal. In the case of formal institutions, the extent to which governments facilitate innovation and legislate labor-related or IP regulations constitutes a key location advantage (Narula & Santangelo 2012; Wilhelm, 2024). However, it has been noted that many governments fall short in enforcing these regulations, either because they lack the resources to provide support and monitor breaches or because they deliberately choose not to do so. For instance, some choose not to enforce minimum wage legislation amongst foreign investors, as a means to remain competitive as a source of low-cost labor. Others may not be able to create a robust

system of national innovation due to resource constraints or choose not to fully protect IPRs of MNEs as a mean to enhance the competitiveness of the domestic sector (Cui, Narula, Minbaeva & Vertinsky, 2022). However, with rising competition and stakeholder pressure to enforce labor standards, many countries consider membership of formal multilateral accords to bolster location advantage to attract GVC activity. However, MNEs can (and do) partner or outsource to firms located where costs are lower or labor standards are not enforced, effectively arbitraging between locations to avoid the ethical dilemma that doing so with the hierarchy of the MNE would entail. In this situation, it could be useful to extend Yao, Yang, Chang and Liu's work (this issue) by considering how MNEs respond to locational shocks created by deploying firm specific human capital. This extension could help to evaluate whether human capital accessed through outsourcing can confer similar resilience.

CHANGES IN GLOBAL MOBILITY OF PEOPLE: HOW THIS AFFECTED OWNERSHIP-SPECIFIC ADVANTAGES?

Many of the papers in this special issue focus on human capital as a core aspect of the ownership advantages of firms (and MNEs). Such attention is hardly surprising. The pioneering work of Heckscher (1919), Ohlin (1933), and Samuelson (1948) identified labor as one of the two key factors of production, along with capital. Traditionally, labor has been considered an immobile asset tied to a specific country or region, unlike financial capital. Early international business research assumed that MNEs had an advantage over domestic firms in efficiently combining their mobile, non-location-bound firm-specific assets—such as financial resources and proprietary knowledge—with location-bound labor in host countries for international production. Furthermore, it has long been acknowledged that a significant portion of an MNE's proprietary knowledge assets reside in human capital—specifically, the knowledge embedded in its employees. This human-capital embedded knowledge can be

relocated as necessary through the MNE's subsidiary network. This ability to recombine location-specific assets with mobile and proprietary firm-specific assets has been fundamental to the ownership advantages of MNEs (Lee, Narula & Hilleman, 2021).

Consequently, over time, IB theory has solidified around the principle that the core competitive advantage of MNEs is arguably defined by their ability to efficiently organize their human capital across their internal network (Narula, Asmussen, Chi & Kundu, 2019; Andersson et al., 2019). MNEs gained a competitive edge by moving knowledge across geographic boundaries through globally mobile individuals (Minbaeva et al., 2003; 2014; Tallman and Phene, 2007). In each location, MNEs were in principle able to access additional key complementary assets, which included location-bound individuals and knowledge that could be internalized by the MNE (Narula & Santangelo 2012). Once these individuals (who may be employed by other firms) are employed by the MNE, such human capital assets switch from being location advantages to being firm-specific advantages. As a result, an MNE subsidiary can possess unique knowledge and each subsidiary's resources and assets can be distinct from those at the headquarters, or those owned by other subsidiaries (Phene & Almeida, 2008). The capacity of the firm to co-ordinate or recombine these distinctive elements of its knowledge and its skills, or more broadly recombine its firm-specific advantages that can create a dynamic capability for the MNE to evolve and grow as a meta-integrator (Kogut & Zander 2003; Narula, 2014; Lee et al., 2021; Grant & Phene, 2022). That is, the ability to effectively utilize and relocate its (human) resources and assets between its operations in different countries and locations, while still maintaining these assets as *internal* to the MNE is a critical source of competitive advantage. The utility of these human resources for the MNE is demonstrated in two papers, Coda Zabetta, Miguelez, Lissoni, and Hegarty (this issue), highlight the MNE's ability to leverage the knowledge of foreign origin managers on the TMT for its expansion to overseas locations. Takeuchi, Li, Kim and Shay

(this issue) examine the role of global knowledge integration processes in the MNE to enhance expatriate success.

