

SIXTH EDITION



INTERNATIONAL HUMAN RESOURCE MANAGEMENT



Policies and Practices for Multinational Enterprises

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Global HRM



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Country and company culture and international human resource management

"Sonoco is now a multi-billion-dollar global manufacturer of a variety of consumer, industrial and protective packaging products, and a provider of packaging services. The Company has approximately 320 locations in 34 countries, serving some of the world's best-known brands in some 85 nations."¹

Sonoco 2020 Annual Report, p. 5

"We are 149,000 people across the world. We are over 400 brand names in over 190 countries. We are a global company with a global purpose."²

Unilever Corporate Website

LEARNING OBJECTIVES



This chapter will enable the reader to:

- Define and explain the concept of culture.
- Explain the importance of culture in international business (IB).
- Describe the basic research findings of G. Hofstede and F. Trompenaars.
- Explain the importance of culture to IHRM.
- Describe the importance of culture and the difficulties encountered in IHRM research.

This chapter provides a look at one of the most important aspects of the external context for international human resource management (IHRM).³ Many of the most important and difficult challenges to the conduct of IHRM stem from the differences encountered in various countries' and multinational enterprise's (MNEs') cultures. Often, these differences clash when firms conduct business in more than one country and with enterprises located in many countries. This can become a particularly salient challenge when businesspeople lack knowledge of or sensitivity to these differences, resulting in their making mistakes in

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both their business policies and practices and their personal interactions. Even when they know the differences, they can mistakenly assume that their own country's or company's ways of doing things provide the best way to conduct business. Thus, they can make decisions and behave in ways that alienate their foreign counterparts, the people with whom they interact from other countries or companies, such as foreign customers, suppliers, and employees, or they make mistakes that lead to business and/or personal problems. Giving preference to one's own country and company culture can also result in the overlooking or dismissing of better ways of doing things that can be found in other countries and their enterprises.

As two long-time participants in the IB environment put it:

More than any other aspect of the business experience, our knowledge and understanding of culture affects the outcome of business ventures. Without insight into the ways of others, we can't expect to develop credibility, nurture goodwill, inspire a workforce, or develop marketable products. And that directly translates to bottom-line results. Culture affects the way we develop and maintain relationships. It plays a significant role in determining success with colleagues and partners and helps us grasp how to evolve into respected leaders around the world. Understanding culture fundamentally affects how we run our business, what characteristics to look for in selecting people, how to develop global talent, how to conduct meetings, and how to manage employees and work with teams.⁴

Knowledge about and competency in working with varying countries and organizational cultures is one of the most important issues impacting the success of IB activity and of IHRM. Therefore, this chapter provides a definition and an overview of the nature and importance of national and company cultures and their impacts on IHRM as well as providing guidance as to how IHRM can perform its role within MNEs as the advisor and trainer on how to learn from cultural differences and how to use those differences in ways to help build global competitive advantage. This chapter examines the results of major research on culture as well as the findings of major research in IHRM (since it is so closely impacted by culture) and its role in understanding the impact of culture on the global organization and on IHRM.

The nature and importance of culture

Every country has at least some variances from all others, e.g., its history, government, and laws. Because of all of these differences, the more countries with which an MNE interacts, the more complex and difficult conducting business becomes. Today, it is common for MNEs to interact with customers and firms in dozens of other countries. So, one of the central causes of these difficulties has to do with the critical nature of the differences between the national cultures of these various countries.

Variances in people's values, beliefs, and behavior patterns (for example, what they consider to be right and wrong, normal and not normal) are critically important to such IB activities as cross-national negotiations, sales interactions between people from different countries, management of the performance of employees from different countries, the understanding and treatment of contracts between firms from different countries, and all HR responsibilities, such as recruiting and hiring, compensation, training, labor relations, and performance management.

People working for organizations that operate in the international arena (whether in business, government, or the non-profit sector), including HR practitioners, need

a context into which they can place the culture(s) they know and the new ones they encounter, so they can modify their own and their firm's behaviors in order to be more effective in both business and social situations. They need a way to cope with the significant constraints imposed by cultural differences between countries. Indeed, dealing with these cultural differences may provide the most important factor in determining whether or not their international ventures succeed or fail.

The following paragraphs illustrate one example of a well-known firm (McDonald's hamburger restaurants) going international and some of the issues it confronted in coping with the cultures of the countries into which it expanded.⁵

IHRM IN ACTION 5.1⁶ TURNING MCDONALD'S INTO A GLOBAL BRAND

An example of how even mass-market suppliers are heeding cultural diversity is illustrated by McDonald's. The Big Mac is so quintessentially American that "McWorld" has become an epithet for the homogenization of world tastes by the US. McDonald's discovered that the global popularity of the McDonald's product was increasingly qualified by exceptions.

The international division sustained McDonald's throughout much of the 1990s and 2000s. Domestic sales were in trouble, and it was the company's local adaptations, introduced by franchisees and national coordinators, which showed the most sales success, registering 15 years of sustained revenue growth. More importantly, the autonomy first ceded to foreign operators now has become the policy of the whole corporation.

When the Indonesian currency collapsed in 1998, potato imports became too expensive. Rice was substituted and later maintained. In Korea, roast pork was substituted for beef, while soy sauce and garlic were added to the bun in much of Southeast Asia. Austria introduced "McCafes" offering a variety of local coffee blends, which are now a mainstay at McDonald's restaurants throughout much of the world. And there are many other adaptations as well, such as beer in Germany and soy- and lamb-based burgers in India.

Yet in key values of quality, cleanliness, speed, and branding, McDonald's remains uniform. "Decentralisation does not mean anarchy," says McDonald's. "Those things aren't negotiable."

In 2014, McDonald's opened its first restaurant in Ho Chi Minh City, Vietnam.⁷ The establishment of McDonald's was good for the company and the country, according to the businessman who brought McDonald's to Vietnam.⁸ He further said, "McDonald's is a very careful organization," and "If you show up in a market you've got to do things right."

In 2016, McDonald's opened its first restaurant in Astana, Kazakhstan (now Astana is known as N r-S ltan). Former President and Chief Executive Officer (CEO) of McDonald's, Steve Easterbrook noted "We look forward to becoming a part of the local culture and delivering a modern and progressive restaurant experience as we continue to grow our Brand internationally."⁹

The next few pages present a model for developing this awareness and understanding so as to enable international human resources (IHR) managers to more effectively cope with their international responsibilities, to interact more effectively with their international colleagues, and to enhance their learning from their exposure to and experience with HR practices in other countries.

A definition and description of culture

There have been many definitions of "culture" offered over the years. For the purposes of this text the following definition is used: culture is the characteristic

way of behaving and believing that a group of people have developed over time and share in common. In the context of this book, the “groups” whose cultures will be discussed are the people from a particular country or region and the members of a particular company. Of course, the concept is also used to describe the values and behaviors of other groups, such as members of particular professions, certain industries, age groups, and racial groups.

Culture is the characteristic way of behaving and believing that a group of people have developed over time and share in common.

- It gives them a sense of who they are, of belonging, and of how they should behave.
 - It provides them with the capacity to adapt to circumstances (because the culture defines what is the appropriate behavior in that circumstance) and to transmit this knowledge to succeeding generations (in the case of countries) or to new employees (in the case of organizations).
 - It affects every aspect of the management process – how people think, solve problems, and make decisions (for a country or firm).
-

As Schell and Solomon phrase it:

Learned and absorbed during the earliest stages of childhood, reinforced by literature, history, and religion, embodied by . . . heroes, and expressed in . . . instinctive values and views, culture is a powerful force that shapes our thoughts and perceptions. It affects the way we perceive and judge events [and other people], how we respond to and interpret them, and how we communicate to one another in both spoken and unspoken language. Culture, with all of its implications [and forms], differs in every society. These differences might be profound or subtle; they might be obvious or invisible. Ever present yet constantly changing, culture permeates the world we know and molds the way we construct or define reality.¹⁰

When a firm enters a new country and performs activities such as creating job definitions and classifications and hiring, using only its home-country practices, it can cause significant alienation and lack of trust, which can have further ramifications, for example, in making it difficult to obtain a quality workforce.

Understanding culture as layers of meaning

One of the complexities that makes “culture” so difficult to deal with is its multiple layers of meaning. There are many readily observable things about the culture of a country, a region, or a firm that differ quite obviously from those of other countries, regions, and firms. These characteristics, including such things as food, art, clothing, greetings, and historical landmarks, are clearly visible. Sometimes these are referred to as artifacts, or manifestations, of underlying values and assumptions.¹¹ But those underlying values and assumptions are much less obvious.

One way to understand this concept is illustrated in Figure 5.1, which represents culture as a series of concentric circles, or multiple layers, as in an onion.¹² The layers of the culture model present a way to understand culture, with each layer moving from the outside to the inside, representing less and less visible, or less

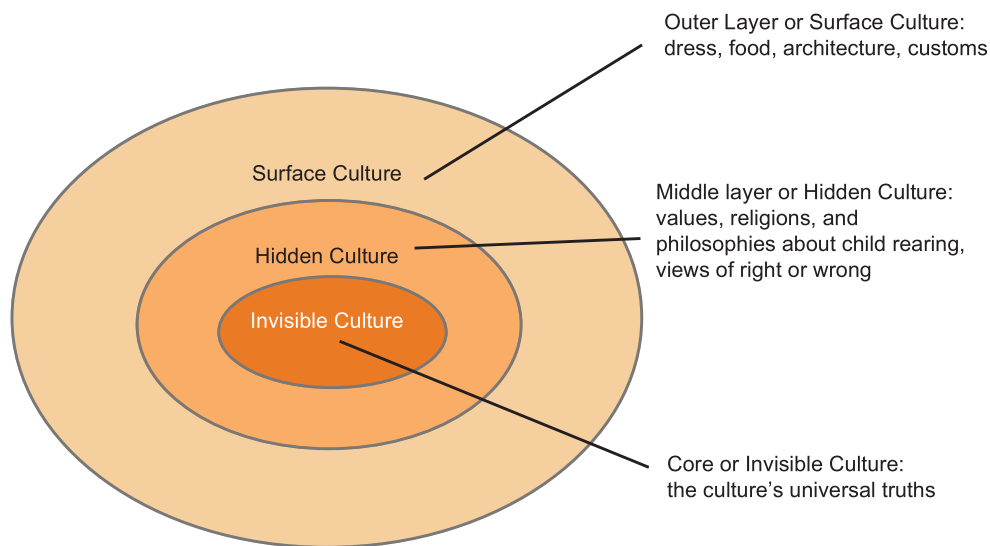


Figure 5.1 The Three Layers of Culture

explicit, values and assumptions, but correspondingly more and more important values and beliefs for determining attitudes and behaviors. These layers include:

- *Surface or explicit culture* (the outside layer): things that are readily observable, such as dress, food, and ways of eating, architecture, customs (such as how to greet other people and the importance of relationships), body language, gestures, etiquette, and gift giving;
- *Hidden culture* (the middle layer): values, religions, and philosophies about things like child rearing, and views of what is right and wrong; and
- *Invisible or implicit culture* (the core): the culture's universal truths – the bases for all of a culture's values and beliefs.

This approach to an understanding of culture is used throughout this book as various business and IHR practices, such as preparing employees for international assignments (IAs) or developing compensation and motivation practices for application in foreign operations, are described and evaluated.

As people develop an ability to work successfully with differing cultures, they typically go through a process such as that illustrated in Figure 5.2, “Development of Cross-Cultural Competence.” This approach to building knowledge about another person or group's behavior and values and eventually adapting to or being able to integrate with that other person's or group's behaviors and attitudes assumes that people must first understand their own cultural values and beliefs before they can develop an appreciation and respect for other people's cultural differences. This then precedes the eventual ability to move toward reconciliation and integration with different national and organizational cultures.

All three stages are challenging. All three stages require progressing from basic education and training about one's own and others' cultures through gaining experience with other cultures and reflecting on and then developing an openness about and finally a willingness to seek feedback about one's own values and behaviors in relation to the foreign culture's. Ultimately, as was found in an extensive study of the development of global executives, people learned best to

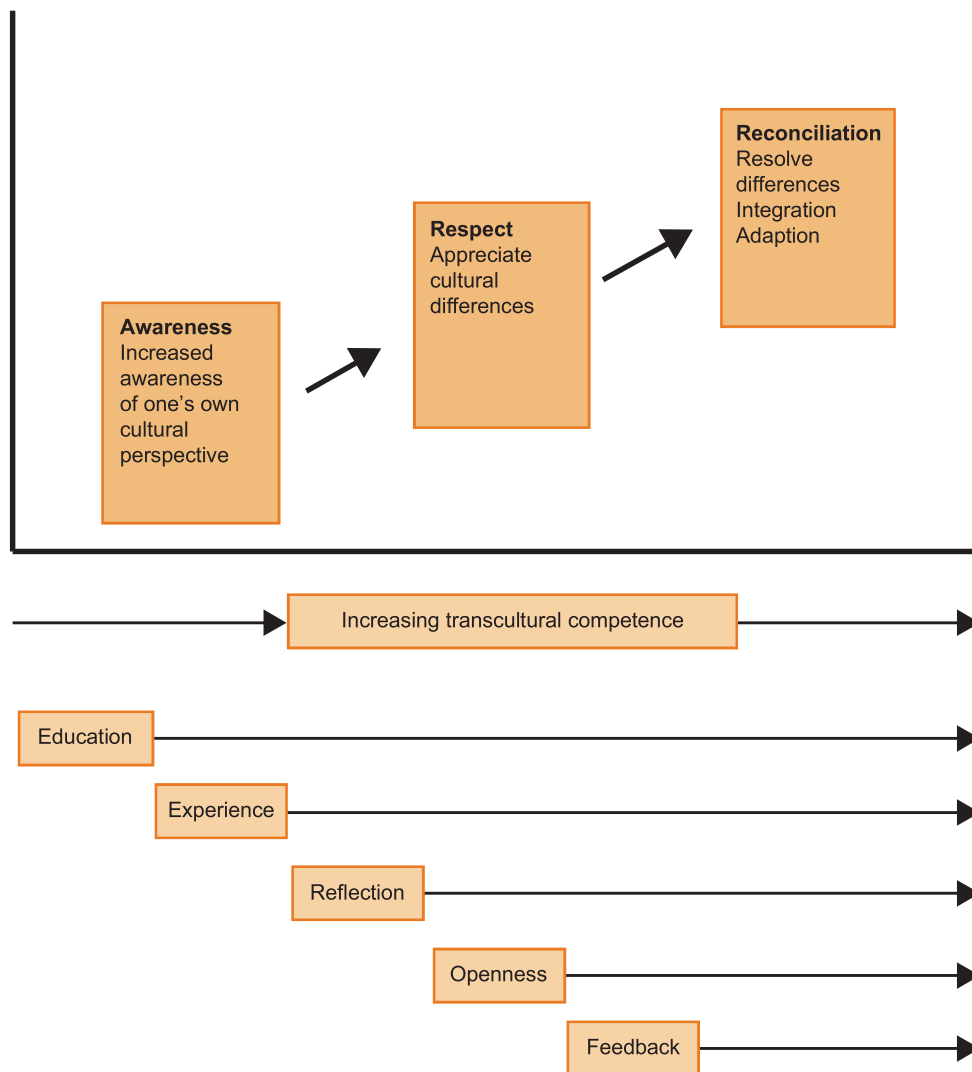


Figure 5.2 Development of Cross-Cultural Competence

deal with the complexities of “foreign” cultures by living in those cultures.¹³ But the other steps illustrated in Figure 5.2 are also important in developing what is referred to here as “cultural competency.”

The experiences of ConAgra Foods in China illustrate this process.¹⁴ When ConAgra came to China five years ago, the firm had high hopes and big worries. Prior to this, the company entered the Japanese market and repeatedly ran into obstacles like communication breakdowns, cultural missteps, and missed deadlines. While those problems were eventually straightened out, ConAgra knew it could not afford to make the same mistakes in China. Intent on finding someone who could help their managers shorten the cultural distance, the company’s manager of human resources (HR), who was responsible for international organization, hired Carla Kearns, founder of TLI – The Mandarin School, based in Toronto, to provide its executives with intercultural business training and coaching. Ms. Kearns teaches companies to understand the fundamental values that Western and Chinese cultures see differently and that, if ignored, can wreak havoc on their bottom line. They include concepts of time, hierarchy, individualism,

personal relationships, and saving face. Most novice foreign business professionals in China probably know to exchange business cards with both hands and the correct seating arrangements at banquets, but to gain agreement and to seal the deal, executives need to learn a more nuanced approach. TLI and Ms. Kearns were successful in these efforts for ConAgra, allowing them to become quite successful in their move into China.

