Chapter 11

HUMAN RESOURCES MANAGEMENT

11-1 Foundations of Human Resources Management
11-2 Selecting and Training Staff
11-3 Maximization of Human Resources
11-4 Retaining Human Resources
“Sue, we’ve got to go home! I can’t stand living here any longer.”

Two months after her transfer to the British office of her employer, Sue Smith (a U.S. citizen) was shocked by the earnestness of her husband’s appeal. She replied, “But, Doug, we’ve been here only a short while. Coming here was a big promotion for me. My career is on the line.”

“My sanity is on the line. You go off to work, and I have to stay here and fight the Revolutionary War all over. Everything is a battle. Nothing turns out as it should. Why did the contractor have to plaster over the existing telephone line when this apartment was remodeled? Why should it take four months to get a telephone installed?”

“But, Doug, . . .”

“I had to go to seven different shops to get the things for tonight’s meal. Even if I had a car, there’s no place to park! This tiny flat is four stories up in a building without an elevator. The refrigerator is so small it’s like a toy. It takes two hours to launder four shirts in that washer-dryer. I’m not sure I made the right decision when I gave up my job in the United States. I’ve had it with this place.”

**Think Critically**

1. Why do you think that Sue is not eager to abandon her international assignment and return to the United States?

2. Why do you think Doug wants to return to the United States immediately?

3. Go to the International Travel Planner section of the Worldwide Classroom web site. Select the Culture Shock guide to learn more about culture shock, reverse culture shock, and traits important to inter-cultural adjustment.
Several factors contribute to the fact that human resources management is somewhat different in the global environment than in the domestic environment. One factor is the differences in worldwide labor markets. Each country has a different mix of workers, labor costs, and companies. Companies can choose the mix of human resources that is best for them. Another factor is differences in worker mobility. Various obstacles make it difficult or impossible to move workers from one country to another. These include physical, economic, legal, and cultural barriers.

Still another factor is managerial practices. Different business subcultures choose to manage their resources, including people, in different ways. When a company operates in more than one country, the problem of conflicting managerial practices increases. Yet another factor is the difference between national and global orientations. Companies aspire toward global approaches. However, getting workers to set aside their national approaches is challenging. A final factor is control. Managing diverse people in faraway places is more difficult than managing employees at home.
WHO MAKES UP THE LABOR MARKET?

Most companies obtain unskilled and semiskilled workers in local markets unless the supply is inadequate. Host-country nationals, or locals, are natives of the country in which they work. For skilled, technical, and managerial workers, companies have several options. They can sometimes hire these workers locally. In other cases, the companies must choose expatriates. Expatriates are people who live and work outside their native countries. Expatriates from the country in which their company is headquartered are called parent-country nationals, or home-country nationals. Expatriates from countries other than the home country of their company or the host country are called third-country nationals.

Each company must balance the advantages and disadvantages of hiring each type of worker. Locals are usually culturally sensitive and easy to find, but they may not have the knowledge and skills needed by the foreign company. Parent-country nationals often have the needed knowledge and skills and sometimes have the desired company orientation, but they often lack the appropriate local language and cultural skills. Companies usually find parent-country nationals more costly to hire than other types of workers. Also, local laws could restrict employment of these parent-country nationals.

Third-country nationals could be more adaptable to local conditions than parent-country nationals. They may speak the local language and be able to make needed changes in culturally sensitive ways. In some cases, they could be more acceptable to locals than parent-country nationals. On the other hand, they may lack the desired company orientation. Regulations may make it difficult to hire them unless locals are unqualified. Selecting the best mix of employees from a variety of nationalities is challenging. Carrying out that mix in the global environment is even more challenging.

What types of workers make up the global labor market?
A company’s approach to human resources management in the global environment is guided by its general approach to human resources management. Most global businesses adopt one of four basic approaches to human resources management. These approaches are ethnocentric, polycentric, regiocentric, and geocentric. The decision depends on several factors, such as governmental regulations and the size, structure, strategy, attitudes, and staffing of the company.

**ETHNOCENTRIC APPROACH**

The ethnocentric approach uses natives of the parent country of a business to fill key positions at home and abroad. This approach can be useful when new technology is being introduced into another country. It is also useful when prior experience is important. Sometimes less developed countries ask that companies transfer expertise and technology by using employees from the parent country to train and develop employees in the host country. The goal is to prepare host country employees to manage the business.

The ethnocentric approach has drawbacks. For example, it deprives local workers of the opportunity to fill key managerial positions. This could lower the morale and the productivity of local workers. Also, natives of the parent country might not be culturally sensitive enough to manage local workers well. These managers could make decisions that hurt the ability of the

Figure 11-1 The ethnocentric approach places natives of the home country of a business in key positions at home and abroad.
company to operate abroad. Figure 11-1 illustrates the ethnocentric approach to human resources management.

**POLYCENTRIC APPROACH**

The polycentric approach uses natives of the host country to manage operations within their country and parent-country natives to manage at headquarters. In this situation, host country managers rarely advance to corporate headquarters as natives of the parent country are preferred by the company as managers at that level. This approach is advantageous since locals manage in the countries for which they are best prepared. It is also cheaper since locals, who require few, if any, incentives, are readily available and generally less expensive to hire than others. The polycentric approach is helpful in politically sensitive situations because the managers are culturally sensitive locals, not foreigners. Further, the polycentric approach allows for continuity of management.

