**International Staffing**

Staffing (or finding, choosing and placing) good employees is difficult even at home. However, it becomes more difficult in other countries. For example, until recently in Russia, very few Russians had resumes available to give to prospective employers with vacant positions. Consequently, recruiting is often done only by word of mouth. Only recently have more sophisticated methods—such as structured interviews, testing or work samples—been used on a limited basis. More systematic selection is becoming necessary in Russia and many of the former Soviet-bloc countries as younger, more highly educated candidates are being needed by international firms.

Deciding on the mix of local employees, employees from the home country, and even people from third countries that will best meet organizational goals is a challenge. In staffing an overseas operation, cost is a major factor to be considered. The cost of establishing a manager or professional in another country can run as high as $1 million for a three-year job assignment. The actual costs for placing a key manager outside the United States often are twice the manager’s annual salary.

For instance, if the manager is going to Japan, the costs may be even higher when housing costs, schooling subsidies, and tax equalization payment are calculated. Further, if a manager or professional executive quits an international assignment prematurely or insists on a transfer home, associated costs can equal or exceed the annual salary. “Failure” rates for managers sent to other countries run as high as 45%.

Factors that are most likely to be causes of concern for an employee sent overseas are shown in Figure. The figure shows that only roughly two-thirds to three-fourths of employees sent to another country are satisfied with the way the top five support needs are being met.

To meet these needs, organizations are outsourcing various functions, citing gains in cost effectiveness, expertise, and efficiency. Several respondents to a survey on the subject suggested that outsourcing certain HR functions to international experts may be a long-term trend.

**Types of International Employees**

International employees can be placed in three different classifications.

An expatriate is an employee working in a unit or plant who is not a citizen of the country in which the unit or plant is located but is a citizen of the country in which the organization is headquartered.

A host-country national is an employee working in a unit or plant who is a citizen of the country in which the unit or plant is located, but where the unit or plant is operated by an organization headquartered in another country.

A third-country national is a citizen of one country, working in a second country, and employed by an organization headquartered in a third country. Each of these individuals presents some unique HR management challenges. Because in a given situation each is a citizen of a different country, different tax laws and other factors apply. HR professionals have to be knowledgeable about the laws and customs of each country. They must establish appropriate payroll and record-keeping procedures, among other activities, to ensure compliance with varying regulations and requirements.

EXPATRIATES

(An expatriate (in abbreviated form, expat) is a person temporarily or permanently residing in a country and culture other than that of the person’s upbringing.) (A person who leave one’s native country to live elsewhere)

Many MNEs use expatriates to ensure that foreign operations are linked effectively with the parent corporations. Generally, expatriates also are used to develop international capabilities within an organization. Experienced expatriates can provide a pool of talent that can be tapped as the organization expands its operations more broadly into even more countries. Japanese-owned firms with operations in the United States have rotated Japanese managers through U.S. operations in order to expand the knowledge of U.S. business practices in the Japanese firms.

Several types of expatriates may be differentiated by job assignment, because not all individuals who decide to work as expatriates are similar in the assignments undertaken.

Volunteer expatriates: These are persons who want to work abroad for a period of time because of career or self-development interests. Often, these expatriates volunteer for shorter-term assignments of less than a year so that they can experience other cultures and travel to desired parts of the world.

Traditional expatriates: These are professionals and managers assigned to work in foreign operations for one to three years. They then rotate back to the parent corporation in the home country.

Career development expatriates: These individuals are placed in foreign jobs to develop the international management capabilities of the firm. They may serve one to three “tours” in different countries, so that they can develop a broader understanding of international operations.

Global expatriates: The broadcast category comprises those individuals who move from one country to another. Often, they prefer to work internationally rather than in the home country.

**HOST-COUNTRY NATIONALS**

Using host-country nationals is important for several reasons. It is important if the organization wants to establish clearly that it is making a commitment to the host country and not just setting up a foreign operation. Host-country nationals often know the culture, politics, laws, and business customs better than an outsider would. Also, tapping into the informal “power” network may be important. In one Southeast Asian country, foreign companies have learned that a firm’s problems are resolved more quickly if a family member of that country’s president is a consultant to the firm or a member of its management. But U.S. firms must take care that the individuals used actually perform work for the company; the “salary” must not be a disguised bribe paid in order to obtain contracts. Otherwise, the firms could be in violation of the FCPA addressing foreign corrupt practices. Another reason to use host-country nationals is to provide employment in the country. In many lesser-developed countries, compensation levels are significantly lower than in the United States, so U.S. firms can gain cost advantages by using host-country nationals to staff many jobs.

Recruiting the first group of local employees can be a challenge. The initial group helps create a culture for that organization—for better or worse. Yet, the opportunity for serious errors is great. For example, many countries have very different employment laws, which may make it difficult to dismiss an employee. In countries where there is a shortage of qualified candidates, good potential employees may be lost if not approached correctly. To accomplish successful hiring of host-country nationals, many firms form partnerships with local companies to help with hiring.

**THIRD-COUNTRY NATIONALS**

Using third-country nationals emphasizes that a truly global approach is being taken. Often, these individuals are used to handle responsibilities throughout a continent or region. For instance, a major U.S.- based electronics company has its European headquarters in Brussels, Belgium.

While most employees on the clerical staff are Belgians, only about 20% of the professionals and managers are from Belgium. Most of the rest, except for five U.S. expatriates, are from other Western European countries.

It is unusual to find third-country nationals in a new multinational enterprise (MNE). These are usually staffed with qualified nationals and expatriates. Thirdcountry nationals are often first hired when a company has several foreign operations and decides to open another. The choice is often between transferring another expatriate from headquarters or transferring an employee from another overseas operation. Third-country nationals are more common in MNEs with headquarters in North America than in other regions.

**TRANSNATIONAL PROJECT TEAMS**

There has been a dramatic increase in the number and variety of multicultural or “transnational” teams. These teams may be temporary or somewhat permanent and are formed to solve a specific problem or to handle ongoing activities. They often include headquarters representatives, host-country nationals, and third-country nationals. They are useful not only as potentially valuable business units but also as development vehicles for leaders. Eastman Kodak formed a transnational team based in London to launch its photo CD at the same time in several European countries. The team dealt with complex strategic issues across geographic and cultural barriers.

**Recruiting and Selecting Staff for international Assignments**

Business newer-days are recognized to be international and there is a universal belief that this will prolong in the future. This is why organisations now have the need for international managers, as the organisation spread worldwide, so must the employees. Human resource management (HRM) has grown to be one of the most accepted topics in international management. The employee that is send abroad is known as an expatriate. “Expatriates are employees/managers who move from the home country to an overseas location.” (Tanner 2009, 360) A successful expatriate usually entail a vast amount of time and money, however, a botched expatriate can be even more expensive for an organisation. “International business is all the business transactions involving private companies or governments of two or more countries.” (Daniels 2009, 864) International human resource management is an imperative aspect of MNE’s international strategies and the difficulty of managing international operations. The determination of this study is to gain a better understanding of how multinational enterprises (MNE) select their expatriate managers. It is important to note that the selection process is a discrete process and need to function successfully in the organisations.