For more information about preparation and training for learning to accept and adapt to one or more “foreign” cultures, refer to Chapter 10 on global training and management development.

Country and regional cultures

An increasing number of researchers are assessing whether or not the wide variety of cultures around the world can be reduced to a more limited set of cultures with similar characteristics. If so, it would greatly reduce the number of problems associated with determining management and HR practices in various countries.

The research of Geert Hofstede

The best known of the studies of national culture (and the first major study of cultural values in a large sample of countries) was performed by Dr. Geert Hofstede in the subsidiaries (initially in 53 countries) of one of the major multinational corporations, now known to have been IBM.¹⁵ In particular, this study focused on identifying country differences and regional similarities on the basis of a series of work-related factors. Exhibit 5.1 provides a short summary of the factors identified in this research.¹⁶

Hofstede found not only that certain countries consistently show similarities based on the presence of these characteristics but also that there are clearly differences between the various groupings of countries on these value dimensions. The significant conclusion for MNEs was that the idea was wrong that managerial and organizational systems as developed and practiced in the parent country and parent company of an MNE should be – or could be – imposed upon all of the MNE’s foreign subsidiaries.¹⁷ As is discussed in more detail toward the end of this chapter, such large-scale research is difficult and expensive. And, not surprisingly, such research has been very difficult to replicate, although ongoing research in the original firm of Hofstede’s research (IBM) as well as by new researchers in different organizations is generally confirming both the cultural characteristics and the country profiles.¹⁸

The research of Fons Trompenaars and Charles Hampden-Turner

Dr. Fons Trompenaars and Dr. Charles Hampden-Turner published results of a similar large-scale study (over 15,000 employees from over 50 countries, again from one firm with long-term global experience, Royal Dutch Shell).¹⁹ Even though they focused on different aspects of culture – such as how different cultures accord status to members of their cultures, the varying attitudes toward time and nature, and differing attitudes toward individuals and groups and resulting relationships between members of society – their overall conclusions are quite similar to those of Hofstede. Trompenaars and Hampden-Turner concluded that what distinguishes people from one culture compared with another is where these preferences fall in one of the following seven dimensions. Exhibit 5.2 illustrates these dimensions.

Exhibit 5.1 Geert Hofstede's Cultural Dimensions*

Cultural Dimension	Description
<i>Power distance</i>	Degree of <i>acceptance of power distance</i> between bosses and subordinates. Degree to which the less powerful members of a society accept and expect that power is distributed unequally, i.e., that hierarchy is legitimate. In cultures with low power distance, people expect that power is distributed rather equally, and are furthermore likely to accept that power is distributed to less powerful individuals. The emphasis is on challenging authority, expecting autonomy and independence. As opposed to this, people in high power distance cultures will likely both expect and accept inequality and steep hierarchies. There is high respect for authority, resulting in centralized power, acceptance of autocratic authority, and direct supervision. Countries ranked high on power distance include Malaysia, Guatemala, Panama, Philippines, and Mexico. Countries ranked low on power distance include Austria, Israel, Denmark, New Zealand, and Ireland.
<i>Individualism or collectivism</i>	Degree of <i>individualism or collectivism</i> . This dimension focuses on relationships between the individual and the group. Highly individualistic cultures believe that the individual is the most important. Decisions are based on individual needs and interests. In individualist cultures, people speak out, question, and can be confrontational and direct. Highly collectivist cultures on the other hand believe the group is the most important and exhibit primary loyalty to the group (family, caste, tribe, region, organization, etc.). Decisions are based on what is best for the group. In collectivist cultures, people blend in, avoid conflict, and use intermediaries. Greater emphasis is placed on the welfare of the group to which the individual belongs, where individual wants, needs, and dreams are set aside for the common good. Countries ranked high on individualism and thus low on collectivism include the US, Australia, Great Britain, Canada, and the Netherlands. Countries ranked high on collectivism and low on individualism include Guatemala, Ecuador, Panama, Venezuela, and Colombia.
<i>Uncertainty avoidance</i>	Degree of <i>uncertainty avoidance or tolerance for ambiguity</i> . This dimension refers to the need for formal rules and policies and the extent to which people feel threatened by uncertain or ambiguous situations. It focuses on how people adapt to changes and cope with uncertainty. The majority of people who live in cultures with a high degree of uncertainty avoidance are likely to feel uncomfortable in uncertain and ambiguous situations and will welcome rules for guiding their behaviors and attitudes. They tend to believe in absolute truth and to trust people with high perceived expertise. People who live in cultures with a low degree of uncertainty avoidance are likely to thrive in more uncertain and ambiguous situations and environments and will tend to resist having too many rules and policies. They are more likely to accept relativity in beliefs and values. Countries ranked high in uncertainty avoidance and low in tolerance for ambiguity include Greece, Portugal, Guatemala, Uruguay, and Belgium. Countries ranked low in uncertainty avoidance and high in tolerance for ambiguity include Singapore, Jamaica, Denmark, Sweden, and Hong Kong.

Exhibit 5.1 Continued

Cultural Dimension	Description
Masculinity vs. femininity	Degree of <i>masculinity or femininity</i> in social values. This dimension focuses on the extent to which a society stresses achievement versus nurturing. The masculinity side of this dimension represents a preference in society for achievement, heroism, assertiveness, and material rewards for success. Masculinity is seen to be the trait which emphasizes ambition, acquisition of wealth, and differentiated gender roles. Society at large is more competitive. Its opposite, femininity, stands for a preference for cooperation, modesty, caring for the weak, and for quality of life. Femininity is seen to be the trait that stresses caring and nurturing behaviors, sexual equality, environmental awareness, and more fluid gender roles. Society at large is more consensus oriented. Countries ranked high on masculinity include Japan, Austria, Venezuela, Italy, and Switzerland. Countries ranked high on femininity include Sweden, Norway, the Netherlands, Denmark, and Costa Rica.
Long-term vs. short-term orientation	Degree of <i>long versus short-term orientation</i>. This dimension was added after the original four dimensions. The consequences for work-related values and behavior springing from this dimension are rather hard to describe, but some characteristics include: ■ Long-term orientation – acceptance that business results may take time to achieve; employees value a long-term relationship with their employers. ■ Short-term orientation – results and achievements are set, and can be reached within a specific timeframe; employees will potentially change employers quite often. Countries ranked high on long-term orientation include China, Hong Kong, Taiwan, Japan, and South Korea. Countries ranked high on short-term orientation include Pakistan, Nigeria, the Philippines, Canada, Zimbabwe, Great Britain, and the US.

(Continued)

Exhibit 5.1 Continued

Cultural Dimension	Description
<i>Pragmatic vs. normative orientation</i>	Degree of <i>pragmatic versus normative orientation</i> . This dimension describes how people in the past, as well as today, relate to the fact that so much that happens around us cannot be explained. In societies with a normative orientation most people have a strong desire to explain as much as possible. People in such societies have a strong concern with establishing the absolute truth and a need for personal stability. They exhibit great respect for social conventions and traditions, a relatively small propensity to save for the future, and a focus on achieving quick results. In societies with a pragmatic orientation, most people don't have a need to explain everything, as they believe that it is impossible to understand fully the complexity of life. The challenge is not to know the truth but to live a virtuous life. In societies with a pragmatic orientation, people believe that truth depends very much on the situation, context, and time. They show an ability to accept contradictions and to adapt according to circumstances; they show a strong propensity to save and invest; and they show thriftiness and perseverance in achieving results. Countries ranked high on pragmatic orientation include South Korea, Taiwan, Japan, China, and Germany. Countries ranked high on normative orientation include Egypt, Mozambique, Malta, Nigeria, the Dominican Republic, and Colombia.
<i>Indulgence vs. restraint</i>	Degree of <i>allowed individual indulgence</i> of basic human drives <i>versus social restraint</i> of such behavior. Indulgence stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun. Restraint stands for a society that suppresses gratification of needs and regulates it by means of strict social norms. Countries ranked high on indulgence include Venezuela, Mexico, El Salvador, Nigeria, Angola, and Colombia. Countries ranked high on restraint include Pakistan, Egypt, Latvia, Albania, Bulgaria, and Estonia.

*Sources: Adapted from www.geert-hofstede.com (2011) (Geert Hofstede's and Gert Jan Hofstede's academic web site); Hofstede, G. (2001). *Culture & Consequences*, 2nd ed., Thousand Oaks, CA/London: Sage Publications; Hofstede, G., J., and Minkov, M. (2010). *Cultures and Organizations: Software of the Mind*, 3rd ed., New York: McGraw-Hill.

Exhibit 5.2 Trompenaar's and Hampden-Turner's Cultural Dimensions*

Cultural Dimension	Description
<i>Universalism vs. particularism (emphasis on rules versus relationships)</i>	<i>Universalism</i> places a high importance on laws, rules, values, and obligations. Universalists try to deal fairly with people based on these rules, but rules come before relationships. In contrast, <i>particularism</i> suggests that each circumstance, and each relationship, dictates the rules to live by. Particularists' responses to a situation may change, based on what's happening in the moment, and who's involved. Typical universalist cultures include the US, Canada, the UK, the Netherlands, Germany, Scandinavia, New Zealand, Australia, and Switzerland. Typical particularistic cultures include Russia, Latin American countries, and China.
<i>Individualism vs. communitarianism (the individual versus the group)</i>	<i>Individualism</i> emphasizes personal freedom and achievement. Individualists believe that you make your own decisions, and that you must take care of yourself. In contrast, <i>communitarianism</i> suggests that the group is more important than the individual. The group provides help and safety, in exchange for loyalty. The group always comes before the individual. Typical individualist cultures include the US, Canada, the UK, Scandinavia, New Zealand, Australia, and Switzerland. Typical communitarian cultures include countries in Latin America and Africa, and Japan.
<i>Neutral vs. emotional (range of emotions expressed)</i>	In <i>neutral</i> cultures, people make a great effort to control their emotions. Reason influences their actions far more than their feelings. People don't reveal what they're thinking or how they're feeling. In contrast, in <i>emotional</i> cultures, people want to find ways to express their emotions, even spontaneously, at work and in social situations. In emotional cultures, it's welcome and accepted to show emotion. Typical neutral cultures include the UK, Sweden, the Netherlands, Finland, and Germany. Typical emotional cultures include Poland, Italy, France, Spain, and countries in Latin America.
<i>Specific vs. diffuse (range of involvement with other people)</i>	In <i>specific</i> cultures, people keep work and personal lives separate. As a result, they believe that relationships don't have much of an impact on work objectives, and, although good relationships are important, they believe that people can work together without having good relationships. In <i>diffuse</i> cultures, people see an overlap between their work and personal lives. They believe that good relationships are vital to meeting business objectives, and that their relationships with others will be important, whether they are at work or meeting socially. People spend time outside work hours with colleagues and clients. Typical specific cultures include the US, the UK, Switzerland, Germany, Scandinavia, and the Netherlands. Typical diffuse cultures include Argentina, Spain, Russia, India, and China.

(Continued)

Exhibit 5.2 Continued

Cultural Dimension	Description
<i>Achievement vs. ascription (basis for ascribing status to other people)</i>	In <i>achievement</i> cultures, people believe that you are what you do, and they base your worth accordingly. These cultures value performance, no matter who you are. In <i>ascription</i> cultures, people believe that you should be valued for who you are. Power, title, and position matter in these cultures, and these roles define behavior. Typical achievement cultures include the US, Canada, Australia, and Scandinavia. Typical ascription cultures include France, Italy, Japan, and Saudi Arabia.
<i>Sequential time vs. synchronous time (how people manage time)</i>	In <i>sequential-time</i> cultures, people like events to happen in order. They place a high value on punctuality, planning (and sticking to your plans), and staying on schedule. In these cultures, “time is money,” and people don’t appreciate it when their schedules are thrown off. In <i>synchronous-time</i> cultures, people see the past, present, and future as interwoven periods. They often work on several projects at once, and view plans and commitments as flexible. Typical sequential-time cultures include Germany, the UK, and the US. Typical synchronous-time cultures include Japan, Argentina, and Mexico.
<i>Internal direction vs. outer direction (how people relate to their environment)</i>	In <i>internal-direction</i> cultures, people believe that they can control nature or their environment to achieve goals. This includes how they work with teams and within organizations. In <i>outer-direction</i> cultures, people believe that nature, or their environment, controls them; they must work with their environment to achieve goals. At work or in relationships, they focus their actions on others, and they avoid conflict where possible. People often need reassurance that they’re doing a good job. Typical internal-direction cultures include Israel, the US, Australia, New Zealand, and the UK. Typical outer-direction cultures include China, Russia, and Saudi Arabia.

*Sources: Adapted from Trompenaars, F. & Hampden-Turner, C. (2021). *Riding the Waves of Culture, Fourth Edition: Understanding Diversity in Global Business* 4th Edition, McGraw-Hill Education; Trompenaars, F. (1992/1993). *Riding the Waves of Culture: Understanding Diversity in Global Business*, Burr Ridge, IL: Irwin; Trompenaars, F., & Hampden-Turner, C. (2004). *Managing People across Cultures*, West Sussex, England: Capstone Publishing.

Since the reporting of these studies by Hofstede and Trompenaars and Charles Hampden-Turner, other researchers and consultants have reported similar findings or developed alternative ways to categorize cultural values. For example, the Global Leadership and Organizational Behavior Effectiveness (GLOBE) research project (one of the most comprehensive studies yet, performed by a large multinational team of professors) categorized countries on nine cultural dimensions including assertiveness, future orientation, gender differentiation, uncertainty avoidance, power distance, institutional collectivism, in-group collectivism, performance orientation, and humane orientation,²⁰ which exhibit much overlap with, and even synthesizing of, the factors reported by Hofstede and Trompenaars. Exhibit 5.3 summarizes the GLOBE findings.

Exhibit 5.3 Global Leadership and Organizational Behavior Effectiveness (GLOBE): Cultural Dimensions

Cultural Dimension	Description
<i>Assertiveness</i>	The degree to which individuals are assertive, confrontational, and aggressive in their relationships with others.
<i>Future orientation</i>	The extent to which individuals engage in future-oriented behaviors such as delaying gratification, planning, and investing in the future.
<i>Gender differentiation</i>	The degree to which a collective minimizes gender inequality.
<i>Uncertainty avoidance</i>	The extent to which a society, organization, or group relies on social norms, rules, and procedures to alleviate unpredictability of future events.
<i>Power distance</i>	The degree to which members of a collective expect power to be distributed equally.
<i>Institutional collectivism</i>	The degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action.
<i>In-group collectivism</i>	The degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families.
<i>Performance orientation</i>	The degree to which a collective encourages and rewards group members for performance improvement and excellence.
<i>Humane orientation</i>	The degree to which a collective encourages and rewards individuals for being fair, altruistic, generous, caring, and kind to others.

*Sources: Adapted from House R.J., Hanges, P., Javidan, M., Dorfman, O & Gupta, V. (Editors) (2004). *Culture, Leadership, and Organizations: The GLOBE Study of 62 Societies*. Thousand Oaks, CA; Sage, 2004; Chhokar, J., Brodbeck, F & House, R. (Editors) (2019). *Culture and Leadership across the World: The GLOBE Book of In-Depth Studies of 25 Societies*. 1st Edition, Psychology Press.

Country cultural clusters

Because the number of different national and ethnic cultures is so great, the efforts by Hofstede, Trompenaars, and others, to cluster countries with similar cultural profiles and to identify a limited set of variables with which one can understand cultural differences have been welcomed by firms working in the international arena. The hope for these efforts is that they can simplify the problems encountered in adjusting to varying national cultures by limiting the number of significantly different countries or regions. The results of several studies suggest groupings of the following countries, based on their cultural similarities:²¹

- *Anglo*: Australia, Canada, Ireland, New Zealand, South Africa, United Kingdom, United States
- *Arab*: Abu-Dhabi, Bahrain, Kuwait, Oman, Saudi Arabia, United Arab Emirates
- *Far Eastern*: Hong Kong, China, Indonesia, Malaysia, Philippines, Singapore, Vietnam, Taiwan, Thailand
- *Germanic*: Austria, Germany, Switzerland
- *Latin American*: Argentina, Chile, Colombia, Mexico, Peru, Venezuela
- *Latin European*: Belgium, France, Italy, Portugal, Spain
- *Near Eastern*: Greece, Iran, Turkey
- *Nordic*: Denmark, Finland, Norway, Sweden
- *Independent*: Brazil, India, Israel, Japan, South Korea

People with extensive international experience will probably suggest that some of these groupings hide significant within-group (between countries that are in the same group) differences (such as would be experienced among the different countries in the Far Eastern cluster).²² Nevertheless, the various research efforts to identify countries with similar cultural characteristics do suggest that the countries in each group indeed exhibit significant similarities in their cultural profiles.