The polycentric approach has several disadvantages. One disadvantage is the cultural gap between the subsidiary managers and the headquarters managers. If the gap is not bridged, the subsidiaries may function too independently. Another disadvantage is limited opportunities for advancement. Natives of the host countries can usually advance only within their subsidiaries, and parent-country natives can usually advance only within company headquarters. The result is that company decision makers at headquarters have little or no international experience. Nevertheless, their decisions have major effects on the subsidiaries. Figure 11-2 illustrates the polycentric approach to human resources management.

**POLYCENTRIC APPROACH**

Australian Parent Company

Indian Subsidiary

Figure 11-2 The polycentric approach uses natives of the host country to manage operations in their country and natives of the parent country to manage in the home office.
The regiocentric approach uses managers from various countries within the geographic regions of a business. Although the managers operate relatively independently in the region, they are not normally moved to the company headquarters.

The regiocentric approach is adaptable to fit the company and product strategies. When regional expertise is needed, natives of the region are hired. If product knowledge is crucial, then parent-country nationals, who have ready access to corporate sources of information, can be brought in.

One shortcoming of the regiocentric approach is that managers from the region may not understand the view of the managers at headquarters. Also, corporate headquarters may not employ enough managers with international experience. This could result in poor decisions. Figure 11-3 illustrates the regiocentric approach to human resources management.

**Figure 11-3** The regiocentric approach places managers from various countries within geographic regions of a business.
GEOCENTRIC APPROACH

The geocentric approach uses the best available managers without regard for their countries of origin. The geocentric company should have a worldwide strategy of business integration. The geocentric approach allows the development of international managers and reduces national biases.

On the other hand, the geocentric approach has to deal with the fact that most governments want businesses to hire employees from the host countries. Getting approval for non-natives to work in some countries is difficult, or even impossible. Implementing the geocentric approach is expensive. It requires substantial training and employee development and more relocation costs. It also requires more centralization of human resources management and longer lead times before employees can be transferred because of the complexities of worldwide operations. Figure 11-4 illustrates the geocentric approach to human resources management.

Figure 11-4 The geocentric approach uses the best available managers for a business without regard for their country of origin.

UK Parent Company

What are the four approaches to human resources management?
REVIEW GLOBAL BUSINESS TERMS

Define each of the following terms.

1. host-country nationals
2. expatriates
3. parent-country nationals
4. third-country nationals

5. ethnocentric approach
6. polycentric approach
7. regiocentric approach
8. geocentric approach

REVIEW GLOBAL BUSINESS CONCEPTS

9. Why is human resources management different in the global environment?

10. Which of the four human resources management approaches is usually the least expensive?

11. What are two disadvantages to the polycentric approach to human resources management?

SOLVE GLOBAL BUSINESS PROBLEMS

Xylex Corporation has its home office in Paris, France. Determine whether each of the following Xylex employees is a host-country national, parent-country national, or third-country national.

12. Theresa Ingram, computer programmer, is a French citizen working in the Brussels, Belgium, factory.

13. Julian Moya, a citizen of Mexico, was trained in the Paris office and now works in the Mexico City office.

14. London-born Margaret Harrison is the director of purchasing in the Paris office.

15. Guy Duclos is the national sales manager in France, where he was born and raised.

THINK CRITICALLY

16. In what situations might staffing with third-country nationals be preferable to staffing with parent-country nationals?

17. Why would a truly global corporation most likely use the geocentric approach to human resources management?

MAKE CONNECTIONS

18. COMMUNICATIONS Why is fluency in the local language an important consideration when hiring managers for overseas subsidiaries?

19. LAW How do the laws of other countries affect the process of selecting employees for international assignments?
DETERMINING STAFFING NEEDS

A company must assess its staffing needs to compete successfully in the international market. Employment forecasting is estimating in advance the types and numbers of employees needed. Supply analysis is determining if there are sufficient types and numbers of employees available. Through selection or hiring and reduction or terminating processes, companies balance the demand for and supply of employees.

Once a company assesses its overall staffing needs, managers begin to fill individual jobs. A number of factors must be considered. What will the new employee be assigned to do? What are the qualifications that the employee will need? What is the best combination of technical abilities, personality traits, and environmental factors needed to ensure success?

When these types of questions are answered, specific job data are gathered. This includes information about assigned tasks; performance standards; responsibilities; and knowledge, skill, and experience requirements. From this information, a job description is prepared. A job description is a document that includes the job identification, job statement, job duties and responsibilities, and job specifications and requirements.

How does a company determine its staffing needs?
A company officially announces a job by circulating the job opening announcement and job description through appropriate channels. If someone already working for the company will fill the job, then internal channels will be used. The job information will be sent to all human resources offices within the company. These offices will post the information or notify company employees of the job availability in some other manner.

If someone who currently does not work for the company will fill the job, then different channels will be used. If a decision has been made to hire a parent-country national, then channels within the parent country will be used. If a host-country national will be hired, then channels in the host country will be utilized. If a third-country national will be hired, then channels in other countries that could provide suitable employees will be used.

The type of employee needed could influence the specific types of outlets selected. If an unskilled or semiskilled worker is needed, then a state government employment service or its overseas equivalent might be used. If a skilled, technical, or managerial worker is needed, then public and private outlets might be used. For unusual or high-ranking managerial positions, the company might employ a specialized recruitment firm known as a headhunter. Such a firm, sometimes for a substantial fee, locates one or more qualified applicants for the position.

**GLOBAL BUSINESS EXAMPLE**

**IBM USES MODERN-DAY HEADHUNTERS**

International Business Machines (IBM) raised corporate eyebrows a few years ago when it used two important headhunters (job placement firms) to find a replacement for John F. Akers, the chief executive officer. The prize assignment went to headhunters Gerald R. Roche, chairman of Heidrick & Struggles, and Thomas J. Neff, president of Spencer Stuart & Associates. Both men have placed many chief executive officers in major companies. IBM purposely chose two headhunters so they could broaden the field of candidates. For their services, Roche and Neff each received an estimated fee of between $400,000 and $500,000—one of the highest on record.

