The Strategic Role of International HRM

- Insure that HRM policies are congruent with the firm’s strategy, structure and controls.

Types of Staffing Policy

- Ethnocentric: Key management positions filled by parent-country nationals
- Polycentric: Host-country nationals manage subsidiaries, parent-company nationals hold key headquarters positions
- Geocentric: Seek best people, regardless of nationality

Parent Country Nationals (PCNs) - Advantages

- knowledge of firm’s culture & products
- loyalty
- influence at HQ
- easier to assess
- foreign image
- facilitate control and control in the firm
- groom executives for top management
Parent Country Nationals
Disadvantages
• expensive to maintain
• unfamiliar with foreign environment
• communications problems abroad
• best people do not want the assignment
• very expensive incentives required
• low productivity in early part of tenure
  “badwill”
• expensive repatriation programs

Host Country Nationals (HCNs)
Advantages
• familiar with local environment
• goodwill
• less expensive
• know local business subtleties
• can be productive right away

Host Country Nationals
Disadvantages
• loyalty maybe to country not company
• often difficult to find qualified people
• more difficult to assess
• do not understand firm’s culture
• may not be mobile
• may have ulterior motives
• may be weak in dealing with local govt.
Third Country Nationals (TCNs) 
Advantages
- knowledge of specific cultures and languages
- usually less costly
- more adaptable than the PCNs
- reflects geocentric attitude
- when parent country does not have good relationship with host government, best person for the job

Third Country Nationals (TCNs) 
Disadvantages
- locals may prefer their own citizens in managerial positions
- if employee’s country does not have a good relationship with host country
- may have an ulterior motive

Criteria for Selecting Managers for Foreign Assignment
- technical ability
- managerial skills
- cultural empathy
- adaptability and flexibility
- diplomatic skills
- language aptitude
- personal motives
- emotional stability and maturity
- adaptability of family
Four attributes that predict success

- **Self-Orientation**
  - Possessing high self-esteem, self-confidence and mental well-being
- **Others-Orientation**
  - Ability to develop relationships with host-country nationals
  - Willingness to communicate
- **Perceptual Ability**
  - The ability to understand why people of other countries behave the way they do
  - Being nonjudgmental and being flexible in management style
- **Cultural Toughness**
  - Relationship between country of assignment and the expatriate’s adjustment to it

Expatriate Failure Rates

<table>
<thead>
<tr>
<th>Recall Rate Percent</th>
<th>Percent of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Multinationals</td>
<td></td>
</tr>
<tr>
<td>20 - 40%</td>
<td>7%</td>
</tr>
<tr>
<td>10 - 20%</td>
<td>69%</td>
</tr>
<tr>
<td>&lt; 10</td>
<td>24%</td>
</tr>
<tr>
<td>European Multinationals</td>
<td></td>
</tr>
<tr>
<td>11 - 15%</td>
<td>3%</td>
</tr>
<tr>
<td>6 - 10</td>
<td>38%</td>
</tr>
<tr>
<td>&lt; 5</td>
<td>99%</td>
</tr>
<tr>
<td>Japanese Multinationals</td>
<td></td>
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<tr>
<td>6 - 10</td>
<td>10%</td>
</tr>
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Reason for Expatriate Failure

- **US Multinationals**
  - Inability of spouse to adjust.
  - Manager’s inability to adjust.
  - Other family problems.
  - Manager’s personal or emotional immaturity.
  - Inability to cope with larger overseas responsibilities.

- **Japanese Firms**
  - Inability to cope with larger overseas responsibilities.
  - Difficulties with the new environment.
  - Personal or emotional problems.
  - Lack of technical competence.
  - Inability of spouse to adjust.

- **European Multinationals**
  - Inability of spouse to adjust.
Repatriation of expatriates

- Didn’t know what position they hold upon return.
- Firm vague about return, role and career progression.
- Took lower level job.
- Leave firm within one year.
- Leave firm within three years.

Why companies do not offer training programs?
- belief that they are ineffective
- past dissatisfaction with such training programs
- lack of time between selection and departure
- expense of training

Approaches to Cross-cultural Training
- Information or Fact-oriented Training
- Attribution Training
- Cultural Awareness Training
- Cognitive-behavior Modification
- Experiential Training
Common Training Techniques
- area briefings
- lectures
- books and other reading material
- films and videos
- language training
- case studies
- culture assimilators
- sensitivity training
- field trips
- simulation

Compensation
- Two issues:
  - Pay executives in different countries according to the standards in each country?
    - or
    - Equalize pay on a global basis?
- Method of payment

Expatriate Compensation
- Base Salary
- Foreign service allowance
- Hardship or site allowance
- Cost of living allowance
- Housing allowance
- Taxation
- Children’s education allowance
- Reimbursement of host country’s welfare allowance
- Incidental allowances (entertainment, medical, furniture, vacation, etc.)
### Compensation for four positions in 26 countries

<table>
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<tr>
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<th>Accountant</th>
<th>Mfg. Employee</th>
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### National differences in compensation

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### National differences in CEO pay for midsize companies
Compensation issues

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<th>Type of Company</th>
<th>Payment</th>
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<td>Ethnocentric</td>
<td>How much home-country expatriates should be paid.</td>
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<tr>
<td>Polycentric</td>
<td>Pay can and should be country-specific.</td>
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<tr>
<td>Geocentric/Transnational</td>
<td>May have to pay its international cadre of managers the same.</td>
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Global Compensation Systems

- Headquarters pay scale + differential
- Citizenship salary system
- Global compensation system

The balance sheet
Performance appraisal

• Problems:
  – Unintentional bias
    - Host-nation biased by cultural frame of reference
    - Home-country biased by distance and lack of experience working abroad
  – Expatriate managers believe that headquarters unfairly evaluates and under appreciates them
  – In a survey of personnel managers in U.S. multinationals, 56% stated foreign assignment either detrimental or immaterial to one’s career.

Guidelines for performance appraisal

• More weight should be given to onsite manager’s evaluation as they are able to recognize the soft variables
• Expatriate who worked in same location should assist home-office manager with evaluation
• If foreign on-site managers prepare an evaluation, home-office manager should be consulted before completion of formal the terminal evaluation.

The Expatriate Comes Home

• loss of expat social and cultural lifestyle
• job shock
  – less autonomy, less authority, less responsibility, boring, lateral move
• majority feel Intl. assignment was not useful to their careers
• underutilization of skills
• cash flow problems
• educational discontinuity
• housing
• no career planning
Managing Reentry

• Communications
  – extent of information received & given from HQ
  – frequency of exchange
  – involvement in home projects

• Validation
  – amount of recognition received upon returning home
  – have appropriate position available

Management development & strategy

• Development programs designed to increase the overall skill levels of managers through:
  – On going management education
  – Rotation of managers through a number of jobs within the firm to give broad range of experiences

• Used as a strategic tool to build a strong unifying culture and informal management network

Above techniques support transnational and global strategies

What do managers learn abroad?

• managerial skills
  – open minded, cultural understanding

• tolerance for ambiguity

• multiple perspectives

• ability to work and manage others from diverse backgrounds
Optimizing the International Employee

- Selection
- Predeparture Training
- Career Planning
  - narrow focus of most intl assignments
- Communications with HQ
  - periodic visits
  - involved in changes in plans, policies, etc.
- Reentry job responsibility
- Use skills learned overseas
- Involve in training for future expats
- Avoid the "similar country trap"