These kinds of studies – even if they only confirm managers' assumptions about certain country characteristics – can provide some guidance to general managers and HR managers as they structure policies and practices in foreign operations and activities. At a minimum, these studies provide support for decentralizing many aspects of organizational structure and management and offer suggestions for creating regional divisions for managing at least some aspects of the highly complex global firm.

The observations of an experienced practitioner

One interesting and practical approach to understanding cultural differences is based on the observations and experiences of Richard Gesteland over a 30-year career as expatriate manager and international negotiator in many countries.²³ Gesteland has observed that variances in four general patterns of cross-cultural business behavior provide critical help in understanding international marketing, negotiating, and managing. These four patterns include:

- *Deal focus versus relationship focus*: Gesteland states that this focus on “making or doing the deal” rather than “building relationships” provides the “Great Divide” between business cultures, with differences in this focus often proving to be exceedingly difficult to bridge.

- *Informal versus formal cultures*: Problems occur here when informal business travelers (BTs) from relatively egalitarian cultures cross paths with more formal counterparts from hierarchical societies.
- *Rigid-time (monochronic) versus fluid-time (polychronic) cultures*: One group of the world's cultures worships the clock while another group is more relaxed about time and scheduling, focusing instead on relationships with the people around them.
- *Expressive versus reserved cultures*: Expressive people communicate – verbally, nonverbally, and in writing – in radically different ways from their more reserved counterparts, which often causes great confusion that can spoil the best efforts to market, sell, source, negotiate, or manage people across cultures.

These four patterns suggest some similarities to and additional verification of those published by researchers such as Hofstede and Trompenaars. And they suggest some slight differences, with an emphasis on what has been crucial to the practice of international management and negotiation.

The dangers of oversimplification

The attempts to isolate country variances and then to group countries and regions with similar profiles and to minimize the variables with which we try to understand cultural differences can simplify the management (and IHR management) task of figuring out how to interact effectively in various countries. But this may oversimplify the understanding of cultural differences.²⁴ For example, Brannen expresses the concern that the focus on country differences falls short on two levels:

- 1 It provides little explanation of within-group differences, that is, it treats countries or cultures as homogeneous wholes, with everyone within the country or culture being alike.
- 2 It provides little understanding of how cultures change, that is, it tends to treat cultures as a given – impermeable and static.²⁵ Brannen suggests that experience shows that cultures are not nearly as homogeneous nor as static as these studies suggest. There are considerable differences within cultures and cultures do, in fact, change over time.

Country culture versus MNE culture

Just as countries develop unique patterns of values, norms, beliefs, and acceptable behavior, so also do companies. Most MNEs take great pride in their “organizational cultures,” which reflect, at least initially, the values of their founders and evolve to create corporate personalities that give employees a template for how to behave, including how to make decisions, the importance and acceptance of operational concerns such as continual improvement, safety, and ethics, and how to treat fellow employees and customers.

For many firms, these organizational values take precedence over country cultures, particularly when there is a conflict between the two. For example, many large MNEs that originate in Scandinavian countries may feel very strongly about the assignment of women to senior management positions and will do this even in cultures where it is rare (and not supported by cultural

norms) for women to have these types of appointments. Or MNEs from Western countries may feel strongly in favor of egalitarian and participative management styles and compensation practices and may decide that these values are so important that they will pursue strategies to implement these practices in their foreign operations, even though local culture supports a very different set of values. In addition, Asian MNEs might emphasize strong group loyalty and discussion, with deference to senior employees, in the ways they operate and make decisions, even in their foreign subsidiaries, and even when this is not an accepted or understood way to operate by local employees and managers.

Cultural convergence and/or divergence

One major issue that affects the relationship between national culture and corporate culture has to do with the conflict between centralization/standardization and localization/customization, as has been discussed a number of times already. This dilemma may never be fully resolved, and it will come up again, as it affects various aspects of IHRM policy and practice. But this is one of the consequences of the major cultural differences as described in this chapter. Even a huge MNE, such as McDonald's, the fast-food restaurant chain, struggles with insistence throughout the world on corporate standards for customer service and quality of product, while also trying to adopt local ideas for menu items that meet local tastes and practices.

One of the continuing controversies that surrounds any discussion of the role of culture in IB is whether or not, due to increasing globalization, there is a growing convergence of cultural values and characteristics across countries.²⁶ There is some evidence to support both the point of view that modern technology and the modernizing of industries around the world is influencing firms to adopt similar "best practices" (convergence)²⁷ as well as support for the view that countries' cultural values and practices continue to exert quite strong influences on their business and HR practices (divergence).²⁸ It is likely that reality is somewhere in between:

Convergence and divergence perspectives may represent polar extremes. As most firms struggle to find the optimal trade-off between globalization and localization, that is, "glocalization," perhaps the reality is closer to a more balanced or middle-ground view called "cross-vergence," or the intermixing of cultural systems between different countries.²⁹

This issue of convergence versus divergence in cultural variance around the world is discussed throughout this text as it applies to various HR practices, such as in Chapter 12 in the discussion of global performance management, and particularly in Chapter 14 on comparative HRM. In any case, as the global economy continues to grow, it is likely that cultural differences will influence IB and IHRM practices in multiple and complex ways. Management and HR practices are likely to be both influenced by the practices of large MNEs from the developed economies as well as by the values and practices from the largest emerging economies, referred to as the (BRIC) Brazil, Russia, India, China countries, and from smaller, yet successful economies, such as Austria, Switzerland, the Scandinavian countries, South Korea, Singapore, and Hong Kong, creating potentially many different, yet successful, hybrid management systems.

Research in IHRM

Although the field of IHRM has grown in recent years, there are inherent problems in researching international organizational issues. This is largely due to the significant and complex impact of culture on such research.

IB research began to develop in the 1970s (along with the expansion of IB).³⁰ Cross-cultural management research, however, remained largely limited throughout the 1970s and 1980s and, even now, represents only a small percentage of published research on management and organizational topics.³¹ In addition, at least until recently, much of the published research was from an Anglo perspective, much of it performed by American (or American-trained) or European researchers,³² and mostly done in the top industrialized or developed countries.³³ Research published by non-Western scholars (or published in non-English language sources), such as in Western and Eastern Europe and Japan and in emerging economies, such as the BRIC countries, has gone largely unnoticed in the US, in particular, and in other major English-speaking countries.³⁴ And among the business disciplines, management, organization, and HRM have been among those topics receiving the least attention.³⁵ All of this has contributed to the lack of research related to IHRM.

The limited research published on international and comparative management and organization in general, and IHRM in particular, has also been criticized as lacking in analytical rigor, relying too heavily on description of organizational practices (as opposed to critically evaluating such practices), being expedient in research design and planning, and lacking the sustained effort needed to develop case material and other types of longitudinal studies.³⁶

There are numerous reasons for this. Multinational – or cross-border or cross-cultural – research is expensive, takes more time, typically involves more travel than domestic research, and often requires skills in multiple languages, sensitivity to multiple cultures, and cooperation among numerous individuals from different countries, companies, and, often, governments. All of this combines (and conspires) to make such research quite difficult, if not impossible for many researchers. Throw in problems with cultural differences among researchers and at research sites, translation problems (see the next few paragraphs), interpretation variances among multinational research teams, and difficulties with research designs such as the use of control groups and the creation of equivalent groups for comparison purposes, and one can see some of the reasons for the lack of rigorous research in IHRM in particular, and to a lesser extent, international management in general.³⁷

The amount of research into topics of relevance to IHRM continues to grow, with the quantity and quality expanding.³⁸ However, as described previously, and as with all research into topics related to international business (IB) (if not all areas of international research), there are a number of issues that make such research difficult to perform, difficult to describe, and difficult to get published.³⁹ The following is a short introduction to issues related to the conduct of research into IHRM, which should help those interested in both the conduct and the reporting of such research as well as help readers to evaluate the research that is reported, both of an empirical and of a more general, anecdotal nature.

General frustrations

International management researchers have reported frustration with four particular problems:

- Inconsistent and vague definitions of terms like *culture* and *performance*;

- Inaccurate translation of key terminology (see the next few paragraphs);
- Difficulty in obtaining representative or equivalent samples of research subjects. It is very hard to isolate the variables of interest in different cultures; and
- Difficulty in isolating cultural differences – versus identifying cultural characteristics that might be common across varying cultures – amid varying national economic and political realities (such as stages of development of the countries or cultures being studied and the nature of their political systems).

Forms of IHRM research

IHRM research has basically taken one of three forms. These are:

- Cross-cultural, i.e., the study of issues or practices, comparing one country to another;
- Multicultural, i.e., the study of a practice or issue in a number of countries or cultures; or
- HR practices in other countries, i.e., describing HR practices in one or more countries that are “foreign” to the researcher.

However, the majority of the published research has been of the first variety, primarily due to the many problems with conducting cross-border studies, as described earlier.

The specific case of employee surveys⁴⁰

Although most IHRM research is conducted by academic researchers (with some done by consultants and practitioners), some is conducted by in-house scientists. One of the functions of IHRM research is to help firms evaluate their IHRM practices. One of the common methods used for such in-house research is employee surveys. Even though surveys may be relatively simple in terms of research design, they are still impacted by all of the issues described in this section. Every issue, from translation and item equivalence, to union or works council reviews, to length of time to administer, to varying privacy guidelines or attitudes, to methods for administration, to difficulties in working with multinational teams, to varying acceptance of such data gathering in different countries, can cause problems.

Basic assumptions

The basic models and/or assumptions that underlie cross-cultural research have been described as falling into the following three “camps.” The perspective of a particular researcher will obviously influence the approach taken, the types of questions examined, the type of data or information sought, and the interpretation and generalizability of the results.⁴¹

- *Universal*: a researcher with a universalist assumption has the attitude that there exist some universal cultural characteristics; his or her research task is to identify them and thus demonstrate that certain management and HR practices will work anywhere.
- *Situational*: a researcher with this perspective maintains that there are different managerial practices for different situations; thus, his or her task is to identify the cultural situations in which HR or management practices differ or which practices differ based on which cultural variables.

- *Convergent*: a researcher with this perspective begins with a view (and tries to verify) that countries with similar industrial and cultural backgrounds will converge to a common set of management practices as they approach similar levels of economic maturity.

Specific difficulties

Some of the specific reasons for the difficulties in doing international/comparative management and IHR research and getting it published include the following.

The particular focus of the researcher(s)

There are often the following two foci described:

- *Emic*: they try to identify culture-specific aspects of concepts/behavior, i.e., differences across cultures.
- *Etic*: they try to identify culture-common aspects, i.e., the same across all cultures.

These terms have been borrowed from linguistics: a *phonemic* system documents meaningful sounds specific to a given language, and a *phonetic* system organizes all sounds that have meaning in any language. Both approaches provide legitimate research orientations, but if a researcher uses an *etic* approach (i.e., assumes universality across cultures) when there is little or no support for doing so, or vice versa, it makes the results difficult to interpret – or leads to errors in research design and interpretation – and will cause problems with review and publishing.

These approaches obviously interact with the universalist versus situational perspectives. A universalist approach will look for evidence to suggest that there is really only “one best way” and that countries that have practices that diverge will eventually converge to the best way. Thus, a longitudinal perspective becomes quite important. Most cultural research is pretty static – that is, it doesn’t take into account a long-enough perspective to show that pressures even within a culture (or, broader, within the global environment) can lead to significant changes and adaptation. So, if the distinction between *emic* and *etic* approaches is ignored in research design, or if unwarranted universality assumptions are made, major methodological difficulties can arise.

Language problems

Language problems are at the root of many of the problems encountered in conducting cross-national research (this is discussed in more detail later).

Measurement and/or methodological problems

Measurement and methodological problems can occur when conducting research in multiple cultures and/or languages (for example, attempting to get equivalence in the meaning of terms in various languages, particularly in questionnaire and interview research).⁴² “Measurement error occurs when the measure or scale employed fails to reflect the correct extent to which the subject possesses the attribute being measured.”⁴³ These errors can arise because of flaws in scale design or mathematical properties, problems with instrument validity, or because of incorrect application of the scale. These are general methodological problems and can occur in any type of research. However, the complexities of cross-national research add additional problems involving issues such as the reliability of the measures in terms of equivalence of language in different versions of the instru-

ment and equivalence in various versions of the instruments, themselves.⁴⁴ In addition, the cross-cultural researcher needs to be aware of the need for equivalence of administration of research and of response to the research in different national or cultural locales.

Equivalence problems in cross-cultural research

The three critical equivalence issues that arise in conducting cross-cultural and cross-national research include:⁴⁵

- *Metric* (stimulus) equivalence: this deals with trying to ensure that the psychometric properties of various forms of the research instruments, such as questionnaire surveys or interviews, which have to be translated into languages different from the original form, are the same. This is usually accomplished through back translation, i.e., having translators convert the translated forms back into the original language, to see if the back-translated questionnaire is the same as the original. Most cross-cultural research focuses here, and this step is pretty much required of all such research, in order to get published. But, as is demonstrated in the next few paragraphs, more is needed.
- *Conceptual* equivalence: the concern here is to ensure that not only do the words trans-late the same, but that they have the same meaning in different cultures and produce the same level of consistency in results, i.e., the measurement results are similar. For example, in a cross-cultural survey administered in China, South Korea, Japan, and the US, researchers found significant effects attributable not only to country differences but also to the type of scale used, e.g., Likert or semantic differentials.⁴⁶ The authors' conclusion was that reactions to various attitude scales are culturally bound and, thus, the scales need to be matched to country situations.
- *Functional* equivalence: this form of equivalence is concerned with ensuring that the terms used and the translations developed are viewed in each culture in similar ways, which requires having "insider" knowledge about the culture, adequate to determine what various cultures value and what the concepts really mean in each culture so as to produce "functional" similarity. In addition, functional equivalence is concerned with ensuring that the concepts work the same way and are implemented the same way in each culture.

The point here is that the results achieved through cross-cultural research may be due to the nature of the research itself (the scales, the language, the wording, the translations, administration, etc.) rather than with any "real" differences in the variables being studied. In addition, there are two more issues that need to be considered:

- *Subjectivity of the topics themselves*: there can be differences between cultures in how they approach the very concept of doing research. The emphasis in Western research is on objectivity and specificity (at least, as viewed within Western cultural norms). But there are potentially a number of points at which people from non-Western (and even some from within Western) cultures would view research differently. For example, the choice of topics to research, that is, the topics that are seen as most important to research, are likely to vary from country to country. And topics, themselves, are likely to be viewed very differently and approached very differently in different cultures. For example,

US business (males) have traditionally shown a bias for action, but French business (males) prefer thought before action. Whether action or thought comes first could well be researched using objective measurement, but which is the “correct” managerial bias is subjective. And, indeed, women in either culture may view this issue differently yet.

- *Factors other than culture*: lastly, there may also be factors other than culture that make interpreting the results of cross-cultural and cross-national research very problematic. For example, a review of research published in Arabic showed conflicting results over preferences for various leadership or management styles in Arab countries.⁴⁷ The author concluded that management styles used in these countries varied with situational factors other than culture.

Research content in IHRM

Traditionally, the majority of published IHRM research and writing has been related to the selection and preparation of expatriates (now more commonly referred to as IAs). Gradually more research interest has been focused on local foreign workforces and on other HRM practices in MNEs and in foreign operations. Clearly there are many practices of importance in IHRM that are gaining increased attention from researchers and writers. This is reflected in the chapters throughout the rest of this book.

Impact of culture on IHRM

The discussion in this chapter has illustrated just how important culture is in the conduct of IB and international HRM. Indeed, every aspect of IB and IHRM is impacted by national and organizational culture. Every topic throughout the rest of this book is influenced by the realities of varying country and company cultures. This is true for the HR management of IAs as well as for the HR management of local workforces in subsidiaries and JVs.