**Think Critically**

1. Why are job placement firms called corporate headhunters?
2. Why might IBM have been willing to hire two headhunters to secure a new chief executive officer, doubling its recruitment costs in the process?
3. Why do corporate headhunters usually refrain from recruiting employees they place and from hiring employees from a client company for two years?

**CheckPoint**

What factors affect how companies recruit potential employees?
SELECTING QUALIFIED EMPLOYEES

Companies that operate in the global environment use a variety of methods to select the best applicant. The best applicant is the person with the highest potential to meet the job expectations. Most companies use a combination of several selection methods, including careful examination of the applicant’s past accomplishments, relevant tests, and interviews. In the process of screening applicants, companies are usually concerned about three major factors. These are competence, adaptability, and personal characteristics.

**Competence** The factor of competence relates to the ability to perform. Competence has a number of dimensions. One important dimension is technical knowledge. Is the applicant competent in the desired specialty areas? Another dimension is experience. Has the applicant performed similar or related tasks well in the past? For managerial positions, leadership and the ability to manage are important. Can the applicant work with others to accomplish goals? For positions in other countries, cultural awareness and language skills are critical. Does the applicant understand the region or market for which he or she would be responsible? Is the applicant able to communicate fluently in the local language?

**Adaptability** The factor of adaptability relates to the ability to adjust to different conditions. Possessing a serious interest in international business is necessary. Does the applicant really want to work abroad? The ability to relate to a wide variety of people is important, too. Does the applicant work effectively with diverse groups of people? The ability to empathize with others is needed. Can the applicant relate to the feelings, thoughts, and attitudes of those from other cultures? The appreciation of other managerial styles is also highly desirable. Can the applicant accept alternative managerial styles preferred by locals?
The appreciation of various environmental constraints is needed, too. Does the applicant understand the dynamics of the complex environment in which international business is conducted? The ability of the applicant’s family to adjust to another location is particularly important for international assignments. Can the family members cope with the challenges of living abroad?

**Personal Characteristics** The factor of personal characteristics has many dimensions. The maturity of the employee is one dimension. Is the applicant mature enough given the assignment and the culture in which the assignment will be undertaken? Another dimension is education. Does the applicant have a suitable educational level given the assignment and the location? In special circumstances, gender is a concern. Will the applicant’s gender contribute toward or interfere with the ability to be successful in the working environment? In Saudi Arabia, for example, women are not business associates.

The social acceptability of the applicant should also be considered. What is the likelihood that the applicant will fit into the new work environment? Diplomacy is another trait to include. Is the applicant tactful in communicating, especially when unpleasant information is involved? General health is another consideration. Is the applicant healthy enough physically and mentally to withstand the rigors of the work assignment? The stability of the relationships within the family are important, too. Will the family be able to withstand the additional challenges of a new job—perhaps abroad?

As various applicants are screened, one attribute usually stands out. That fact is that no single applicant possesses the perfect combination of competence, adaptability, and personal characteristics. When this happens, the company will have to balance the strengths of the various applicants against their weaknesses. Overall, which applicant best matches the needs of the position? Which applicant has the greatest likelihood of being successful on the job? The answers to such questions result in the selection of the best-qualified individual to fill the job.
11-2 SELECTING AND TRAINING STAFF

What are the three major selection factors that most multinational companies use?

HISTORY:
THE MERCHANT-VENTURERS OF BRISTOL

Bristol, United Kingdom, 120 miles west of London, was once one of the world’s major seaports. Yet Bristol is not on the coast. Medieval merchant-venturers from Bristol decided to build their docks and warehouses seven miles inland to protect them from pirates. To get to the port, early captains had to sail their ships up the treacherous Avon River, which rises and falls with nearly the highest tides in the world. Getting through the Severn Estuary and up the river to Bristol was tricky business. One major risk for captains and merchant-venturers was getting their ships stuck in the mud during low tides. Even ships berthed at the Bristol docks were in danger of being broken up by tidal surges.

In the early eighteenth century, this problem was solved when merchant-venturers had the Avon River channeled into a new location. This created a floating harbor with a constant water level. However, by then, much of the important transatlantic trade had shifted to other more accessible ports.

Bristol actually became an important port city in the eleventh century, when its merchant-venturers set out for fame and fortune. During the Middle Ages, its merchant-venturers became well known for their trade in wines. During the fifteenth century, the port of Bristol attracted adventurous sailors bent on discovering new lands and better trading opportunities. For example, John Cabot, who was financed by a wealthy Bristol merchant in 1497, became the first well-documented European explorer to reach the North American mainland. Later, Bristol merchant-venturers helped to develop industry on the continent. They grew rich in the process by trading Virginia tobacco, West Indian sugar and rum, and other goods.

For that time, the merchant-venturers of Bristol were very shrewd. They traded throughout the world, accepting significant risks in return for the possibility of lucrative profits. The merchant-venturers of Bristol were among the first to realize the value of training and developing their workers, not just exploiting their labor. Consequently, as early as medieval times they began to offer instruction that improved the capabilities of their workers. Bristol merchant-venturers also built and supported almshouses that cared for the poor.

Think Critically
1. What was unusual about the seaport of Bristol?
2. How did Bristol merchant-venturers contribute to the economic development of North America?
3. Why do you think the merchant-venturers of Bristol provided employees with training and development?
Define each of the following terms.