Table 3 offers a contrast between the human capital aspects of ownership advantages under a fully integrated approach and an increasingly quasi-internalization approach, and implications for the manner in which MNE's ownership advantages associated with its human capital – asset, transaction and recombination - are created and managed.

- INSERT TABLE 3 AROUND HERE -

Being an 'efficient' exploiter of its (internalized) global human capital assets is no small feat in a world of complex MNEs with multiple (and heterogeneous) host locations, each with a different set of location advantages. Key ownership advantages of the modern MNE include efficiently establishing organizational processes such as the rotation of scientists across R&D laboratories, hiring the most skilled scientists and engineers regardless of nationality and immigration restrictions, while also facilitating social interactions and tacit knowledge exchanges within the MNE, as well as with the other actors in the respective local milieux of each subsidiary (Narula, 2014). Indeed, research on mobility attests to this advantage for the MNE as result of enhanced innovation and creativity (Almeida, et al, 2015; Kerr & Lincoln, 2010). The focus on the MNE is evidenced in the special issue papers as all of them except for one by Fan, Zhu and Shaffer (this issue) examine questions associated with global mobility within the context of the MNE.

More recent moves towards partnerships and outsourcing have seen a seminal change in terms of management of human capital within MNEs. The fragmentation of the value chain and a drift away from a strong preference for full value chain internalization and integration towards quasi-integration and non-equity modes of control is perhaps the most significant aspect of this. In addition, though, globalization has seen a reduction in

coordination, monitoring and enforcement costs for international business activities. Firms are able to more easily protect intellectual property. This has accelerated the ability of MNEs to interact with and benefit from external actors without the necessity to internalize through equity investment. The growth of inter-governmental institutions designed to facilitate flows of knowledge and harmonize standards across national boundaries enable knowledge access (Jandhyala & Phene, 2015), and enforce property rights (Cui et al., 2022). This has meant that even proprietary activity such as the development aspect of R&D can be in partnership with external actors, removing the need to internationalize as a means to acquire strategic assets, or augment existing assets that may be associated with location-specific assets, or even firm-specific assets that belong to that external actor (Martinez-Noya & Narula 2018; Castellani & Pieri, 2013). Indeed this is where there seems to be clear gap, in extending and evaluating the insights offered by the special issues articles.

EVOLVING GLOBAL MOBILITY AND THE COMPETITIVENESS OF MNES: LESSONS FOR THE FUTURE

Shifting tides in global mobility, along with trends towards quasi-internalization, suggest several changes in the composition of ownership advantages, particularly regarding location-boundedness and firm-specificity. Several of these shifts are identified and illustrated in the papers included in this special issue. Additionally, these papers introduce new ways to study how globally mobile employees influence MNEs' firm-specific advantages.

Belderbos, Leten, Nguyen, and Vancauteren (this issue) take on an interesting question by considering *where* MNEs employ global talent. They consider whether MNEs hire migrant workers in their home countries or local workers at their subsidiaries in host countries. They find that local workers in host countries are substituted for migrant workers in home countries when there is a large wage differential between countries, while R&D

intensive firms substitute globally mobile employees in home countries for local workers in host countries. In contrast, both groups complement each other (rather than being substitutes) when the respective countries have especially high levels of contextual distance, as migrant employment at home confers knowledge benefits while firms are also expanding employment abroad. This flexibility to either complement or substitute allows MNEs to tap location specific knowledge advantages, with or without a presence in the host country, by internalizing talent originating from the host country. MNEs therefore appear somewhat equipped to navigate potential future restrictions on mobility and migration. By considering the role of the MNE's skill intensity, the authors underscore the importance of firm-specific knowledge assets in determining where to source location-specific knowledge advantages. The skill intensity of the MNE confers an important firm specific advantage in allowing it to substitute between the two approaches and maintain flexibility.

Yao, Yang, Chang, and Lu (this issue) take a similar approach by contrasting two talent locations but differ by considering where MNEs deploy talent rather than where they source it. They examine whether the MNE deploys parent country nationals or host country nationals in response to threats. They find that when faced with a symbolic threat, such as those associated with ethics, MNEs tend to deploy parent country nationals, but when faced with a realistic threat, such as those associated with economic losses, MNEs tend to deploy host country nationals. The nature of the firm specific asset, whether parent country or host country, appears to be particularly important to maintaining different types of firm competitive advantage (symbolic or economic), when faced with a location specific disadvantage. This paper is valuable for identifying how MNEs can use staffing strategies to respond to moral threats.