A study by the Society for Human Resource Management (SHRM) in the US suggests that the situations in which particular cultural influences on IHRM are important include:⁴⁸

- Recruiting and hiring practices;
- Building business relationships;
- The role and use of multiple languages and communication;
- Perceptions of organizational justice (such as fairness in treatment, quality of treatment, and fairness of outcomes);
- Decision-making;
- Performance evaluations and feedback;
- Management and leadership development;
- Development of a global mindset; and
- Varying perspectives on careers across cultures.

Conclusion

This chapter has described the concepts of national and MNE cultures and discussed their importance to the successful conduct of IB and IHRM. It described

the basic research findings of two of the best-known researchers, Geert Hofstede and Fons Trompenaars, and the conclusions of one of the most-experienced international executives, Gesteland. The chapter also described the importance of culture to IHRM and the importance of culture to and its impact on the difficulties encountered in conducting IHRM research. Cultural differences impact IB and IHRM in ways that make both much more challenging and complex. MNEs and their managers need understanding of and appreciation for these differences as well as cultural competencies in working within these varying cultural contexts.

This chapter has only provided an introduction and a frame of reference. The concepts and ideas are utilized throughout the rest of the text to help describe the complexities and challenges of IHR. The chapter has provided a framework within which the rest of IHRM and this book can be understood.

END OF CHAPTER DISCUSSION QUESTIONS



- 1 How would you define or describe the concept of culture?
- 2 How is the research of Trompenaars and Hampden-Turner similar to or different from that of Hofstede?
- 3 What do you consider to be the most important factors of culture in terms of their impact on business?
- 4 Are national cultures converging or diverging?
- 5 What are the most important difficulties in conducting research on IHRM that stem from differences in national cultures and languages?

CASE STUDY 5.1: INTERNATIONALIZATION AND CROSS-CULTURAL EXPANSION OF A LOCAL MANUFACTURER: BARDEN (USA) AND FAG (GERMANY)

The experiences of Barden, a precision ball-bearing manufacturer based in Danbury, Connecticut, illustrate how workforce planning has become a global activity even for a local firm. In the late 1980s, Barden had an opportunity to significantly increase its business. In order to achieve this, it needed to increase its hourly labor force by about 125 employees over the next year. However, the local Danbury labor market was experiencing unprecedented low unemployment. The human resource department thought they could find enough new employees but indicated they would have to be very creative (for example, by using bonuses to current employees for successful referrals, open houses to recruit applicants, etc.) and, importantly, by recruiting recent immigrants whose English was likely to be very poor.

In the past, Barden had found that, for example, Portuguese immigrants became very reliable, long-term employees. Barden had used a “buddy” system to help new employees learn their jobs and to acquire an adequate “Barden” work vocabulary. But it was clear that this would be inadequate to prepare – in a short period

of time – the large new group of potential employees that had been identified. It turned out that there were a significant number of bright recent immigrants from a large and diverse number of countries (e.g., Laos, Cambodia, Brazil, Colombia, the Dominican Republic, Guatemala, Chile, Lebanon, Pakistan, Thailand, and Yemen), but who spoke little or no English.

To become functioning, qualified Barden employees, newcomers would have to master the basic “Barden” vocabulary and be able to look up standard operating procedures as well as material safety data sheets, and master basic shop mathematics, measurement processes, and blueprint reading. This was a major challenge for the immigrants, even though many of them, it was discovered, had received surprisingly good educations back in their home countries. In order to teach these new employees enough English to pay their way, a language training firm, Berlitz, was retained to develop a special, intensive course in cooperation with Barden’s training unit. In a fairly short period of time, six groups of eight new employees were taught through this special program. All the students were put on the payroll while they met with a Berlitz instructor for four hours a day for 15 consecutive workdays during work hours.

The program had a number of effects, beyond enabling Barden to fill its employment needs to meet its new corporate growth strategy and to integrate this veritable United Nations group into its workforce. The confidence level of the students soared as they used their new language abilities. Barden’s supervisors were impressed – and gained some new cross-cultural awareness and competence as well (which came in handy over the next decade as Barden became an international company). And the word spread to the community with the positive result of attracting new high-quality recruits.

In 1991, Barden became affiliated with FAG, a German company in Schweinfurt, Germany, and Stratford, Canada, and later developed subsidiaries in the UK as well. Today, Barden/FAG is recognized as the industry leader in the manufacture of ball-bearings to super-precise/super-critical tolerances, for machine tools and special machinery and equipment in the aerospace, automotive, and medical industries. And their success has been recognized as deriving, at least in a major way, from their diverse and multicultural workforce. Since then, the company has come a long way:

The Barden Corporation became part of the Aerospace and Super Precision Division of FAG in 1994 before being acquired by INA-Schaeffler KG in 2001 and becoming a member of the Schaeffler Group. In an exciting new chapter of the company’s life, on June 1, 2019, The Barden Corporation (UK) Ltd was acquired by German precision bearing manufacturer HQW Precision GmbH. The acquisition brings together two highly compatible businesses which hold a similar vision, and this strong synergy can especially be seen in their joint focus on technology, innovation and quality. Working together as “Partners in Precision”, both HQW and Barden UK have ambitious plans for growth and development in the precision bearings sector.

(www.bardenbearings.co.uk/company-history, May 5, 2021)

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Case study questions

- 1 Are immigrants a good source of workers to fill vacant positions? What are some of the barriers to employing immigrants? Are immigrants always welcomed by every country to fill job vacancies?
- 2 Do current global demographics accommodate or require the hiring of foreign immigrants? Should a consideration for foreign immigrants be part of every firm's workforce strategy? How do host-country and third-country hires relate to the hiring of immigrants?
- 3 What cultural barriers had to be crossed with the hiring of immigrants at Barden? What cultural challenges do you think were experienced with the affiliation of Barden with FAG of Schweinfurt, Germany, and Stratford, Canada?
- 4 How would you (as Barden's HR manager) have dealt with the need for new employees and then global expansion?

Notes

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9

International recruitment, international selection, and repatriation

"People who work at BP as an expat often describe their position overseas as one of the most fulfilling and valuable experiences they've ever had."¹

BP Corporation Website, 2014

"Working at Daimler means you have all the advantages of belonging to an international company. A global assignment is an enriching experience, professionally and personally. The possibilities are almost endless: various lengths of stay, various countries, and various business areas."²

Daimler Corporate Careers Website, 2021

LEARNING OBJECTIVES



This chapter will enable the reader to:

- Describe the broad issues involved in staffing subsidiaries with international assignees or expatriates.
- Describe the various issues involved in recruiting international assignees or expatriates.
- Describe the general process of selection of international assignees (IAs) for international assignments and the issue of failure in an IA assignment and reasons for it.
- Describe the characteristics of successful IA selection programs and exemplary practices.
- Explain the essential nature of repatriation.

The previous chapter introduced the complex responsibilities of international workforce planning and staffing for firms that operate in a multinational environment. In addition to normal domestic hiring responsibilities – which in today's global economy often involve the recruitment and selection of

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employees from numerous nationalities and cultures – the international staffing manager takes on a number of new responsibilities, including recruiting and staffing the traditional types of employees utilized by international businesses (IBs) (e.g., PCNs, host-country nationals (HCNs), and TCNs). This chapter focuses primarily on the issue of *recruiting*, *selecting*, and *repatriating* traditional PCNs, or expatriates, although some of the chapter discusses the selection of the other traditional types of international employees (IEs) (HCNs and TCNs) as well.

- *Recruiting* involves searching for and attracting qualified applicants to create a pool of candidates for screening for possible hiring.
- *Selecting* focuses on gathering and analyzing information about applicants in order to select the most suitable person or persons for the job.
- *Repatriating* refers to the process of bringing international assignees (IEs) and their families back “home” from their foreign assignments.

Staffing with expatriates or international assignees

Typical employment practices for managerial, marketing, and technical operations positions in foreign subsidiaries, particularly in the early stages of “going international,” place heavy emphasis on the use of expatriates.³ There are many reasons that multinational enterprises (MNEs) transfer personnel from one country to another. But the key reasons still appear to be for their technical or functional expertise, for control, and to start new operations.⁴ In addition, MNEs are increasingly recognizing the importance of international experience for higher-level managerial positions, making development through an international assignment (IA) an increasingly prominent focus, as well (although, as will be shown later in this chapter, the rhetoric may be stronger than the reality).⁵

Historically, the term “expatriate,” as used by companies, referred to employees who were relocated from the parent company or headquarters (HQs) to foreign subsidiaries or “overseas” operations. Today, the term “international assignee” is more generally used to describe any employee who is relocated from one country to another for a period of more than one year, while staying in the employment of the same firm. Both terms are used throughout this text.

Exhibit 9.1 illustrates the four common options used by MNEs to staff their foreign operations. The first option in Exhibit 9.1 – *secondment*, while remaining an employee of the parent firm – is the most commonly used practice to relocate expatriates, either from HQs out to subsidiaries or from subsidiaries to HQs or to other subsidiaries. The other options – *transfer of employment*, *global employment company (GEC)*, and *dual employment* are used less frequently.

Even though global enterprises are using multiple ways and multiple types of employees to staff their IBs, there is still major interest in and use of traditional IAs (option one in Exhibit 9.1). Many large multinationals that have been international for a long time, such as Unilever, the large Anglo-Dutch consumer products firm; Royal Dutch Shell, an Anglo-Dutch oil company; and Ford Motor Company, move managers from subsidiary to subsidiary and country to country (as well as from HQs out to subsidiaries) to help build global relationships and to develop a common corporate identity and business culture among their management ranks, as well as to ensure they have the necessary talent in the right location at the right time.

Exhibit 9.1 Employment Options for International Transfers

Who will be the employer? As illustrated in Chapter 8 (in Exhibit 8.3) and discussed throughout this chapter, there are many types of expatriates or international assignees. But there are only a limited number of choices typically identified for paying them – or determining “who will be their employer?” These options are described in this exhibit. The typical options involve one of these four:

- *Secondment* – in this option, the assignee remains employed by the home country (or headquarters organization) and is “loaned” (or seconded) to work for the firm’s foreign subsidiary in the host country. This is the treatment of the traditional expatriate.
- *Transfer of Employment* – in this option, the employee is terminated in the home country and is then rehired by a different (new) employer in the foreign (host) country.
- *Dual Employment* – the employee maintains more than one employment relationship, thus working for two or more employers with what is referred to as “split” payroll.
- *Global Employment Company (GEC) or Professional Employer Organization (PEO)* – this option enables employers to hire a foreign workforce through an existing foreign company that is already established. Thus, in a relatively short period of time and without having to create their own subsidiary with all the necessary organizational infrastructure (taxes, payroll, benefits, etc.), an MNE can “get up and running” fairly quickly. This option is increasingly being used.

Adapted from Velocity Global Team (2021), *The Ultimate Guide to Global Expansion*, Denver CO: Velocity Global; Globalization Partners (2020), *Free Yourself from the Contractor Trap*, Boston, MA: Authors; Globalization Partners (2018), *What is a Professional Employer Organization (PEO)?* Boston, MA: Authors; Morgan, B. S. (Editor in Chief) (2020–2021), *The Global Employer: Focus on Global Immigration & Mobility (2020–2021)*, Baker & McKenzie International, a Swiss Verein with member law firms around the world.

Increasing use of international assignees

In the typical MNE of any size, there are divergent forces operating relative to the use of IAs:

- Larger MNEs use a greater number and percentage of local hires, but they also need international experience in their management team. So, to develop this experience, they are increasingly likely to move managers from the parent company or regional HQs, as well as their foreign managers, to assignments in countries other than their countries of origin.
- Firms that are newly developing their international businesses, of which there are a constantly increasing number, typically rely heavily on international assignees from the home office for the development of that business, both

because they trust their existing managers more than unknown foreign managers and because they lack experience in working with foreign operations and it seems easier to establish their new foreign businesses with their existing managers.

- Sometimes there is simply a shortage of qualified skills in local nationals, although, with global communications and hundreds of thousands – if not millions – of students from the developing world getting higher education in developed countries and many developing or emerging economies providing world-class education to millions of their own citizens, this is rapidly becoming less of a concern. A more pressing concern is the lack of supervisory and managerial skills in these emerging markets.

Several studies show that the number of IAs is increasing, and the prediction⁶ is that the absolute numbers will continue to grow as global business opportunities are expanding, especially in large markets like China and India.

It is important to keep in mind that the number of IAs can vary with the stages of international operations. The use of IAs (especially from HQs) is high during the initial stages of foreign operations in order to implement operational and office start-up and all that is involved with this in a new country; technology transfer, including production and management technologies; and product knowledge transfer. The number of IAs will then decline as the firm's local managers and technical and functional staff assimilate this knowledge. The number may later expand again, as local operations become increasingly integrated into a global operational framework. In addition, as enterprises become more global, they develop a need for international managers with greater international experience as they develop their worldwide competitive advantages. However, at this stage, these global managers may well come from any country, not necessarily, or even primarily, from the country of the parent company.

Thus, the global movement of employees is essential to multinational organizations doing business in different countries. As stated by Baker & McKenzie, the world's largest global employment law firm: "Getting the right people to the right places at the right time with proper support in a lawful manner is critical to the success of global business."⁷

The international recruitment function

Recruitment is defined as the process that involves searching for and attracting qualified applicants to create an applicant pool for open positions. Recruitment is highly dependent on the workforce planning process discussed in the previous chapter. Recruiting begins after an organization's immediate and long-term labor needs are defined. For example, several questions⁸ such as the following need to be addressed before the recruiting process can start:

- How many positions does the organization need to fill? Are these needs short-term (less than a year) or long-term (greater than a year)?
- Does the organization need applicants for short-term assignments or long-term assignments?
- What compensation strategy does the organization want to pursue? That is, does the organization intend to offer compensation packages that are below market average, at market average, or above market average?

- Does the organization seek applicants who differ from the company's current employees? How will this affect the recruiting process?
- What type of competencies does the organization seek in new applicants?

Once the number, types, and quality of employees being sought are specified, then organizations need to determine which labor markets – which are potentially widely geographically dispersed – are most likely to provide the employees desired. This process of finding candidates is referred to as *sourcing*, and there are two broad recruiting sources available to organizations: *internal recruiting sources* and *external recruiting sources*.

Internal recruiting sources focus on global candidates from within the organization and include:⁹

- *Global talent management inventories*: electronic records of work-related information for employees from throughout the organization including their knowledge, skills and abilities, education, past performance, interests, etc.;
- Attendees from *in-house global leadership programs*: educational programs designed to provide global leadership competencies to high potential employees;
- *Former/current expatriates*: individuals who have been on foreign assignments or are currently on an assignment;
- *Nominations*: recommendations from current or potential supervisors and/or former or current expatriates;
- *Internal job posting/intranet*: job advertisement that can only be viewed by current employees, usually posted on the company's intranet system (it is expected that employees with an interest in an international assignment will look for these postings and apply when they see a job for which they have an interest); and
- *International succession planning programs*: internal programs designed to prepare high-potential employees for overseas positions such as “look-see visits” or “short-term developmental” foreign assignments.

Internal recruiting sources are often favored because they reduce labor costs, are valued by employers and employees, and can enhance the reputation of the company as an employer of choice. However, internal recruiting sources can also limit the size, and to some extent the quality, of the applicant pool, and may encourage infighting and inbreeding.

External recruiting sources locate candidates from outside the organization and include:¹⁰

- *Employee referrals*: recommendations from current employees or expatriates;
- *Job fairs*: organized events where employers and potential applicants can meet each other;
- *Company Internet sites*: companies' dedicated career websites that allow potential applicants to learn about employment opportunities within the organization (each country/region/subsidiary within the firm may have its own dedicated career website);
- *Executive search firms*: recruiting firms that specialize in particular types of individuals, jobs, or industries (particularly helpful here are search firms with global networks and contacts);

- *Professional associations or networks*: members of professional associations and networks are potential applicants (e.g., LinkedIn) or may provide a platform or network for connection to possible international assignments;
- *Competing firms*: current expatriates or former expatriates from competitor firms are potential applicants (recruiting existing employees from other firms is referred to as *employee raiding*, which can be unethical or illegal in certain environments or countries); and
- Generic *global leadership programs* for the public (offered by consulting firms or training companies) or offered in universities and colleges (most of these programs typically prepare interested managers or senior-level students for global leadership position).

Managers should always use multiple recruiting sources so as to increase diversity and to generate a larger pool of applicants.