1. employment forecasting
2. supply analysis
3. job description

What process is used to determine staffing needs?

How are potential employees recruited?

After the screening and interviewing process, how does a company choose the best applicant for a job?

Mark Evans and Harold Daw are the two finalists for a managerial position in Milan. While Mr. Evans has seven years of management experience at three different sites in one region of the United States, Mr. Daw has seven years of comparable management experience at two sites in different regions. Both are adaptable and want international managerial experience. Mr. Evans speaks fluent Swedish, and Mr. Daw speaks fluent French. Both have similar personal characteristics except that Mr. Evans is divorced and has no children and Mr. Daw has a wife and a teenager who is a junior in high school. Mrs. Daw is currently employed, and the company cannot guarantee that Mrs. Daw can find suitable employment in Italy should her husband be selected for the overseas assignment.

Which finalist is better qualified in terms of competence? Why?

Which finalist is better qualified in terms of adaptability? Why?

Which finalist is better qualified in terms of personal qualifications? Why?

Whom would you select for the overseas assignment? Why?

Why does a company use different methods of recruiting for different jobs?

Which of the employee selection factors of competence, adaptability, and personal characteristics is typically the most important one for an international employee? Why?

What kinds of technology-related skills do international employees need?

How do family relationships influence the suitability of candidates for international assignments?
Employees can make or break an international business, just as they can make or break a domestic one. Their daily actions put the life of the company on the line. Consequently, companies need to be sure that all of their employees are well prepared for their work. This includes both lower-level and higher-level employees. Training and developing employees to work at their maximum potential are in the best interest of a company in the long run. Training and development are an investment in the future of the company. The better trained and developed the employees are, the greater the likelihood that the company will be successful.

TRAINING COSTS
Training and developing employees are major expenses for a company. Managers must decide what types of employees in which locations should receive specific types of training and development. These decisions are not easy. Because of limited resources, companies have to balance needs and potential benefits.

Historically many U.S.-based international companies have skimmed on training and development. This has contributed to difficulties abroad.
Many of their employees have not been well prepared to compete in the global marketplace. Companies headquartered in other countries often invest extensively in training and development. In fact, some countries have laws that require companies to train and develop their employees. Such employees are often well prepared for work in the highly competitive global marketplace. U.S.-based international companies are realizing the value of providing more extensive training and development.

**CheckPoint**
Why are training and development so important for people working in other countries?

**TYPES OF TRAINING AND DEVELOPMENT**

Managers working for international companies need a variety of training and development, as illustrated in Figure 11-5.

**Job-Related Issues** Managers need training in job-related issues. For example, they need to be aware of the current economic, legal, and political environments. They need to be current on relevant governmental policies and regulations. Managers also need to be aware of managerial practices within their areas of responsibility. Current information about the company and its subsidiaries and their operations is needed, too.

---

**Figure 11-5** International managers need job-related training, information about languages and relationships, extensive training in the host-country's culture, and spousal employment counseling.
Language and Relationship Issues  In addition, parent-country nationals and their families need training and development relating to relationships. At a minimum, they need to develop survival-skill knowledge in the local language before they are transferred abroad. Ideally, the manager will be fluent in the local language upon arrival or shortly thereafter.

Cross-Cultural Training
Managers and their families need cross-cultural training. They need to understand the various dimensions of the local culture. Also, managers need realistic training about what life is like in the host country. For example, they need to know about the currency. They need to know what foods are available and their approximate costs. They need to understand housing options and prices.

Spousal Employment Counseling  Special counseling may be needed if the manager has a working spouse. Increasingly, both husbands and wives work, and career moves that are beneficial to one may not be beneficial to the other. If only one of the two benefits, is the job change worthwhile? Determining if the spouse can work in the host country is important in many employment decisions. Some governments prohibit the spouses of foreign workers from being employed. What realistic employment options, if any, exist for the spouse in the host country? If the spouse cannot work, can he or she adjust to that fact?

Providing training and development is costly. Nevertheless, companies cannot fail to provide it, especially for parent-country nationals. If parent-country nationals are unsuccessful abroad or if their families cannot adjust to life abroad, the company loses.

SOME EUROPEAN EMPLOYERS MUST PROVIDE TRAINING

Employers in some European countries are required to provide training and development for their employees. In France all firms with more than 10 employees must pay a 1.5 percent training levy. Employers are reimbursed from the collected funds for accredited training programs. Individual employees can also use the funds to support training leaves. Regional and industrial employer-union organizations administer the funds. In Spain a similar scheme operates with employee contributions for extra personal training leave.

Think Critically
1. Why would a country require that businesses operating there provide employees with training and development?
2. Why would a country that requires employee training and development exempt certain employers from that regulation?
In effect, a company that provides training and development is like a person who buys insurance. It helps to protect against the risks.

Research suggests that relevant training and development does increase the likelihood of success abroad. Figure 11-6 shows the types of training and development recommended for people who are sent by their companies to work in Japan. For other countries, the recommendations would be similar except that the culture-specific training would change.

SUGGESTED AREAS OF TRAINING AND DEVELOPMENT FOR EMPLOYMENT IN JAPAN

- **Essential**
  - Japanese language
  - Japanese social practices
  - Japanese culture

- **Important**
  - Japanese economy
  - Japanese negotiating style
  - Organization and sociology of Japanese businesses

- **Useful**
  - Japanese domestic management practices
  - Japanese distribution and marketing systems
  - General cross-cultural training
  - Japanese history
  - Japanese politics

- **Helpful**
  - Culture shock briefing
  - Japanese accounting and financial techniques
  - Japanese business legal system
  - Political aspects of international economics
  - International politics

Figure 11-6 Training and development for work in Japan ranges in importance from essential to helpful.