Coda Zabetta, Miguelez, Lissoni, and Hegarty (this issue) explore how MNE expansion decisions are influenced by the countries of origin among top management team

members. They suggest that foreign-origin managers provide "surrogate experience" about the costs and opportunities of doing business in their countries of origin. This paper is useful for developing the argument that the firm's knowledge assets have important consequences for the overseas spread of MNE activities, and that these effects are stronger for countries with weaker institutions. Thus, locational disadvantages may be offset by internalizing employees who can provide the knowledge to navigate them. Additionally, they posit that this effect is stronger for acquisitions compared to greenfield investments due to the steeper upfront costs associated with acquisitions. Foreign origin managers, therefore, appear to be important for managing the recombination processes involved in acquisitions.

Peltokorpi and Xie's (this issue) research is particularly relevant for explaining why some skilled migrants face disadvantaged positions. They use an abductive approach to find that an actual or perceived lack of linguistic capital results in disadvantaged positions for skilled migrants within a Japanese MNE. Essentially, limitations in linguistic capital hinder access to social and economic capital. The reverse is also true, creating a cycle that perpetuates the disadvantaged positions of skilled migrants within these MNEs. Their research suggests that the MNE is not able to fully harness its human capital for competitiveness. Indeed, there appears to be potential for the MNE to invest in its firm specific and recombination assets – namely, skilled migrants – to enable them to cultivate organizational social capital and effectively function as boundary spanners. At the same time, the MNE may invest in its human capital to increase receptivity to knowledge provided by migrants and overcome the negative perceptions associated with language differences. Their paper suggests directions for the MNE to cultivate firm specific advantages through full internalization and nurturing its globally mobile talent.

The next three papers all examine a related set of outcomes. Namely, the integration (Fan, Zhu & Shaffer, this issue), commitment (Takeuchi et al., this issue), and identification

(Liu et al., this issue) of globally mobile employees. Yet, their paths and enabling conditions vary widely across the three papers.

Fan, Zhu and Shaffer (this issue) focus on the individual to examine how globally mobile individuals achieve social integration and overcome loneliness when they relocate to a new country. They propose a process model that suggests three pathways to integration: an expansion pathway that leads to authentic integration, a protection pathway resulting in superficial integration, and an underutilization pathway that serves as an interim route leading to the other two. Their focus on the individual highlights the greater emphasis on the micro level compared to the MNE. However, the core of their argument – i.e., integration – points to the relevance of embeddedness for the individual within the location. They underscore the importance of embeddedness not just for knowledge access but also for overcoming loneliness, enabling mobile individuals to function effectively and perhaps pursue boundary spanning roles.

Takeuchi, Li, Kim, and Shay (this issue) take a similar approach to Fan, Zhu, and Shaffer (this issue) in examining how individuals within the MNE can adjust to a new location. However, instead of focusing on how individuals overcome loneliness, they examine how foreign subsidiaries' structural configurations impact expatriates' commitment to their parent companies and their intention to complete their international assignments. Structural configurations refer to the ways subsidiaries are set up, including decision-making processes (centralized or decentralized) and the level of rules and procedures in place (formalization). They find that expatriates have better organizational commitment and assignment completion when structural configurations are highly decentralized and formalized. Their paper highlights the importance of firm transaction assets – i.e. control and coordination of the subsidiary – in enabling greater success for expatriates. Further, their examination of the moderating role of global knowledge integration processes within the

MNE demonstrates the role of firm recombination assets in amplifying the effects of firm transaction assets on expatriate success.

Liu and colleagues (this issue) also focus on expatriates, but they focus specifically on how their boundary spanning roles cultivate trust between expatriates and host country employees. This trust, in turn, facilitates cross-identification: expatriates' identification with the subsidiary and host country employees' identification with the MNE. Integrating social capital and role theory perspectives, their paper highlights both the positive and negative effects of boundary spanning. What makes this paper particularly intriguing is its comprehensive examination of the double-edged effects of boundary spanning, categorizing it into functional, linguistic, and cultural types, each with distinct impacts on mutual trust and role stressors. While boundary-spanning nurtures mutual trust and identification, it also increases role stressors, leading to emotional exhaustion and outgroup categorization by host-country employees. This dual impact underscores the need for MNEs to provide support and mitigate stressors for expatriates to ensure their successful performance in boundary-spanning roles. Similar to Peltokorpi and Xie's (this issue) findings, this research suggests a greater need for MNEs to provide support to help expatriates successfully use their boundary spanning to recombine assets for the MNE.