Although all of the previously mentioned recruiting sources may be used to find candidates for foreign assignments (PCNs or TCNs) or HCNs for local hires, attracting candidates to work internationally raises an important challenge for MNEs¹¹ – how to find individuals interested in a specific IA as well as those interested in permanent international careers.¹² MNEs need to use recruiting sources that find candidates with high *receptivity to international careers*,¹³ which refers to an individual's attitude toward international careers and is one of the most frequently studied factors in assessing why people undertake careers in international work.¹⁴

Several factors influence an individual's receptivity to an international career or willingness to accept an IA (these factors are described in more detail in the selection section later in the chapter).¹⁵

- Job suitability/technical ability;
- Cultural adaptability;
- Personality characteristics;
- Desire for foreign assignment;
- The maturity of the candidate;
- Ability to handle foreign language(s); and
- Possession of a favorable outlook on the international assignment.

In addition to these factors, there are other factors that can influence receptivity to international careers:

- Prior international experience;
- Age;
- Gender;
- Family status;
- Marital status;
- Education;
- Destination country;
- Opportunities for career support;
- Company culture;
- Career and repatriation planning;

- Length of the foreign assignment;
- Overseas health care plans;
- Income tax equalization policy;
- Host country housing assistance;
- Spouse job assistance;
- Spouse's willingness to travel overseas; and
- Children's education allowance.

Another challenge for MNEs, especially if recruiting candidates from an external labor market, is to develop an *employer reputation*¹⁶ that attracts candidates to the organization. Employer reputation – sometimes referred to as employer brand – refers to the evaluation by potential candidates of an organization as a desirable place of work and as a desirable option for seeking international experience. An organization's employer reputation is strongly based on the signals or messages the organization sends to individuals outside the organization. These signals can come through the media (e.g., newspapers and business magazines), former employees, recruiting advertisements, customer reactions to company products and services, and company websites, and can include information about potential compensation, benefits, prestige, and career advancement. For potential candidates, employer reputation is critical since most candidates' understanding of an organization is limited to the employer's reputation in the marketplace rather than the organization's actual HR policies and practices.¹⁷

The final challenge for MNEs is to manage talent shortages that occur when employers cannot find workers with the needed competencies.¹⁸ Talent shortages occur in countries during times of economic boom, as well as in times of economic uncertainty.¹⁹ This is more serious in the service sector, especially when economic conditions improve.²⁰

In the context of talent shortages, the challenge is for MNEs to develop strategies to attract high-performers and specialists. Location (where to find talent) becomes a critical issue. The following international human resource management (IHRM) in Action illustrates this point.²¹

IHRM IN ACTION 9.1²² LOCATING NEAR THE TALENT WITH A GLOBAL WORKFORCE

Today, it is still important to be located near your customers. But in the war for talent, it may be equally as important to be located in the best place to attract the high-performers and specialists your business needs. Over the last few years, specific locations have arisen as preferred places to live and work. High-talent employees can establish themselves in locales that enable them to create the life-work balance that meets their current needs.

So, where are such places?

As it turns out, people don't look so much at countries as they do at cities, and often, it is small cities that provide the lifestyles they are looking for. For example, this includes Groningen, a small, obscure town in the north of the Netherlands, and Eindhoven, another small town – but major business location – in the Netherlands. Of course, the traditional, popular big cities continue to have appeal, but there are also new areas that are attracting the talent that today's MNEs need.

In Europe, this would include an area marked on a map by a gentle curve drawn from Barcelona, across southern France, northern Italy, Switzerland, and southern Germany, an area that already boasts the highest per capita income level in the world. The big cities of interest in Europe still include Amsterdam, Brussels, London, Paris, Nice, Berlin, Milan, Dublin, and Zurich. In Australia and Asia, these cities would include Sydney and Brisbane, Auckland, Singapore, Kuala Lumpur, Tokyo, Seoul, and Shanghai. See Exhibit 14.1 (Chapter 14) for a list of the top 30 largest cities in the world. If a global firm cannot find talent where its customers want them to locate, then maybe it needs to figure out where the talent is and go there.

The international selection function

Selection refers to the process of gathering and analyzing information about applicants in order to select the most suitable person or persons for the job. The *selection decision* for IAs is critically important. Errors in selection can have major negative impacts on the success of overseas operations as well as on the careers of relocated managers.

Selection decisions

A good selection decision will identify, and/or most likely predict, IAs who are likely to perform well on the assignment (in a different culture) and to remain in their foreign assignments until the end of their contracts.²³ In addition, a good selection decision will predict IAs who are most likely to stay committed to their organizations while on the assignment and after returning from the assignment.²⁴

Successful expatriate experience

From the perspective of HQs, an important consideration in making good selection decisions is to fully understand the process of a “successful expatriate experience” (see Figure 9.1). As with all HRM activities, a thorough job analysis of the assignment (including an examination of the foreign work environment and culture) is necessary in order to make appropriate IA selections. Thus, the first step in understanding the process of a “successful expatriate experience” is to fully analyze the requirements in both technical and cultural terms of the jobs to which expatriates will be assigned (see Part A in Figure 9.1) as well as of the country of assignment (see Part B in Figure 9.1).²⁵ Based on this information, the candidate is evaluated for his/her ability to successfully live and work overseas (Part C in Figure 9.1). If the candidate is selected, then he/she is prepared for the overseas assignment (Part D in Figure 9.1) and supported during the assignment depending on the length of the assignment (Part E in Figure 9.1). Then the IA is prepared to repatriate to the home country (Part F in Figure 9.1), and eventually returns to the home country (Part G in Figure 9.1).

Shortage of potential IAs

Increasingly, the problem of selection of IAs involves finding employees with the necessary skills to function successfully in the new “global” environment and convincing them to take on the assignment. Because of dual career families, disruption of employees’ lives, employee work-life balance concerns, and uncertainty about the impact of a foreign assignment on their careers, employees are becoming increasingly reluctant to take on IAs – or reluctant to relocate to many locales.²⁶

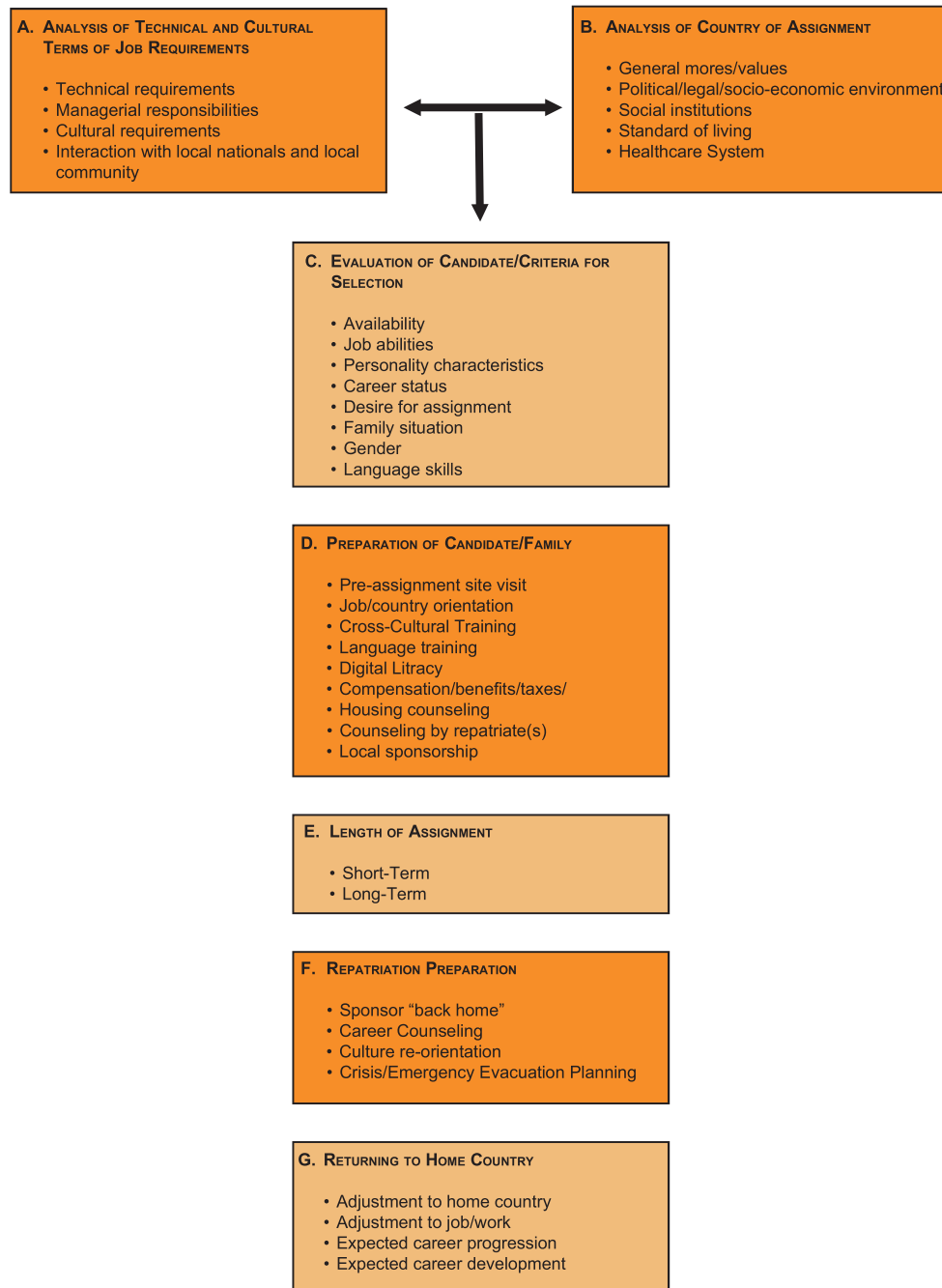


Figure 9.1 Successful Expatriate Experience

Adapted from Briscoe, D. R. and Gazda, G. M. (1989), *The successful expatriate*, *Proceedings: Managing in Global Economy*, third biannual international conference, Eastern Academy of Management, Hong Kong, November; Collings, D., Scullion, H., and Caligiuri, P. (Eds.) (2018) *Global Talent Management*. Routledge. Collings, D., Wood, G., and Caligiuri, P. (Eds.) (2015) *The Routledge Companion to International Human Resource Management*. Routledge

Competency profile

The competency profile of an assignee is an important aspect of the selection decision-making process. Exhibit 9.2 lists the skills that are being cited as important for

Exhibit 9.2 The 21st-Century Expatriate Manager Profile*

Core Skills	Managerial Implications
<i>Multidimensional perspective</i>	Extensive multi-product, multi-industry, multifunctional, multi-company, multi-country, and multi-environment experience
<i>Proficiency in line management</i>	Track record in successfully operating overseas strategic business units and/or a series of major overseas projects
<i>Prudent decision-making skills</i>	Competence and proven track record in making the right strategic decisions
<i>Resourcefulness</i>	Skillful in getting him/herself known and accepted in the host country's political hierarchy
<i>Cultural adaptability</i>	Quick and easy adaptability into the foreign culture – individual with as much cultural mix, diversity, and experience as possible
<i>Cultural sensitivity</i>	Effective people skills in dealing with a variety of cultures, races, nationalities, genders, and religions; sensitive to cultural difference.
<i>Cultural agility</i>	Culturally agile professionals have competencies that allow them to work quickly, comfortably, and effectively in cross-cultural and international environments
<i>Ability as a team builder</i>	Adept in bringing a culturally diverse working group together to accomplish the major global mission and objectives of the enterprise
<i>Physical fitness and mental maturity</i>	Endurance for the rigorous demands of overseas assignments
<i>Curiosity and learning</i>	Constant interest in learning about all aspects of international cultures, foreign countries, and global business
Augmented Skills	Managerial Implications
<i>Computer literacy</i>	Comfortable exchanging strategic information electronically
<i>Prudent negotiating skills</i>	Proven track record in conducting successful strategic business negotiations in multicultural/multinational environments
<i>Ability as a change agent</i>	Proven track record in successfully initiating and implementing strategic and global organizational changes
<i>Visionary skills</i>	Quick to recognize and respond to strategic business opportunities and potential political and economic upheavals in the host country
<i>Effective delegatory Skills</i>	Proven track record in participative management styles and ability to delegate in cross-cultural environments
<i>International business skills</i>	Proven track record in conducting business in the global environment

* Sources: Based on Caligiuri, P. (2021). *Build Your Cultural Agility: The Nine Competencies of Successful Global Professionals*, Kogan Page; Black, J. S. (2006), 'The mindset of global leaders: Inquisitiveness and duality.' In Mobley, W. H. and Weldon, E. (Eds.), *Advances in Global Leadership*, vol. 4: 181–200; Black, J. S., Morrison, A. and Gregersen, H. (1999), *Global Explorers: The Next Generation of Leaders*. New York: Routledge; Howard, C. G. (1992), Profile of the 21st-century expatriate manager, *HR Magazine*, June, 96; Marquardt, M. J. and Berger, N. O. (2000), *Global Leaders for the 21st Century*, New York: State University of New York Press; and Rosen, R., Digh, P., Singer, M. and Philips, C. (2000) *Global Literacies: Lessons on Business Leadership and National Cultures*. New York: Simon and Schuster.

the 21st century expatriate manager.²⁷ In the words of two MNE executives:²⁸ “The top 21st-century manager should have multienvironment, multicountry, multifunctional, multicompany, multi-industry experience,” according to Ed Dunn, corporate vice president of Whirlpool Corp. Michael Angus, chairman of Unilever PLC, adds, “Most people who rise toward the top of our business will have worked in at least two countries, probably three. They will probably speak another language and they most certainly will have worked in different product areas.”

Placing high importance on the alignment of selection decisions with corporate strategy and goals is also becoming more common.²⁹ Successful global firms link their global staffing decisions to their global business goals. The more important the international strategy and the more complex the structure developed to implement that strategy, the more critical are the international staffing decisions.

Selection decisions also need to consider the receiving (host country) managers and location. Successful IAs make demands not only on the IA but also on both the receiving manager and company as well as the sending manager and company.³⁰ Often, the sending manager has little (or no) international experience and, therefore, does not have a clear idea of what it takes to handle a foreign assignment – and may also downplay the importance of the difficulties of the foreign assignment. And receiving managers may have the same problems – they have not worked at HQs or elsewhere outside their home countries and they do not know what strengths it takes for a successful expatriate assignment. Thus, the sending company can have a negative impact on the success of the IA by relying on domestic experience for guidance on how to manage and evaluate the IA and not understanding the pressures of the foreign environment. And the receiving firm may compound the problems by not understanding the perspective of the parent company.

From the viewpoint of persons being considered for IAs, studies suggest that three specific factors – in addition to a strong personal interest in getting a foreign experience, usually based on having previously enjoyed living overseas – are primary in their decisions to take on such an assignment: increased pay, perceived improved career opportunities, and perceived desirable lifestyle. This suggests the importance of paying close attention to the following factors when making selections for international assignments.

Criteria for selection

The specific criteria an MNE uses to select its IAs play a major role in determining their future successes or failures in their IAs. First this section takes a look at a number of criteria that are used by various global firms to select their IAs. Then the section examines the consequences of making mistakes in either choosing IAs or in preparing and supporting them in their assignments or in helping them make a successful return to home at the end of their IAs. The most important selection criteria for IAs include job suitability/technical ability, cultural adaptability, and desire for IA.

- *Job suitability/technical ability:* Most firms primarily base their choices for international assignments on candidates’ technical expertise.³¹ That is, the primary focus is on their ability to perform the target job requirements. Experience suggests, however, that all the other topics discussed in this text are at least as important as the individual’s job competencies. Nevertheless, at least in smaller and medium-sized firms (and, regrettably, still too often in larger firms), the parent-company supervisor usually makes the choice of individual to be sent on an international assignment and that choice is usually based on the individual’s perceived ability to fill a perceived (and usually immediate) functional or technical need in the foreign operation.

