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Staffing Strategies for Global Corporations

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The new buzzword in business is globalization. The world is becoming more interdependent as countries join together for economic purposes and reduce their trade barriers. The European Economic Community is probably the best example of this growing trend. Such changes not only affect corporate giants, but small local businesses as well. Eighty percent of all businesses in the United States now face international competition, according to Robert Frederick, chairperson of the National Foreign Trade Council (Schermerhorn, Hunt, & Osborn, 1991, p. 72).

Those companies that compete in the global marketplace are discovering that developing a pool of managers with international experience helps to create a truly international perspective within the firm. In creating this experienced pool, human resource managers confront unique questions. Specifically, what management practices are the “best,” and from where should the managers come—the host country or the home country? An expatriate, or global manager, is a manager who is transferred by a company to a foreign country to work for a period of time. The same manager is termed a repatriate upon return to the home country. This article will focus on the problems associated with selecting managers to work abroad and with repatriating them upon completion of their assignments, as well as on the option of selecting host country nationals to manage foreign subsidiaries.

THE FOREIGN ASSIGNMENT

Between 20 and 50 percent of global managers from U.S. firms fail in their foreign assignments, with direct costs of these failures ranging from $50,000 to more than $200,000 per failed employee (Chowanec & Newstrom, 1991, p. 65; Harvey, 1985, p. 84; Hogan & Go, 1990, p. 50). A company can also incur
substantial indirect costs as a result of a failed foreign assignment, including loss of productivity, diminished reputation in the world marketplace, increased strain in relationships with host country nationals and governments, missed opportunities, and lowered employee morale (Chowanec & Newstrom, 1991, p. 65; Dunbar & Katcher, 1990, p. 46; Harvey, 1985, p. 84). Global managers are considered to have failed if they return prematurely from a foreign assignment, or, if upon completion of the assignment, their performance was only marginal. What are the reasons behind these high failure rates and what can be done to lower them?

Poor selection and inadequate preparation and training may result in the failure of a manager sent abroad. To illustrate this, consider the following example. A mid-sized U.S. corporation decided to expand its operation overseas, and it selected Gordon, an eager young employee, to manage this new subsidiary. Gordon was unsure at first if he wanted the assignment, but the money and other benefits offered made the opportunity quite appealing to him and his wife. She reluctantly gave up a job that had seemed to be the start of a promising career. Gordon and his wife studied materials provided by the company about the economic, political, and cultural environment in the host country. This was the only preparation they were given before leaving for the assignment. The details of their relocation (housing, transportation, etc.) had been handled efficiently and a reception was given in their honor when they arrived at their foreign destination.

Gordon was expected to accomplish a great deal during his two-year tour and he entered into his new job with his usual enthusiasm and vigor. It was not long, however, before Gordon became frustrated with certain characteristics of his colleagues that, in his opinion, were hampering his ability to meet production goals. One of the biggest problems U.S. managers abroad face is differing concepts of time. People in many Latin American countries, for example, view time as flexible. This conflicts with the rigid, segmented, time-is-money perception of most Americans. U.S. managers place a high priority on promptness and on meeting goals as scheduled. In contrast, lateness may very well be a way of life in some countries. This is the type of situation Gordon faced. As he fell further and further behind the production schedule set by headquarters, he became impatient and sarcastic with the locals and worked longer hours himself to make up for lost time.

Gordon’s wife was also dissatisfied with life in this foreign country. She resented having to give up her own career, and ordinary tasks, such as shopping and laundry, were unexpectedly challenging. Not only was she
unsympathetic to Gordon’s problems at work, but she increasingly turned to alcohol to escape her own problems. Gordon was thus forced to assume added responsibilities at home as well.

As a result of this increasing stress, Gordon suffered a recurrence of an old lung condition and spent three weeks recovering. He approached company executives with a more realistic schedule for production goals, only to be rebuffed. He and his wife completed the two-year assignment, with Gordon only achieving about 60% of the goals set for him.

This example, although extreme, clearly identifies some of the problems that can occur and contribute to unsuccessful foreign assignments. What can be done to decrease the likelihood that these problems will arise?