**Checkpoint**

What are four areas training and development for global employees should address?
TRAINING AND DEVELOPMENT HELP TO PREVENT FAILURE

In spite of the efforts of many companies to provide parent-country nationals with relevant training and development, a number of them are unsuccessful abroad. These employees may return home sooner than expected and be angry and frustrated. They may muddle through the assignment abroad with little or no success. A worker may even leave the company during or at the end of the overseas assignment. The associated monetary and psychological costs of failure are high. Failure hurts both the company and the employee.

WHY GLOBAL EMPLOYEES FAIL

There are several reasons why parent-country nationals fail.

● The employee may be unable to adjust to a different physical and cultural environment.
● The spouse or other family members may be unable to adjust to a different physical and cultural environment.
● The employee’s emotional maturity can be seriously strained by an overseas assignment.
● The employee may be unable to work productively.
● The employee may not accept the new responsibilities.
● The employee may lack the motivation to cope with the challenges of working abroad.
● The employee may lack sufficient technical competence.

GLOBAL BUSINESS

LANGUAGE MATTERS IN FRANCE

If you are going to work or live in France, you should be fluent in the local language. If you don’t already speak French, you ought to develop fluency in that language. In many circumstances as an international businessperson, you will need to converse in French. Since the French take great pride in their language, they think others should speak French, too.

The French value their language so much as a tool of communication and as the pinnacle of their culture that they have created the Académie Française to police their language. The Académie Française tries to ensure that businesses and their employees use pure French, not a combination of French and other languages. Nevertheless, some more precise English words are incorporated into French. They are pronounced in the French way so that they don’t seem so foreign or corrupting.

Speaking English in France is considered chic within some groups. In many others, however, it is frowned upon. Interestingly, many of the French speak English as a second or third language, although they have a strong preference for their native tongue.

Think Critically

1. If you don’t speak French, how could you develop that ability relatively quickly?
2. Conduct an Internet search to discover why French Canadians discount the efforts of the Académie Française. Prepare a summary of your findings.
Chapter 11  HUMAN RESOURCES MANAGEMENT

REDUCING THE CHANCE OF EMPLOYEE FAILURE

Because an employee's failure in an international assignment is costly to both the employer and the employee, companies need to make plans to reduce the chance of failure. Several areas of training and development before, during, and after the international assignment should be considered.

- Select only successful and satisfied workers for overseas assignments.
- Provide extensive, relevant training and development from before departure, throughout the assignment abroad, and after the return home.
- Make the international assignment part of the long-term employee development process. This effort should benefit both the company and the employee in planned and purposeful ways.
- Provide adequate communication between the company and its employee. The company should know about the employee's overseas experiences. The employee should know about changes at company headquarters, too.
- Provide a job that uses the employee's international experience when he or she returns to the home country. The knowledge and skills acquired abroad should not be ignored.
- Train company managers, especially those without international experience, to value international experience.

The company should expect returning employees to experience reverse culture shock. However, a supportive training and development program should minimize the readjustment time and difficulty.

Checkpoint

Why should companies make careful efforts to reduce the risk of employee failure on international assignments?

NET Bookmark

Many people are fascinated with the idea of working overseas. However, most do not fully understand the amount of preparation necessary in order to be successful. Access intlbizxtra.swlearning.com and click on the link for Chapter 11. Read the Monster.com article entitled “Preparing for an International Career: Developing Needed Global Skills.” According to the article, what are the three most important skills that international employers look for in their employees?

intlbizxtra.swlearning.com
11-3 MAXIMIZATION OF HUMAN RESOURCES

REVIEW GLOBAL BUSINESS CONCEPTS

1. Explain why training and development of employees on international assignments is important.

2. Briefly explain four types of training and development that international managers receive.

3. What factors often cause parent-country nationals to fail in their overseas assignments?

SOLVE GLOBAL BUSINESS PROBLEMS

For each of the following cases, determine whether the employee is likely to succeed or fail at an international assignment and explain why.

4. John Deters works in the New York City office but always says he is homesick for his state of Texas. He makes frequent requests for transfers to a Texas branch.

5. Marcia Conners is very ambitious and frequently takes on assignments nobody else wants just to prove her value to the company. Her husband is a freelance graphic designer who says he can do his work from anywhere.

6. Grant Neider is excited about a possible transfer from Chicago to Madrid and is taking Spanish lessons. His 17-year-old daughter is student council president and has the lead role in the spring musical.

7. Tonia Engstrom always orders a cheeseburger in a restaurant because she says she doesn’t like to try new things.

THINK CRITICALLY

8. If one of your parents accepted employment as a parent-country national in France, what adjustments would you have to make if you moved there?

9. Why do you think that all recommended training listed in the essential category in Figure 11-6 relates to the general Japanese culture rather than to Japanese business practices?

MAKING CONNECTIONS

10. CULTURAL STUDIES Use the library or the Internet to research what foods are eaten regularly in a particular foreign country. How well would you adapt to a similar diet?

11. CAREER PLANNING How can you plan your education and work experiences to prepare yourself for work in a foreign country?

12. TECHNOLOGY Use the Internet to locate online resources for employee training and development.
managers around the world try to motivate their employees to perform to their fullest potential. While this ideal is commendable, the specific things that contribute to peak performance vary. What motivates a U.S. worker to perform well may have little or no effect elsewhere. Employee motivation is not universal. Instead, it is culturally based and varies from culture to culture.