1. Multinational Enterprise.

The multinational enterprise (MNE) can be measured as the most powerful organisation in the world today. Globalization is the development that has a significant impact on how the world operates today and is mostly driven by the expansion of MNE’s. Internationalisation has lined the technique for the eradication of boundaries between countries and now multinational enterprises (MNE’s) can be distributed across the world in exploration of new markets, opportunities and wherewithal.

“A multinational enterprise (MNE) takes a worldwide view of markets and production.” (Daniels 2009, 63) In simple terms, a Multinational enterprise (MNE) will produce and market their products anywhere in the world. Operations can also take place in multiple countries, for example, in the wholesale trade Nestle is an excellent example of an MNE. Nestle has marketing and production facilities in almost every country, in the world; Nestle Switzerland operational plants must be managed to use the same set of management styles as their international counterpart Nestle SA.

A multinational enterprise (MNE) is an organisation that holds a hefty equity share; usually fifty percent or more of another organisation, functioning in an overseas country. The multinational enterprise (MNE) can be formed when an organisation in one country makes an impartiality investment in an organisation, in another country. Foreign direct investment (FDI) is an investment in an overseas organisation where the overseas financier holds at least ten percent of the average shares, accepted with the objective of proven a ‘lasting interest’ overseas, a durable bond and momentous influence on the management of the organisation. International markets and foreign direct investment (FDI) have amplified penetratingly in the precedent decades. Escalating internationalization has had a remarkable influence on the competitive spot of numerous countries.

Role of (MNE) in staffing approaches.

Operating internationally, a Multinational Enterprise (MNE) has many vital decisions to make, how to, best structure the organisation in order to manage business effectively. “According to (Schuler et al.1992,419-459), The most influential factor that determines the success of the organisation, is the way in which the Multinational Enterprise differentiates its operating units internationally and, at the same time, assimilates, control and coordinate its activities.” Important factor is to balance the need for diversity, to coordinate and manage to produce an organisation that is internationally, flexible and competitive. Diversity branch as the need to operate in a rejoinder manner in an array of environments occurs internationally arise. Multinational enterprise’s (MNE’s) can supply resources to host countries that other organisations cannot. The host country can persuade them to transmit their compensations in suitable forms. The compensation that a host country can acquire from foreign direct investment (FDI) is as follow: 1) Capital, 2) Technology, 3) Skills and Management and 4) Access to markets.

\* Capitals.

Foreign direct investment (FDI) brings to hand financial resources in the form of capital for countries who can not afford the required capital. The capital inflows received from the FDI are more constant, and it is much easier to service than trade debt or portfolio investment. In dissimilarity to other suppliers of capital, MNEs mostly invest in long-standing assignments compelling risks and repatriating of profits only when the assignment yield returns.

\* Technology.

Embryonic countries tend to insulate in the use of technology, even the technology in developed countries can be outdated. The MNEs can bring modern technologies and increase the effectiveness with which technologies can be used. They modify technologies to local environments, depiction on their knowledge in other embryonic countries. The MNE can improve technologies as modernization materialize and spending patterns change, they can also rouse technical competencies in local organisations both suppliers and competitors, by giving support, acting as role models and increasing competition.

\* Skills and Management

The need for training, is regularly not recognised by local organisations, the MNE’s is mostly in possession of advanced skills and can transfer the resources to the host countries. They bring to hand experts, setup training facilities and have some of the best management techniques that offer the host country a gargantuan competitive advantage. Where association can be integrated into MNE’s networks, they can cultivate capabilities to service the regional or international system in tasks, products or markets.

\* Market Access

The MNEs can provide access to export markets, both for existing activities and new activities. In order to attract MNEs, a host country must make sure that its policies and regulations are beneficial, while at the same time protecting the state from opportunistic entities. The process of internationalization and multinational corporations influence the political area of a host country, a host country that intends to attract more MNEs and investors need to generate an image of stability and reliability. This can be done by implementing policies and regulations that the international community endorse and that make MNE entry more advantageous for both parties. The main channel for the transfer of human resource management (HRM) across international boundaries and various cultures is the MNE. Not only are MNEs main cast lists in international business, but they are also crucial cast lists in the practice of human resource management (HRM) internationally. The procedure of human resource management (HRM) in other countries is often culturally specific, and human resource (HR) professionals need to take this into consideration.

The main focus of an organisation’s human resources programme right through all of its progression and actions should be the optimum support and reinforcement of the organisation’s strategy, in attempts and actions involving both strategy formulation and implementation. The staffing approach has a significant impact on strategic management, including selection of key MNE managers who have a significant influence in formulating the MNE’s strategy, and the selection of managers throughout the MNE.

Staffing should shape and strengthen the direction and main concern of the MNE, such as being steady with its ethnocentric, polycentric, region-centric, and geocentric staffing approaches in operating international organisations. An organisation’s approach to international endowment (staffing) must support the way of doing business. Discussion on the orientations toward staffing in MNE can be traced to the work of Howard Perlmutter, and his work represents the seminal theoretical contribution to the field. He introduced a classification of multinationals which differentiated between firms based on their attitude toward geographic sourcing of their management teams. “According to Perlmutter, 1969. There are three primary ways in which international organisations can be staffed; a fourth staffing approach was added later.” The connotations for the staffing functions, mainly for superior levels of management, held by region-centric, geocentric, ethnocentric and polycentric strategic approaches can be discussed.

International Staffing Approaches

Organisations involved in international business can be divided into four types international strategies, 1) Global, 2) Multi-domestic, 3) Transnational and 4) International strategy. When a MNE has identified their strategy they look to international markets for potential growth strategies. Management beliefs are a serious matter, because it decides how an organisation views itself in relation to it wants and needs to manage human resources in different countries. Employees who mix with the organisation’s culture and have the ability to engage in the working environment, is extremely useful, for an international human resource manager in the selection process. Nestle, for example, is hiring employees who have the necessary skills required to perform actual tasks and whose style, beliefs, and value system needs to be the same as the organisation. Factors such as local values and international trade theories need to be taken into consideration when managers create a strategy for international markets. Ethnocentric, polycentric, geocentric and region-centric is perspectives that managers themselves present and characterise into question.

2.1 International strategies.

2.1.1 Global Strategy.

“This strategy describes the most mature international strategy, with highly coordinated activities dispersed geographically around the world.” (Johnson 2008, 306) This strategy offers a standardised product across a number of national markets, with little or no adjustment to local needs or expectations. An example of a company that make use of this strategy can be Sony, as they compete in every country, in the world, and they regulate their products for all markets in different countries.

2.1.2 Multi- Domestic Strategy.

“This strategy is similarly loosely coordinated internationally, but involves dispersion overseas of various activities, including manufacturing and sometimes product development.” (Johnson 2008, 305) This strategy also aims at adapting a product for use in national markets responding to changes in the local market environment. Local adaption can make the overall organisational portfolio increasingly diversified. This strategy is most desirable in professional services, where local relationships are extremely valuable.

2.1.3 Transnational Strategy.

“Transnational companies operate in many countries and delegate many decisions to local managers.” (Boddy 2005, 106)This strategy strives to optimise the trade-offs associated with productivity, local adaptation and learning.

2.1.4 International Strategy.

This strategy can be based on the dissemination and adaptation of a company’s knowledge and expertise to foreign markets.

