

Chapter eight

Human Resource Selection and Development Across Cultures

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CHAPTER OBJECTIVES

- 1. IDENTIFY** the three basic sources that MNCs can tap when filling management vacancies in overseas operations in addition to options of subcontracting and outsourcing.
- 2. DESCRIBE** the selection criteria and procedures used by the organization and individual managers when making final decisions.



CHAPTER OBJECTIVES (CONTINUED):

3. **DISCUSS** the reasons why people return from overseas assignments, and present some of the strategies used to ensure a smooth transition back into the home-market operation.
4. **DESCRIBE** the training process, the most common reasons for training, and the types of training that often are provided.
5. **EXPLAIN** how cultural assimilators work and why they are so highly regarded.

SOURCES OF HUMAN RESOURCES

MNCs can use four basic sources for filling overseas positions:

(1) Home-Country Nationals (Expatriates):

- Expatriate managers are citizens of the country where the multinational corporation is headquartered
- Sometimes called **headquarters nationals**
- Most common reason for using home-country nationals (expatriates) is to get the overseas operation under way

Sources for Human Resources

■ (2) **Host-Country Nationals:**

- Local managers hired by the MNC
- They are familiar with the culture
- They know the language
- They are less expensive than home-country personnel
- Hiring them is good public relations

Sources for Human Resources

■ (3) **Third-Country Nationals:**

- Managers who are citizens of countries other than the country in which the MNC is headquartered or the one in which the managers are assigned to work by the MNC
- These people have the necessary expertise for the job

Sources for Human Resources

■ (4) **Inpatriates:**

- Individuals from a host country or a third-country national who are assigned to work in the home country
- The use of inpatriates recognizes the need for diversity at the home office
- Use of inpats helps MNCs better develop their global core competencies
- MNCs can subcontract or outsource to take advantage of lower human resource costs and increase flexibility

Selection Criteria for International Assignments: Managers

- | | |
|-------------------------------|--------------------------------|
| ■ Adaptability | ■ Education |
| ■ Independence | ■ Knowledge of local language |
| ■ Self-reliance | ■ Motivation |
| ■ Physical & emotional health | ■ Support of spouse & children |
| ■ Age | ■ Leadership |
| ■ Experience | |

SELECTION CRITERIA FOR INTERNATIONAL ASSIGNMENTS

Organizations examine a number of characteristics to determine whether an individual is sufficiently adaptable.

- Work experiences with cultures other than one's own
- Previous overseas travel
- Knowledge of foreign languages
- Recent immigration background or heritage
- Ability to integrate with different people, cultures, and types of business organizations

LOOKING ABROAD FOR WORKFORCE

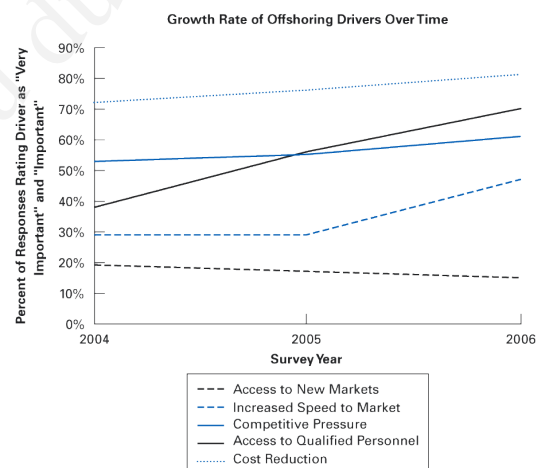


Figure 14-1

Reasons MNCs Look
Abroad for Workforce

Source: Next Generation Offshoring: The Globalization of innovation by Arie Y. Lewin and Vinay Couto, 2006 Survey Report. Booz Allen Hamilton/Duke University Offshoring Research Network 2006 Survey. Reprinted with permission.

