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Lessons from international non-governmental organizations

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Toward fairer global reward: Lessons from international non-governmental organizations

Global reward management plays a fundamental role in supporting the attraction, motivation and retention of employees, and yet recent research has underscored limitations of the dominant balance sheet approach, including inequity between host country national and expatriate staff. To shed light on how reward in international contexts can be structured to address issues of fairness and equity, this study explores approaches to global reward in international non-governmental organizations (INGOs), an underexplored context where fairness may be particularly salient. Through an inductive study of 15 INGOs, we show how organizations are reconceptualizing global reward systems by questioning dominant assumptions of the expatriate workforce and the jobs they do, and broadening consideration of reward to include both monetary and non-monetary components. Doing so enables incremental shifts toward strategic alignment of global reward with underlying social values. Our findings provide important insights for organizations operating internationally about how global reward can be structured to address concerns of fairness, while still enabling organizations to meet their demands for particular skills.

Key words: global reward management, non-profit management, expatriate compensation, values-based HRM, INGOs

1. Introduction

Structuring reward in ways that maximize employee attraction, motivation and retention, while crucial for all organizations, is particularly complicated for organizations operating in global contexts. This complexity arises from the tension between adapting to local conditions, while ensuring organization-wide alignment of reward (Festing, Eidems & Royer, 2007; Festing & Tekieli, 2021). In this paper we define global reward management as a strategic approach to structuring both monetary and non-monetary rewards in the global context (per Festing & Tekieli, 2021). From this perspective, ensuring equity and fair treatment of different employee groups in multinational contexts represents a particularly pervasive challenge (Bonache, Sanchez & Zárrega-Oberty, 2009; Bonache & Zárrega-Oberty, 2017).

Traditional approaches to global reward have tended to rely on dual systems for expatriate and host country national (HCN) employees; providing expatriates attractive packages to compensate for relocating and working internationally (Bonache, 2005; Suutari & Tornikoski, 2001). However, there is a growing body of evidence that extant global reward management systems are perceived as unfair (particularly by HCNs), and may therefore be detrimental to employee motivation, satisfaction and performance (e.g., Carr, McWha, MacLachlan & Furnham, 2010; Bonache, Sanchez & Zárrega-Oberty, 2009; Paik, Parboteeah, & Shim, 2007).

With the majority of current research focusing either on finding the balance between global alignment and local adaptation of policies and practices, or on the particularities of working internationally (Bonache & Festing, 2020), we argue that organisational context may also play a significant conceptual role in addressing inequity in global reward. In this sense, we suggest that international non-governmental organizations (INGOs), as organisations where concerns of fairness are particularly salient, represent an invaluable context for exploring how

global reward policies and practices can be structured to address concerns of inequity and unfairness.

INGOs are non-profit organizations that work across international borders to deliver aid, develop local communities, respond to natural and human-made disasters, and advocate for the rights of individuals that are vulnerable and/or marginalized (Accountability Charter, 2005; World Bank, 1995). There are an estimated 350,000 INGOs operating globally, and their size, scale and global reach afford them considerable power and influence in the global policy context – e.g., World Vision International, the world’s largest INGO, is active in more than 90 countries and had a total revenue in 2019 of USD2.90 billion – greater than the gross national income of some smaller African and European countries (Morton, 2013; Hamad & Morton, 2011). The literature on non-profit organizations (NPOs) operating in a single country (i.e., domestic NPOs) has found that NPOs tend to offer lower reward packages than for-profit organizations, in part due to the hypothesized commitment employees make to the social good and their willingness to accept a lower salary to do so (Ridder & McCandless, 2010; Rose-Ackerman, 1996). However, it is unclear if a similar situation is found in INGOs, or whether in these contexts there is closer alignment with for-profit approaches due to comparable challenges faced in recruiting and retaining skilled employees internationally (Fenwick, 2005; O’Sullivan, 2010).

This paper aims to examine the potential for global reward systems which address issues of fairness and equity, and which still enable attraction, motivation and retention of skilled employees. In doing so it builds on the premise that studying global reward management in INGOs, which are both values-driven *and* have international operations, may provide insights into how global reward can be structured to be fairer, and at the same time enable organizations to meet their demands for particular skills. This qualitative study of reward systems in 15 INGOs, representing diverse geographic locations and programmatic foci,

examines two main questions. First, how is global reward structured within INGOs? and second, through exploration of INGO HR manager perspectives of why particular reward decisions are made, what are the strategic considerations underpinning decisions about reward?

Based on our findings, we put forward three arguments to advance understanding of fairness in global reward. First, INGOs provide a helpful context to understand how global reward can be structured to attend to criticisms of traditional systems as unfair to some employee groups. Second, the organizational focus on social values¹ in INGOs is central to underlying issues of reward fairness, thus driving ongoing efforts to redesign global reward practices to better reflect their values. Third, the complex interplay between organizational aspirations and limitations, and the features of the sector and the market, require organizations and HR professionals engaged in redesign of global reward to rethink underlying assumptions about people and jobs, and look beyond monetary components of reward to a holistic conceptualization.

The paper is organized as follows: we begin with an overview of the literature on global reward management, discussing traditional approaches to structuring reward in international contexts as well as limitations of such approaches; we then integrate insights from the non-profit literature about how HR policies are aligned with social missions in domestic NPOs. Following this review, we explain the research methodology employed in the study, describing how we collected and analyzed the data. This is followed by a presentation of our research findings, demonstrating how INGOs structure reward and the factors that influence reward decisions, and drawing out how reward is reconceptualized to navigate the factors and resolve the tensions between them. We conclude with a discussion of the findings in light of existing research.

¹ In this paper we refer to social values as those which align with a larger social mission for the organization, and which are focused on betterment of society, fairness, and social justice (see Ros, Schwartz & Surkiss, 1999).