2.2 Staffing approaches.

Once the organisation has chosen their international strategy, they can now choose and apply one of four staffing approaches in order to manage their staff in an efficient manner in the organisation.

2.2.1 Ethnocentric approach.

“An ethnocentric attitude is the parochialistic belief that the best work approaches and practices are those of the home country.” (Stephen 2007, 92) An organisation with a parent country strategy succeeds with this approach. The headquarter from the parent country makes the key decisions, most employees from the parent country have significant work, and the contributory support the parent country, resource management procedures.

The organisation procedure and culture values of the parent country are predominant when MNE follow the ethnocentric approach. A managing and staffing approach can be developed by headquarters and is steadily applied throughout the world. Organisations following this approach assume that the parent country management system is better, and that staff members from other counterparts of the world should follow these styles.

2.2.1.1 Advantages of using Ethnocentric approach.

2.2.1.1.1 Transmitting core competencies.

Employees that can be transferred to engage in an international strategy are more likely to be au fait with and protect the organisation’s core competencies. Organisations intend to continue with the success of the organisation, when expanding and operating in international markets. They perpetuate the success by controlling and regulating the use of the organisation’s core competencies.

2.2.1.1.2 Countering cognitive dissonance.

Organisations make use of the ethnocentric staffing approach, to minimise the level of cognitive dissonance, as there are various challenges operating in foreign markets; to help them overcome these challenges, the organisation makes use of reliable and competent employees to engage in proven working methods, in the foreign market, . An ethnocentric staffing approach is from time almost impossible. The development and employing of local workers can be alerted by the hosting government, the preferences of foreign contributory to hire locals. The MNE is often pushed through immigration laws and workplace set of laws to do so.

2.1.1.2 Disadvantage of using ethnocentric approach.

2.1.1.2.1 De-motivate staff.

The ethnocentric staffing approach can de-motivate local managers and employees. All “smart” and competent employees live near headquarters, this sends out a message, to lower-level employees that the organisation do not appreciate them which lead to less motivated staff.

2.1.1.2.2 Narrow interpretation of foreign operations.

Expatriate managers may struggle to oblige styles which are acceptable in the organisation’s headquarters, but which may be considered inappropriate in the host country.

2.2.2 Polycentric approach.

“A polycentric staffing policy uses host-country nationals to manage local subsidiaries.” (Daniels 2009, 823) A local employee heads a contributory because headquarters’ managers are not measured to have sufficient local knowledge. Contributory continually cultivates human resource management procedures locally. A polycentric staffing approach analyse the effectiveness of the organisations procedures of the host country operations as equivalent to those of the parent country.

2.2.2.1 Advantages of using Polycentric approach.

2.2.2.1.1 Maintain motivation and organisational image.

Making use of the host country managers, to engage in a multi-domestic strategy, they can assist and encourage local initiative and commitment, and to perk up the organisations local image.

2.2.2.1.2 Continuity of management improves.

It abolishes language barriers, elude adjustment problems of expatriate managers and their families, and eliminate the need for costly cultural consciousness training courses. Bestow potential for profit proliferation through elasticity because local managers can respond immediately to market needs in the vicinity of pricing, production, product life cycle, and political bustle; deficiency of problems linked with expatriate managers together with cultural short-sightedness.

2.2.2.2 Disadvantages of using Polycentric approach.

2.2.2.2.1 Gap between local and global operations.

With a polycentric approach, it is more trouble to bridge the gap (policies, communication, coordination, control and culture etc.) between the host country component and the organisation’s parent headquarters.

2.2.2.2.2 Lead to corporate lethargy.

The organisation confines understanding of host nationals to their own country. Organisations headquarters may become isolated from national component and lead to lack of incorporation, this, in turn, may lead to corporate lethargy.

2.2.3 Geocentric approach.

A geocentric approach can be defined as “A world-oriented view that focuses on using the best approaches and people around the globe.” (Stephen 2007, 93) When organisations engage in a geocentric approach they seek the ideal candidate for prime positions throughout the organisation, despite their origin. Managers that make use of this staffing approach believe that it is extremely valuable to have an international perspective, both at the organisations headquarters in the parent country as well as in the foreign host country.

2.2.3.1 Advantages of using Geocentric approach.

2.2.3.1.1 Endorse international learning.

A geocentric staffing approach enables firms pursuing a global or transnational strategy to establish the necessary framework of international management, who can support global learning by moving between countries and cultures without forfeiting their success. This approach also allows the organisation to make best use of its human resources and makes employees feel at ease working in any culture.

2.2.3.2 Disadvantages of using Geocentric approach.

2.2.3.2.1 Hard to develop and costly to maintain.

The issues that make the geocentric staffing approach hard to develop and costly to maintain can be issues such as, economic aspects, decision-making and legal contingencies.

2.2.4 Region-centric approach.

Staffing approaches may also occur in the process under an established region-centric strategic approach, where the organisation’s operations or meticulous functions can be controlled by various country regions or fundamental economic regions. This staffing approach can be viewed as the host country has the predominance at a local contributory, however, with an increased activity of superior host country managers to top up operations in various countries of the fiscal region.

In this case, it can be noted that headquarter employees signify at regional headquarters, which provide opportunities for cross-cultural dealings afar from what can be found in the polycentric staffing approach. The previous host country managers and the international assignments also acquire useful albeit less culturally remote international career experience; however, they are still limited to the regional level with a slight chance of upgrading to the top management strategic working party back at their company headquarters.

2.2.4.1 Advantages of using Region-centric approach.

2.2.4.1.1 Build Competencies.

The region-centric staffing approach possibly will play a role, through this prolonged level of international assignments, to edifice competent international competencies, signifying an obliging conversion to an ultimate global strategy introducing a geocentric approach to staffing.

2.2.4.1.2 Encourage communication.

It permits interaction flanked by managers of an organisation’s contributory that transmits to their organisation’s local headquarters, and managers from the organisation’s headquarters positioned in the regional headquarters.

2.2.4.2 Disadvantages of using Region-centric approach.

2.2.4.2.1 Career limited.

When an organisation makes use of the region-centric staffing approach, there is a rare occasion that they can be transferred between regions. This strategy shift employees within designated regions, rather than transferring internationally.

The multinational enterprise can engage in one of numerous approaches to select international staff. It may even continue on an unplanned core, rather than analytically selecting one of the above four staffing approaches. The jeopardy with these approaches can be that the organisation will choose a staffing approach of making use of parent country nationals in international management positions by firm will choose for a policy of using parent-country nationals in foreign management positions by evasion, that is, simply as an routine expansion of domestic staffing approach, rather than consciously looking for best possible exploitation of management abilities. There are both advantages and disadvantages of making use of local nationals and expatriates in foreign contributories. The majority organisations make use of expatriates only for important positions as senior managers. Expatriates veer to be very costly, it makes little sense to hire expatriates for positions that can be proficiently filled by foreign nationals. Numerous countries compel that a evident percentage of the work force need to be local employees, with omissions frequently made for superior management.