SKILLS MNCs SEEK WITHIN COUNTRIES

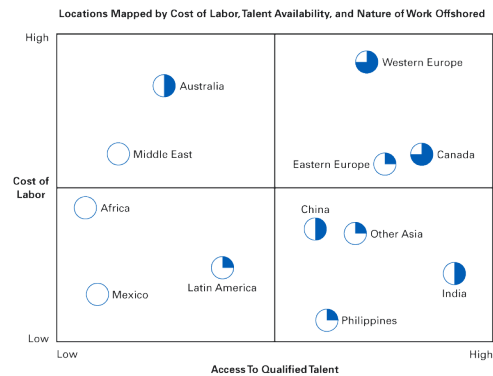


Figure 14-2
Skills MNCs Seek Within Countries

- Virtually all offshore implementations in these countries are entirely for commodity work
- Offshore implementations in these countries are focused largely on commodity work
- Offshore implementations in these countries are focused equally on commodity and high-end work
- Offshore implementations in these countries are heavily skewed towards high-end work

Note: Shading of circles indicates degree to which high skilled work is currently offshored to the specific country.

Source: Next Generation Offshoring: The Globalization of Innovation by Arie Y. Lewin and Vinay Goette, 2006 Survey Report, Booz Allen Hamilton/Duke University Offshoring Research Network 2006 Survey. Reprinted with permission.

EXPATRIATE SELECTION CRITERIA

Table 14-1
Rank of Criteria in Expatriate Selection

	Australian Managers (n = 47)	Expatriate Managers* (n = 52)	Asian Managers (n = 15)
1. Ability to adapt	1	1	2
2. Technical competence	2	3	1
3. Spouse and family adaptability	3	2	4
4. Human relations skill	4	4	3
5. Desire to serve overseas	5	5	5
6. Previous overseas experience	6	7	7
7. Understanding of host-country culture	7	6	6
8. Academic qualifications	8	8	8
9. Knowledge of language of country	9	9	9
10. Understanding of home-country culture	10	10	10

*U.S., British, Canadian, French, New Zealand, or Australian managers working for an MNC outside their home countries.

Source: Raymond J. Stone, "Expatriate Selection and Failure," *Human Resource Planning* 14, no. 1 (1991), p. 10.

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SELECTION CRITERIA FOR INTERNATIONAL ASSIGNMENTS

Those who were best able to deal with their new situation had developed coping strategies characterized by socio-cultural and psychological adjustments including:

- Feeling comfortable that their work challenges can be met
- Being able to adjust to their new living conditions
- Learning how to interact well with host-country nationals outside of work
- Feeling reasonably happy and being able to enjoy day-to-day activities

ACTIVITIES THAT ARE IMPORTANT FOR EXPATRIATE SPOUSES

Table 14-2
Activities That Are Important for Expatriate Spouses
(scale: 1-5, 5 = very important)

Mean Score	Activity
Average	From All Respondents
4.33	Company help in obtaining necessary paperwork (permits, etc.) for spouse
4.28	Adequate notice of relocation
4.24	Predeparture training for spouse and children
4.23	Counseling for spouse regarding work/activity opportunities in foreign location
4.05	Employment networks coordinated with other international networks
3.97	Help with spouse's reentry into home country
3.93	Financial support for education
3.76	Compensation for spouse's lost wages and/or benefits
3.71	Creation of a job for spouse
3.58	Development of support groups for spouses
3.24	Administrative support (office space, secretarial services, etc.) for spouse
3.11	Financial support for research
3.01	Financial support for volunteer activities
2.90	Financial support for creative activities
Average	From Male Spouses
4.86	Employment networks coordinated with other international organizations
4.71	Help with spouse's reentry into home country
4.71	Administrative support (office space, secretarial services, etc.) for spouse
4.57	Compensation for spouse's lost wages and/or benefits
4.29	Adequate notice of relocation
4.29	Counseling for spouse regarding work/activity opportunities in foreign location
3.86	Predeparture training for spouse and children
3.71	Creation of a job for spouse
3.71	Financial support for volunteer activities
3.43	Financial support for education
3.14	Financial support for research
3.14	Financial support for creative activities
3.00	Development of support groups for spouses

Source: Adapted from Betty Jane Punnett, "Towards Effective Management of Expatriate Spouses," *Journal of World Business* 33, no. 3 (1997), p. 249.