2. Theoretical Considerations

2.1. Global reward practices for expatriate and HCN staff

Various factors influence how organizations balance the ever-present pressures between local adaptation and global alignment when structuring global reward (Bloom, Milkovich & Mitra, 2003; Farndale et al, 2017). Some reward practices are more influenced by pressures to align globally, while others are more likely to be adapted locally (Yanadori, 2011). Further, level of adaptation or alignment varies for different employee groups within the organizational hierarchy, with greater levels of global alignment amongst groups positioned near the top (Rosenzweig & Nohria, 1994). Against this backdrop of variation between employees and across practices, issues of fairness and equity between expatriate and HCN staff represent an important consideration, and a particular challenge, for structuring global reward in ways that attract, motivate and retain both expatriate and HCN employees.

Typically, reward for HCN staff is based around local benchmarking of salary and benefits in order to not distort the local labor market, while reward for expatriate staff is calculated using a balance sheet approach, which takes into account the employee's previous salary and considers their personal circumstances when setting their new salary in the host country (see Bonache & Zárraga-Oberty, 2017). There are three variants within the balance sheet approach, the most common being the home country balance sheet approach, which ensure the same standard of living as enjoyed in their home country. The second is the host country balance sheet approach, typically used where salaries in the host country are higher than in the home country and hence additional salary is provided. The third is the global balance sheet approach, where individuals of multiple nationalities work in multiple countries, and thus the home and host country distinctions become less clear. In this situation, a global salary scale tends to be used, where all expatriate employees are on a common global scale (Bonache & Stirpe, 2012). On top of the salary calculations, under each variant are numerous allowances

and benefits, intended to entice employees to work in international contexts, and to assist with relocation and settlement of family members (e.g., schooling and accommodation allowances).

While the balance sheet approach continues to be commonly used to structure expatriate reward (Bonache & Stirpe, 2012), it does not account for non-monetary reward components, such as work-life arrangements, career and development opportunities, performance and recognition, fit with culture and values, and work content (Festing & Tekieli, 2021). Yet these components may be particularly important for fostering expatriate commitment (Tornikoski, 2011) and motivation (Kim et al, 2018). Further, a common criticism of the balance sheet approach is its high cost relative to home country counterparts which, when coupled with claims that it does not necessarily result in higher expatriate salary satisfaction and retention upon return to the home country, brings into question its continued predominance (Bonache & Zárraga-Oberty, 2017). The changing global mobility landscape presents another challenge to the relevance of the balance sheet approach (Caligiuri & Bonache, 2016), with individuals now taking up international assignments for a variety of reasons, sometimes self-initiated (Howe-Walsh & Schyns, 2010), and often under different contractual arrangements than the traditional expatriation model underpinning the balance sheet approach (Bonache & Zárraga-Oberty, 2017). Finally, there are criticisms that the balance sheet approach fosters feelings of unfairness in HCNs because of their relatively lower reward (Bonache & Zárraga-Oberty, 2017; Zárraga-Oberty & Bonache, 2018; Toh & DeNisi, 2003). HCN employees report demotivation, feelings of injustice, reduced job satisfaction, and thinking about turnover due to pay differences (Carr et al, 2010), as well as reduced organizational commitment, job performance and satisfaction (Paik, Parboteeah, & Shim, 2007). Pay disparities also affect expatriate employees, with the potential to impede expatriate adjustment in the host country (Mahajan, 2011) and inhibit socialization by HCN staff (Toh & DeNisi, 2005, 2007).

2.2 Challenges to equity in global reward

A burgeoning body of research suggests that rewarding HCN and expatriate staff on different salary scales may trigger feelings of perceived inequity, in terms of ratio of inputs (i.e., effort) and outputs (i.e., salary and benefits) (for a review see Bonache & Zárraga-Oberty, 2017). According to Adams (1965), equity occurs when the ratio between one's inputs and outputs are equivalent when compared with the input-output ratio of a comparable other (referent). When HCN and expatriate colleagues are similarly skilled and qualified (and therefore identified as comparable referents) but expatriate colleagues earn substantially more, the input-output ratio is not aligned, and feelings of inequity will result (Chen, Kraemer, & Gathii, 2011). While there are further important considerations for perceived fairness of reward in terms of the process through which decisions are made and how decisions are communicated (Chen et al, 2002; Wu & Wang, 2008), the principle of equity has played a dominant role in the literature on organizational justice, and accordingly, on considerations of fairness in global reward.

In an international context, however, structuring reward is particularly challenging given the need to offer competitive reward packages to attract skilled employees into specific roles. This is particularly true for highly skilled roles where needed skills may be scarce in the local market and organizations are forced to recruit from the global workforce (O'Sullivan, 2010), or where roles are characterized by levels of high risk, such as in conflict zones, or within the context of natural disasters (Fee & McGrath-Champ, 2017). Such challenges may lead to demand for higher reward packages to attract international candidates, thus driving up packages for expatriate staff compared with their HCN counterparts, and exacerbating perceived inequity between groups of employees.

To address the problems of equity put forth by the use of the balance sheet approach, some scholars have explored the potential factors that might attenuate the negative impact of pay differences (e.g., Bonache, Sanchez & Zárraga-Oberty, 2009; Leung, Zhu & Ge, 2009;

Chen, Choi & Chi, 2002). Others identify the emergence of new approaches to reward, notably the local-plus and localization approaches (McNulty, 2014; Zárraga-Oberty & Bonache, 2018). The local-plus approach is where a local salary (typically lower than a home country salary) is provided to expatriate staff and boosted with various allowances. The localization approach is where expatriate staff are provided the same local package as their HCN counterparts, either at the outset of the contract, or through transition over a period of (usually) 3-5 years (Zárraga-Oberty & Bonache, 2018; McNulty, 2014). Though there is some evidence that these approaches are gaining prominence in practice (Dickmann, 2017), empirical exploration of organizational efforts to address inequity through alternatives to the balance sheet approach, or extending consideration beyond monetary reward, remains very limited (see McNulty, De Cieri, & Hutchings, 2013, for an exception).