3. Criteria for selecting expatriates.

International human resource is a decisive factor of an organisation’s position and is widely recognized as an influencing factor for failure and success of international business environments. International human resource involves developing human resource capabilities to meet the diverse needs multinationals organisations. Human resources and competitive international economy are cannot be easily too duplicated, as factors of production and can, therefore, provide a competitive advantage for the organisation. When looking at international staffing criteria’s, operating and middle management employees can be selected locally. Upper management positions can be filled with parent country nationals (PNC), host country nationals (HCN) and third-country nationals (TCN). The choice of whom to hire is often influenced by the attitudes of top management teams and the overall staffing policies. The organisations strategic positions and vision should take the view on international human resource management and how it can be integrated into the organisation. “According to Dowling and Schuler, (1990) selection is the process of gathering information for the purpose of evaluating and deciding who should be employed in a position.” When high-technical capabilities and when new international organisations recognize that adherence to the organisations is in greater concern as to the commitment to host countries; expatriates are usually sending abroad. (Deresky 2003) Technical expertise can be seen as one of the most critical criteria when selecting employees for international assignments. “Black et al, 1999, stated focusing on technical skills can result in an instant selection process, where potential candidates with cross-cultural skills and similar technical skills can be overlooked when decisions makers are trying to find suitable candidates within the organisation.”

For the human resource practitioner in charge, it can be challenging to determine what selection criteria to use when selecting employees for international assignments. The factors involved in the expatriation selection is, 1) Technical Ability 2) Cross-Cultural Suitability 3) Family Requirements 4) Organisation-Specific Requirements 5) Language and 6) MNE requirements. These factors are all related so they should not be revised separately. Technical Ability, Cross-Cultural Suitability and Family Requirements, are the factors related to the individual, and the Organisation-Specific Requirements, Language and MNE requirements are mostly influenced by the working situation they need to enter.

3.1.1 Technical Ability.

For the selected candidate to perform a task, technical and the needed managerial skills is necessary. The assessment of the potential candidate is usually based on their previous working experience, where statements and evaluation records from the candidates superiors is available. When the candidate needs to solve a problem in a new international business environment, it must be noted that experience is not that serious. Technical abilities are fundamentally the knowledge required to carry out a task; technical abilities is associated to the working of tools. An example of technical abilities can be that financial managers need to make use of business appraisal tools to assess and set up financial statements like the income statement and balance sheet.

3.1.2 Cross-culture suitability.

“According to Dowling and Welch, (2004) important Things to consider when assessing the candidates cross-culture suitability, is language skills, culture empathy, the attitude toward new cultures and the level of personnel and emotional stability.” In practice, it is not easy to evaluate the cross-culture suitability of a candidate as it is hard precisely know what factors should be included. The multinational enterprise (MNE) emphasizes the importance of expatriate’s abilities to create and maintain a natural relationship, but means to measure such abilities is not always accurate enough. Efficient relationships for example, an analysis of the hypothesis that culture with evident male dominance is more belligerent and it can be perplexed, because the mock-up of cultures is not autonomous.

3.1.3 Family Requirements.

The success, of the expatriate abroad can be influenced by spouse/family, MNE’s sometimes focuses too little on the impact that family may have on the expatriate. Families find it difficult to adjust as they can suffer from segregation due to the subjection to integrate into new environments. A higher level of organisational assistance in the primitive phases of expatriation usually links with a higher level of adjustment by the spouse.

3.1.4 Organisation-Specific Requirements.

The human resource practitioner needs to consider the organisations requirements before selecting a candidate, host country governments can stop the transfer of expatriates. The host government, is the ones that issue the working permits and visas to the expatriates, therefore, the parent country need to prove that there is no available host national country. Legislations and changes of the employee must be addressed; assignments abroad means that the expatriate must move to another country with family to remote or war-torn environments, where living conditions can be challenging. Some host countries do not issue work permits to females, this can make it difficult, for the spouse to adapt. An organisation-specific requirement is implemented during the formation of an independent relationship flanked by computer resources, which includes the evaluation of the comparative precedence between default recommendation and alternative recommendation; and using the highest precedence recommendations to set up a link among the computer resources.

3.1.5 Language skills.

Language skill is a significant factor, knowledge of the host country’s language can be considered essential for many top level management positions, along with the aptitude to communicate successfully. Knowledge of the host country’s foreign language helps the expatriates and their families/spouse feel more contented in the new environment. When adopting a corporate language, which is different from what the, expatriate local, language, is a fundamental that language skills need to be viewed as selection criteria.

3.1.6 Multinational enterprise (MNE) requirements.

The MNE’s requirements have an enormous impact on the decisions and which selection criteria to use. Training skills are very important, so that expatriates can train locals and emphasize negotiating skills in new international business environments. The period of the assignment is another factor influencing family/spouse. “According to Harris and Brewster, (1999) they suggested that international managers has many similar characteristics as those managers working in less complex environments, but are in need of additional skills regarding to handle the problems that may arise internationally.”

Technical abilities is an important factor in the case of selecting international staff, it provides the employee with the basic understanding of what is included in their tasks and what they believe they are capable of doing. The multinational enterprise (MNE) view the experience of expatriate as very important, prolong experience is needed to have the appropriate knowledge to develop a successful organisation.

Global staffing practices

AKTUTHEINTACTONE17 JAN 2020 1 COMMENT

There are four primary approaches that multinational companies use in staffing decisions, including geocentric, ethnocentric, polycentric, and regiocentric approaches.

The geocentric staffing approach does not focus on one nationality over the other. Instead, upper level management positions are held by the most qualified employees selected form a global pool of candidates. These managers are considered third country nationals, or TCNs. The most qualified candidates are selected, but no single nationality is stressed.

The Geocentric Approach is one of the methods of international recruitment where the Multi National Companies recruit the most suitable employee for the job irrespective of their Nationality.

When a company adopts the strategy of recruiting the most suitable persons for the positions available in it, irrespective of their nationalities, it is called a geocentric approach. Companies that are truly global in nature adopt this approach since it utilizes a globally integrated business strategy. Since the HR operations are constrained by several factors like political and ethnical factors and government laws, it is difficult to adopt this approach. However, large international companies generally adopt the geocentric strategy with considerable success.

For international recruitment, especially on foreign soil, organizations generally use manpower agencies or consultants with international connections and repute to source candidates, in addition to the conventional sources. For an effective utilization of the internal source of recruitment, global companies need to develop an internal database of employees and an effective tracking system to identify the most suitable persons for global postings.

The ethnocentric staffing approach heavily focuses on the norms and practices of the parent company where upper management positions are typically held by corporate personnel from the home country. These managers are considered parent company nationals, or PCNs. Japanese and Korean firms follow this approach quite often.

Countries with branches in foreign countries have to decide how to select management level employees. Ethnocentric staffing means to hire management that is of same nationality of parent company.

When a company follows the strategy of choosing only from the citizens of the parent country to work in host nations, it is called anethnocentric approach. Normally, higher-level foreign positions are filled with expatriate employees from the parent country. The general rationale behind the ethnocentric approach is that the staff from the parent country would represent the interests of the headquarters effectively and link well with the parent country. The recruitment process in this method involves four stages: self-selection, creating a candidate pool, technical skills assessment, and making a mutual decision. Self-selection involves the decision by the employee about his future course of action in the international arena. In the next stage, the employee database is prepared according to the manpower requirement of the company for international operations. Then the database is analysed for choosing the best and most suitable persons for global assignments and this process is called technical skills assessment. Finally, the best candidate is identified for foreign assignment and sent abroad with his consent.