SELECTION CRITERIA FOR INTERNATIONAL ASSIGNMENTS

Applicants better prepare themselves for international assignments by carrying out the following three phases:

Phase 1: Focus on self-evaluation and general awareness include the following questions:

Is an international assignment really for me?

Does my spouse and family support the decision to go international?

Collect general information on available jobs

SELECTION CRITERIA FOR INTERNATIONAL ASSIGNMENTS (CONTINUED)

■ Phase 2:

- Conduct a technical skills assessment – *Do I have the technical skills required for the job?*
- Start learning the language, customs, and etiquette of the region you will be posted
- Develop an awareness of the culture and value systems of the geographic area
- Inform your superior of your interest in the international assignment

SELECTION CRITERIA FOR INTERNATIONAL ASSIGNMENTS (CONTINUED)

Phase 3:

- Attend training sessions provided by the company
- Confer with colleagues who have had experience in the assigned region
- Speak with expatriates and foreign nationals about the assigned country
- Visit the host country with your spouse before the formally scheduled departure (if possible)

INTERNATIONAL HUMAN RESOURCE SELECTION PROCEDURES

Anticipatory Adjustment

- Training
- Previous experience

In-country Adjustment

- Individual's ability to adjust effectively
- Ability to maintain a positive outlook, interact well with host nationals, and to perceive and evaluate the host country's cultural values and norms correctly
- Clarity of expatriate's role in the host management team
- Expatriate's adjustment to the organizational culture
- Non-work matters

THE RELOCATION TRANSITION CURVE

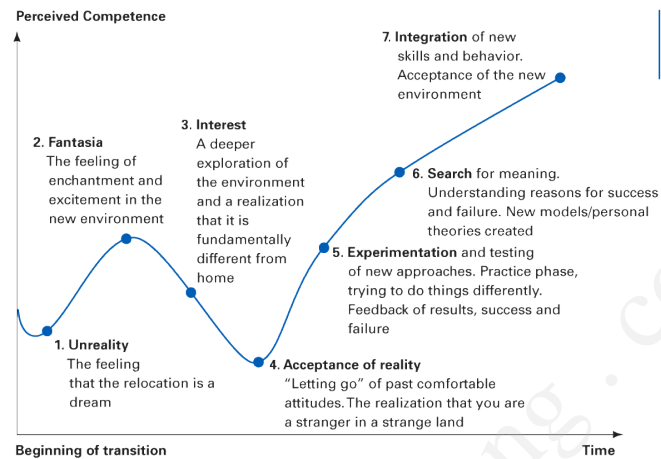


Figure 14-4
The Relocation Transition Curve

Source: Adapted from Iain McCormick and Tony Chapman, "Executive Relocation: Personal and Organizational Tactics," in *Managing Across Cultures: Issues and Perspectives*, ed. Pat Joynt and Malcolm Warner (London: International Thomson Business Press, 1996), p. 368.

COMMON ELEMENTS OF COMPENSATION PACKAGES

Compensating expatriates can be difficult because there are many variables to consider

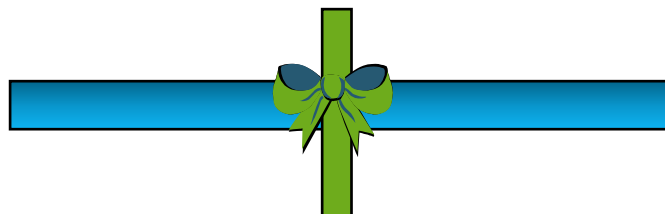
Most compensation packages are designed around four common elements:

Allowances

Taxes

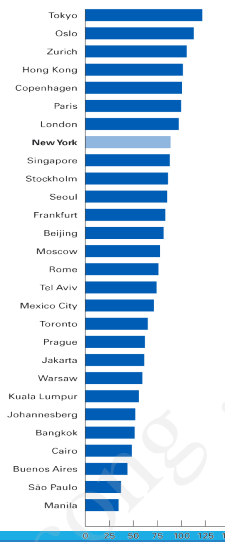
Base Salary

Benefits



RELATIVE COST OF LIVING IN SELECTED CITIES

Figure 14-5
Relative Cost of Living
in Selected Cities



Source: Economist Intelligence Unit, 2005

COMMON ELEMENTS OF COMPENSATION PACKAGES

Base salary

- Amount of money that an expatriate normally receives in the home country

Benefits

- Should host-country legislation regarding termination of employment affects employee benefits entitlements?
- Is the home or host country responsible for the expatriates' social security benefits?
- Should benefits be subject to the requirements of the home or host country?
- Which country should pay for the benefits?
- Should other benefits be used to offset any shortfall in coverage?
- Should home-country benefits programs be available to local nationals?