2.3 INGOs: Values-driven and international

Fit with organizational culture and values is an important component of non-monetary reward, particularly where organizational values are salient (Cable & Judge, 1994) and is likely to impact global reward practices (Festing & Tekieli, 2021). Indeed, the domestic non-profit literature highlights how organizations driven by social missions align their HR policies and practices with their social aims (Ridder, Piening, & Baluch, 2012; Ridder, Baluch, & Piening, 2012). NPOs are characterized and differentiated by their “embedded values, missions, identities, social goals, outcomes, and ideological characteristics” (Ridder & McCandless, 2010, p.127). For NPOs, mission-related values are fundamental to organizational activities, and typically focus on the social good and improving lives (Brown & Yoshioka, 2003). Values are also central to organizational efforts to attain (and retain) a competitive advantage (Frumkin & Andre-Clark, 2000), to build their brand (Stride, 2006), and to ensure organizational legitimacy (Ridder & McCandless, 2010).

While focusing on values and mission of the organization, NPOs must balance these against strategic HR objectives (Ridder, Baluch & Piening, 2012). As a result of this balancing act, non-profits operate a range of *modified* HR practices that enable both financial performance and fulfillment of their (social) mission (see Ridder, Piening, & Baluch, 2012). Such practices include building high performance work systems that allow continued co-existence with a ‘values-based approach’ (Kellner, Townsend & Wilkinson, 2017), and utilizing a range of tools (e.g., discretion, leadership style and distancing) to navigate tensions between organizational values and external market pressures (Townsend, MacDonald & Cathart, 2017). How this works for NPOs operating across international contexts (i.e., INGOs) remains to be examined, where policies must enable recruitment of skilled employees within global markets, while also reflecting the underlying social values and mission of the organization.

This study therefore focuses on INGOs because little is known about how such organizations structure reward, and yet they provide a potentially fruitful setting to explore reward systems in light of critiques of traditional balance sheet approaches. INGOs face challenges to recruiting and retaining skilled employees in international contexts also faced by MNC counterparts. However, as in NPO’s with explicit concerns for fairness and improving lives, social values are particularly salient within INGOs. Given the growing criticism of conventional approaches to global reward in for-profit contexts on the basis of fairness to HCN staff, INGOs constitute an important research context to explore the possibility for fairer reward systems that still enable recruitment and retention of skilled employees.

3. Methods

Using data collected from interviews with senior HR professionals along with organizational and HR documents, we adopted an in-depth and systematic analysis of 15

INGOs in order to explore the unique aspects of different approaches taken to rewarding expatriate and HCN staff (Bryman, 2016). Considering the lack of prior research on how and why INGO reward is structured, our study was inductive and exploratory in a sense that it provided us with “...the opportunity to ‘unpack’ issues [...] and to explore how they are understood by those connected to them.” (Ritchie & Lewis, 2003:27).

We followed an interpretivist research paradigm, focusing on the views, experiences and narratives provided by senior HR professionals as social actors closest to the context of reward management in their organization (Saunders, Lewis & Thornhill, 2009). As such, we relied on the knowledge of our participants to both explore and understand the context and the practices in each individual organization, and the approaches and practices to reward shared in the broader context of the INGO sector. In line with this, we sought heterogeneity of INGOs in our sample and undertook a multi-stage approach to data analysis.

3.1 Sample

We used purposeful sampling to select 15 INGOs that represented the heterogeneity of the sector and could serve as “information-rich cases” (Patton, 2002:230). The organizations ranged in size from 90 employees (12% of whom were expatriates) to 17,000 employees (3.5% expatriates), and all operate globally (6 to 120 countries of operation). Inclusion criteria was broad, only requiring participant organizations to be operating in at least five countries and employing both HCN and expatriate staff. No restriction on type of activity was imposed; however, a diversity of programmatic foci was sought. We also actively sought to recruit organizations of different sizes and with head offices in different global locations (see Table 1).

- Insert Table 1 about here -

We conducted a total of 18² in-depth, qualitative interviews with senior HR managers in the sampled INGOs, complemented with document analysis. By using multisource data across multiple organizations we sought ‘thick description’ of context and action (Lincoln & Guba, 1985), thus enabling depth of understanding in relation to the complexities of how and why different organizations structure their reward policies. As such we sought to align our sampling approach with our interpretivist epistemology (Welsh & Piekkari, 2017). Participants were in top managerial positions in their organizations, and their responsibilities included decision-making and management of global reward policies and practices. As a result, we were able to gain insights into strategic considerations taking place in sample organizations in relation to the design of reward systems.

3.2 Data Collection

On agreeing to participate in the study, participants were asked to fill in a short pre-interview survey in which they provided key demographic information about their organization and details of their current reward system, as well as any HR performance metrics. This approach provided us with a sense of the specific challenges and activities of each organization prior to the interview and enabled interview time to be spent on deeper discussion of issues rather than general description of the organization.

We then conducted semi-structured interviews lasting approximately 60 minutes each. The interviews were conducted either by the lead or second author or, in some cases, both. All conversations were held over Skype or telephone due to geographic spread of organization headquarters and corresponding dispersion of HR leaders. Interview questions were intentionally kept broad and framed around the current reward policies and practices in participant organizations, the perceived effectiveness of the reward system, and any formal or

² In one organization we were asked by the participant to additionally interview one of their colleagues who also had responsibility for reward, and in two other organizations second interviews with the same participants were undertaken at the participant’s request.

informal evaluation information or feedback about the reward system. We also asked participants to reflect on reward in the broader INGO context, and to discuss their insights from other organizations and experiences from their work history.