Edwards and colleagues (this issue) expand our attention from internationally mobile actors to so-called 'forgotten' globalizing actors – those involved in global norm making within MNEs. In doing so, they suggest a means for studying immobile enablers of the MNE's recombination activity. They identify how nine distinct types of globalizing actors help to shape global norms, despite lacking any formal hierarchical authority or being globally mobile. These characterizations suggest a fine-grained view of the firm specific assets. Both globalizing and local roles are essential for recombination and can enable embeddedness within the MNE and the host country location, respectively. However,

globalizing actors with high organizational and geographic reach seem particularly poised to fill boundary-spanning roles within the MNE. However globalizing actors who appear to have high organizational and geographic reach seem to be poised to fill boundary spanning roles within the MNE. This study therefore speaks directly to the need to recognize the diverse human capital roles that contribute to global integration within MNEs, beyond the traditional focus on senior executives and expatriates.

Building on these contributions, future research could explore several promising directions. All of the papers, with the exception of Fan, Zhu, and Shaffer (this issue), focus on internalization approaches to human capital within the MNE. Collectively, this special issue offers a valuable platform for future research, highlighting unique opportunities to explore whether and how quasi-internalized MNEs - those with quasi-integrated value chains - approach global mobility of people compared to traditional, fully integrated MNEs, and whether these differing approaches have distinct performance implications. For example, future research could investigate how the shift toward quasi-internalization, driven by changes in global mobility, impacts location-bound advantages: How does the performance of MNEs that adopt quasi-integrated approaches to accessing location-bound knowledge compared to that of fully integrated MNEs? Do fully integrated MNEs facilitate acculturation and commitment among globally mobile individuals more effectively than quasi-integrated MNEs? How does quasi-integration influence an MNE's ability to respond to shocks and enhance resilience? Equally promising is research that investigates changes in ownership advantages: To what extent do MNEs rely on quasi-integration approaches to access the knowledge of globally mobile individuals? How can MNEs establish a common frame of reference for their human capital that is globally insourced from external partners? Under what conditions can a quasi-integrated approach, facilitated through alliance partners, foster greater receptivity and openness to the skills of diverse external actors, thereby enhancing the

MNE's ability to span external boundaries effectively? In the last columns of Tables 2 and 3 we suggest more research questions that emerge from a combination of our examination of changes in ownership and location advantages of the MNE and the special issue papers.

Let us offer our own reflections on the shift toward quasi-internalization driven by changes in global mobility. In part, it seems credible that increased layers of formal cross-border institutions may become necessary, in addition to supranational organizations to enforce them. The growth of online communities on digital platforms that facilitate interactions and the complexity and functionality of information systems and artificial intelligence (Loh & Kretschmer, 2023; Grant & Phene, 2022) may also enable MNEs to more effectively enable knowledge transfers across national borders without relying on individual mobility. Furthermore, given the challenges in persuading knowledge holders to relocate for traditional expatriate assignments, MNEs may increase quasi-integration approaches by relying on short-term mobility, gig-economy workers, self-initiated expatriates and low-status expatriates, thereby limiting their geographic footprint (Haak-Saheem & Brewster, 2017). For example, the dramatic drop in expatriates due to the mobility restrictions imposed by China during the Covid pandemic (Bickenbach & Liu, 2022) may also have spurred such shifts to quasi-integration.

While these alternatives to traditional approaches taken by MNEs to address their human capital requirements could present an opportunity for competitive advantage for the MNE, they may also create a challenge for the MNE. Other actors such as purely domestic firms also recruit digital nomads without a physical overseas presence and leverage their knowledge, hire self-initiated expatriates or encourage employees to participate in digital communities to source knowledge. That is to say, the ownership advantages MNEs possess, by virtue of their multinationality are being attenuated by these developments.