SELECTION OF GLOBAL MANAGERS

Careful selection of global managers is the first step in ensuring success on foreign assignments. Every effort should be made to match the manager, the culture, and the position (Chowanec & Newstrom, 1991, p. 66; Hogan & Go, 1990, p. 50). Stone (1991) lists several criteria to be considered when selecting a manager for foreign assignment. These include:

• Ability of the manager, the spouse, and the family to adapt;
• Desire to serve overseas and previous overseas experience;
• Human relations skills;
• Technical competence and academic qualifications;
• Understanding of host and home country cultures; and
• Knowledge of host country language. (p. 10)

In a report on cross-cultural communication problems, Ogbuehi, Adim, and Opara (1991) list attributes they consider to be essential for managerial success in overseas assignments. Qualities they listed in addition to those identified by Stone were:

• Perseverance/persistence;
• maturity/patience;
• Diversity of outside interests;
• Emotional stability;
• Resourcefulness;
• Planning & organizational skills;
• Diplomacy & tact;
• Cultural empathy; and
• Desire and ability to train others. (Exhibit 3)
Paul Hansen, Division Manager of International Compensation at Deere & Company in Moline, Illinois, uses a psychological profile developed by the consulting firm of Moran, Stahl, & Boyer International to screen candidates and their spouses for overseas placement. This overseas assignment inventory evaluates people on 14 dimensions statistically proven to predict success in international assignments. These dimensions are similar to the qualities and attributes listed previously with the addition of spousal communication skills. Upon completion of the profile the candidates and their spouses attend a three hour interview to discuss the results of the profile. Special attention is given to those areas in which one or the other scored below the norm. (Footnote number one)

The selection process should also be reciprocal. Candidates for such assignments should be given a realistic picture of what the job and life in a foreign culture will entail and then have the option to refuse the assignment. It is much more cost efficient for the manager to decide not to pursue a position abroad than to have the manager go overseas and fail (Fisher, Schoenfeld, & Shaw, 1990, p. 101; Grove, 1990, p. 114). Although ideally candidates should be given full latitude over whether or not to take an assignment, other factors may influence their decisions. For example, fear of reduced promotional opportunities or even job loss as a result of turning down a foreign assignment may lead managers to accept a position even if they have some reservations. Companies should clearly state their policy on foreign assignments, especially the consequences of refusing an assignment.

PREPARATION AND TRAINING

The next step in providing for a successful foreign assignment is proper preparation and training. Before leaving on assignment, employees should become thoroughly familiar with the host culture, including language, cultural values, communication patterns, and leadership styles. Training should also include instruction in improving interpersonal awareness, sensitivity, and relational skills (Chowanec & Newstrom, 1991, p. 68; Foxman & Polsky, 1991, p. 40; Grove, 1990, p. 115; Hogan & Go, 1990, p. 52). Several business issues should also be clearly understood before the departure. The manager should know the strategic role of the subsidiary in the organization and what the expectations are for the assignment. It would be helpful for the manager to be aware of previous problems the company has encountered with the subsidiary. A meeting with the current manager of the operation should be encouraged.
After the initial screening process, training at Deere & Company proceeds to cross-cultural orientation. Whenever possible, Deere includes spouses and any children eight years and older in this session. The two-day orientation conducted by Bennett & Associates of Chicago is tailored for each family to cover the strengths and weaknesses disclosed by the overseas assignment inventory. The program begins by outlining program goals and identifying cultural challenges of international relocation. An expatriate experienced in the proposed location discusses differences and problems that typically affect Americans. A native of the host country with work experience both there and in the U.S. identifies situations and assumptions that affect American managers. Both of these people are usually able to offer helpful suggestions about what to expect and how to adapt to a foreign culture. The history and business customs of the country are also studied. Sessions on developing cross-cultural skills and on strategies for coping with culture shock are also provided. All orientations include the analysis of specific examples and case studies of critical incidents. According to Hansen, the $4,000 it costs Deere to offer this cross-cultural orientation is a small price to pay to offset the potential problem.

The third phase of Deere's training program focuses on language. Deere & Company typically sends its employees to a three-week intensive language school at one of several locations in the United States. Spouses and children eight years and older are eligible to receive one week of training. Hansen usually tries to schedule this portion of the program just before the manager leaves on assignment so the knowledge is still fresh when the manager arrives at the new location.

Hansen typically has from four to eight months to prepare an employee for an overseas assignment. Although ideally the candidate's work load should be reduced to provide ample time for training, it does not always work out that way. A replacement for the candidate may not always be immediately available.

Although training should be one of the most important steps in preparing a manager to go abroad, currently only about 30 to 45 percent of global organizations provide some sort of cultural training for their global managers prior to departure (Dunbar & Katcher, 1990, p. 45). Training after arrival in the host country should familiarize managers with the local area, including transportation and telephone systems and any local etiquette and customs not covered in previous training sessions. It should also include continued language and cultural training. Deere offers grants to the candidates and their families for up to 60 hours of additional language training in the host country (P. Hansen, personal communication, April 8, 1992).
FAMILY CONSIDERATIONS

A typical manager from the U.S. sent on foreign assignment is a male between the ages of 30 and 45, with an extensive business background, and a proven track record in the firm. Given their age, many of these managers are married and have school-aged children (Harvey, 1985, p. 85). Tung cites the spouse’s inability to adapt to a new cultural and/or physical environment as the number one reason U.S global managers fail in their foreign assignments (Stone, 1991, p. 11). Research has shown that the spouse usually suffers the most stress during relocation. Sources of this stress include a decrease in sense of self-worth and identity; loss of close contact with relatives and friends; social or cultural ostracism in the new environment; and a disruption of the children’s education. Many companies address these challenges by helping spouses find career-related jobs in the geographic area or even by offering them a job within their own companies. If language is a problem at the local schools, benefit packages may provide the option for children to attend American schools in the area.