In addition to the primary data collection process, we sourced 24 individual organizational and HR policy documents from organizational websites and directly from participants. Documents included information on characteristics of each organization, values and principles by which each operates, as well as general information on organizational activities and HR practices. The documents sourced directly from participants were all internal documents, which detailed the features of reward systems and, in some cases the features of new reward systems in development.

Given the sensitivity of the conversations around reward policies and practices, and the fact that we were talking to senior HR managers about strategic reward issues, we assured full anonymity for the participants and their organizations, identifying participants only by number in our analysis.

3.3 Data Analysis

Data were analyzed in two stages. The first stage was to co-produce (with interview participants) a summary profile of each organization and their reward system. We systematically gathered the following information: organization size, organization structure, location of offices and projects, scope of project activities (e.g., water, sanitation, gender equality, livelihoods, etc.), HR metrics being monitored, description of the reward system (e.g., HCN/expatriate staff, benefits, contract length), and strengths and limitations of current system. These profiles were developed collaboratively with organizations, and through multiple iterations and continuous interaction with participants via email. During this process, we also reviewed the sourced documents to better understand the wider organizational context, such as organizational mission and activities, as well as formal reward policies in place or in

development. The process of co-producing these organizational profiles, through iterative and recursive interaction with both the organizational documents and the interview participants, provided us with insights into how individual organizations structured their reward systems, as well as into the HR professionals' thoughts on the systems.

In the second stage of data analysis, we turned our focus to the interview transcripts to examine the core factors that influence how reward is structured (Braun & Clark, 2006). Data were analyzed using NVivo 10 software. Initially, three interview transcripts were open-coded by the lead and second author in order to identify, label and group similar codes in the data. After comparing and refining the codes identified in this initial stage all interview transcripts were coded and re-coded with an inclusive approach to ongoing analysis. Through multiple engagements with the interview transcripts we looked for the emergence of themes that drew together the codes in the data, and defined and revised these multiple times (Saunders, Lewis & Thornhill, 2009).

4. Findings

Our findings are organized as follows: first, we present the different approaches to INGO reward, broadly organized into three categories (global balance sheet, local-plus, and hybrid). Second, we illustrate the factors that influence reward decisions and the associated tensions they bring for structuring reward. Finally, we draw out three distinct but related considerations through which reward is reconceptualized in INGOs to negotiate these tensions: redefining the expatriate workforce, redefining reward beyond monetary compensation, and connecting reward to jobs not people. In doing so we show the incremental shifts INGOs are making toward fairer reward through adjusting their policies and practices, and promoting narratives that emphasise alignment with values.

4.1 INGO reward management systems

Three broad approaches to structuring reward in INGOs were evident across the 15 organizations in this study. As Table 1 outlines, seven organizations follow a *global balance sheet system*, where HCN employees are provided a locally-benchmarked package, and expatriate employees are provided a globally-benchmarked package (which also includes allowances that adjust for cost of living and hardship in the host country). In the context of INGOs and the predominantly lower-income locations in which they work, the global package is more generous than the HCN package. Three organizations operate a *local-plus system*, whereby all employees are paid on a single salary scale, with allowances offered to anyone who relocates internationally and benefits either set according to the local context, HQ context, or a standardized package of international benefits provided and monetized. Five further organizations utilize what we term a *hybrid system*. Under the hybrid system separate reward systems are still in place for HCN and expatriate employees but are tweaked in various ways to bring the packages into closer alignment with one another (see Table 1), for instance through replacing global packages with headquarter (i.e., home country) packages, or providing consistent remuneration for executive-level positions (e.g., Country Directors), regardless of nationality/country of origin.

Different systems were linked incrementally with fairness, so that for organizations previously lacking a formalized reward system, implementing a global balance sheet system was seen as the first shift toward fairness; though not directly addressing (in)equity, having established systems provided transparency and consistency to the reward allocation process. Organizations working to shift away from a balance sheet system often moved next to hybrid systems, which enabled fairer distribution but without the radical change of fully adopting a local-plus system, though a single-salary system was often identified as a future end goal.

Benefits and allowances varied widely in all 15 organizations, regardless of the underlying approach to reward. All organizations using a local-plus system had in place

strategic approaches to structuring benefits, while others were more ad hoc – variably considering national and regional factors, as well as the difficulty of filling a role, how urgently it needs filling, and the applicant’s negotiation skills. This lack of consistency of benefits and allowances was concerning to participants, but ad hoc structuring of salaries was identified as the first priority to address. The incremental and step-wise nature of change explains why those using a local-plus system had more strategically aligned approaches to benefits – even if their approaches were varied.

4.2 Factors driving reward structures: a balancing act

We identified seven themes that influence how reward is structured in INGOs (see Figure 1). We present the themes (in *italics*) and in exploring the relationships and tensions between them we draw out three ways reward is being reconceptualized in order to move organizations toward fairer and more strategically aligned reward structures.

– Insert Figure 1 about here -

For all organizations, *aligning the reward system with underlying social values* emerged as a clear and explicit priority. In line with their focus on social challenges and supporting development and humanitarian causes (Accountability Charter, 2005), INGOs place value in ensuring social values are reflected in the way their employees are treated: “[this organization] tries to live its values...[there are] five or six key values and our [reward] packages try to reflect those” (Senior HR professional 14).

Though organizations’ mission and activities varied, findings from both document analysis and interview data suggested that INGOs are underpinned by similar social values of fairness, equality and financial stewardship, with a predominant espoused focus on the importance of fairness. Aligning with social values reflected concerns for organizational legitimacy and recognized the impact of organizational activities on recipient communities:

[This organization] is very much about equality, equity, and we just didn't want to have that separate elite class of [expatriate] staff. We do not want to have people working side by side who are being treated very differently [...] It's really all about our values, our original founders' ethos. We don't think that we should treat people differently. We don't think that we can go into a country and talk about equality and equity, yet within our own organization we're not treating people the same. (Senior HR professional 2)

Rewarding equivalent expatriate and HCN staff on the same (or similar) package was considered the gold standard for reward fairness, because it reflected an underlying commitment to values of equality. However, the reward structure was not the only way values were reflected in how reward is managed. Values were also fundamentally expressed through *consistency and transparency of the processes through which reward decisions are made and communicated* with employees: "We don't have massive issues around salary, because there is a local benchmark that is done, so that, at least, we can demonstrate how our salary scales are built, and that there is some objectivity behind it." (Senior HR professional 6).