- *Cultural adaptability*: Experience in MNEs suggests that cultural adaptability is at least as important to the successful completion of an overseas assignment as is the individual's technical ability.³² Expatriates must be able to adjust to their new and often alien environments while effectively delivering their technical and managerial expertise. They must graciously accept their new cultures but not at the expense of not getting their jobs done. While technical expertise is usually important (and the primary reason most firms send a particular expatriate to a foreign assignment), the principal difficulty faced by most expatriates lies in the inabilities of the managers and their families to adapt to the foreign cultures. Maybe not surprisingly, American firms tend to be more likely to place the most emphasis on the individual's work experience and expertise than is the case for many MNEs from other countries, and as a consequence tend to experience more difficulties with expatriate adjustment.
- One of the most important components of cultural adaptability is cross-cultural adjustment,³³ which refers to the extent to which individuals are psychologically comfortable living in a new culture and is conceptualized as an individual's reactions to and feelings about working in the host country (work adjustment), about interacting with host country nationals (interaction adjustment), and about the general non-work environment in the host country (general adjustment).³⁴
- *Personality characteristics*:³⁵ Researchers have found that successful and well-adjusted international assignees tend to share certain personality traits. Certain personality characteristics enable international assignees to be open and receptive to learning the norms of new cultures, to initiate contact with host nationals, to gather cultural information, and to handle the higher amounts of stress associated with the ambiguity of their new environments. The Big Five personality traits³⁶ have been related to cross-cultural adjustment, work performance, and IAs' desires to terminate their assignments.³⁷ The Big Five personality traits include:
 - 1 Extroversion (extent to which an individual is sociable, active, talkative, fun loving, and affectionate),³⁸
 - 2 Agreeableness (extent to which someone is cooperative, sociable, forgiving, tolerant, and argumentative),³⁹
 - 3 Conscientiousness (the degree to which an individual is purposeful, hard-working, organized, dependable, and self-disciplined),⁴⁰
 - 4 Emotional stability (describes individuals in terms of anxiety, calmness, self-confidence, worry, insecurity, and nervousness),⁴¹ and
 - 5 Openness to experience (extent to which an individual is original, intellectual, curious, creative, imaginative, and conventional)⁴²
- One of the most important personality characteristics, with respect to predicting IA success, is openness to experience.⁴³ IAs high on openness to experience are likely to:⁴⁴
 - Correctly assess the social environment in the new culture;
 - Accurately perceive and interpret the new culture;
 - Have fewer rigid views of right and wrong, and what is appropriate and inappropriate in the new culture; and
 - Accept the values, norms, and accepted behaviors in the new culture.

- *Desire for foreign assignment (candidate and family)*: since adaptation to the foreign culture is so important to an IA's performance, his or her desire for that foreign assignment is critical to his or her willingness to make the necessary efforts to adjust. This needs to be assessed in the early stages of candidate review.

In addition to these criteria, selections for international transfer are also most successful when the following factors are also evaluated:⁴⁵

- The maturity of the candidate (i.e., being a self-starter, able to make independent decisions, having emotional stability, being sensitive to others who are different, and having a well-rounded knowledge of on- and off-the-job subjects to facilitate discussion with foreign colleagues and contacts who are often quite knowledgeable and interested in such topics);
 - Ability to handle foreign language(s) (local language ability has shown to be positively related to international assignee success);⁴⁶
 - Possession of a favorable outlook on the international assignment and locale by the expatriate and his or her family (i.e., s/he wants to go overseas); and
 - Possession of appropriate personal characteristics, such as excellent health, this being an appropriate time in the individual's career and family life, individual resourcefulness, adaptability, and desire to learn and experience new things and new people; all are related to increasing the likelihood that a foreign assignment will be successful.
- *International Experience*: similar to personality traits, researchers have also found that the amount of international exposure (or international travel experience) is an important factor in improving cross-cultural adjustment and in the development of cross-cultural competencies. International travel experiences (e.g., expatriate assignments, studying abroad, visits to foreign countries) allow individuals to acquire or learn cross-cultural competencies important for living and working in different cultural contexts because these experiences have an impact on individual employees' attitudes and behaviors.⁴⁷ One has to be careful when measuring international experience because the concept of international experience is multidimensional, which means it can be measured or operationalized in a variety of ways:⁴⁸
- 1 *Time*: international experience can be in the past (prior international experience), can take place in the present (current international experience), or will occur in the future (future international experience).
 - 2 *Work and non-work*: international experience can be related to work (e.g., expatriate assignments) or non-work (e.g., study abroad, vacation).
 - 3 *Number of international experiences*: this is the number of times traveled abroad (e.g., I traveled five times to Australia, four times to China, etc.).
 - 4 *Length or depth of international experience*: this is the total length of international experience measured in the number of days lived abroad (e.g., I stayed in Singapore for sixty days).
 - 5 *Variety of international experience*: this is operationalized as the number of different countries a person has traveled to (e.g., if I traveled to Canada, Brazil and Japan, my variety is three).

- 6 *Cultural novelty of international experience*: this is viewed as the cultural distance between each country traveled to or visited and the person's home country. For individuals with more than one country visited, scores (cultural distance of each country visited from the person's home country) can be totaled to create an overall cultural distance score, where a high score denotes greater cultural distance.⁴⁹ Country scores on Geert Hofstede's Cultural Dimensions⁵⁰ can be used to calculate cultural distance.

Some researchers have argued that, in the context of expatriate selection, international experience can set an applicant or candidate apart from other applicants with similar or comparable credentials⁵¹ In addition, from a developmental perspective (see Chapter 10), it is important to keep in mind that individuals differentially benefit from a given international experience, depending on the type of international experience.⁵²

Testing for successful IAs

Several companies and consultants have compiled profiles of successful IAs and, from these, have developed IA selection tests.⁵³ These profiles are then used to screen potential IA candidates on the generally valid assumption that candidates with similar profiles are more likely to do well in IAs. These profiles usually include factors such as experience, education, personal interests and activities, signs of flexibility, family situation, and desire for such assignment. Some of the tools are basically self-assessment tools for candidates for IAs and their partners, to allow them and their employers to assess their readiness for such an assignment. And some of the tools provide information to help coach candidates on any necessary preparation they need for a successful assignment.

When an organization first begins to develop IB, it normally doesn't have the luxury of developing its own international managers in-house. And it may not have employees who already have the necessary knowledge and experience or cultural and language competencies. It will need to recruit such people from the outside or acquire the expertise from consulting firms. Of course, many firms pursue international opportunities with inexperienced managers and salespeople, but this inevitably leads to months, and often years, of frustration while these managers "learn the [international] business." Such expertise can also sometimes be recruited from the overseas countries themselves. And, over the long term, future foreign managers can often be recruited from local universities of either the country of the parent firm or the countries in which the firm is operating.

Selection methods

Different organizations rely on differing procedures in their selection of individuals for IAs. They rely on varying criteria, as summarized previously. And they use one or more of the following in the application of those criteria. This is just a short summary of selection methods, and illustrates that the methods used in selection for IAs are probably not much different from the methods used in domestic staffing decisions. As with everything international, however, the differences lie in the impact of culture in how these procedures are applied and in the focus in each procedure.

- *Interviews (IA and spouse/partner)*: these may be best done with a representative of the home country (representing the technical requirements of the position), a representative of the host country (possibly the host manager), and an

interculturalist, i.e., someone with the ability to assess the candidate's and family's ability to adjust to the foreign culture.

- *Formal assessment:* there are a number of formal assessment instruments designed by industrial psychologists that primarily evaluate a candidate's personal traits and competencies that have been found to be important to successful foreign culture adjustment, such as adaptability, flexibility, openness to new experiences, and good interpersonal skills.⁵⁴ Critical here is whether such instruments are reliable and valid for predicting expatriate success. International human resources (IHR) or other managers who seek to use such instruments, need to make sure they get evidence of their reliability and validity from any consultant or manager that is requesting their use.
- *Committee decision:* in many large MNEs, the process of selecting individuals for international assignments is a committee decision, a committee made up of someone from corporate HR, home country HR, a host country manager, the director of development, and the individual's functional manager with a decision based on the individual's preferences, assessment of past performance and future potential, needs of the foreign assignment, and developmental needs of the individual candidate.
- *Career planning:* the choice of IA may be made as one step in the individual's career and succession plan with the MNE.
- *Self-selection:* many MNEs use some combination of the previously mentioned procedures but rely, in the end, on self-selection by the candidate (after being accepted through the previously mentioned "screens"). In particular, the MNE is interested in candidates taking the time (and usually using some type of formal self-assessment instrument) to look at the issues involved with relocation to a foreign country and culture and assessing whether they think they are ready or have the necessary skills, experience, or attitudes to be successful in the overseas assignment.⁵⁵ Such self-assessment may result in the individual realizing they aren't ready now for such a move, but that they would like to take such an assignment at some later time in their career. So, rather than relocating now, they begin a process to gain the skills and experiences necessary to be chosen for such an assignment at a later date. This self-assessment process then is part of a larger career planning process. Candidates may also self-opt out when they realize the importance of their family members (and their lack of desire to relocate to another country) in making the international assignment successful.
- *Internal job posting and individual bid:* this is usually then combined with interviews and/or other assessment actions.
- *Recommendations:* these are provided from senior executives or line managers with overseas human resource needs.
- *Assessment centers:* a few organizations use assessment centers as a tool for evaluating candidates for suitability for foreign assignments.⁵⁶ But it is rare for MNEs to adequately think through the impact of culture on all the aspects of assessment centers, including everything from the nature of the exercises used to the cultural sensitivities of the evaluators used, in order to be able to use such a tool to assess IA candidates for international assignments.

The actual selection methods used are probably an extension of procedures used for domestic staffing decisions. Thus, there may be an *ad hoc* nature to this, using whatever technique seems easiest and quickest given the circumstances sur-

rounding any particular need for an IA. Smaller firms are likely to use less formal and more *ad hoc* procedures, while larger, more experienced firms are likely to have developed more formal and standardized procedures. The primary outcome of the selection process is to choose individuals who will stay for the duration of their global assignments and who will accomplish the tasks for which they were sent abroad. Executives who make these choices should, therefore, consider both enterprise-based as well as individual- and family-based factors to enhance the probability that the IA will be successful.

Mistakes and failures

MNEs want to select managers who, with their families, will be most able to adapt to another country and who also possess the necessary expertise to get the job done. Many firms that lack experience in international operations often overlook the importance of cultural adaptation. Indeed, even more experienced firms may do this as well. This attitude, combined with firms' inclinations to choose employees for foreign relocation because of their technical competencies, generally leads to individuals being sent on IAs without the benefit of training or help in acculturation.⁵⁷ This may – and all too often does – lead to failures in foreign assignments with individuals returning home early, or even being dismissed in the foreign locale.

Success or failure is a more complex issue than simply not completing the assignment.⁵⁸ Success or failure for IAs is usually defined in terms of three types of failure: drop-out, finishing the assignment but without cultural adaptation or acceptance of the local experience, or turnover upon repatriation. An IA *drop-out* returns early from the assignment but usually stays with the company. Although this is considered a failure, in fact, it is better than not realizing at all that the assignment was a mistake. In a failure with assignment completion but without job or cultural adaptation, the IA does not return early but performs poorly and is ineffective in the assignment. As a result of this type of failure, the IA may initiate projects that are costly and not effective, damage relationships with the local employees, or drive out high-potential local nationals. A last type of failure is when the assignee leaves the company within a short period of time (usually thought of as within one year) after repatriation. This is the costliest type of failure for the company.

These three forms of assignment failure are the traditional forms of failure that MNEs have focused on. However, IA failure can also be defined in terms of personal dissatisfaction with the experience, lack of adjustment to local conditions, lack of acceptance by local nationals, or the inability to identify and train a local successor (see Exhibit 9.3). In addition, a number of factors seem to influence the severity of expatriate failure rates (and help to explain why Japanese and European firms don't experience the high rates of expatriate failure experienced by many American firms). These include length of assignment (longer assignments appear to be based on the employer's willingness to provide the IA with more time to adjust and to "get up to speed" in job performance, which is more common among Japanese and European firms), receipt of training and orientation (with training and orientation about the new country and culture being associated with more successful adaptation), the lack of participation by HR in the selection process, too much emphasis placed on expatriates' technical expertise to the exclusion of other attributes that might aid in adaptation, and lack of support provided by the home office for IAs and their families while on foreign assignment.

Exhibit 9.3 Definition of Expatriate Failure

- Usually defined in terms of *early return home* or *termination* but could also be defined in terms of:
 - Poor quality of performance in foreign assignment;
 - Employee not fully utilized during assignment;
 - Personal dissatisfaction with experience (by expatriate or family);
 - Lack of adjustment to local conditions;
 - No acceptance by local nationals;
 - Damage to overseas business relationships;
 - Not recognizing or missing overseas business opportunities;
 - Inability to identify and/or train a local successor;
 - Leaving soon after repatriation; and
 - Not using foreign experience in assignment after repatriation.
- *Compounding factors*:
 - Length of assignment;
 - Degree of concern about repatriation;
 - Overemphasis in selection on technical competence to disregard of other necessary attributes;
 - Degree of training for overseas assignment; and
 - Degree of support while on overseas assignment.

A number of surveys and studies have found that the most important factors in the early return of expatriates lie in the inability of their families (and/or themselves) to adjust to the foreign assignment.⁵⁹ To the extent that preparation is provided, often the parent company will provide that preparation only for the new transferee, not to his or her family. In addition, after arrival in the foreign locale, IAs have the advantage of personal contacts and involvement with their colleagues at work, while their spouses and families are often left on their own to “figure out” their new surroundings and to develop local relationships, often with little understanding of the culture and an inability to speak or read the language. Thus, the individual expatriate often finds adjustment easier and less “lonely” than does his or her spouse and family. Exhibit 9.4 lists the most common reasons for expatriate failure, when defined as early return or termination from the foreign assignment.⁶⁰

Exhibit 9.4 Reasons for Expatriate Failure

- Inability of spouse/partner to adjust or spouse/partner dissatisfaction;
- Inability of expatriate to adjust;
- Family-related problems;
- Mistake in candidate/expatriate selection or just does not meet expectations;

(Continued)

Exhibit 9.4 Continued

- Expatriate's personality or lack of emotional maturity;
- Expatriate's inability to cope with larger responsibilities of overseas work;
- Expatriate's lack of technical competence;
- Expatriate's lack of motivation to work overseas;
- Dissatisfaction with quality of life in foreign assignment;
- Dissatisfaction with compensation and benefits;
- Inadequate cultural and language preparation;
- Inadequate support for IA and family while on overseas assignment;
- Lack of training on how to use new and emerging technologies; and
- IA/family get into legal or financial difficulties while in the foreign assignment.

Sources: Adapted from Mercer's Worldwide International Assignment Policies and Practices (WIAPP) 2020, Mercer; Global Assignment Policies and Practices Survey, 2020 Summary Report, Global Mobility Services, KPMG; National Foreign Trade Council (NFTC), Society for Human Resource Management (SHRM), and GMAC Global Relocation Services (GMAC GRS)/Windham International *Global Relocation Trends Annual Survey* Reports, 2000–2014; Stroh, L. K., Black, J. S., Mendenhall, M. E. and Gregersen, H. B. (2005), *International Assignments: An Integration of Strategy, Research, & Practice*, Mahwah, NJ/London: Lawrence Erlbaum Associates; and Tung, R. L. (1987), Expatriate assignments: Enhancing success and minimizing failure, *Academy of Management Executive*, 1 (2): 117–126.

Of course, the IA's inability to adjust and/or experience of difficulty in merging with the new culture can also be major handicaps.⁶¹ Too often, expatriates bring stereotypes and prejudices against the foreign culture – as well as strongly felt biases in favor of their own culture's ways of doing things – that keep them from feeling comfortable in their new foreign assignments.⁶²

MNE mistakes in IA selection

MNEs typically do a number of things that lead to problems with their IAs.⁶³ These include:

- The decision to relocate people is made with too little lead time.
- Assignees are not provided with any or adequate pre-relocation cultural training and/or language training.
- Spouses or partners are not included in the decision to relocate.
- Spouses/partners and kids are not included on pre-assignment visits.
- Spouses/partners and kids are not included in language lessons.
- Spouses/partners and kids are not included in cultural training.
- Spouses/partners do not receive counseling on jobs and other opportunities.
- Spouses have no home office contact.
- Little or no support is provided for IA or family before or after arrival in the host country.

Challenges to successful staffing with IAs

All of this discussion points to the reality that there are many challenges for MNEs in their quests to ensure that the best employees are selected for IAs. The following paragraphs summarize eight specific issues: spouses and partners, language, family, women expatriates, lifestyle, localization (or “going native”), career development, costs, and inpatriation.