For example, the U.S. culture values individualism. It also values material possessions. It values taking personal risks to gain personal rewards. Consequently, for most U.S. workers, motivation relates to the personal desire to assume risk in order to gain material rewards.

For many in the United States, money is a major motivator. It is a reward for accepting individual risks and performing well. The more personal responsibility a U.S. worker accepts and handles well, the more money he or she receives. The more money a U.S. worker has, the more material possessions he or she can acquire. Money motivates many in the United States to perform well. Of course, money is not the only motivator. As money allows U.S. workers to fulfill their needs and wants, money becomes less and less a motivator. The possibility of earning $3,000 more motivates a U.S. worker
who earns the minimum wage. It will allow him or her to have more creature comforts. However, it does not motivate a U.S. millionaire very much. The millionaire has already used money to fulfill basic needs and wants.

Money cannot buy everything. Some desires must be fulfilled in other ways. Other factors, such as personal recognition and the sense of reaching one's full potential, motivate many U.S. workers more than money does.

Experiences worldwide suggest that U.S. models of motivation work best with U.S. workers in their native country. When U.S.-based international companies try to apply their domestic models of motivation in other countries, the models do not work as well. U.S. models fail to explain motivation elsewhere because what motivates people differs from culture to culture.

For example, publicly praising the individual achievements of a U.S. worker may motivate him or her toward higher achievement. Treating a Japanese employee in the same manner may not motivate him or her. Since the Japanese culture emphasizes group harmony, praising an individual may disrupt the group harmony. It can cause the person singled out to lose face, or to suffer personal embarrassment. In the future, it can cause that person to behave in a way that will not draw attention to himself or herself. In effect, praising a Japanese employee publicly can backfire. Consequently, international managers must use motivation strategies that are culturally acceptable to the employee.

---

**A Question of Ethics**

**THE COMPANY PICNIC THAT BOMBED**

A U.S.-based international company decided it would require a traditional company picnic at each of its sites worldwide since the event was very popular with the employees at headquarters. The first overseas company picnic was held near the location of the Madrid operations. While the U.S. picnic motivated employees and built teamwork at the company headquarters, the Spanish version had the opposite effect. The local workers, Spaniards, were unaccustomed to socializing with those of other ranks. They also felt awkward being served by higher-ranking employees, several of whom were from the United States. They perceived that their class and socialization standards were being violated. To make matters worse, they were coerced into playing the unfamiliar game of baseball, which further alienated them.

**Think Critically**

1. Was it ethical for headquarters managers to force each company site around the world to have a company picnic and baseball game? Why or why not?
2. What fundamental error did managers at headquarters make?
3. Would it be ethical for the offended Spanish workers to slow down the pace of their work to show their displeasure about the company picnic and baseball game?

---

**Checkpoint**

How does culture relate to employee motivation?
**COMPENSATING EMPLOYEES**

Local culturally accepted standards influence employee compensation packages. North American and European international companies tend to reward employees based on the type of work performed and the skills required. In Singapore and Hong Kong, individual performance and skill influence compensation. In Japan, factors of age, seniority, and group or company performance determine compensation. Since compensation standards vary around the world, local laws, employment practices, and employer obligations should guide companies as they design compensation packages.

**Cultural Sensitivity** International companies motivate employees toward peak performance with culturally sensitive compensation packages. These benefit packages include both cash and noncash items. The mix of employee benefits varies from country to country, but the cash component is typically the largest. Some companies provide discounted products or services to their employees as noncash compensation. In European countries, items such as lunches and transportation are often part of the noncash executive compensation. In less developed and developing countries, basic foodstuff like rice and flour can be part of noncash benefits.

**Base Salary** Employee compensation packages for parent-country nationals usually are based on several factors. One factor is base salary. For the parent-country national, the base salary at least maintains the customary standard of living of the employee and his or her family while living abroad.

**Expatriate Bonus** Another factor is an expatriate bonus. Often a company must pay a premium to persuade an employee to work abroad. It provides compensation for adjustment problems and for hardship caused by living and working abroad.

**Cost-of-Living Adjustment** Another factor is a cost-of-living adjustment. It compensates for the fact that basic living costs vary greatly around the world. Figure 11-7 shows the cost of living in selected locations around the world in comparison to the cost of living in Washington, D.C.

**Employee Benefits** Finally, fringe benefits often are provided to compensate for the additional expenses of living abroad. They include compensation for having to pay various local taxes and contributions to government insurance programs. They also include relocation expenses, high-risk insurance premiums, and extra educational and medical expenses.

---

**Figure 11-7** Compensation should take into account the vast differences in the cost of living in cities around the world.

<table>
<thead>
<tr>
<th>Country</th>
<th>City</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Argentina</td>
<td>Buenos Aires</td>
<td>.82</td>
</tr>
<tr>
<td>Canada</td>
<td>Toronto</td>
<td>1.08</td>
</tr>
<tr>
<td>China</td>
<td>Beijing</td>
<td>1.10</td>
</tr>
<tr>
<td>Egypt</td>
<td>Cairo</td>
<td>.85</td>
</tr>
<tr>
<td>France</td>
<td>Paris</td>
<td>1.34</td>
</tr>
<tr>
<td>India</td>
<td>New Delhi</td>
<td>.93</td>
</tr>
<tr>
<td>Japan</td>
<td>Tokyo</td>
<td>1.45</td>
</tr>
<tr>
<td>Mexico</td>
<td>Mexico City</td>
<td>1.03</td>
</tr>
<tr>
<td>Philippines</td>
<td>Manila</td>
<td>.93</td>
</tr>
<tr>
<td>Russia</td>
<td>Moscow</td>
<td>1.10</td>
</tr>
<tr>
<td>South Africa</td>
<td>Johannesburg</td>
<td>.85</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>Abu Dhabi</td>
<td>1.14</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>London</td>
<td>1.43</td>
</tr>
<tr>
<td>United States</td>
<td>Washington, DC</td>
<td>1.00</td>
</tr>
</tbody>
</table>

Source: Adapted from Indexes of Living Costs Abroad, 2003
Employee compensation packages for other workers vary worldwide. Typically, they include a base salary that reflects local living costs and some fringe benefits.