Adaptability screening is a technique that many companies also use to assess family suitability. During the session families are encouraged to consider the personal issues involved in the transfer, and many anxieties may be uncovered (Harvey, 1985 p. 89). Companies often send the family to visit the foreign country prior to the assignment. At Deere & Company the entire family is usually sent on an acquaintance trip for five days to explore housing possibilities and meet with key people including other Americans and the compensation and benefits specialist for the area.

MENTOR PROGRAM

An important element for any global manager is communication with, and continued support from, the home office. Many times a global manager is assigned a mentor at headquarters who is in charge of handling his or her affairs there, and is responsible for sending information to the manager about current issues and developments in the organization. This person will also help the global manager readjust to the home country upon return (Chowanec & Newstrom, 1991, p. 69; Dunbar & Katcher, 1990, p. 41).
RETURNING HOME

A common misconception is that coming home from a foreign assignment is the easy part. After all, the manager and family have only been gone a few years at the most. It should be easy for them to jump back into their former routine in the home country. This is not necessarily true. In fact, many people find readjusting to the home culture more difficult than the transition they had to make to the foreign environment. What are the factors responsible for this reverse culture shock?

The following case study illustrates some of the difficulties faced by a family returning home from five years in London. John, his wife (Sally), and 8-year-old daughter (Becky) had moved from the Midwest to Philadelphia as John was promoted within his company. They lived in the suburbs, had a nice home with a big mortgage, and a car financed through the credit union. The family did not partake of many cultural activities. Their primary form of entertainment was visiting other suburban friends.

When offered a job in London, John accepted immediately. The whole family was excited about the move, and they quickly sold their house and car and headed to England. Once abroad the family decided to change its lifestyle, and instead of taking a house in a suburban area similar to what they had left behind, they chose to live in a flat in central London. Becky was enrolled in an international school; Sally joined the American Women’s Club, and they were quickly embraced by the London overseas community. John’s position in the company was such that they frequently entertained visitors at home or in restaurants and their generous allowances enabled them to travel to continental Europe several times a year. They became interested in the theater and the arts.

Professionally, John was extremely successful and enjoyed his job, the people with whom he worked, and the autonomy of his position away from the corporate bureaucracy. He developed skills in the international aspects of his discipline and became a respected member of the European senior management team.

After five years the family moved back to the United States and to the suburbs. John had to take a position with less responsibility at the home office than his London job had offered. Gone were the museums and theaters down the street, as well as the extra income they had used for travel. Not surprisingly, family members were generally less satisfied with their life in the United States than with the life they had enjoyed in London.
This example illustrates problems which may be encountered by a family returning from a successful foreign assignment. However, even managers who are not successful and are eager to return home, as in the example of Gordon, may face these and other difficulties upon their return.

LIFE-STYLE ADJUSTMENTS

Many people find it hard to leave the lifestyle they have become accustomed to while on assignment, especially if they are the "big fish in the little pond." They may leave behind servants, travel opportunities, country club memberships, and a close community of friends, resulting in a feeling of reduced standard of living or quality of life when they return (Harvey, 1989, p. 133; Kendall, 1981, p. 23; Napier & Peterson, 1991, p. 20).

Global managers and their families often face other financial problems upon return to the home country as well. They no longer will receive the foreign bonus allowance and compensation. The cost of living may have risen and they will be unable to relocate in a home and environment similar to the one they left (Harvey, 1989, p. 133; Kendall, 1981, p. 23). Alternatively, repairing a home which has been rented for several years can be an unexpected expense. Children can also expect to experience problems with educational continuity, which can result in changes in their peer and social groups (Harvey, 1989, p. 133; Kendall, 1981, p. 23).

CAREER ADJUSTMENTS

The returning manager may also face many troubling career issues. Often the company has not adequately planned for the continuation of the repatriate's career. The manager may return to find that peers have been promoted and that there is no secure position for the returnee. The same may apply to a spouse with a career. At home the repatriate often returns to a position that carries less autonomy and responsibility than that of the foreign assignment. This can create dissatisfaction and lower morale and motivation (Harvey, 1982; 1989; Kendall, 1981). In the worst scenario, the manager may actively seek a position in another firm, one which places a higher value on foreign experience. If other employees notice this occurring, it may decrease the attractiveness of foreign assignments, creating additional problems for the company.