Spouses or partners

It is not just the business situation that determines expatriate success. There are also a number of personal and cultural issues that are also important. For example, research by ORC (Organization Resources Counselors) found that international HR managers believe that dual-career-couple overseas assignments are among the top five challenges they face.⁶⁴ According to a survey by Bennett Associates of accompanying career spouses, worldwide, active involvement in the career of the accompanying spouse is the type of assistance preferred by dual-career couples above all other possible interventions.⁶⁵

According to surveys by Runzheimer International and ORC, nearly 50 percent of firms offer some form of spouse assistance for dual-career IAs.⁶⁶ Of those firms, 87 percent provide ad hoc interventions (helping in ways that seem necessary) but only 13 percent have formal policies. Support programs for spouses fall into three broad categories: personal adjustment, career maintenance, and offset of loss of income. These surveys find that support services by employers for trailing spouses were critical to their satisfaction with their foreign relocations. The types of interventions found in these surveys to be desirable included the following:

- Pre-acceptance assessment sessions and site visits;
- Career and life planning counseling;
- Pre-departure and re-entry job hunting trips;
- Couple/family counseling;
- Specially adapted cross-cultural/language training;
- Relocation assistance to help spouse settle in and network quickly;
- Search firm retained to help spouse find employment;
- Company employment or consulting opportunities;
- Intra- and inter-company networking and job search assistance;
- Visa and work permit assistance;
- Shorter-term assignments for expatriate employee;
- Commuter marriage support;
- Tuition and/or training reimbursement;
- Paying for professional development trips;
- Arranging and paying for child care provisions;
- Partial compensation replacement for spouse;
- Increased employee compensation, bonus, and non-cash benefits;
- Re-entry outplacement services (to find job upon return to home country);
- Tax equalization for second income;
- Spouse “inconvenience” or incentive payment; and
- Set allowance to be applied to a “cafeteria” selection of assistance programs.

Language

One of the continuing issues with both IAs and foreign workforces concerns the issue of language. As mentioned earlier, the ability to speak and understand the local language has shown to be positively related to IA success.⁶⁷ Do IAs on foreign assignment need to learn the language of the country to which they are posted? And to what extent do local employees need to know or learn the language of the parent firm? Like concern with cultural differences, concern with language differences also impacts most of IB. And it certainly is an issue with the selection of IAs.

Even though English has become the international language of business, with most large MNEs using English among their top management around the world, it is just as important for IAs to have a working knowledge of the language of the countries to which they are assigned as it is for the local management of subsidiaries to speak the language of the parent firm. IAs need to speak their customers' and colleagues' languages if their business relationships are going to flourish.⁶⁸ MNEs approach the need to provide language training in a variety of ways, but they typically find the increased numbers of employees who can speak foreign languages an asset in the development of their global businesses.

Foreign language training provides employees with language skills that are needed to communicate with co-workers and individuals in other countries.⁶⁹ In surveys of expatriates, language is often mentioned as the most important personal or professional challenge in their assignments.⁷⁰ An expatriate living in Germany says, "Speaking only English during an assignment is a big mistake. You can be a friend and a colleague speaking English, but to be 'one of them,' you must speak their language."⁷¹ An expatriate living in Brazil offers the advice: "Persevere with the language at all costs."⁷² Often, one major factor in the inability of MNEs to fill key expatriate assignments is the lack of language expertise and preparation. And as is discussed in this section, many firms do not provide any opportunities for language training.

English has become the international language of business for a number of reasons.⁷³ Even so, not all interactions are likely to take place in English, particularly within the host country. As stated previously, dealing with customers, suppliers, and employees is often best done in the local language. Still, transnational exchanges are more and more expected to take place in English. It is now, in fact, estimated that, after Chinese (Mandarin), English is the most commonly used language in the world.⁷⁴ One result of this may be that employing local nationals that are fluent in English may be as important as requiring expatriates to be fluent in the local language(s). Even so, it is clear that an ability to speak the local language is still quite important for IAs to deal with local nationals and local customers and suppliers, as well as to adapt to the host culture (and be accepted into that culture), both of which are major keys to successful expatriate assignments.

Family

Many of the challenges presented by IAs involve their families. Increasingly, the types of managers and specialists that either seek foreign assignments or are asked by their employers to relocate have spouses (or partners) and/or children. Often the spouses or partners are involved in their own careers (as discussed in the first topic of this section on challenges). If the IA candidate has an unmarried partner, it is likely to be quite difficult for the MNE to acquire a visa for the partner. The IAs may have problems with their adolescent children, health problems with family members, dependent parents who they have responsibility for, marital conflicts, or mental health problems of their own, such as depression – or even some-

thing like a flying phobia, or special education requirements for their children (such as children with disabilities or learning problems, gifted children, or even children getting ready for college). In addition, candidates for expatriation (or members of their families) with medical problems like AIDS, substance or alcohol abuse, or problems like multiple sclerosis, can cause what may seem like insurmountable problems for IHRM and the firm in being able to get overseas work visas. These types of individual or family problems are both a problem in expatriate selection as well as posing problems for acceptance into and adaptation to foreign cultures. And yet firms, in order to find the numbers of expatriates they need and to stay away from possible charges of illegal discrimination in staffing decisions, must accept and find ways to accommodate IA candidates with these types of problems.

Many of these concerns make a health screening of the IA and her or his spouse and family members advisable, both to determine if a health problem exists that might either preclude relocation or be aggravated by a relocation, or require special support services. Often even minor health problems are not treatable in the foreign country because qualified health professionals or facilities are not available.

Probably the most important of the family challenges today revolve around the dual-career couple and problems with relocating non-married partners. In both cases, an IA candidate's partner can pose difficult-to-resolve challenges for IHR.

Women expatriates

Most IAs are men. Gradually, over the last 25 years or so, the percentage of women on IAs, as determined by surveys, has increased from about 5–6 percent to 20–22 percent today.⁷⁵ This low percentage may have as much to do with stereotypes about foreign acceptance of women in professional or managerial roles as to the realities in the host countries.⁷⁶ Early research showed that one of the key factors in women not receiving overseas assignments was that selecting executives generally assumed that women would not be accepted in the foreign culture.⁷⁷ Other barriers to women receiving IAs include their dual-career marriages, domestic managers not choosing them, perceptions that women were not interested in such assignments, etc.⁷⁸ In recent years, the number of women who have successfully taken on foreign assignments, even to countries such as Japan, Brazil, and China, has risen considerably, although it still is a relatively small proportion of the total IA population, except in some industries, such as banking.⁷⁹ Of course, the assignment of women IAs, except in very specialized professional positions, is likely to remain limited in some countries such as Saudi Arabia.⁸⁰

The evidence, though, suggests that the fact that comparatively there are only a few women working abroad for MNEs, may be due more to bias and stereotyping in the home country and company than to prejudicial treatment or limitations in the host country or foreign subsidiary.⁸¹ Women are not only as likely to welcome such opportunities as are their male colleagues (for the same reasons their male counterparts seek them), but they often perform better than their male colleagues, even in traditionally male-dominated cultures, such as in Asia and the Middle East.⁸²

Typically, female expatriates are treated first as representatives of their firms or as professionals, and rarely experience the bias that the stereotypes from their home firms presume. This isn't meant to imply that women never experience stereotyping and treatment in line with cultural norms that may not accept women in the workplace, except in very menial tasks. This does happen.⁸³ But the evidence suggests that women are frequently quite successful in IAs.⁸⁴

In addition, women expatriates also have trailing spouses and unmarried partners and families to consider, and thus need to be given the same considerations received by their male counterparts. Women are clearly interested in international positions and have demonstrated that they can perform well in global assignments.⁸⁵ Increased global competition pressures MNEs to make the best use of all of their resources, including their women employees.⁸⁶

Lifestyle

Increasingly MNEs are having to deal with employees who either seek foreign assignments or who are eligible for such postings who live what might be referred to as “alternative” lifestyles that may not be acceptable in target foreign locations. This might involve IAs who identify as LGBTQ, unmarried couples or single parents, or employees who live with their parents or who are taking care of elderly parents. Or it just might concern employees who are involved in outside-of-work activities that are very important to the individual that they may not be able to pursue in the host location. All of these situations create challenges for IHR to overcome.

Localization or “going native”

One challenge that has been confronted by many MNEs involves expatriates that stay for an extended period (usually at the firm’s request, but sometimes at the IA’s request) in a foreign assignment (beyond their original assignments).⁸⁷ This becomes an issue because IAs in this situation continue to draw their expatriate allowances and incentives, even though they have learned to live “like locals.” These particular IAs may be critical to the success of the foreign operations, which may make it difficult to change their status. Often, they have married a local and are raising a family in the foreign locale. To deal with this issue, many firms have developed policies, such as requiring that all IAs convert to a local compensation package if they stay on their assignment for longer than the assignment contract period. Even with such a policy, it still creates problems for dealing with this particular situation. Without such a policy, this can be an especially challenging problem.

Career development

Since it is often expected that an IA is highly developmental, and since many firms now expect managers above some level in the organization to have international experience, it is becoming more common to make a posting to a foreign assignment a critical part of an individual’s career plan.⁸⁸ The challenge is to manage this process, both from the standpoint of the organization (where key managers may have their own ideas as to who they want to fill open foreign positions) and the individual, who may not see the career advantages. The firm may state the importance to one’s career advancement, but observation suggests that IAs on return to the parent firm are not always given assignments that use or take advantage of the foreign experience.

Costs of international assignments

From the firm’s perspective, a major IA challenge is to contain costs. Moving employees from country to country is expensive, both in direct remuneration (compensation and benefits (C&B)) and the administration of their relocation expenses. Consequently, many MNEs are searching for ways to reduce the costs.⁸⁹ For

example, some MNEs are dealing with these high costs by replacing IAs with more short-term assignments and extended business trips, outsourcing the administrative aspects of managing IAs, and looking for ways to reduce the compensation incentives and add-ons that make IAs so expensive. And at least some MNEs are recognizing they can minimize the costs of failed assignments through developing better selection processes, better preparation and orientation, better destination support services for both IAs and their families, and improved repatriation processes. But even though firms say IAs are too expensive, some surveys find that many firms are not doing much to counter the high costs, except sometimes replacing expatriates with frequent business travelers (BTs) to check on foreign operations.⁹⁰

Inpatriation

As mentioned in the previous chapter, the term “inpatriate” was developed to describe particular employees (HCNs or TCNs) who are relocated from a foreign subsidiary or joint venture (JV) to the parent company in the HQ country. This posting is usually for a relatively short period of time (from a few months to one or two years) and is for the purpose of teaching the “subsidiary” employee about the products and culture of the parent firm and to introduce the employee to the operations, ways of thinking, and corporate culture of the HQs.⁹¹ Increasingly, these assignees are also used to fill functional or technical needs in the parent company for a limited period of time or to serve on multinational teams for a specified period of time. The challenges of selecting and managing inpatriates are basically the same as those for expatriates. From the standpoint of the foreign subsidiary, the inpatriate is an “expatriate,” going on a foreign assignment. From the standpoint of HQs, the individual is an inpatriate. In this situation, the issues for IHRM are to consider the experiences of HQs in receiving relocated employees – in addition to the “normal” issues related to the experiences of any relocated employees.

Successful expatriation and “best practices”

Expatriation success is the flip side of the issue of expatriate failure. Typically, expatriate success is defined as:

- 1 Successful completion of the foreign assignment (achieving the original goals and objectives);
- 2 Cross-cultural adjustment while on assignment; and
- 3 Good performance on the job while on the foreign assignment.⁹²

Sometimes, these factors are viewed as a unitary construct, that is, they are seen as a package of issues that go together to define a successful assignment. But research shows them to be separate constructs, meaning that each needs attention.⁹³ This demonstrates that the foreign environment (company and national culture and practices), local management, technical skills, and expatriate personal characteristics all ultimately play a role in expatriate success.

A number of IHR consulting practices, surveys, and research projects have identified what might be considered “exemplary practices” in the selection of IAs.⁹⁴ A summary of these findings can be found in Exhibit 9.5. Following these suggestions will go a long way toward helping IHR to be successful in its management of IAs.

Exhibit 9.5 Best Practices in IA Selection

- Involve HR in global strategic planning.
- Link each assignment to corporate strategies.
- Involve HR in assignment decisions and support services.
- Help assignees and their families make the smoothest transition into, during, and out of assignments.
- Utilize an assessment process that promotes the selection of the best employees for international positions.
- Administer consistent international assignments through comprehensive programs that cover each step from design of the assignment to return of the employee and family.

More specifically, these reports suggest:

- Periodically, review relocation policies and practices to ensure fit with the current business and strategic situation.
- Train home office staff in dealing with international assignees.
- Be honest about the job and location when recruiting candidates for foreign assignments.
- Provide adequate lead time for relocation.
- Involve the spouse/partner/family at the outset of the expatriation process (i.e., at the beginning of the selection process).
- Provide language and cultural training for the IA and his or her family.
- Recognize the importance of dual-career and trailing spouse/partner issues, financially and otherwise (pre-departure job counseling, networking contacts, education and training, job hunting assistance, legal assistance for work permits, career assistance upon repatriation, etc.).
- Provide a pre-assignment site visit for the whole family.
- Don't neglect repatriation issues.
- Train IAs and the IAs' families on how to use latest and emerging technologies.

Sources: Mercer's Worldwide International Assignment Policies and Practices (WIAPP) 2020, Mercer; Global Assignment Policies and Practices Survey, 2020 Summary Report, Global Mobility Services, KPMG; GMAC Global Relocation Services/Windham International, National Foreign Trade Council, and SHRM Global Forum (2014 and previous years), *Global Relocation Trends Annual Survey Report*, New York: GMAC GRS/Windham International; Lomax, S. (2001), *Best Practices for Managers & Expatriates*, New York: John Wiley & Sons; Stroh, L. K., Black, J. S., Mendenhall, M. E. and Gregersen, H. B. (2005), *International Assignments: An Integration of Strategy, Research, & Practice*, Mahwah, NJ/London: Lawrence Erlbaum Associates; Vance, C. M. and Paik, Y. (2006), *Managing a Global Workforce*, Armonk, NY: M. E. Sharpe.

Host-country nationals

In general, MNEs staff their subsidiaries – at least below the top management levels – with local nationals (AKA host-country nationals, HCNs). At times, these workers may be supplanted by TCNs, described in the next section, and IAs from the home office or region. Of course, whether or not there are enough potential employees with adequate training, education, and technical, business, managerial, and language skills is always of utmost importance to an MNE strategy of staffing with HCNs. In the case where the decision is made to locate a subsidiary or business unit in a country where the local population lacks the necessary education or training (or there is a shortage of the types of workers the MNE needs, as is increasingly the case, for example, in China),⁹⁵ then IHR must find other ways to staff the necessary workforce, for example by training locals, hiring TCNs, or bringing in parent-company IAs.