**CheckPoint**

Why do compensation packages vary around the world?

**EVALUATING EMPLOYEE PERFORMANCE**

Companies that operate internationally must evaluate the performance of their employees. Employee performance, especially for parent-country nationals, is influenced by three factors. These factors are the environment, the task, and the individual’s personality.

Business environments differ greatly around the world. Some offer better opportunities for success than others. Job tasks vary, too. Some jobs are more demanding than others. It is more difficult to perform jobs with many challenging tasks. Personality characteristics contribute to the likelihood of success, especially in international assignments. The match between personality types and job demands is important.

The human resources management approach used by the company determines who sets the employee performance standards. For example, with the ethnocentric approach, parent-country nationals primarily set and administer the standards. In contrast, with the polycentric approach, host-country nationals primarily set and administer the standards.

The nature of the employee performance standards varies from job to job. Different jobs require different combinations of competence, adaptability, and personal characteristics. Standards also vary from country to country since different cultures view employee performance in different ways.

Although many companies try to assess the performance of host-country nationals and third-country nationals much like parent-country nationals, it is difficult to do. Even if the evaluation forms are translated into the appropriate languages, misunderstandings can occur. If local evaluation forms are used, can the company headquarters interpret them correctly? Another problem is how employee performance evaluation is perceived in different parts of the world. In some locations, it can be viewed as threatening. It can also be viewed as insulting or as evidence of lack of trust. Finding ways of evaluating employee performance that are both culturally sensitive and meaningful is difficult. Balancing the needs of the employee and the company is indeed a challenge in the global business environment.

**CheckPoint**

Why is evaluating the performance of international employees so challenging?
Repatatriation is the process a person goes through when returning home and getting settled after having worked abroad. The repatriation period often is a difficult one, filled with many adjustments. It is a challenging time when expatriates experience reverse culture shock. They have difficulty becoming reacquainted with their native culture. These major adjustments involve such things as work, finances, and social relationships.

Returning expatriates often experience a sense of isolation. They have grown in different directions while abroad. Because their extended families and friends have not had similar experiences, they seem like strangers.

To minimize the problems when returning home, expatriates need to plan ahead. It is not too early to start, even before leaving on an international assignment. With careful advanced planning, many of the problems of returning employees can be lessened.

Once abroad, they must keep in frequent communication with former colleagues and friends. Expatriates should share new experiences with them and find out what is new in their lives. In addition, they ought to learn to enjoy the benefits of the host culture and its way of life whenever possible.

International employees should also begin exploring new career options at least one year before the end of the assignment abroad. Soon-to-be repatriates should encourage their current employers to find suitable jobs that make use of their recent international experiences. Also, they can explore options abroad and at home with other companies. When returning home, repatriates should be grateful for their adventures abroad. They can view their native culture in another light and appreciate it more than ever before after having experienced firsthand another way of life.

CheckPoint

What can an employee working abroad do to facilitate a smooth transition into his or her native culture?
REVIEW GLOBAL BUSINESS TERMS

Define the following term.

1. repatriation

REVIEW GLOBAL BUSINESS CONCEPTS

2. Motivation is culturally based. Why is the previous statement true?

3. What is typically included in the compensation packages of parent-country nationals?

SOLVE GLOBAL BUSINESS PROBLEMS

Use the cost-of-living index shown in Figure 11-7 to calculate cost-of-living allowances for employees who are living in cities other than Washington, D.C. London is given as an example. (Note: The cost-of-living allowance is usually not reduced when a country’s index is less than 1.0.)

<table>
<thead>
<tr>
<th>Location</th>
<th>Index</th>
<th>Spendable Income</th>
<th>Cost-of-Living Allowance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Example:</td>
<td>London</td>
<td>1.43 x 25,000</td>
<td>35,750</td>
</tr>
<tr>
<td>4.</td>
<td>Mexico City</td>
<td>1.03 x 35,000</td>
<td>?</td>
</tr>
<tr>
<td>5.</td>
<td>Toronto</td>
<td>1.08 x 20,000</td>
<td>?</td>
</tr>
<tr>
<td>6.</td>
<td>Paris</td>
<td>1.34 x 30,000</td>
<td>?</td>
</tr>
<tr>
<td>7.</td>
<td>Tokyo</td>
<td>1.45 x ?</td>
<td>79,750</td>
</tr>
</tbody>
</table>

THINK CRITICALLY

8. What factors would cause a German-based international company to pay its employees who live in Tokyo, Japan, more than its employees who live in your hometown?

MAKING CONNECTIONS

9. TECHNOLOGY What software could be used to create the cost-of-living allowance for employees assigned to various locations around the world?

10. CULTURAL STUDIES How might the collectivist orientation of Sweden influence the compensation package of employees of a Canadian multinational corporation working there?

11. TECHNOLOGY Identify a job or career that is available in several different countries. Use the Internet to find the compensation available for that job in different places around the world.
Chapter 11 ASSESSMENT

CHAPTER SUMMARY

11-1 FOUNDATIONS OF HUMAN RESOURCES MANAGEMENT
A Human resources management is more complicated in the global environment because of differences in labor markets and managerial practices.
B The four common approaches to human resources management are the ethnocentric, polycentric, regiocentric, and geocentric approaches.