Many organizations reported that expatriate employees were historically rewarded on an ad hoc basis, with conditions negotiated at time of recruitment, making consistency and transparency difficult in practice. Some organizations reported ongoing inconsistencies between policies for expatriate employees and for HCN employees in different contexts, leading to confusion and tension among staff: "Because we don't have a consistent [system], I think a lot of people just don't understand how their salaries are determined and they just kind of assume they're unfair." (Senior HR professional 2). For these organizations, who were predominantly using global balance sheet systems, simply establishing a consistent system and communicating it transparently to employees reflected a commitment to reward fairness, even if the outcome of the system remained unfair.

While participant organizations emphasized the centrality of values of fairness for their reward decisions, they also described a sense of tension between these principles and the institutional context in which they operate. INGOs are under pressure to find ways to compete within the global labor market, both with other INGOs but also with the United Nations and

the private sector, which tend to offer more generous reward packages for expatriate staff. A substantial *fear of being unable to recruit* the needed skills to deliver programs if reward packages for staff, particularly expatriate, were not competitive emerged as a key consideration:

We would try to recruit international staff by using a local package if that was possible, but we recognize that in order to be competitive with other large agencies, we may have to use a global type package in order to be able to secure the people that we need to do the jobs that we need. (Senior HR professional 7)

This fear was heightened when interviewees reflected on the vast differences in the environments in which they work, both in terms of the economic contexts and in terms of retaining fairness across contexts, but also in trying to recruit people to work in high risk and emergency settings:

I think there's a huge fear for us [of being unable to recruit] as the places where we work are in the most difficult and remotest countries and areas. And getting people to work there, either national or international, it's very, very hard. (Senior HR professional 8)

The fear of being unable to recruit staff to deliver programs connected with a *fear of losing position in the sector*. Interviewees reported concerns about retaining their competitiveness within the broader INGO sector and the potential negative impact on competitiveness of changing their reward structure: "because of the worries we're constantly competing with each other to secure the right people." (Senior HR professional 7)

At the same time, in contrast to the fear that shifting away from traditional reward systems to more closely align with social values might undermine competitiveness to recruit, organizations were concurrently pressured to structure their reward in ways that would maintain (or even enhance) their *cost* competitiveness. Interviewees reported a *pressure to reduce costs* in face of increasingly competitive funding calls, and a resultant need to be more cost efficient:

There are lots of organizations that can deliver good quality programs... As money becomes tighter and as restricted income reduces then there is a need to have a really

tight handling on your costs and on ensuring that you are being as competitive as you can be in terms of what we're proposing for donors. (Senior HR professional 13)

The importance of cost to managerial decision-making meant that the way reward systems were structured was also often envisioned and delivered with cost reduction in mind: "Cost is at the center of every decision you make." (Senior HR professional 6). The international aid and development sector is characterized by immense scrutiny from donors (e.g., from government agencies, foundations, and the general public) to minimize administrative costs, including employee salaries, so that as much aid money as possible reaches those most in need. For some organizations the decisions about structuring reward were therefore motivated by the need for increased cost efficiency and the long-term sustainability of the organization:

We went through a big process of change last year when we introduced new international contracts and mobility packages. We have done this because we wanted to reduce our pay bill, and reduce the benefits package for our staff. Because we realized it was not really sustainable in the future. (Senior HR professional 5)

Where organizations had made significant inroads to addressing reward fairness, they had done this by reframing cost efficiency to align it to a *value* of financial stewardship. Reframing cost reduction in terms of financial stewardship enabled organizations to strengthen narratives of social values, which helped to justify change, and had important implications for ***organizational reputation and branding***. Reframing was key to establishing and maintaining a positive image with stakeholders and partners, thereby enhancing attractiveness, competitiveness and legitimacy: "you need to show that you are being ethically and morally responsible, and clearly you want to empower local communities and local economies." (Senior HR professional 14). Alignment between social values and organizational policies and practices helps to recruit employees who share those values. As such, a favorable reputation/brand as a value-driven organization could be leveraged to offset low reward packages:

What attracts people into the organization is the work. In most cases what I hear is people want to work with us because of the work that we do [not the salary on offer]. (Senior HR professional 3)

Also used as leverage to support aims of fairness was the sector-wide *localization agenda* which most organizations were committed to. The localization agenda³ refers to initiatives driven from within the development sector to implement more locally-led responses to aid and development, including recruiting locally where possible, in order to ensure local ownership of projects (Ang, 2018; OECD, 2005). In some markets a highly skilled local talent market has emerged and is available, so expatriate packages are no longer needed in those contexts:

The reason why they're on a local pay scale is because of the fact that we are able to recruit from a local quality market. If I say we want to recruit an accountant, we can easily recruit an accountant based in Nicaragua, locally, so a Nicaraguan. (Senior HR professional 7).

Reinforcing this, the signing of the Grand Bargain and Charter4Change following the 2016 World Humanitarian Summit (UNGA, 2016) provided an impetus for organizations to hire HCN staff wherever possible, and to be thoughtful about the roles and contexts in which internationally-recruited employees are required and used. A move toward localization of roles includes assessing availability of talent within lower income countries, and also includes the option of hiring expatriate employees on HCN packages wherever possible:

the majority are nationally recruited. And we might have someone who is not a national, so he's actually from somewhere else, but still on a national contract. So we have one of our HR advisors, her base is in Nairobi and she's born here in the UK, but she is actually on a national contract, not an international one. (Senior HR professional 5)

In summary, INGOs face a complex interplay of tensions related to the importance of embedding social values within reward systems and a focus on competitiveness demanded by the complexity of institutional pressures to ensure program viability and value-for-money. Interviewees articulated a considerable fear that if reward practices were structured such that

³ Note this important distinction to the previously discussed localization approach to structuring global reward, which refers to shifting expatriate employees onto local reward packages

expatriate packages were reduced, the organization would risk losing competitiveness, particularly in terms of being unable to recruit skilled expatriate employees, and this in turn could impact their standing in the sector and long-term viability.