Relying on local talent

Expensive IAs and their not-infrequent failures in assignments, combined with a general trend toward local staffing (using and developing local talent), regiocentrism (using regional talent), and geocentrism (a truly global approach to resources, markets, and staffing), have led in recent years to a greater reliance on local managers in foreign operations.⁹⁶ Foreign nationals already know the language and culture and do not require huge relocation expenditures. In addition, host-country governments tend to look favorably on a greater degree of local control and the development and use of local personnel and may even have passed legislation that requires the use of local workers in foreign enterprises and JVs. Indeed, some countries require that most staff come from the local labor force. On the negative side, however, local managers may have an inadequate knowledge of home-office goals and procedures and may have difficulty with the parent-company language. Thus, the staffing of foreign positions – particularly key managerial and technical ones – is necessarily decided on a case-by-case basis. Firms that are new to IB may feel more comfortable having parent-country managers in control in the firm's new foreign locales, while MNEs that have been global for many years and have operations around the world may find it easier to operate with fewer parent-country nationals (PCNs) on IAs. It is also likely that these global MNEs will be more likely to move managers and functional specialists from country to country for developmental purposes as well as for control and coordination reasons, rather than using traditional expatriates. Lastly, the need for large numbers of highly qualified personnel has also made it increasingly necessary to use larger numbers of foreign (host-country/local) nationals.⁹⁷

Most MNEs favor hiring local nationals for foreign subsidiaries, home-country nationals at HQs, and, where a regional organization exists, a mix of foreign and home-country managers for regional positions. Within this general approach, however, the nationality mix will vary with the nature of the firm's business and its product strategy. Where area expertise plays a major role, as in the case of consumer goods and/or a limited product line, the use of home-country personnel for overseas assignments will be minimal. Where product expertise is highly important and/or industrial markets are being served, home-country personnel will be used more extensively for foreign assignments because they generally have quick access to the home-country sources of supply and technical information. Service industries also tend to have more home-country personnel in foreign posts, particularly where the firm is serving home-country multinationals in foreign areas, as has been the case in banking.⁹⁸

Third-country nationals

TCNs tend to be used particularly in situations where there is either a shortage of people with the skills the firm needs or where there is a relatively free movement of people from one country to another. In recent years, with the global shortage of, for example, IT and computer specialists and engineers, many firms have relied on the hiring of people from third countries who have these skills to fill positions in their foreign subsidiaries, just as they do at home. And, increasingly, TCNs are being used if parent-company managers and technicians are not readily available or not available in the numbers needed, for example, to make major staffing commitments to new operations in China or India.⁹⁹

While much of the world's skilled and unskilled human resources (HR) professionals are being produced in the developing world, most of the well-paid jobs are being generated in the cities of the industrialized world (or their enterprises) – although this is changing as more developed country firms subcontract to firms in developing countries, hire employees offshore to work via telecommunications, and invest directly in operations in the developing world, and as entrepreneurs and business leaders in developing countries develop their own successful global enterprises. This increasing equality of jobs and talent between where the potential employees are and where the jobs are, has several implications:

- It will trigger massive relocations of people, including immigrants, temporary workers, retirees, and visitors. The greatest relocations will involve young, well-educated workers flocking to jobs, wherever they are located.
- It will lead some industrialized nations to reconsider their protectionist immigration policies as they come to rely on and compete for foreign-born talent.
- It may boost the fortunes of nations with “surplus” human capital. Specifically, it could help well-educated but economically underdeveloped countries such as China, the Philippines, India, Egypt, Cuba, Poland, Hungary, Brazil, Argentina, South Africa, and, maybe, Mexico.
- It will compel labor-short, immigrant-poor nations like Japan to improve labor productivity dramatically to avoid slower economic growth. They will use more technology and transfer more work to labor-surplus and cheaper labor locales.
- It will lead to a gradual standardization of labor practices among industrialized countries. Within 50 years or so, European standards of vacation time (five to six weeks) will likely be common in the US, the 40-hour work week will have been accepted in Japan, and world standards governing workplace safety and employee rights will emerge.¹⁰⁰

Much attention has focused on the current or looming labor shortages in the industrialized world, particularly in the US, Europe, and Japan, due to their aging populations¹⁰¹ – and now as a consequence of business closings due to the global pandemic. Yet, the overall world labor supply continues to grow (primarily in the developing world). In addition, the growth in the labor force in the developing world is magnified by the entrance of women into the labor force, a phenomenon that has pretty well worked itself out in most of the developed world (although not all of it, as participation rates for women are still quite low

in some developed countries, such as Germany and Japan). When these demographic differences are combined with the different rates of economic growth between the developed and developing world, it becomes more likely that firms in the developed world will increasingly seek workers among the developing countries and will move jobs to those countries as well. Just as product and service markets have become or are becoming global, such is also happening to labor markets. In one sense, this may alleviate the pressures created by labor surpluses in developing countries, but in another sense, it may also exacerbate the economic differences between the countries of the developing world and those of the developed world as MNEs hire the educated and trained citizens of developing countries, lessening those countries' available HR for their own developmental needs.

An extension of the focus on local managers and technical specialists, as described at the end of the previous section on HCNs, involves the increasing willingness to look for management and technical expertise from all countries for assignment to any country. These TCNs are often the solution to overseas staffing problems.

Immigration law

An important concern to IHRM staffing concerns the nature and application of immigration law. This topic was introduced in Chapter 4 but needs consideration here because it is central to staffing the global firm, as new immigrants are hired, visas are acquired for IAs, and HR managers work with officials in other countries as they arrange work visas for the managers and technicians they send abroad as expatriates. It is beyond the scope of this book to examine the wide variety of immigration regulations found in varying countries. Suffice it to say that every country controls immigration quite closely and now, with increased concern over global terrorism and as a result of the global pandemic, and most countries are even more concerned about the level and nature of immigration into their countries. It is necessary for IHR managers to either manage all the forms of visas and immigration issues their firms confront, or to know where to get the necessary expertise to ensure that the firm adheres to every nation's laws and policies.

Repatriation

At the end of the assignment, the IA either repatriates to the home country, is redeployed to another country, or becomes localized in the host country. As mentioned earlier, repatriation involves the move of the IA and family back "home" from the foreign assignment. For many expatriates and their families, the move "back home" is even more difficult than the original move abroad. Even so, it is often overlooked or minimized in the management of the total expatriation process.¹⁰²

The international experience is generally challenging, exciting, highly developmental, and full of visibility and exposure for the assignee. The IA is the representative of the parent company, of HQs, and is therefore looked to for perspective, help, and favors. In addition, because the compensation practices of most MNEs reward their IAs quite well, the IA and family typically live quite well in the foreign location, often better than they did "at home." Thus, expatriates usually

return from such experiences quite “charged” – and with high expectations that their employers will use their new experiences and excitement in new and better positions, and that family and friends back home will share their enthusiasm.

But if an MNE is to reap the benefits of its IAs’ learning while on foreign assignments, it is imperative that these valuable employees stay with the organization long enough to share their experiences. This should encourage MNEs to place a strong emphasis on the repatriation experiences of their IAs.

The kinds of practices that MNEs have used to ensure a successful expatriation and repatriation experience include assigning a “sponsor” back home to look after the expatriate while s/he is away (including keeping the expatriate informed about significant events and changes back home and looking after the expatriate’s career interests, including putting the expatriate’s name into consideration for key openings when the expatriate is ready to return home), providing career counseling to ensure job assignments upon return meet the needs of the repatriate, orientation for the expatriate and his/her family for adjustment back into the home culture, use of the skills acquired overseas in special task forces and projects, and special support networks for the repatriate and her/his family both during the overseas assignment and upon return home.¹⁰³ These steps go a long way toward ensuring a successful readjustment. IHRM in Action 9.2 describes how Monsanto Corporation has redesigned its repatriation efforts in order to more effectively use its expatriates and their international experiences, integrating them with their domestic operations.¹⁰⁴

IHRM IN ACTION 9.2¹⁰⁵ REPATRIATION AT MONSANTO

Monsanto Corporation undertook a detailed change of its repatriation policy, concentrating on the logistical planning for returning its expatriates home, the kinds of skills and cultural development the company wanted its expatriates to learn, and the placing of its repatriates, after their return, in projects where their recent overseas experience was needed. The manager of international assignments in human resources at the time said there was growing concern about the firm gaining from the personal and cultural development that expatriates were assumed to experience while on their foreign assignments.

The repatriation process starts six to 18 months prior to return in both the host and the home countries. This primarily involves identifying a position for the expatriate to return to for which the operating unit is responsible. An extensive orientation program is also run for the employees and their families.

The repatriate orientation is exceptionally thorough: he or she is debriefed with peers and managers in the new job and is expected to provide recommendations about global development and to provide a view other than that of domestic Monsanto. Peers are expected to discuss the differences and changes in the organization that occurred while the expatriate was abroad. Managers are encouraged to free up repatriates for committees, work groups, and demonstrations where their new global knowledge is needed, over and above the employee’s regular job. Repatriates are counseled to be aware of how much they and the organization have changed when they come back.

Some organizations offer repatriation training¹⁰⁶ which is similar to repatriate orientation.

Challenges on re-entry

But the reality is more likely to be: “out of sight, out of mind.” Firms often fail to use the experience or knowledge gained internationally and most likely have not thought much about the career implications of this experience. Typically, the

repatriate is reassigned to a position similar to the one he or she left two or three years before while their colleagues most likely have been promoted. Repatriates often find it difficult to relate the value of their global experience to managers with a domestic focus.¹⁰⁷ Domestic managers, themselves usually without any international experience, cannot relate (this is also likely to be true for the expatriate's friends and colleagues). For the repatriate, this makes re-entry and the job search within the company quite challenging. The global experience may be viewed as helpful to the specific foreign situation, but the domestic manager usually views domestic experience as more important. To many domestic line managers, developing international experience and a global mindset to operate internationally is the chief executive officer's (CEO's) problem. Globalization is often not a concern to the line manager trying to achieve a specific set of local objectives.

Organizational support for repatriates

MNEs can provide several support practices to repatriates to address these problems. These practices can be organized according to three phases: before the foreign assignment, during the foreign assignment, and after the completion of the foreign assignment. Figure 9.2 shows the various IHRM practices that support the repatriation process.

Before the foreign assignment

Career-related planning for expatriates needs to begin prior to an IA and be updated regularly during the assignment. The assignment needs to be part of a larger plan for the firm so that the repatriate returns to a specific position that uses the international learning and experience. One of the programs used by some firms is a back-home mentor or sponsor, who is both a contact in the home office for the expatriate who is at least partially responsible for looking after the interests and prospects of the expatriate while he or she is on assignment, but who also provides an avenue for keeping the IA informed about what is going on back home.

During the foreign assignment

Support activities during this period are critical in terms of ensuring a high retention rate.¹⁰⁸ There has to be clear, constant, and regular communication between

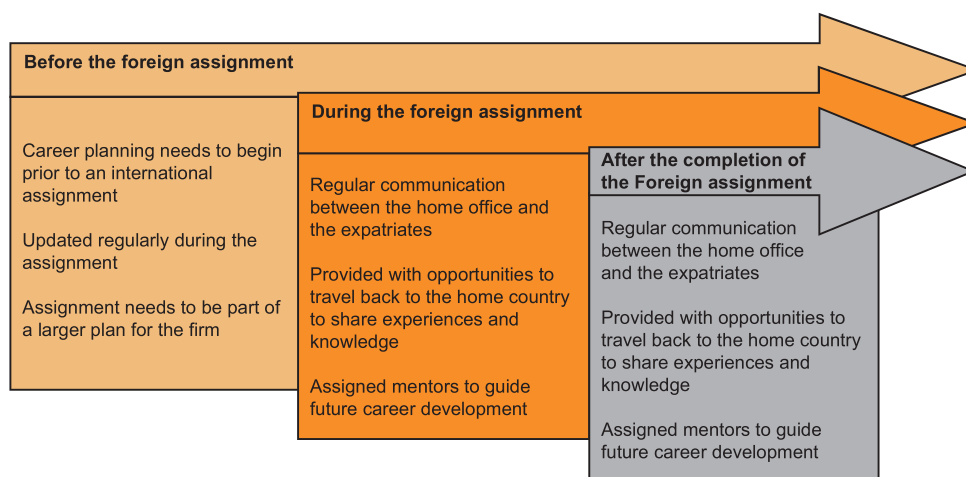


Figure 9.2 Organizational Support for Repatriates

the home office and the expatriates. The expatriates should be provided with opportunities to travel back to the home country to share experiences and knowledge with other members of the organization. This provides the expatriate with the opportunity to maintain high visibility with supervisors and peers. Expatriates should also be assigned mentors to guide future career development.¹⁰⁹ Intraoffice communications through emails and intranet should include the expatriate and the expatriate should be actively encouraged to communicate with colleagues and mentors back home.¹¹⁰

After the completion of the foreign assignment

The readjustment is not only challenging for the IA but for the family members as well. Repatriates and their families often have trouble adjusting to the lifestyle back home. Reverse cultural shock (readjustment to the home culture) is often experienced by the IA (and accompanying family). Most people are changed by the foreign experience and not only must relearn their original culture and lifestyle, but probably view it quite differently than when they left. Indeed, time does not stand still while the expatriate is abroad. While changes at home may be all but invisible to those who experience them gradually (those at home), to the returnees, they can be overwhelming.¹¹¹ Just as MNEs need to provide their expatriates with cross-cultural training for the move abroad, so should they prepare their expatriates for the move back home and prepare themselves to use these individuals' overseas experiences in their home assignments. This preparation can make the difference between an overall favorable attitude by the repatriates about the whole experience and a failed expatriate experience. Ultimately, an unfavorable attitude will likely lead to the individual returnee's turnover. A dissatisfied repatriated employee is more likely to resign and seek a position with another employer that will utilize that individual's foreign experiences and skills.

Knowledge transfer upon repatriation¹¹²

The foreign assignment provides repatriates with the opportunity to gain international knowledge (e.g., knowledge about complexities of global operations, characteristics of national markets, business climate, and cultural patterns). They have firsthand experience of how their organization is viewed in another country. As such, repatriates play an important role in accelerating the transfer of knowledge from host countries to HQs, and vice versa. MNEs need to design the most appropriate mechanisms (e.g., mentoring programs and training sessions) for capturing, retaining, and integrating the knowledge and expertise gained by their repatriates.

Conclusion

This chapter focused on the IHRM responsibility for staffing. It explained issues related to recruiting, selecting, and repatriating in MNEs, but primarily it focused on expatriation and repatriation, the movement of employees from country to country, and the employment of host-country and third-country nationals (TCNs). Because the use of PCNs is so important to IHRM in MNEs, much of this chapter discussed the selection and management of PCNs, including their failures and adaptation to foreign assignments, and their repatriation at the end of their assignments. The chapter also examined the difficulties experienced in the selection and management of IAs and suggested some of the approaches successful MNEs use to ensure positive experiences with those expatriates and repatriates.

END OF CHAPTER DISCUSSION QUESTIONS



- 1 If you are given the opportunity in your next job to go on an extended foreign assignment, what types of support programs would you expect or ask for?
- 2 If you ever have the responsibility to select an associate for a foreign assignment, how would you go about doing that and what characteristics would you look for to ensure success?
- 3 What do you think is the most significant challenge for IHRM in managing international assignees? Why?

CASE STUDY 9.1: A WORLD MARKETPLACE FOR JOBS IN A PROJECT-BASED WORK ENVIRONMENT (GLOBAL)

It used to be necessary to bring workers to where the work was. But with the advent of the World Wide Web, the Internet, and mobile phones and video conferencing technologies such as Zoom, Cisco Webex Meetings, Microsoft Teams, and Google Meet, and the global communication they make possible, it is now possible to send work to wherever workers are by putting together multinational project teams, by using the Internet to recruit employees on a global scale, or by using open-source software to accommodate global collaboration. These new styles of work and employment are arising particularly in response to the capabilities of virtual collaboration and communication technologies, improved cyber technologies, artificial intelligence, real time analytics, cloud storage, and powerful computers, and to the chronic needs for IT and analytical skills in growing numbers of industries. Phrases like gig work, fluid work, remote work, virtual work, hybrid workplace, and activity-based work are becoming a norm.

For example, one firm from Bern, Switzerland, recruited from the web a group of doctorates in discrete mathematics and graph theory from as far away as Belarus, India, Israel, and Ireland, for a semiconductor design project. Team members never left their home countries, and the team leader never left his home office. And the task group beat its deadline.

In industry after industry, as customers expect quicker service and competition forces shrink product life cycles, employers are being driven to apply a “Hollywood model” to their tasks. They assemble the best talent available at the moment from anywhere in the world (which is the way teams are put together to film a movie). When the project is complete, the team breaks up and the members move on to new projects. The end result is a new and highly efficient global labor market unlike any seen before.

Even for small businesses: their new talent pool is the world. A new generation of online services is providing small businesses with opportunities to find specialized expertise and affordable labor. Main Street businesses can shop a virtual international bazaar of freelancers to recruit computer programmers in Russia, graphic designers in Italy, or data analysts in India. A small business of one can look to the world like a very large company and have access to all kinds of services. Technical advances have made remote work and virtual teams more feas-

ible. And, increasingly, freelancers, gig workers, and fluid workers are taking on assignments like customer service, data entry, writing, accounting, human resources, marketing, and payroll – virtually any “knowledge process” that can be performed remotely – even setting up and managing business profiles on social networking sites like Facebook and Twitter.

In some cases, the cost savings can be substantial: for example, the hourly rates of programmers in Russia, India, or Pakistan are a fraction of those in North America or Europe. And these freelance marketplaces also allow small businesses to assemble teams quickly, find specialized expertise, begin new initiatives, and then be able to drop everything when it’s no longer needed.

When John Wilde, Chief Executive of Tailor Made Products, a small manufacturing firm in a small town in Wisconsin, US, wanted to build a website for a new line of children’s kitchen gadgets called the Curious Chef, he turned to oDesk and hired a firm in India. He paid about \$20,000, which he estimates was roughly half what he would have paid in the US.

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Case study questions

- 1 Where are the best places in the world to live (and work)? Where do *you* want to live and work? Do you want to work from home? Are you interested in working on global teams? What skills and competencies will enable someone to live and work wherever he or she wants? Are you interested in creating or working on a micro-multinational?
- 2 What are the human resource implications of these new ways of working?

Notes

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