The individual becomes more important in the quasi-internalization context, as firm specificity of knowledge is reduced through the reliance on these short-term employees. As mobility loosens the location specificity of knowledge and quasi-integration limits its firm-specific advantages, the MNE may find itself at a less advantaged position compared to other domestic firms. Although MNEs have traditionally been known to pay their workers more than domestic firms, evidence indicates that increasingly high wage workers in MNEs are also more mobile (Andersson, Castellani, Fassio & Jienwatcharamongkhol, 2022). This suggests that firm-specific knowledge embodied in MNEs has also become less 'sticky', as employees may value jobs at MNEs less than previously. The consequence is that MNEs may be less able to retain skilled workers.

As we discuss in this introduction, the importance of the individual is also demonstrated by the fragmentation of vertically integrated MNEs and the trend towards global value chains and quasi-integration with a greater need for the MNE to invest more resources in boundary-spanning activities. This serves two purposes. First, lead MNEs in GVCs are held to be responsible for compliance to various ethical, legal and labor standards across its entire network of partners and suppliers, and must invest resources in monitoring and enforcing standards to which the MNE's stakeholders are held (Deberge 2024, Li & Goerzen 2024). Second, the configuration of value chains is fluid, and participants continually exit and enter this chain. MNEs must invest resources to identify new potential locations and partners proactively to increase their value creation and keep their costs to a minimum. MNEs that rely on global value chains must invest heavily in coordinating across and between countries, as well as enforcing standards, and require a dedicated team of boundary-spanners (Conroy et al., 2023; Minbaeva & Santangelo, 2018). This implies recruiting and retaining individuals who can effectively fulfill boundary spanning roles.

It is worth noting that states which are more successful in engaging with GVCs, and upgrading the extent to which that domestic industry is embedded in these GVCs are increasingly proactive in upgrading their location advantages to meet the human capital that led MNEs require from their suppliers (Ibarra-Olivo, Neise & Breul 2024).

What are the managerial implications? As MNEs adopt quasi-integrated models, they may find themselves needing to develop new strategies for managing the flow of knowledge and ensuring that external alliances do not dilute the firm's core competencies. The ability to create a common frame of reference among a diverse and dispersed human capital pool will be crucial in maintaining alignment with organizational goals. Moreover, the success of quasi-internalization may depend on the conditions under which external partners are selected and integrated, as well as the mechanisms in place to foster trust, openness, and collaboration.

There is also a broader responsible agenda and greater societal implications. Changes in global mobility offers MNEs opportunities to rethink how they manage their human capital across borders and firm boundaries. Subsidiaries should look to create greater value creation from local human capital (Morris et al., 2016) through social upgrading, such as recruiting underrepresented minorities in local cultures that do not give them many opportunities (Barrientos, Gereffi & Pickles, 2016). For example, German engineering firm Siemens taps into a wider talent pool locally by reskilling asylum seekers forced to leave their home, such as engineers, nurses and teachers, through targeted recruitment and training. However, to do so, the corporate HR function may need to more willing to give subsidiaries the freedom to adjust to the local human capital conditions in order to develop greater collaboration and embeddedness at the subsidiary-local interface. Firms should aim to staff these subsidiaries with local champions who can effectively localize and adapt their innovation activities rather than deploying expatriates. This may be particularly important for subsidiaries located in highly innovative clusters or developing economies where access to quality education is

limited. This will contribute both to value creation and help address particular sustainability goals of industry, innovation and infrastructure (SDG 9), quality education (SDG4) and gender equality (SDG 5).

More generally, corporate HR functions should move beyond a traditional focus on what to do (what practices to implement) and how (to standardize globally or adapt locally). Establishing employee-centric cultures and driving socially responsible activities beyond subsidiary boundaries would allow MNEs to better leverage employees' contextual knowledge through purposeful roles or career paths (Morris, Hammond & Snell, 2014), even when they are immobile. This would also help tackling sustainable development goals of decent work and economic growth (SDG 8) and reduced inequalities (SDG 10) in developing countries.

CONCLUSIONS

Although this special issue overlaps with the discussion pioneered by Hajro and colleagues (2022) on migration and IB, the intellectual footprint of this special issue is more narrowly focused on managerial implications of the active role of MNEs and GVCs in reconfiguring their spatial organization to take advantage of the alternative governance options offered by quasi-internalization.