COMMON ELEMENTS OF COMPENSATION PACKAGES

Allowances

- **Cost-of-Living Allowance**
 - Payment for differences between the home country and the overseas assignment.
 - Designed to provide the expatriate the same standard of living enjoyed in the home country
- **May cover a variety of expenses, including relocation, housing, education, and hardship**
- **Incentives**
 - A growing number of firms have replaced the ongoing premium for overseas assignments with a one-time, lump-sum premium

COMMON ELEMENTS OF COMPENSATION PACKAGES

Taxes

- Tax equalization
- An expatriate may have two tax bills for the same pay
 - ✓ Host country
 - ✓ U.S. Internal Revenue Service
- MNCs usually pay the extra tax burden

EMPLOYER INCENTIVE PRACTICES AROUND THE WORLD

Table 14-3
Employer Incentive Practices Around the World

Percent of MNCs Paying for Moves Within Continents				
Type of Premium	Asia	Europe	North America	Total
Ongoing	62%	46%	29%	42%
Lump sum	21	20	25	23
None	16	27	42	32
Percent of MNCs Paying for Moves Between Continents				
Type of Premium	Asia	Europe	North America	Total
Ongoing	63%	54%	39%	49%
Lump sum	24	18	30	26
None	13	21	27	22

Source: Derived from Geoffrey W. Latta, "Expatriate Incentives: Beyond Tradition," *HR Focus*, March 1998, p. S4.

TAILORING THE COMPENSATION PACKAGES

Balance-sheet approach

- Ensure the expatriate does not lose money from the assignment

Complementary approach

- Negotiate to work out an acceptable ad hoc arrangement

Localization

- Pay the expatriate a salary comparable to local nationals

Lump sum method

- Give expatriate a lump sum of money

Cafeteria approach

- Compensation package that gives the individual a series of options

Regional system

- Set a compensation system for all expatriates who are assigned to a particular region

INDIVIDUAL AND HOST COUNTRY VIEWPOINTS

Individual desires

- *Why do individuals accept foreign assignments?*
- Greater demand for their talents abroad than at home

Host-country desires

- *Whom would it like to see put in managerial positions?*
- Accommodating the wishes of HCOs can be difficult:
 - They are highly ethnocentric in orientation
 - They want local managers to head subsidiaries
 - They set such high levels of expectation regarding the desired characteristics of expatriates that anyone sent by the MNC is unlikely to measure up

REPATRIATION OF EXPATRIATES

Reasons for returning to home country

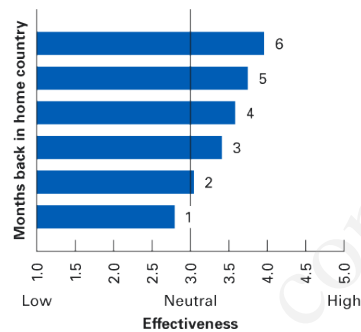
- Most expatriates return home from overseas assignments when their formally agreed-on tour of duty is over
- Some want their children educated in a home-country school
- Some are not happy in their overseas assignment
- Some return because they failed to do a good job

Readjustment problems

- “Out of sight, out of mind” syndrome
- Organizational changes
- Technological advances
- Adjusting to the new job back home

EFFECTIVENESS OF RETURNING EXPATRIATES

Figure 14-6
Effectiveness of
Returning Expatriates



Source: From *International Dimensions of Organizational Behavior*, 2nd Edition by Nancy J. Adler, 1991, pp. 7–8. Reprinted with permission of South-Western, a division of Thomson Learning: www.thomsonrights.com.