At the same time, narratives of fear were in direct tension with values of fairness and the constant pressure to retain competitiveness by reducing costs and localizing roles. Themes therefore concurrently acted as drivers to maintain traditional reward systems because of fear that change would undermine competitiveness, while at the same time exerting pressure to structure reward in new ways to lower costs in order to maintain competitiveness compared with others in the sector. By reframing reward fairness as a way to enhance branding and organizational legitimacy through a commitment to financial stewardship and localization, our data suggest that INGOs can leverage a focus on social values to enhance (rather than inhibit) competitiveness.

4.3 Reconceptualizing global reward

The strategic decisions organizations make in light of the above tensions are fundamental for how reward is ultimately structured. They reflect incremental shifts toward fairer, more strategically aligned reward policies and practices. Through our analysis we reveal how INGOs seek to align their policies and practices with their values, as a pathway to reward structures that are fairer (shifting away from a balance-sheet approach and toward a local-plus approach), while concurrently shifting toward narratives of values, and reframing competitiveness as a value of financial stewardship. To understand how organizations shift through this process we identify three distinct but related conceptualizations of reward which build on the interplay of the themes, and feed into how global reward can be structured in a way that balances fairness *and* competitiveness. The conceptualizations are: 1) redefining the expatriate workforce, 2) connecting reward to jobs instead of people, and 3) redefining reward beyond monetary compensation (see Figure 1).

4.3.1 Redefining the expatriate workforce

A prevailing feature of participating INGOs was the predominant use of the term expatriate to refer to any employee working in a country which is not their passport country, rather than those on short- or long-term international assignment. Oftentimes these individuals would already be domiciled in the host country – often working for a competitor INGO – with little or no intention of returning to their country of origin. Hence, to address issues of fairness and identify pathways to fairer reward, INGOs are rethinking how they define, and use, expatriate staff, prioritizing recruiting from within the local workforce where possible, and for roles without an international element defaulting to a local package regardless of nationality. Where possible, use of expatriate packages in particular roles is decoupled from nationality and is strategically justified, for instance because of a skill shortage in a particular country or need for international mobility of a skillset. Establishment of a highly mobile cohort of employees on global contracts might facilitate short-term posting to specific countries in response to business need, and/or mentoring and training of HCN employees:

We want to give more emphasis on internationals being a global workforce. They are on an international contract because they should be globally mobile, they are on the international contract because they have a certain level of expertise and experience and should have a high focus on building capacity of nationals, while they're there. So that they potentially could be replaced by nationals when they leave. (Senior HR professional 3)

INGOs make strategic decisions regarding the role of the expatriate workforce for their organization – and this may vary according to the nature of the organization's activities. Such decisions reflect a shift away from automatic deployment of traditional expatriates, where skilled expatriates from higher-income countries are posted to lower-income countries to 'do' development. They also reflect other changes to the nature of expatriation, such as where individuals move regionally, like Kenyans relocating to Ethiopia: "if you have an African who just works in the country next door, they will be on a full international package" (Senior HR professional 4). Or through South-South cooperation, where skilled workers relocate from

other countries historically targeted for development, such as Brazilians working in Mozambique (see Oelberger, Fechter, & McWha-Hermann, 2017):

If you take a country like Lebanon, some of their national staff are really well skilled. So we'll take them from Lebanon into another program because that's where their skills are needed. When they're in that other program they're paid as an international staff member because they're not working at home and they're as 'away from home' as someone from the UK or the US so we pay them international staff benefits (Senior HR professional 18)

As such, redefining the expatriate workforce aligns with changes to the nature of expatriation more generally, such as the rise in self-initiated expatriation, regional movement, and South-South cooperation.

In this reconceptualization of expatriation, then, the *job role* for employees on global contracts is clearly distinguished from those on HCN contracts. The international component is strategically justifiable and necessary within the context of the organization, and these contracts are delinked from nationality (see next point).

4.3.2 *Connecting reward to jobs, not people*

A further consideration is to connect reward directly to job roles rather than nationality of the employee being recruited. This means being open to filling jobs from either the local *or* global job market, depending in which market the needed skills can be found, and regardless of the nationality of the employee. Established reward practices have tended to ear-mark some roles as “expatriate positions” without testing the local market, thereby excluding skilled HCN staff access to these roles. Other existing practices include where new hires of other nationalities are automatically provided an expatriate package even if they are domiciled in the country, or where existing reward systems are not structured in a way that enables HCN staff to move into senior roles unless they are paid on an expatriate package:

The key thing is delinking a contract of package-type from nationality. A national contract doesn't just have to have a national employee of that country on it. And so, if you've got an [international] employee that wants to work in that country and they've got no intention of being moved around the world by the organization or

being globally mobile and they want to settle in that country, then there's no reason why they shouldn't be on a national package. (Senior HR professional 13)

Connecting reward to jobs, not people, enables organizations to take a more flexible approach to recruitment, e.g., by recruiting internationally for a HCN contract, and may increase the opportunities INGOs offer to employees in different stages of their careers and lives. It also reflects a recognition that in many countries HCN staff are highly skilled and are capable of moving into senior roles, but that there exist structural barriers to HCN staff progression. One organization provides employees above a particular pay grade the same package not only regardless of nationality, but also regardless of location. This way, they attract interest from both HCN and expatriate candidates with desired international experience, while at the same time maintaining a simpler system:

If somebody comes and breaks the [particular pay grade] wall, they will get the same pay whether they're based in London, Johannesburg or Nairobi. The reason why we have done that pay scale is that for those roles we need the international experience, and we fill [those roles] regardless of nationality and home country. (Senior HR professional 15)

4.3.3 Redefining reward beyond monetary compensation

Finally, INGOs (particularly those using hybrid and local-plus approaches) emphasized the importance of considering non-monetary reward and the role it plays in attracting, motivating and retaining employees. For example, employee commitment to the mission may offset smaller reward packages: “we are a charity, so by definition we're paying a little bit less than in the commercial sector, but nonetheless, people who are working for us should work also for the cause” (Senior HR professional 5).