What can be done to ease the re-entry process? A well-prepared human resource department will have started managers thinking about their return
well in advance of its occurrence and have staff available with international experience to counsel managers when they return (Kendall, 1981, p. 21). At Deere & Company, Hansen sends out letters to the returning manager, to the manager’s current boss, and to the head of the department in which the foreign manager may be placed upon return six months before a foreign assignment is completed. Upon returning, managers are guaranteed a position equal to or higher than their current one—a position that allows them to use their new skills (P. Hansen, personal communication, April 8, 1992).

**FORMAL REPATRIATION PROGRAMS**

Formal repatriation programs are not yet very common. Members of the American Society for Personnel Administration: International were surveyed in 1989 to identify how many of the 175 member corporations had formal repatriation programs. Results indicated that only 31 percent of the companies had such programs, with only 22 percent of those programs starting before the manager began the foreign assignment (Harvey, 1989, p. 139). The most common reasons cited for a lack of formal repatriation programs were a lack of expertise in establishing a program (47%), the cost associated with a program (36%), and lack of perceived need for a repatriation program (35%) (Harvey, 1989, p. 139).

Those companies that do have formal repatriation programs seem to focus on the same issues. One of the most important issues is career path counseling. This is something that should be addressed before the manager leaves on assignment. Furthermore, communication about job opportunities available to the manager when he or she returns should be ongoing throughout the entire time abroad. (Harvey, 1989, p. 137). Kendall (1981) suggests that a contract should be signed before the manager goes abroad identifying the position, salary level, and location at which the employee will return (p. 25). These contracts are beneficial in that they guarantee that the global manager will return to a position equal to or greater than the position he or she held while on foreign assignment. During the course of the assignment formal communication channels should be maintained and regular performance appraisals of global managers should be conducted. Other issues that should be included in a formal repatriation program are assistance with housing and transportation problems and financial counseling (Harvey, 1989, pp. 133-134; Napier & Peterson, 1991, p. 21).
ANOTHER ALTERNATIVE

Because of the problems which may be encountered in assigning home country personnel to foreign subsidiaries, firms may wish to consider staffing their foreign subsidiaries with host country personnel. Deere & Company uses host country nationals in some of their overseas sales and service positions, especially in Central and South America. Deere also brings personnel from other countries to the United States to work (P. Hansen, personal communication, April 8, 1992). Gillette International operates an International Graduate Trainee Program designed to groom local talent from the various nations in which Gillette operates. Gillette recruits top business students from local universities and enrolls them in a training program. Recruits spend six months training at the office in their home country and then are transferred to Gillette's headquarters in Boston for 18 months of training in two of the major managerial disciplines (finance, marketing, manufacturing, or human resources).

After successful completion of this program, the trainees are usually offered entry-level positions in their home country divisions. This program has been highly successful, with 80% of the initial trainees completing the program and accepting job offers. A program of this type incorporates international personnel into the company at the entry level, which costs much less than recruiting a senior-level foreign executive or sending a host country national on foreign assignment. Total costs of this program are estimated to be around $20,000 to $25,000 per trainee per year, with the program lasting two years. (Laab, 1991, pp. 38, 40).

An advantage to this approach is that it builds the firm from the bottom up. However, since it takes time for these people to advance into positions of real authority in the company, few current higher level managers have been through the program. Therefore, Gillette must also send experienced U.S. managers to overseas facilities. The typical assignment is from one to three years with the purpose of giving managers experience in and exposure to another operational area. Upon returning to the U.S., these managers are usually placed in a position of greater authority than they held when they left. As many as 25 Gillette managers may be on foreign assignment at any given time (Laab, 1991, p. 40).
CONCLUSION

Most companies operate in the global marketplace, and in order to do so successfully they must adopt an international perspective that permeates the entire company. This international perspective can be gained by sending home country managers on foreign assignments or by hiring local employees in the foreign country and allowing them to advance within the organization, eventually to top positions at headquarters. Hiring foreign nationals has some advantages, including lower costs and the opportunity to develop an international perspective at the entry level. However, it is also important that executives from the home country gain experience in the international setting. Careful selection and extensive training are necessary to ensure managerial success in a foreign country. Families should be included in the selection and training process, as they are a determining factor in the outcome of an overseas assignment. Communication is critical to keep the relocated manager and headquarters connected. Finally, a formal repatriation program should be developed to ease the re-entry process and to plan for the career progression of the returning manager.

The most successful companies in the international arena will utilize both expatriates and host country nationals. The goal should be to find the best person for the job, regardless of the person's nationality. The advantage to this type of approach is that it gives the company a true international perspective and enables it to be more aware of the developments and trends taking place globally. Such a philosophy maximizes human resources to the fullest potential.

FOOTNOTE 1. The Deere & Company example is based on personal communication with Paul Hansen, Division Manager of International Compensation, on April 8, 1992.

References