The competitiveness of the MNE remains inextricably tied to its ability to extract rent from its intricate web of knowledge sources, specialized human capital and other resources, in addition to its capacity to optimally serve markets. How the MNE stays competitive remains driven by its capacity to combine location-bound assets with its firm-specific advantages, and to upgrade these advantages through innovation. With globalization, firms have harvested considerable benefits from radically declining transaction costs of internationalization, and the ease of enforcing contractual arrangements. This, in turn, saw the

fragmentation of value chains as firms have utilized novel forms of quasi-internalization. What we are seeing with the pushback to globalization is also a return to a greater degree of re-internalization (Van Assche & Narula 2023). These changes have considerable implications for the spatial organization of MNE activity, the stickiness of locations, and the rise of 'geo-arbitrage'.

The special issue offers several lessons for managers. Most notably that MNEs can utilize mobility in different ways, by recruiting in different locations, exploiting knowledge on top management teams and leverage it towards achieving different ends, enabling overseas expansion, responding to institutional shocks and facilitating boundary spanning. At the same time, the special issue papers point to challenges for the managers in tapping into these advantages, notably a lack of acculturation and integration of globally mobile individuals and employees. In order to capitalize on the benefits of global mobility, MNE managers need to cultivate appropriate structures and integration processes and reduce stressors on expatriate employees.

In this special issue, we have demonstrated that *changes in global mobility have a direct and interactive role with the ownership advantages of MNEs*. Location-specific advantages are only in part location-bound, but they may still be the basis of firm-specific advantages despite firms having less imperative to be collocated to benefit from them. The rise of quasi-internalization modes offers a valuable shift by *enabling firms to access location-bound human capital and related knowledge without fully internalizing these resources.*

In sum, the progress in IB theorizing and our comprehension of the drivers behind MNEs sustainable competitive advantages hinge upon our knowledge of how these corporations can efficiently manage human capital across their internal networks. It is evident

that further research is crucial to gain a deeper understanding of the *strategic role* human capital plays within MNEs.

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Table 1: Push and pull factors across groups of globally mobile human capital

	Push	Pull	Unique feature
Corporate expatriates; people sent on temporary assignments within the MNE.	Work	Actively sought by subsidiaries or HQ	High-status form of migration; they have the strongest pull factors of all groups.
Highly skilled migrants; permanent economic migrants with substantial credentials and training.	Education, work, social	Potential interest by employers. They are sometimes actively sought by MNEs	Similar to traditional expatriates, except their push factors are stronger than pull.
Self-initiated expatriates; Most presume they will eventually return to their countries of origin.	Social, work	Potential interest by employers	They range widely in push and pull factors, based on a wide range of skills or credentials. Although some are actively sought by employers, push factors tend to be stronger for this group.
Lower skilled migrants; Permanent economic migrants, with fewer credentials or training.	Lack of economic opportunities	Some sectors are highly sought by employers (e.g. hospitality, construction).	This group is similar to the highly-skilled migrants in building high levels of permanence and embeddedness.
Digital nomads, those who leverage technology to work remotely while traveling or living in various locations.	Social, work, educational	Potential interest by employers	Similar to the self-initiated expatriates, this ranges broadly in terms of how in-demand their skills are.
Refugees, people who move due to unsafe living conditions at home.	Unsafe conditions	No interest from MNEs	This group migrates almost entirely due to push factors.

Note: This table was developed by the authors in support of this special issue.

Table 2. How location advantages are affected by global mobility (and quasi-internalization)

Subset of L advantage	Example	Effect of internalization changes		SI Articles	Research Opportunities
		Fully integrated MNEs	**Quasi-integrated MNEs**		
Location-bound knowledge infrastructure – university researchers, research institutes, funding agencies	Knowledge embodied in national and regional systems	MNEs cultivate local network embeddedness in key locations to access knowledge	MNEs can source locational knowledge in alternate locations due to mobility of knowledge, knowledge workers or contract with them to access knowledge	Belderbos et al (this issue) propose that sourcing knowledge from alternate locations, either in the home country or the host country, is possible within an integrated MNE	Which MNEs are poised to take advantage of quasi-internalization trends on contracting with workers to access location bound knowledge? How does the performance of MNEs that take quasi-integrated approaches to tap into location bound knowledge compare with that of fully integrated MNEs?
Human capital creation and maintenance	Education and training institutes necessary for skilled and unskilled workers	MNEs establish own operations in host countries to take advantage of skills and low-cost labor	MNEs partner with local firms or outsource operations to local suppliers, cultivating global value chains	Coda Zabetta et al (this issue) suggest that the human capital of foreign origin managers on TMT enables the overseas expansion of the MNE Fan et al (this issue) examine how globally mobile individuals overcome loneliness	Does a quasi-integration approach related to human capital through partnerships offer the same advantages to enabling overseas expansion as fully integrated approaches? Are certain types of human capital activities better supported within fully integrated MNEs, for example can fully integrated MNEs enable