REPATRIATION OF EXPATRIATES

• Transition strategies

▪ Repatriation Agreements

- Firm agrees with individual how long she or he will be posted overseas and promises to give the individual, on return, a job that is mutually acceptable

▪ Some of the main problems of repatriation include:

- Adjusting to life back home
- Facing a financial package that is not as good as that overseas
- Having less autonomy in the stateside job than in the overseas position
- Not receiving any career counseling from the company

HUMAN RESOURCE MANAGEMENT PRACTICES IN SELECT COUNTRIES

Table 14-5
Human Resource Management Practices in Select Countries

	Structural Empowerment		Accelerated Resource Development		Employee Welfare Emphasis		Efficiency Emphasis		Long-Termism	
	High	Low	High	Low	High	Low	High	Low	High	Low
United States	X			X	X		X			X
Canada	X			X	X		X	X		X
United Kingdom	X			X		X	X	X		X
Italy		X		X		X	X	X		X
Japan		X		X	X		X		X	X
India		X		X	X		X	X		X
Australia	X		X			X	X		X	X
Brazil	X		X		X		X	X		X
Mexico	X		X		X		X			X
Argentina		X	X		X		X			X
Germany		X	X			X	X		X	X
Korea		X	X			X	X		X	X
France		X	X			X	X			X

Source: Adapted from Paul R. Sparrow and Pawan S. Budhwar, "Competition and Change: Mapping the Indian HRM Recipe Against Worldwide Patterns," *Journal of World Business* 32, no. 3 (1997), p. 233.

TRAINING IN INTERNATIONAL MANAGEMENT

Four basic philosophic positions:

➤ (1) Ethnocentric MNC

- Stresses nationalism and often puts home-office people in charge of key international management positions

➤ (2) Polycentric MNC

- Places local nationals in key positions and allows these managers to appoint and develop their own people.

➤ (3) Regiocentric MNC

- Relies on local managers from a particular geographic region to handle operations in and around that area

➤ (4) Geocentric MNC

- Seeks to integrate diverse regions of the world through a global approach to decision making

TRAINING IN INTERNATIONAL MANAGEMENT

Corporate Reasons for Training

- Ethnocentrism
 - The belief that one's own way of doing things is superior to that of others

Personal reasons

- To train overseas managers to improve their ability to interact effectively with local people in general and with their personnel in particular
- Increasing numbers of training programs address social topics – these programs also focus on dispelling myths and stereotypes by replacing them with facts about the culture

HUMAN RESOURCE MANAGEMENT CHALLENGES FACING MNCs IN CHINA

Table 14-6
Human Resources Management Challenges Facing MNCs in China

Human Resource Management Function	Comments/Recommendations
Employee recruitment	The market for skilled manual and white-collar employees is very tight and characterized by rapidly rising wages and high turnover rates. Nepotism and overhiring remain a major problem where Chinese partners strongly influence HR policies; and transferring employees from state enterprises to joint ventures can be difficult because it requires approval from the employee's old work unit.
Reward system	New labor laws allow most companies to set their own wage and salary levels. As a result, there is a wide wage disparity between semiskilled and skilled workers. However, these disparities must be balanced with the negative effect they can have on workers' interpersonal relations.
Employee retention	It can be difficult to retain good employees because of poaching by competitive organizations. In response, many American joint-venture managers are learning to take greater control of compensation programs in order to retain high-performing Chinese managers and skilled workers.
Work performance and employee management	Local managers are not used to taking the initiative and are rarely provided with performance feedback in their Chinese enterprises. As a result, they tend to be risk-averse and are often unwilling to innovate. In turn, the workers are not driven to get things done quickly and they often give little emphasis to the quality of output. At the same time, it is difficult to dismiss people.
Labor relations	Joint-venture regulations give workers the right to establish a trade union to protect employee rights and to organize. These unions are less adversarial than in the West and tend to facilitate operational efficiency. However, there is concern that with the changes taking place in labor laws and the possibility of collective bargaining, unions may become more adversarial in the future.
Expatriate relations	Many firms have provided little cross-training to their people and family, education, and health issues limit the attractiveness of a China assignment. Some of the major repatriation problems include limited continuity in international assignments and difficulties of adjusting to more specialized and less autonomous positions at home, lack of career prospects, and undervaluation of international experience. Management succession and the balancing of local and international staff at Chinese firms are also problematic.