The polycentric staffing approach heavily focuses on the norms and practices of the host company where upper management positions are typically held by corporate personnel from the local country. These managers are considered host country nationals, or HCNs. European firms often follow this approach.

When a company adopts the strategy of limiting recruitment to the nationals of the host country (local people), it is called a polycentric approach. The purpose of adopting this approach is to reduce the cost of foreign operations gradually. Even those organizations which initially adopt the ethnocentric approach may eventually switch over lo the polycentric approach. The primary purpose of handing over the management to the local people is to ensure that the company understands the local market conditions, political scenario, cultural and legal requirements better. The companies that adopt this method normally have a localized HR department, which manages the human resources of the company in that country. Many international companies operating their branches in advanced countries like Britain and Japan predominantly adopt this approach for recruiting executives lo manage the branches.”

The regiocentric staffing approach, a more recently identified approach, is where upper level management positions are held by employees from a particular region (North American region, European Region, Asian region, etc.). This approach is similar to the polycentric approach, but it reflects a specific region rather than a specific country. For instance, a U.S. company in Mexico may consider hiring an employee from Canada to fill a management role.

The regiocentric approach uses managers from various countries within the geographic regions of 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 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.

International Transfer and Repatriation strategies

AKTUTHEINTACTONE17 JAN 2020 1 COMMENT

International Transfer strategies

One of the internal mobility of the employee is transfer. It is lateral movement of employee in an organization by the employee. “A transfer involves the shifting of an employee from one job to another without changing the responsibilities or compensation”.

Transfers of employees are quite common in all organizations. This can also be defined as a change in job within the organization where the new job is substantially equal to the old in terms of pay, status and responsibilities. Transfers of employees can possible from one department to another from one plant to another. Transfer may be initiated by the organization or by the employees with the approval of the organization. It can be also due to changes in organizational structure or change in volume of work, it is also necessary due to variety of reasons. But broadly can be done either to suit the conveniences of organization and to suit the convenience of employees.

The purposes of the Transfer

The transfer are generally affected to build up a more satisfactory work team and to achieve the following purposes:

To increase the effectiveness of the organization.

To increase the versatility and competency of key positions.

To deal with fluctuations in work requirements.

To correct incompatibilities in employee relations.

To correct, erroneous placement.

To relieve monotony.

To adjust workforce.

To punish employees.

**Types of Transfers most of the transfers generally carried out four types of transfers which are discussed below:**

Production Transfer: Such transfers are resorted to when there is a need of manpower in one department and surplus manpower in other department. Such transfers are made to meet the company requirements. The surplus employees in one department/section might be observed in other place where there is a requirement.

Replacement Transfers: This takes place to replace a new employee who has been in the organization for a long time and there by giving some relief to an old employee from the heavy pressure of work.

Remedial Transfers: As the name suggest, these transfers are made to rectify the situation caused by faulty selection and placement procedures. Such transfers are made to rectify mistakes in placement and recruitments. If the initial placement of an individual is faulty or has not adjusted to work/job, his transfer to a more appropriate job is desirable.

Versatility Transfer: Such transfers are made to increase versatility of the employees from one job to another and one department to another department. Transfer (Job Rotation) are the tool to train the employees. Each employee should provide a varied and broader job experiences by moving from one department to another. This is for preparing the employee for promotion, this will definitely help the employee to have job enrichment.

Transfer Policy

Every organization should have a fair and impartial transfer policy which should be known to each employee. The responsibility for effecting transfers is generally entrusted to an executive with power to prescribe the conditions under which requests for transferred are approved. Care should be taken to ensure that frequent or large scale transfers are avoided by laying down adequate selection and placement procedures for the purpose. A good transfer policy should:

Specifically clarify the types of transfers and the conditions under which these will be made.

Locate the authority in some officer who may initiate and implement transfers.

Indicate whether transfers, i.e., whether it will be based on seniority or on the skill and competency or any other factor.

Decide the rate of pay to be given to the transfere.

Intimate the fact of the transfer to the person concerned well in advance.

Be in writing and duly communicated to all concerned.

Not be made frequently and for sake of transfer only.

A sound, just and impartial transfer policy should be evolved in the organization to govern all types of transfers. This policy should be clearly specified so that the superiors cannot transfer their subordinates arbitrarily and subordinates may not request for transfers even for the small issues. The management must frame policy on transfers and apply it to all the transfers instead of treating each case on its merit. Such a policy must be based on the following principles:

Transfer policy must be in writing and be made known to all the employees of the organization.

The policy must very clearly specify the types and the circumstances under which company initiated the transfer will be made.

Basis of the transfer should be clearly mentioned in the policy, whether it will be based seniority or on the skill and the competency or any other factors.

It should indicate the executives who will be responsible for initiating and approving the transfers.

The policy should specify the region or unit of the organization within which transfers will be administered.

The effect of the transfer on the pay and seniority of the transferred employee may be clearly evaluated.

It should be prescribed in the policy whether the training or retraining is required on the new job.

Transfer should be clearly defined as temporary or permanent.

The interest of the organization are not to be forgotten in framing a policy of transfer.

Reasons for the mutual transfer of employees or reasons to be considered for the personal transfers should be specified.

The fact of the transfer should be intimated to the person concerned well in advance.

Transfer should not be made frequent and not for the sake of transfer only.

International Repatriation strategies

A successful repatriation not only secures the continued employment of the expat, but results in an advocate who thrives and becomes a positive promoter of the program. This requires planning before the expat goes on assignment as well as a mutual understanding of what his or her return will look like and the commitments the company is willing to make upon the expat’s return.

While nearly three-quarters of companies with expat programs have formal repatriation policies, only one in five have repatriation discussions with their expats before their assignments begin, according to a survey by Brookfield Global Relocation Services. While it is difficult to prove a correlation between formal career management and expat attrition, the survey notes that two-thirds of companies with high expat attrition rates had no formal strategy linked to career management.

Showing participants at the beginning of their assignments that the company is committed to their professional development will help ensure that expat prospects are comfortable in accepting the assignment. Following are six primary areas that should be considered when planning repatriation:

Educate and engage others

It sounds simple, but a personal thank you and meeting with senior leadership at the company can go a long way to making the expat feel valued and welcomed back home. Further, companies should encourage and help the expat provide colleagues and prospective expats with a realistic picture of what they achieved, how they developed professionally, what they had to give up or put on hold to participate, and the cultural experience of the assignment location. Involve family members where possible and appropriate to fill in the picture.

Compensation

By ensuring at the start of the assignment that all of the assignment-related compensation is broken out, it will be easier to avoid compensation issues upon return to the home location and helpful in avoiding discontent from the expat. That said, a short-term repatriation allowance can help ease the transition as well. In addition, management should consider offering a retention bonus for staying with the company for an additional two years after the assignment. Continuing tax support is essential for trailing tax liabilities in the host and home countries. Through this benefit, management may also find opportunities to bring cash back to the company and reduce some of the tax costs of the assignment.

Career development

According to the Brookfield survey, the best method for retaining expats after they return to their home locations is to offer opportunities to use their international experience. A good repatriation program will ensure the expat comes back to an available position that is considered an advancement from pre-assignment; offering a greater choice of positions is effective as well. In any event, career discussions should start in earnest six to 12 months before return to the home location.

