

Managing Human Resources Globally

Chapter 13



Objectives

Explain staffing decisions

Identify training needs for expatriates

Identify compensation and appraisal issues

Recognize factors in labor relations

Human Resource Management (HRM)

Activities that attract, select, and manage employees

Strategic function that helps accomplish organizational goals and financial performance

Staffing Decisions

Who manages the foreign operations?

Two Types of Employees

- **Host Country Nationals (HCNs)** – an individual from the host country (foreign country where operation is located) working for the MNE (i.e., locals)

- **Expatriates** – employee working in foreign (to them) country
 - **Parent country nationals (PCNs)** – employee from parent country working at local subsidiary
 - **Third country nationals (TCNs)** – employee from neither host or parent country

Nationals

	Advantages	Disadvantages
Parent-Country Nationals (Home-County)	<ul style="list-style-type: none">• Control from HQ• Qualified• Int'l Experience	<ul style="list-style-type: none">• Resentment• Adaptation time• Expensive
Host-Country Nationals (locals)	<ul style="list-style-type: none">• Institutional knowledge• Longevity• Usually cheaper	<ul style="list-style-type: none">• HQ control diminished
Third-Country Nationals	<ul style="list-style-type: none">• Bridge gaps (neutral)• TCNs may be less expensive than PCNs	<ul style="list-style-type: none">• Resentment• Adaptation• Expensive compared to HCNs

Approaches in Staffing

Ethnocentric approach

- *Emphasis on norms and practices of parent company*
- *Relies on PCNs*
- *Necessitated by a seeming lack of talent in HCNs*

Polycentric approach

- *Focus on norms and practices of host country*
- *Relies on HCNs*
- *HCNs have no language or cultural barriers and can increase the morale of other HCNs if placed on top*

Geocentric approach

- *Focus on finding the most suitable managers, disregarding nationalities*
- *Creates corporate-wide culture and identity for geographically dispersed MNE*

Expatriates

Strategists

- *Represent the interests of the MNE's headquarters*

Daily managers

- *Run operations and build local capabilities*

Ambassadors

- *Represent headquarters' interests, build relationship with host-country stakeholders*
- *Represent the interests of the subsidiaries to headquarters*

Trainers

- *Train local employees*

Expatriate Selection

High Failure Rates defined as:

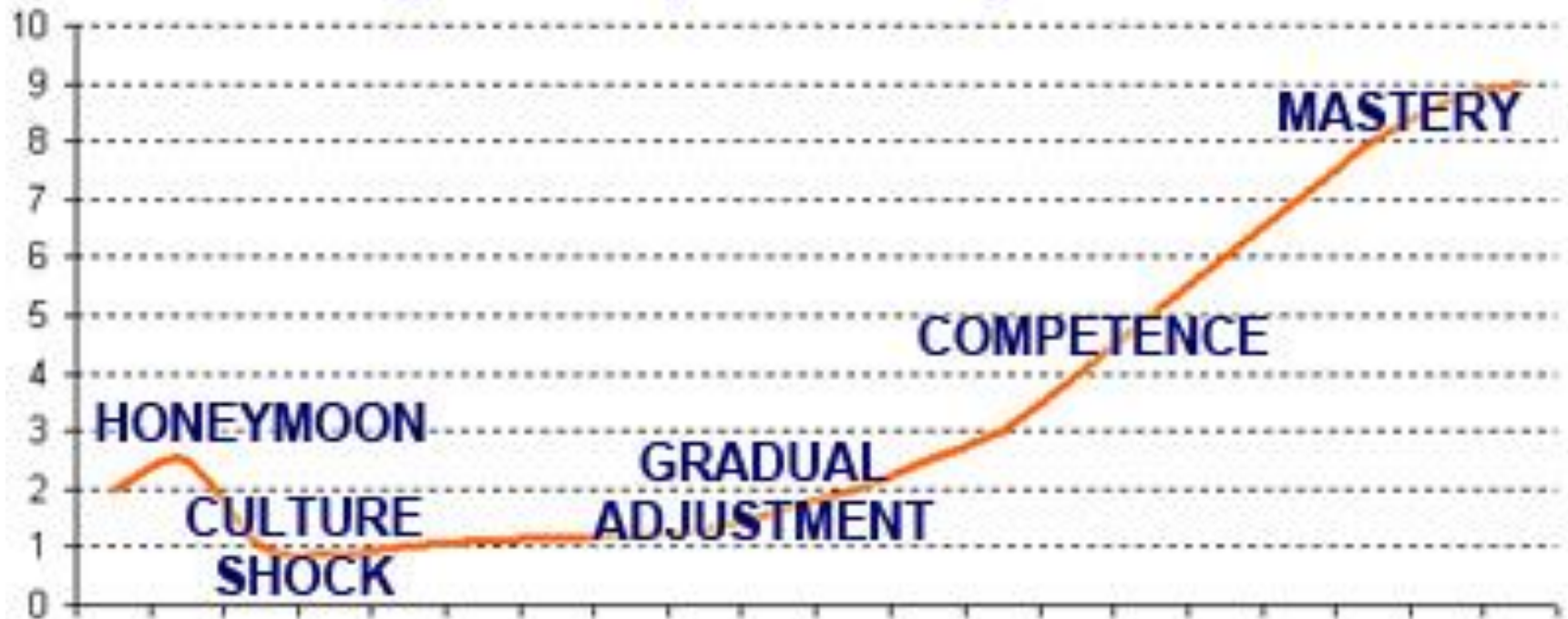
- Premature return
- Unmet business objectives
- Unfulfilled career development objectives