				and integrate in a new country Takeuchi et al (this issue) suggest that certain organizational structural configurations enable better expatriate commitment and assignment completion	acculturation and commitment of globally mobile individuals better than quasi integrated MNEs?
Institutional alignment and resilience	The predictability and reliability of formal institutions, enabling knowledge creation, protecting property rights, labor standards etc.	MNEs concentrate knowledge-intensive subsidiaries where institutions support creation and protection of their competitive advantages best. However, this also creates inertia due to high sunk costs	MNEs can reconfigure their activity rapidly by taking advantage of global institutions to access knowledge and by adapting their supplier network in response to changes in formal institutions	Yao et al. (this issue) address the issue of alignment in the host country when faced with different shocks by considering MNE deployment of its employees who are parent or host country nationals	How does quasi-integration of the MNE influence response to shocks and enable resilience? Does the deployment of host country nationals who are contractually employed need to be better supported by parent country nationals?

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Table 3. How ownership advantages are affected by global mobility (and quasi-internalization)

Subset of ownership advantages	Example	Effect of internalization changes		SI articles	Research Opportunities
		Fully integrated MNEs	Quasi-integrated MNEs		
Asset type FSAs	Knowledge embodied in skilled and unskilled workers to utilize hardware and equipment; Knowledge embodied in R&D personnel	MNE investment in subsidiaries with own R&D scientists; in-house training, apprenticeships, and systematic skills transfer. Emphasis on maintaining in-house MNE expertise	Increased reliance on outsourcing and partnerships with firms in different locations, use of digital platforms, digital nomads. IP protection relies heavily on legal and enforceable cross-border formal institutions.	Several papers focus on knowledge conferred through MNE investment in hiring mobile individuals (Belderbos et al, this issue; Coda Zabetta et al, this issue) Fan et al (this issue) considers globally mobile individuals but not within an MNE context (Fan et al, this issue) that MNEs could tap into through quasi-integration	To what extent do MNEs rely on quasi-integration approaches to access knowledge of mobile individuals? What types of knowledge are sought through quasi-integration and what is protected within the fully integrated MNE?
Transaction type FSAs	Knowledge to organize efficient intra-firm flows and activities, embodied in accountants, general management	MNE investment in cultivating firm-specific human capital and HR practices to retain expertise in managing complex intra-MNEs hierarchies and	Greater outsourcing of activities of non-core activities to external providers not necessarily collocated with the MNE	Edwards et al (this issue) focus on globalizing actors who are involved in global norm making within the MNE	How can MNEs create a common frame of reference for their human capital globally insourced from external constituents? How can MNEs identify appropriate

		reducing transaction cost of global footprint			external providers of human capital to enable management of complexity while reducing transaction costs of allowing for too much flexibility?
Recombination FSAs	Knowledge to : 1. Transfer and adapt subsidiary-specific FSAs for use in other MNE units; 2. integrate location-bound assets outside MNE with MNE's FSAs	MNE invests in and develops internal boundary spanners, as well as in-house location-specific boundary-spanners to manage local embeddedness with host country stakeholders.	Reliance on external suppliers and alliance partners within GVC to establish host-country network for external and internal boundary spanning. Some external and internal boundary spanning by the MNE may continue to access tacit knowledge and to maintain and protect its firm specific advantage	Peltokorpi and Xie (this issue) highlight the challenges for MNEs in enabling skilled migrants who lack linguistic capital in becoming internal boundary spanners Qin et al (this issue) examine how boundary spanning roles of expatriates cultivate trust between the expatriate and host country employees	When can a quasi-integrated approach through alliance partners create more receptivity and encourage openness to skills of distinct others outside the organization enabling better external boundary spanning by the MNE? Under what conditions does a quasi-integrated approach to boundary spanning with a reliance on external partners, diminish trust and erode the firm's advantage?

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