11-2 SELECTING AND TRAINING STAFF
A An international company must carefully determine its staffing needs using employment forecasting and supply analysis.
B Recruiting methods vary depending on the type of employee needed.
C Applicants for most international positions are selected based on their competence, adaptability, and personal characteristics.

11-3 MAXIMIZATION OF HUMAN RESOURCES
A Relevant training and development are critical for success in international business for both employees and companies.
B Training for international positions should include job, language, and relationship issues, cross-cultural training, and spousal job counseling.
C International companies should understand the reasons why employees fail and take steps to reduce the chances of failure.

11-4 RETAINING HUMAN RESOURCES
A Cultural differences can vary the methods of motivating international employees.
B Cultural standards influence employee compensation packages.
C Although subject to cultural variability, the international employee’s performance is influenced by three factors: the environment, the task, and the person’s personality.
D With proper planning prior to, during, and after an international assignment, repatriation problems can be reduced.

GLOBAL REFOCUS

Read the case at the beginning of this chapter, and answer the following questions.
1. How do you know that the Smiths are encountering culture shock?
2. What stage of culture shock is Doug experiencing? How do you know?
3. What would you tell Sue and Doug to help cope with culture shock?
REVIEW GLOBAL BUSINESS TERMS

Match the terms listed with the definitions.

1. The human resources approach that uses the best available managers without regard for their countries of origin.
   - a. employment forecasting
   - b. ethnocentric approach
   - c. expatriates
   - d. geocentric approach
   - e. host-country nationals
   - f. job description
   - g. parent-country nationals
   - h. polycentric approach
   - i. regiocentric approach
   - j. repatriation
   - k. supply analysis
   - l. third-country nationals

2. Expatriates from the country in which their company is headquartered.

3. The human resources approach that uses natives of the parent country of a business to fill key positions at home and abroad.

4. The process of returning home and getting settled after having worked abroad.

5. Natives of the country in which they work.

6. Determining if there are sufficient types and numbers of employees available.

7. The human resources approach that uses managers from various countries within the geographic regions of a business.

8. Expatriates from countries other than the home country of their company or the host country.

9. People who live and work outside their native countries.

10. A document that includes the job identification, job statement, job duties and responsibilities, and job specifications and requirements.

11. Estimating in advance the types and numbers of employees needed.

12. The human resources approach that uses natives of the host country to manage operations within their country and parent country natives to manage at headquarters.

MAKE GLOBAL BUSINESS DECISIONS

13. Using people, print, and electronic resources, determine if a U.S.-based multinational company should hold an annual company picnic and baseball game for the employees of its Portuguese subsidiary, 75 percent of whom are natives of Portugal. Justify your position.

14. Should a U.S.-based multinational company locate its European division human resources office in London, United Kingdom, or in Paris, France, if the primary considerations are (1) the local cost of living, (2) the central location, (3) the ease of adjustment for parent-country nationals?

15. Using reference resources in a library, identify a multinational company headquartered in a European country of your choice. Find out in which city the company is headquartered. Locate on a map of Europe the country and city in which the headquarters is located. Using the scale on the map, estimate the distance from the city in which the company is headquartered to Brussels, Belgium.
16. Based on your reading of a magazine or journal article about living abroad, would you be a good candidate for an international assignment? Why or why not?

17. If your family relocated in the United Kingdom and enrolled you in what the British call a private comprehensive secondary school, would your family be entitled to an educational adjustment as a part of your father’s or mother’s employee compensation package? Why or why not?

18. Prepare a list of questions you might ask applicants for managerial positions in major cities throughout Europe.

19. Why might your best friend no longer seem to be your best friend when you return from a lengthy overseas assignment?

GLOBAL CONNECTIONS

20. TECHNOLOGY What types of technology would best facilitate communication between human resources managers at headquarters and at subsidiaries around the world?

21. CULTURAL STUDIES In some developing countries, why would foodstuffs be part of the compensation for local employees?

22. GEOGRAPHY How might the geography and climate of Switzerland influence the cost-of-living allowance for employees working there?

23. HISTORY How did World War II affect the labor supply in Russia?

24. MATHEMATICS What are some of the reasons that the cost of living in London is approximately 43 percent more than the cost of living in Washington, D.C.?

25. COMMUNICATIONS How would the group orientation of South Korea influence how human resources managers recommend motivating host-country employees there?

26. TECHNOLOGY Many major multinational companies have web sites on which they list employment opportunities. Locate such a company using an Internet search, and read the job descriptions for some jobs available in other countries.

27. CAREER PLANNING In preparation for work assignments abroad, what could you do to increase your adaptability to life in other countries?
HUMAN RESOURCES MANAGEMENT

Plan a human resources strategy for the company and country you have been using in this continuing project, or create a new idea for your business in the same or a different country. Make use of previously collected information, and do additional research. This phase of your business plan should include the following components.

1. Describe the type of human resources management approach (ethnocentric, polycentric, regiocentric, or geocentric) that would be most appropriate for your organization.

2. Describe the actions that would be taken to identify and recruit potential employees.

3. Describe the selection procedures (application process, interview questions) that would be used by your organization.

4. Describe the types of training and development activities that would be appropriate for managers and other employees in this organization.

5. Describe how the organization would motivate employees to improve productivity and plan for retention.

6. Describe the methods that would be used to evaluate employee performance.

Prepare a written summary or present a short oral report (two or three minutes) of your findings.