Causes

- Vague objectives and unrealistic expectations
- Spousal and family adaptation difficulties
 - Difficult leaving and coming back!

Adjustment

Stages of Expatriate Adjustment



Quick Diversion....cultural intelligence

CQ-DriveCQ

Drive is a person's interest and confidence in functioning effectively in culturally diverse settings. It includes:

Intrinsic interest – deriving enjoyment from culturally diverse experiences

Extrinsic interest – gaining benefits from culturally diverse experiences

Self-efficacy – having the confidence to be effective in culturally diverse situations

Quick Diversion....cultural intelligence

CQ-KnowledgeCQ

Knowledge is a person's knowledge about how cultures are similar and how cultures are different. It includes:

Business – knowledge about economic and legal systems

Interpersonal – knowledge about values, social interaction norms, and religious beliefs

Socio-linguistics – knowledge about rules of languages and rules for expressing non-verbal behaviors

Quick Diversion....cultural intelligence

CQ-StrategyCQ

Strategy is how a person makes sense of culturally diverse experiences. It occurs when people make judgments about their own thought processes and those of others. It includes:

Awareness – knowing about one's existing cultural knowledge;

Planning – strategizing before a culturally diverse encounter;

Checking – checking assumptions and adjusting mental maps when actual experiences differ from expectations.

Quick Diversion....cultural intelligence

CQ-ActionCQ

Action is a person's capability to adapt verbal and nonverbal behavior to make it appropriate to diverse cultures. It involves having a flexible repertoire of behavioral responses that suit a variety of situations. It includes:

Non-verbal – modifying non-verbal behaviors (e.g., gestures, facial expressions)

Verbal – modifying verbal behaviors (e.g., accent, tone)

Cultural Intelligence

Profiles	Characteristics
The Local	Works well with people of similar backgrounds but not effectively with people of different backgrounds
The Analyst	Observes and learns from others and plans a strategy for interacting with people from different cultures
The Natural	Relies on intuition rather than a systematic learning style when interfacing with people from different cultural backgrounds
The Mimic	Creates a comfort zones for people from different cultural backgrounds by adopting their general posture and communication style.
The Chameleon	May be mistaken for a native of the foreign country. May achieve results that natives cannot, insider skills and outsider perspective. VERY RARE!

Training Expats

Many firms (1/3) do not provide training

- “Congratulations, good luck!”

Length and rigor should correspond to length of stay

Should include:

- Extensive language training
- Sensitivity training
- Spouse as well

Expectations

Potential Expats Should:

- Arrange for a senior mentor to watch out for your interests
- Insist on clear and reasonable expectations
 - Evaluation is difficult, HQ manager may not understand context
- Try to assess how family will handle experience and proactively address problems
 - i.e. doctors, schools, etc

Expatriate Development

Repatriation difficult

- Expectations not met:
 - **Psychological contract** – an informal understanding of expected future benefits from current services
- HQ often not open to new ideas from abroad
- Loss of status
- Family loses close knit expat community
- Frustration

The secret to life: Expectations!