Source: Adapted from Andrew Sergeant and Stephen Frenkel, "Managing People in China: Perceptions of Expatriate Managers," *Journal of World Business* 33, no. 1 (1998), p. 21.

CROSS-CULTURAL TRAINING PROGRAMS

Major types of cross-cultural training programs

- **Environmental Briefings**

- Provide information about things such as geography, climate, housing, and schools

- **Cultural Orientation**

- Familiarize the individual with cultural institutions and value systems of the host country

CROSS-CULTURAL TRAINING PROGRAMS

Cultural Assimilators

- Programmed learning techniques designed to expose members of one culture to some of the basic concepts, attitudes, role perceptions, customs, and values of another culture

Language Training

- Provide information about things such as geography, climate, housing, and schools

CROSS-CULTURAL TRAINING

Field Experience

- Send participant to the country of assignment to undergo some of the emotional stress of living and working with people from a different culture

Sensitivity Training

- Develop attitudinal flexibility

CROSS-CULTURAL TRAINING PROGRAMS

Steps in cross-cultural training programs

- Local instructors and a translator observe the pilot training program or examine written training materials
- Educational designer debriefs the observation with the translator, curriculum writer, and local instructors
- The group examines the structure and sequence, ice breaker, and other materials to be used in the training
- The group collectively identifies stories, metaphors, experiences, and examples in the culture that fit into the new training program
- The educational designer and curriculum writer make necessary changes in training materials

CROSS-CULTURAL TRAINING PROGRAMS

A variety of other approaches can be used to prepare managers for international assignments including:

- Visits to the host country
- Briefings by host-country managers
- In-house management programs
- Training in local negotiation techniques
- Analysis of behavioral practices that have proven most effective

CROSS-CULTURAL TRAINING PROGRAMS

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TYPES OF TRAINING PROGRAMS

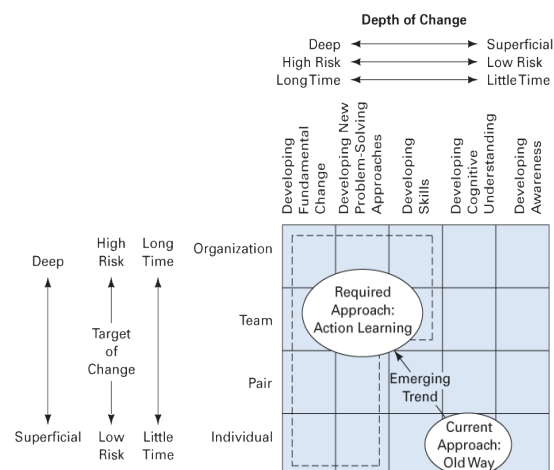
Global Leadership Development

The Global Leadership Program (GLP)

- A consortium of leading U.S., European, and Japanese firms, global faculty, and participating host countries
 - Provide an intensive international experience
 - Develop a global mindset
 - Instill cross-cultural competency
 - Provide an opportunity for global networking

TICHY DEVELOPMENT MATRIX

Figure 14-7
The Tichy Development Matrix



Source: Reported in Noel M. Tichy, "Global Development," in *Globalizing Management*, ed. Vladimir Pucik, Noel M. Tichy, and Carole K. Barnett, John Wiley & Sons, Inc., 1993, pp. 208-224. Reprinted with permission of John Wiley & Sons, Inc.

REVIEW AND DISCUSS

1. What selection criteria are most important in choosing people for an overseas assignment? Identify and describe the four that you judge to be of most universal importance, and defend your choice.
2. What are the major common elements in an expat's compensation package? Besides base pay, which would be most important to you? Why?
3. What kinds of problems do expatriates face when returning home? Identify and describe four of the most important. What can MNCs do to deal with these repatriation problems effectively?