Non-monetary aspects of reward tend to include considerations like career development, learning, and work-life balance, and our data suggest that a key component of non-monetary reward in INGOs is having a reputation and brand built on social values. Recognizing this as an element of non-monetary reward that attracts employees enables a strategic focus on values where perceived threats to competitiveness due to reduced pay and

benefits can be reframed to align with values: “we hear from our staff that they really want to work with [our organization] more because of the reputation the organization has in the humanitarian sector” (Senior HR professional 1). In this way a values-based approach to reward can be seen as enhancing rather than inhibiting competitiveness, and may also contribute to organizational legitimacy.

Most participants did not differentiate between work motivations of HCN vs expatriate employees and the resulting priorities for reward. However, one manager cautioned against assuming total reward priorities are the same across all groups of workers:

There are different needs for the different staff groups and sometimes there’s a risk that you’re placing your Western values on a group of employees in terms of how we think things should work... I think national staff members will focus more on the actual pay because that will give them the flexibility to do with it as they need to and to account for the different kind of cultural norms that are going on in the country. Whereas an international staff member will be looking much more longer term in terms of making sure they’ve got the right medical cover, making sure they’ve got a savings plan, what are the kind of reassurances they’ve got, those types of things. (Senior HR Professional 13)

Thus, while expanding the concept of reward beyond monetary aspects emerged as an important strategic consideration, there was also the recognition that the value employees place on different aspects of reward may vary across groups and contexts, and a corresponding need for the reward system to account for that.

5. Discussion

Our findings show that INGOs are shifting incrementally and strategically toward reward systems that they consider to be fairer, and that underpinning this shift is a commitment to social values, and thus efforts to align reward policies and practices with these values. The adoption of various alternatives to the balance sheet approach as well as the identification of tensions and common strategic considerations underpinning reward decisions demonstrate the

need for a more dynamic view of global reward. As such, this study advances understanding of fairness in global reward management in three important ways.

First, we provide empirical evidence that INGOs make modifications to traditional reward systems in order to more closely align with values of fairness. Thus we extend existing literature on different approaches to global reward, and provide empirical evidence for the local-plus approach (Bonache, & Zárraga-Oberty, 2017; McNulty, 2014). We respond to calls for theoretical and empirical discussion of the alternative approaches to structuring global reward to ensure equity and fairness (Bonache & Zárraga-Oberty, 2017), and show how organizations can respond to criticisms of traditional global reward systems as unfair to particular groups of employees (Oltra et al, 2013; Bonache & Zárraga-Oberty, 2018). Our research finds that to shift to fairer systems, INGOs move incrementally from balance sheet to hybrid to local-plus approaches, and focus first on implementing fair salary structures for expatriate and HCN employees, before considering fairness of benefits.

Second, our findings suggest that social values are a driving force in how INGOs structure their reward systems, thus extending to international settings the literature on the role of values in non-profit HRM (Ridder, Piening, & Baluch, 2012; Ridder, Baluch, & Piening, 2012). We demonstrate how INGOs are concurrently influenced by multiple tensions related to ensuring fairness within local contexts (e.g., between HCN and expatriate employees) and competitiveness globally (in terms of need to recruit from a global market). While these tensions shape managerial considerations of INGO reward structures, HR managers actively work towards avoiding a conceptual impasse between them through development of innovative (hybrid) approaches to reward, which retain the flexibility needed for offering more attractive packages in order to remain competitive, while reducing the differences between HCN and expatriate employees to enhance fairness. In addition to creating hybrid reward structures, HR managers emphasize the importance of policy consistency and transparency, and clear

communication to employees, so that a commitment to (procedural and informational) fairness is apparent even in the absence of (distributive) equity. This finding aligns with organizational justice scholars' findings about the multifaceted nature of pay fairness (Wu & Wang, 2008). Furthermore, as they shift toward local-plus approaches, HR managers work to reframe dominant narratives of competitiveness as values of financial stewardship, hence shifting away from pitting demands of competitiveness and fairness against one another to a situation where they complement and support one another. Through all of these actions we find evidence of attempts to strategically align reward practices with social values.

Finally, we extend research on how global reward is conceptualized within the context of fairness (Bonache, Sanchez & Zárraga-Oberty, 2009; Festing & Tekieli, 2021; Bonache & Festing, 2020). Our findings offer insights into how global reward may be reconceptualized to attend to criticisms of inequity by challenging dominant assumptions about the expatriate workforce, restructuring reward around job roles rather than individuals, and expanding understandings of global reward beyond monetary components. The majority of research on global reward fairness has focused on equity of input-output ratios between expatriate and HCN employees, highlighting how balance sheet approaches can trigger feelings of inequity (Adams, 1965; Chen, Kraemer, & Gathii, 2011; Bonache & Zárraga-Oberty, 2017). However, such approaches make assumptions about the purpose of expatriate employees, their status and skill level relative to HCN staff, and the temporary nature of their relocation (McNulty & Brewster, 2019). Our research shows that relevance of these assumptions within a particular organizational context must be considered as part of considerations of fairness.