Ongoing support

Regular business trips back to the home country throughout the assignment can ensure the expat does not return to an unfamiliar and isolating environment. If the return is not to the original location of departure, continued logistical support can help ease this transition. For example, connecting expats with mentors who are based in the home (or eventual) location can help keep expats in the loop and in the minds of their home-country colleagues throughout their assignments. Transition counseling can help counter the negative culture shock that a return home can often have on expats and their families.

Families

It can be difficult to overstate the impact of the expat’s family members’ opinions of the repatriation on the returning expat. After all, family members living with the expat (and, to some extent, those who stay behind in the home country) made a commitment to the sponsoring firm as well. Immediate family members may be asked to put their own careers on hold or raise families in a foreign location. Extended family members may not see their loved ones for months or years at a time. The impact that families have on the expat’s future can be significant, and the importance of seeing the return home as positive experience should not be underestimated.

Continuous improvement

Candidly ask the expat for feedback on the assignment and how it can be improved, then engage the expat in helping to implement those changes. Involve the expat (and, where appropriate, the expat’s family) in shaping and supporting the next group of expats.

International Transfer and Repatriation strategies

AKTUTHEINTACTONE17 JAN 2020 1 COMMENT

International Transfer strategies

One of the internal mobility of the employee is transfer. It is lateral movement of employee in an organization by the employee. “A transfer involves the shifting of an employee from one job to another without changing the responsibilities or compensation”.

Transfers of employees are quite common in all organizations. This can also be defined as a change in job within the organization where the new job is substantially equal to the old in terms of pay, status and responsibilities. Transfers of employees can possible from one department to another from one plant to another. Transfer may be initiated by the organization or by the employees with the approval of the organization. It can be also due to changes in organizational structure or change in volume of work, it is also necessary due to variety of reasons. But broadly can be done either to suit the conveniences of organization and to suit the convenience of employees.

The purposes of the Transfer

The transfer are generally affected to build up a more satisfactory work team and to achieve the following purposes:

To increase the effectiveness of the organization.

To increase the versatility and competency of key positions.

To deal with fluctuations in work requirements.

To correct incompatibilities in employee relations.

To correct, erroneous placement.

To relieve monotony.

To adjust workforce.

To punish employees.

Types of Transfers most of the transfers generally carried out four types of transfers which are discussed below:

Production Transfer: Such transfers are resorted to when there is a need of manpower in one department and surplus manpower in other department. Such transfers are made to meet the company requirements. The surplus employees in one department/section might be observed in other place where there is a requirement.

Replacement Transfers: This takes place to replace a new employee who has been in the organization for a long time and there by giving some relief to an old employee from the heavy pressure of work.

Remedial Transfers: As the name suggest, these transfers are made to rectify the situation caused by faulty selection and placement procedures. Such transfers are made to rectify mistakes in placement and recruitments. If the initial placement of an individual is faulty or has not adjusted to work/job, his transfer to a more appropriate job is desirable.

Versatility Transfer: Such transfers are made to increase versatility of the employees from one job to another and one department to another department. Transfer (Job Rotation) are the tool to train the employees. Each employee should provide a varied and broader job experiences by moving from one department to another. This is for preparing the employee for promotion, this will definitely help the employee to have job enrichment.

Transfer Policy

Every organization should have a fair and impartial transfer policy which should be known to each employee. The responsibility for effecting transfers is generally entrusted to an executive with power to prescribe the conditions under which requests for transferred are approved. Care should be taken to ensure that frequent or large scale transfers are avoided by laying down adequate selection and placement procedures for the purpose. A good transfer policy should:

Specifically clarify the types of transfers and the conditions under which these will be made.

Locate the authority in some officer who may initiate and implement transfers.

Indicate whether transfers, i.e., whether it will be based on seniority or on the skill and competency or any other factor.

Decide the rate of pay to be given to the transfere.

Intimate the fact of the transfer to the person concerned well in advance.

Be in writing and duly communicated to all concerned.

Not be made frequently and for sake of transfer only.

A sound, just and impartial transfer policy should be evolved in the organization to govern all types of transfers. This policy should be clearly specified so that the superiors cannot transfer their subordinates arbitrarily and subordinates may not request for transfers even for the small issues. The management must frame policy on transfers and apply it to all the transfers instead of treating each case on its merit. Such a policy must be based on the following principles:

Transfer policy must be in writing and be made known to all the employees of the organization.

The policy must very clearly specify the types and the circumstances under which company initiated the transfer will be made.

Basis of the transfer should be clearly mentioned in the policy, whether it will be based seniority or on the skill and the competency or any other factors.

It should indicate the executives who will be responsible for initiating and approving the transfers.

The policy should specify the region or unit of the organization within which transfers will be administered.

The effect of the transfer on the pay and seniority of the transferred employee may be clearly evaluated.

It should be prescribed in the policy whether the training or retraining is required on the new job.

Transfer should be clearly defined as temporary or permanent.

The interest of the organization are not to be forgotten in framing a policy of transfer.

Reasons for the mutual transfer of employees or reasons to be considered for the personal transfers should be specified.

The fact of the transfer should be intimated to the person concerned well in advance.

Transfer should not be made frequent and not for the sake of transfer only.

International Repatriation strategies

A successful repatriation not only secures the continued employment of the expat, but results in an advocate who thrives and becomes a positive promoter of the program. This requires planning before the expat goes on assignment as well as a mutual understanding of what his or her return will look like and the commitments the company is willing to make upon the expat’s return.

While nearly three-quarters of companies with expat programs have formal repatriation policies, only one in five have repatriation discussions with their expats before their assignments begin, according to a survey by Brookfield Global Relocation Services. While it is difficult to prove a correlation between formal career management and expat attrition, the survey notes that two-thirds of companies with high expat attrition rates had no formal strategy linked to career management.

Showing participants at the beginning of their assignments that the company is committed to their professional development will help ensure that expat prospects are comfortable in accepting the assignment. Following are six primary areas that should be considered when planning repatriation:

Educate and engage others

It sounds simple, but a personal thank you and meeting with senior leadership at the company can go a long way to making the expat feel valued and welcomed back home. Further, companies should encourage and help the expat provide colleagues and prospective expats with a realistic picture of what they achieved, how they developed professionally, what they had to give up or put on hold to participate, and the cultural experience of the assignment location. Involve family members where possible and appropriate to fill in the picture.

Compensation

By ensuring at the start of the assignment that all of the assignment-related compensation is broken out, it will be easier to avoid compensation issues upon return to the home location and helpful in avoiding discontent from the expat. That said, a short-term repatriation allowance can help ease the transition as well. In addition, management should consider offering a retention bonus for staying with the company for an additional two years after the assignment. Continuing tax support is essential for trailing tax liabilities in the host and home countries. Through this benefit, management may also find opportunities to bring cash back to the company and reduce some of the tax costs of the assignment.

Career development

According to the Brookfield survey, the best method for retaining expats after they return to their home locations is to offer opportunities to use their international experience. A good repatriation program will ensure the expat comes back to an available position that is considered an advancement from pre-assignment; offering a greater choice of positions is effective as well. In any event, career discussions should start in earnest six to 12 months before return to the home location.