Expatriate Compensation

	Advantages	Disadvantages
Going Rate	Equity among different nationals in same location	Variation b/n locations
	Identification with host country	Potential pay cut or re-entry pay cut
	Simplicity	
Balance Sheet	Equity b/n assignments	Costly and complex admin
		Home and host disparity

**Most Commonly
Used!**

Balance Sheet Approach

Hypothetical US expatriate Compensation	
Base Salary	\$150,000
Cost of Living Allowance (25%)	\$37,500
Overseas premium (20%)	\$30,000
Hardship allowance (20%)	\$30,000
Housing deduction (-7%)	-\$10,500
Tax adjustment	\$10,000
Total (pre-tax)	\$247,000

Labor Unions



Labor Unions

Collective bargaining

- A union represents the interests of a bargaining unit in negotiations with management

European labor

- Identified with political parties and socialist ideology

United States labor

- Laborers already have many civil rights
- Wage driven
- Often Industry wide, i.e. UAW all automotive

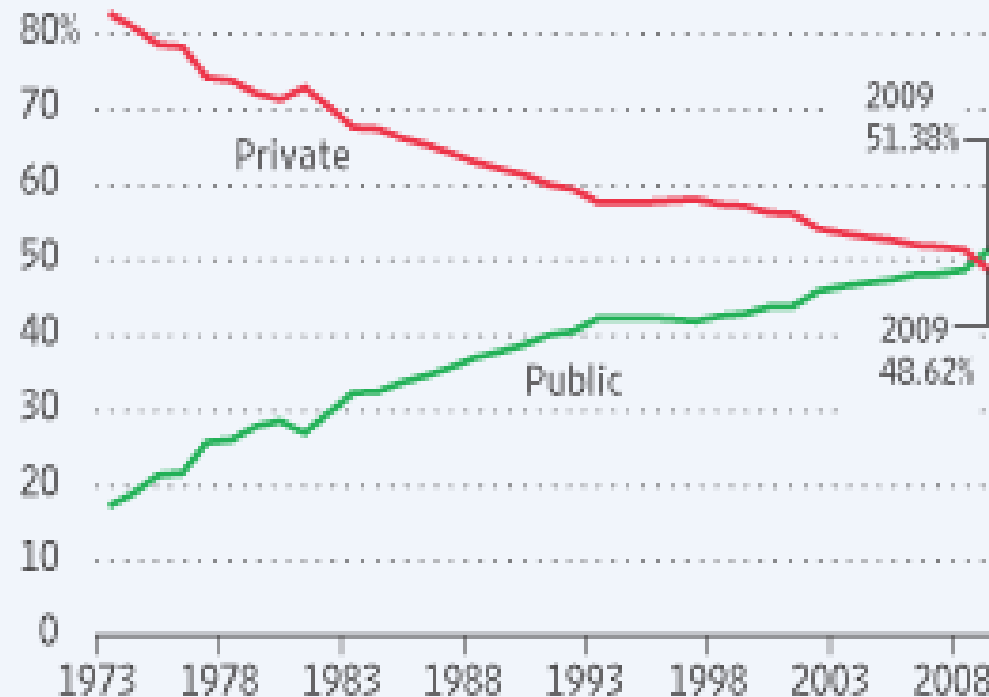
Japanese unions are enterprise-based rather than industry wide

- Unions tend to identify strongly with company interests

US Union Membership

Labor's Changing Membership

Private versus public employee share of overall union workforce, since 1973



Source: Bureau of Labor Statistics

Labor Unions

Internationalization of companies creates opportunities for firms to escape the reach of unions

Developing countries often silence unions

- US demanded strengthening of unions in Columbian free trade agreement

In response, unions have begun to

- Collect and disseminate information about companies
- Consult/coordinate with unions in other countries
- Encourage international companies' codes of conduct

Multinational unionism is developing

Institutions

Must follow host country laws

- i.e. cannot discriminate in US

Differences in formal institutions create opportunities

- i.e. Manpower in France

Informal institutions

- May influence hiring decisions, i.e. PCN, HCN, etc.
- Be careful not to stereotype

Debate: Across-the-Board Pay Cut Versus Reduction in Force

Across-the-Board Pay Cut

- With US firms, results tend to be very negative
- May clash with individualistic culture

Reduction in Force

- Termed unethical outside the Anglo-American world, “Corporate cannibalism”
- If handled properly, dismissed employees can leave with dignity

Implications for Actions

HR Managers: The Four Cs

- Be *curious*. Know formal and informal rules of the game governing HRM in all regions of operations
- Be *competent*. Develop organizational capabilities that drive business success
- Be *courageous* and *caring*. As guardians of talent, HR managers need to nurture and develop people.

For non-HR Managers: The fifth C

- Be proactive in managing your *career*.