Furthermore, traditional approaches to reward fairness focus predominantly on monetary components of reward and give little attention to other important (non-monetary) considerations of fairness (Bonache & Zárraga-Oberty, 2017). Yet, non-monetary components of reward can be leveraged to attract employees into roles (Schlechter, Thompson & Bussin,

2015), and are linked with expatriate commitment (Tornikoski, 2011) and motivation (Kim et al, 2018). Our research suggests that as with domestic NPOs (Ridder & McCandless, 2010; Rose-Ackerman, 1996), INGOs assume their employees are intrinsically motivated to work within the sector due to their commitment to the type of work, or “the cause”. This, and potentially other components of non-monetary reward, might offset reductions in pay for expatriate workers, but care must be taken that inequitable salaries are not replaced by other inequities (such as in benefits, or working conditions).

6. Limitations and Future Research

Despite these novel insights, there are inevitably limitations to this study. The small sample size has potential implications for transferability, credibility, and dependability of the research - despite efforts to minimize these through triangulation of data and analysis, and participant co-production of organizational profiles (Lincoln & Guba, 1985). It employs a cross-sectional design, which provides a snapshot of different approaches to reward being used but cannot capture the dynamic impact of reward decisions on organizational outcomes. Future research should consider a longitudinal research design, enabling understanding of the practicality and effectiveness of alternate reward approaches over time. Further, the study focused on organizational perspectives of global reward management, drawing on the perspectives of HR managers responsible for making reward decisions, and relying on organizational documents related to reward. While multiple sources of data were obtained in order to triangulate the findings, future research should examine employee reactions to different reward systems, and in different geographic and cultural contexts.

Building on this point, further research is needed into employee perspectives of social values as a component of non-monetary reward, and the relative importance placed on different elements of monetary and non-pecuniary reward, both in non-profit and for-profit settings.

Future research could connect with the fit literature in order to understand the role of different reward structures in the alignment of actual employee values and those of their organization (O'Reilly, Chatman & Caldwell, 1991).

Finally, we acknowledge the need for systematic study of different conceptualizations of reward fairness in international contexts. Future research should explore the complex and multifaceted nature of fairness that includes both organizational attempts to address it, as well as employee reactions to those attempts. This should also include examination of the relative importance of different types of justice, and also the potential interactive effect of individual and organizational commitment to social values. It should also consider how different types of justice interact with different approaches to structuring reward, and across different organizational contexts.

7. Conclusion

Our study identified incremental shifts in how global reward is structured in INGOs, underpinned by a strategic focus on aligning reward with social values. Such movement requires organizations and HR managers to reconsider not only their practices, but also to question the fundamental assumptions and principles upon which their practices are built. While we provide empirical evidence that suggests that some INGOs have already made significant changes in this regard, future research is needed to examine the employee perspective on these different approaches. The insights from INGOs, organizations in which social values tend to be highly salient and which engage in a continuous process of balancing social values with market competitiveness, provide important cues for other organizations operating internationally that strive to align their reward system with values of fairness and equity.

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Table 1. Reward systems in place and characteristics of participant INGOs (n=15)

	Description of System	Organization Code	HQ location	Size (employees)	Countries of operation	Program activities
Local-plus system (3 organizations)	Scale built on local benchmarking data, with higher-level grades partly supplemented by global data. All benefits are benchmarked to the local context. Employees who relocate internationally receive a time-limited relocation allowance.	OrgA	Europe	1000-5000	80+	Human rights
	Scale built on local benchmarking data only. Employees who relocate internationally receive benefits benchmarked against the headquarter context, plus a time-limited relocation allowance.	OrgB	Europe	1000-5000	21-30	Water, sanitation, hygiene
	Scale built on local benchmarking data only, with expatriate employees only recruited at grade five or above. All employees in roles at or above grade five receive global benefits regardless of country of origin. Benefits are monetized.	OrgC	Africa	5000-10000	0-10	Agriculture, rural development
Global balance sheet system (7 organizations)	Organizations operate two reward systems – a locally benchmarked package for HCN employees, plus a global package for employees originating outside the country. The global package includes allowances that	OrgD	Asia	>15000	11-20	microfinance, community development, education, health and nutrition, agriculture
		OrgE	Asia	5000-10000	11-20	microfinance, community

	are adjusted according to cost of living and hardship in the host country.					development, education, health and nutrition, agriculture
		OrgF	Europe	<100	31-40	Health
		OrgG	Europe	>15000	120+	Human rights
		OrgH	Africa	100-500	61-70	Inequality and poverty reduction
		OrgI	Europe	5000-10000	41-50	Inequality and poverty reduction
		OrgJ	Europe	5000-10000	21-30	Human rights
Hybrid	Employees at lower levels receive a locally benchmarked package, and all at higher levels receive a standardized global package (regardless of host country's cost of living or hardship status, or employee's country of origin).	OrgK	Africa	1000-5000	41-50	Human rights, politics and economics, land and climate, emergencies
Hybrid	Three reward systems in place - dual system in country, but all executive-level positions on a global package regardless of nationality. Regional roles (i.e., localized roles with responsibility at a regional level) are remunerated on a headquarter scale.	OrgL	Europe	5000-10000	21-30	Livelihoods, health/nutrition, education, emergencies, gender equality
Hybrid	Expatriate and HCN employees are provided headquarter-country and locally benchmarked packages, respectively.	OrgM	Europe	100-500	11-20	Livelihoods, health, water, sanitation, emergencies
Hybrid	All employees receive a headquarter-country benchmarked package. Short-term international assignments receive	OrgN	Europe	<100	21-30	Sustainable livelihoods

	additional allowances, long-term assignments require a move to a partner organization.					
Hybrid	Three reward systems in place – HCN employees receive a locally benchmarked package and expatriate employees receive either a technical or program package, benchmarked by market	OrgO	Europe	5000-10000	21-30	Post-conflict reconstruction

Figure 1: Open coding and themes, with strategic considerations through which global reward is reconceptualized