Ongoing support

Regular business trips back to the home country throughout the assignment can ensure the expat does not return to an unfamiliar and isolating environment. If the return is not to the original location of departure, continued logistical support can help ease this transition. For example, connecting expats with mentors who are based in the home (or eventual) location can help keep expats in the loop and in the minds of their home-country colleagues throughout their assignments. Transition counseling can help counter the negative culture shock that a return home can often have on expats and their families.

Families

It can be difficult to overstate the impact of the expat’s family members’ opinions of the repatriation on the returning expat. After all, family members living with the expat (and, to some extent, those who stay behind in the home country) made a commitment to the sponsoring firm as well. Immediate family members may be asked to put their own careers on hold or raise families in a foreign location. Extended family members may not see their loved ones for months or years at a time. The impact that families have on the expat’s future can be significant, and the importance of seeing the return home as positive experience should not be underestimated.

Continuous improvement

Candidly ask the expat for feedback on the assignment and how it can be improved, then engage the expat in helping to implement those changes. Involve the expat (and, where appropriate, the expat’s family) in shaping and supporting the next group of expats.

Global Workforce Training and Development

THEINTACTFRONT9 FEB 2019 2 COMMENTS

Training and Developing a Global Workforce

Companies with multicultural workforces face a number of issues with their onboarding, training and development programs. Companies must ensure that the level of quality of orientation and training programs is consistent for employees regardless of their country of origin. Further, when an employee is sent to work in a foreign country, a business must provide cultural and occupational training that the worker will need to be successful.

Training International Employees

When developing training programs for foreign employees, developers should be aware of the differences between high context and low context cultures. They must also recognize how the design of a training program can influence the participation and effectiveness of particular cultures. Thus, training must be strategically planned for international employees. The goal must be clearly defined and objectives must be established that support the goal. The objectives should specify the training methods, media and support material to be utilized. Depending on an employee’s language and culture, carefully tailored approaches to training will yield more effective results.

A company must be prepared to have slides, employee manuals, onboarding materials and other materials translated into the languages of participants and, when necessary, have interpreters present for training events. In the United States, companies routinely order the English to Spanish translation of employee manuals, safety manuals, standard operating procedures and quality manuals to support their domestic workers.

In addition to focusing on cultural and socioeconomic characteristics of new employees, attention should also be focused on the backgrounds of the trainers. Also characteristics, including level of education attained, reading comprehension and access to the Internet at home, will determine the feasibility of online training.

Throughout the development of the training program, managers should be mindful of situations and conditions that could distract the program from meetings its goal. To ensure the program stays on course, the goals of the program should be measurable, linked to performance and approved by top management.

The primary reasons for the failure of an assignment abroad and the pre-return of an expatriate include cultural differences, loneliness, high cost of living and relationship problems.

Cross-Cultural Preparation

Prior to relocating an employee to a foreign country, a business often provides cross-cultural preparation to the worker and his family. In the past, cross-cultural preparation wasn’t something that U.S. businesses provided. However, American companies have witnessed large numbers of employees returning home prior to completing their assignments. One study suggests that U.S. companies lose $2 billion annually from overseas assignments that were terminated prematurely by the employee. Cross-cultural preparation teaches the employee how to conduct business and get things done by introducing business practices and cultural norms of the foreign country.

6 primary-reasons-expatriate-fail-1.jpg

Generally, the first step in a program involves identifying candidates who are most likely to succeed overseas. Ideal candidates are highly proficient in their job, effectively communicate at home and abroad, display patience rather than vagueness, express cultural sensitivity, show enthusiasm and self-motivation and are interested in learning new languages and cultures. However, the most important determinant to the success of a candidate is the long-term support of the employee’s spouse.

After careful screening of employee and spouse, a cross-cultural preparation program should be designed that includes three stages: Preparation, Acclimation and Repatriation.

Preparation

Preparation takes place before the employee is sent overseas. This training includes training on the language, culture and customs of the country. The employee, spouse and children are briefed on housing, shopping, healthcare, education and other information needed for general daily life. Employees meet with managers who brief the employee on career growth projections. Instruction typically includes presentations and exercises that allow for interaction with others who have successfully completed similar assignments.

Acclimation

The employee and family receive more comprehensive training once they arrive in the host country. The host family enters a mentoring program that helps them assimilate into their new environment. The employee is typically assigned to a mentor at work who counsels the employee on the new work environment.

Repatriation

Coming back home can sometimes be a traumatic experience. While the employee and family have been away, sometimes for several years, significant changes in their community and in the company may have occurred. Colleagues, managers and other confidants may have left the company. During their time away, employees should be encouraged to stay current and build relationships with changes at home. This can be done through employee newsletters and by making effective use of the occasional return trips.

Performance Management in International Organization

THEINTACTFRONT9 FEB 2019 2 COMMENTS

A MNE is not uniform across all of its subsidiaries and therefore, a number of environmental contingencies must be considered in relation to the various subsidiaries. These contingencies are the mental distance between the parent and host country, entry modes and the role of the subsidiaries (Colakoglu et al., 2009). There are several staffing models that are considered while filling up positions in the subsidiaries. In the geocentric staffing model, companies employ the most competent person irrespective of the country the employee actually belongs to. On the other hand, regiocentric is a geographic strategy and a subset of the geocentric approach whereby employees remain within a particular geographic region, allowing managers to enjoy regional autonomy (Schuler et al., 2002). In the ethnocentric staffing model, parent-country nationals (PCNs) are employed to fill up the higher level positions, whereas in the polycentric staffing model, host-country nationals (HCNs) are employed with the belief that the company will benefit from their local knowledge (Varma et al., 2005). Furthermore, the ethnocentric and geocentric staffing models also require integration and transfer of knowledge inside the host country unit in order to enable better performance from the subsidiary. Moreover, this will mean that the particular staffing strategy adopted will have an impact on the subsidiaries performance (Colakoglu et al., 2009).

The diverse business strategies of an organisation along with the dynamic global environment create the need for strategic HRM. It has become necessary to strategically manage the human resources of an organisation with the aim that they fit into the global environment and perform well. The operation of MNEs involves two dimensions, these being multiculturalism and geographic dispersion. These two aspects are balanced by adopting a mix of a centralised and decentralised approach since they both have their own benefits. Strategically, it is vital that the HRM fits with the business strategy of the organisation. Furthermore, there is complete control from the headquarters and this centralised approach makes it imperative to develop uniform performance evaluation criteria all throughout the subsidiaries of the MNE (Caliguiri, 2006). In this strategy local responsiveness is very important, whereas global integration is not required. The decentralised approach makes them develop performance evaluation criteria depending on the host country, with the performance evaluation being aligned with the subsidiary’s strategy. Moreover, these organisations experience immense pressure for local responsiveness along with global integration and therefore, performance evaluation will also take into consideration the global as well as the local perspectives (Caliguiri, 2006). This means that the success of MNEs can very much depend on the performance of expatriates.

Performance appraisal of an expatriate is a crucial task, with the possibility of conflict between the subsidiary manager and the headquarters. But it is up to the subsidiary managers to set precise targets and establish clear criteria for performance measurement in order to avoid such conflict. Furthermore, the mental distance between the parent and host country can make managing the subsidiary a difficult task due to the cultural differences, language barriers, as well as the social and political conditions. It is for this reason that companies tend to hire more PCNs within subsidiaries, as they are more able to create an informal communication network in the organisation and build social capital in the corporation, all the while having a dual commitment to both the subsidiary and the organisation as a whole (Colakoglu et al., 2009). As a result, the PCN will further enable the subsidiary to have greater knowledge of what is happening in the MNE. Therefore, subsidiaries will no longer exist in isolation with strong control from headquarters, since they will experience greater integration and autonomy. However, there is at times a conflict of interest between the headquarters and the subsidiaries which can make managing international operations a huge challenge (Boussebaa, 2009).

Performance management of expatriates is undoubtedly more difficult than in the case of domestic managers. The performance of an expatriate will depend on a variety of issues such as the compensation, cultural adjustments, tasks and job roles, as well as support from headquarters and the host environment. The expatriate will face a number of problems when they take up a job within a foreign country. For example, the tasks and job roles are often defined in the context of the expatriate’s home country and therefore they may not be able to understand their particular job role in the foreign environment (Newlands and Hooper, 2009). Furthermore, the expatriate may face difficulty in adjusting to the foreign culture, and it will be up to the MNE to ensure that they acclimatise, as this is vital to the expatriate being able to perform at their best in terms of the job in hand. The host environment will also pose challenges due to a combination of several other factors such as, social, economic, legal, technological and physical complications. Therefore, taking everything into account it is absolutely vital as well as a crucial performance variable that a sufficient level of support is provided to the individual and their family by both the headquarters and hosts (Dowling et al., 2008).

International Performance Appraisal Methods

The performance appraisal of expatriates can involve a number of complicated issues. As such, the data available for carrying out the appraisal may be unreliable, the international environment can be complex and dynamic, it is difficult to carry out an appraisal in a volatile environment, and the geographical distance along with the different time zones often make the appraisal difficult to conduct. Furthermore, as mentioned earlier, the local culture can also have a significant impact on appraisals.

A MNE may carry out an appraisal using the home-based approach or the host-based approach. In practice, these appraisals would be carried out once a year in order to ensure better performance management of the expatriate (Dowling et al., 2008). Alternatively, expatriate appraisals may be carried out using the home-based approach, while the host system is used for appraising third-country nationals (TCN) and HCN. An integrative approach can also be used by combining both the home and host performance appraisal policies in order to create an effective balance. Furthermore, in terms of who will carry out the appraisal, HCNs may be made to conduct appraisals as they can help in devising a suitable appraisal system while helping the acculturation process. An ex-expatriate may also be an option, while self-evaluation may additionally be used, allowing the expatriate to evaluate themselves (Armstrong, 1998). Moreover, the 360-degree feedback could also be employed. This can assist in the issue of biasness as it involves multiple sources for feedback, including peer’s who work within close proximity of the expatriate.

Nevertheless, an IPA will generally be carried out by different nationals, including HCNs and PCNs. However, there may be conflicting opinions and perspectives, and several biases may take place when a PCN conducts the appraisal. The geographical distance can also make it difficult for the PCN to carry out the appraisal in an effective manner and therefore, not allowing an appropriate evaluation criteria to be set. Furthermore, it is difficult for the PCN to understand the global business scenario and evaluate performance in context to the international scenario as they may fail to understand the business challenges that exist in the global environment (Shen, 2005). The PCN is forced to rely only on subsequent data while making the evaluation, and therefore they are only able to judge the performance on the basis of quantitative data and not qualitative data. On the other hand, despite overcoming the dilemma of cultural adaptation, a HCN may also have certain biases while conducting a performance appraisal, as they may not feel trusting towards the expatriate, while doubting their intentions.

Performance appraisal in MNEs can also often involve assessment by the immediate manager, where a narrative report is prepared by the manager annually regarding the expatriates work quality and output. Measurement techniques like simple rankings, behavioural checklist, and comparison with objectives are used. This is likely to be based on the appraisal practices within the host country, which can involve certain cultural issues. We already know that language barriers can pose a problem, however, a MNE may also face difficulties in developing countries where performance appraisal constraints exists in the form of ‘face saving’, as well as in the authoritarian societies where employee involvement in appraisals is very limited (Brewster and Harris, 1999).

However, the main challenge is in maintaining global consistency and local fit. A MNE realises that performance appraisals require local adaptation, and consequently managers from different cultures will perceive different appraisal methods as appropriate. The performance evaluation criteria should therefore be easy to understand and should motivate managers irrespective of their culture and nationality (Paauwe and Dewe, 1995 cited in Shen, 2005). Furthermore in terms of setting performance goals, MNEs may either set hard goals or soft goals. Hard goals are quantifiable goals and can be measured through return on investments, profits and market share, whereas, soft goals are qualitative and based on relationships or traits, including customer relations, effort, cooperation, initiative communication skills and leadership skills. MNEs will have the three choices of host standards, home standards or integrative standards when determining the criteria for expatriates. The performance expectation should therefore be effectively communicated to expatriates, while appraisal forms should also be customised according to the understanding of the HCN and PCN, and it should be ensured that the appraisal is conducted in a non-biased manner (Shen, 2005). Moreover, MNEs will often exempt the expatriate from management duties and appraisal in order to enable them to adjust into the new environment. Consequently, it could also be argued that performance appraisal can be improved in the subsidiaries of the MNEs by setting clear evaluation criteria.

Approaches to international Compensation and Benefits

THEINTACTFRONT9 FEB 2019 2 COMMENTS

There are two basic approaches to determine the international compensation package:

1. Going Rate Approach

This is based on the local market rates. It relies on comparisons of survey of the local nationals, expatriates of same nationality and expatriates of all nationalities’ pay packages. In this approach, the compensation is based on the selected survey comparison. The base pay and benefits may be supplemented by additional payments for low pay countries.

The advantages of Going Rate Approach are,

Equality with local nationals

Simplicity

Identification with the host country

Equity amongst different nationalities

The disadvantages of Going Rate Approach are,

Variation between assignments for the same employees

Rivalry between expatriates of the same nationality in getting assignments to some countries

Potential re-entry problems in the home country

2. Balance Sheet Approach:

The Balance Sheet Approach to international compensation is a system designed to equalize the purchasing power of employees at comparable position levels living abroad and in the home country and to provide incentives to offset qualitative differences between assignment locations. The balance sheet approach is widely used by international organizations to determine the compensation package of the expatriates. The basic objective is the maintenance of living standards of the home country plus financial inducement.

Goods and Services: Outlays incurred in the home country for food, personal care, clothing, household furnishing, recreation, transportation and medical care.

Housing: All major costs associated with housing in the host country.

Income Taxes: Parent country and host country income tax expenditures.

Reserve: Contribution to savings, payments for benefits, pension contributions, investments, education expenses, social security taxes etc.

The advantages of the Balance Sheet Approach are:

Equality between assignments and between expatriates of the same nationality.

Facilitates expatriate re entry

Easy to communicate to the employees

The disadvantages of the Balance Sheet Approach are:

It can result in considerable disparities between the expatriates of different nationalities and between expatriates and local nationals.

It can be quite complex to administer due to changing economic conditions, taxation etc.