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Managing Human Resources Globally

What Do I Need to Know?

After reading this chapter, you should be able to:

LO1 Summarize how the growth in international business activity affects human resource management.

LO2 Identify the factors that most strongly influence HRM in international markets.

LO3 Discuss how differences among countries affect HR planning at organizations with international operations.

LO4 Describe how companies select and train human resources in a global labor market.

LO5 Discuss challenges related to managing performance and compensating employees from other countries.

LO6 Explain how employers prepare managers for international assignments and for their return home.

Introduction

Students receiving their master's degrees from the top U.S. business schools are lining up for jobs in China, India, and Singapore as never before. The economies have been booming in those parts of the world, and the graduates want to be part of the excitement while gaining valuable expertise in what are likely to be some of the world's most important markets. The employers—including investment banks, consulting firms, and multinational corporations selling consumer products, high-tech goods, and health care—are looking for people who know about business principles and also about the language and culture of the country where they will be working. Those requirements can place U.S.-born candidates at a disadvantage, but some qualify. Joseph Kauffman, for example, learned to speak Mandarin in college and worked at Coca-Cola in China between earning his undergraduate degree and enrolling in business school. His language skills and work experience helped him land a summer job with Morgan Stanley in Hong Kong.[1] At the same time that Morgan Stanley and other U.S. companies are hiring employees for assignments in other countries, foreign companies are setting up operations in the United States. Today, human resource management truly takes place on an international scale.

This chapter discusses the HR issues that organizations must address in a world of global competition. We begin by describing how the global nature of business is affecting human resource management in modern organizations. Next, we identify how global differences among countries affect the organization's decisions about human resources. In the following sections we explore HR planning, selection, training, and compensation practices in international settings. Finally, we examine guidelines for managing employees sent on international assignments.

HRM in a Global Environment

LO1 Summarize how the growth in international business activity affects human resource management.

The environment in which organizations operate is rapidly becoming a global one. More and more companies are entering international markets by exporting their products, building facilities in other countries, and entering into alliances with foreign companies. At the same time, companies based in other countries are investing and setting up operations in the United States. Indeed, most organizations now function in the global economy.

What is behind the trend toward expansion into global markets? Foreign countries can provide a business with new markets in which there are millions or billions of new customers; developing countries often provide such markets, but developed countries do so as well. In addition, companies set up operations overseas because they can operate with lower labor costs—for example, the average *monthly* wage in China is about equal to the average *daily* wage in the United States.[2] Finally, thanks to advances in telecommunications and information technology, companies can more easily spread work around the globe, wherever they find the right mix of labor costs and abilities. Teams with members in different time zones can keep projects moving around the clock, or projects can be assigned according to regions with particular areas of expertise. Many high-tech companies have set up 20 percent or more of their research and development work in India and China, where engineers not only are well trained and affordable, but also are familiar with the needs of their fast-growing marketplace. In India, for example, Microsoft is developing software that translates text in 10 Indian languages, and Hewlett-Packard has been developing a Gesture Keyboard, which allows users to enter phonetic scripts used in the region. IBM has set up 86 software development centers around the world, many of them specializing in particular applications.[3]

Global activities are simplified and encouraged by trade agreements among nations. For example, most countries in Western Europe belong to the European Union and share a common currency, the euro. Canada, Mexico, and the United States have encouraged trade among themselves with the North American Free Trade Agreement (NAFTA). The World Trade Organization (WTO) resolves trade disputes among more than 100 participating nations.

As companies in the United States and Britain cut software jobs and outsource to other countries in order to drive down costs, countries such as India continue to see employment rates rise.

As these trends and arrangements encourage international trade, they increase and change the demands on human resource management. Organizations with customers or suppliers in other countries need employees who understand those customers or suppliers. Organizations that operate facilities in foreign countries need to understand the laws and customs that apply to employees in those countries. They may have to prepare managers and other personnel to take international assignments. They have to adapt their human resource plans and policies to different settings. Even if some practices are the same worldwide, the company now has to communicate them to its international workforce. A variety of international activities require managers to understand HRM principles and practices prevalent in global markets.

Employees in an International Workforce

When organizations operate globally, their employees are very likely to be citizens of more than one country. Employees may come from the employer's parent country, a host country, or a third country. The **parent country** is the country in which the organization's headquarters is located. For example, the United States is the parent country of General Motors, because GM's headquarters is in Michigan. A GM employee who was born in the United States and works at GM's headquarters or one of its U.S. factories is therefore a *parent-country national*.

A **host country** is a country (other than the parent country) in which an organization operates a facility. Great Britain is a host country of General Motors because GM has operations there. Any British workers hired to work at GM's British facility would be *host-country nationals*, that is, employees who are citizens of the host country.

A **third country** refers to a country that is neither the parent country nor the host country. (The organization may or may not have a facility in the third country.) In the example of GM's operations in Great Britain, the company could hire an Australian manager to work there. The Australian manager would be a *third-country national* because the manager is neither from the parent country (the United States) nor from the host country (Great Britain).

When organizations operate overseas, they must decide whether to hire parent-country nationals, host-country nationals, or third-country nationals for the overseas operations. Usually, they hire a combination of these. In general, employees assigned to work in another country are called **expatriates.** In the GM example, the U.S. and Australian managers working in Great Britain would be expatriates during those assignments.

The extent to which organizations use parent-country, host-country, or third-country nationals varies. In Venezuela, Pfizer's strategy to begin selling its medicines to clinics serving the poor included hiring residents of the slums and training them to call on doctors' offices. While it might seem easier to hire college graduates, Pfizer decided that training street-savvy local residents in biology would be more effective that training educated people to navigate the neighborhoods safely without losing samples to theft.[4] Companies face a different challenge with regard to management talent: the fastest economic growth has been occurring in Asia, where people with knowledge of business management have been scarce. U.S. companies have filled positions with parent-company and third-company nationals, but companies and governments in these countries have been ramping up their development of local management talent. Some U.S. companies have decided they need to be more involved, so they don't lose the war for local talent. For example, IBM worked with Boston's

Parent Country
The country in which an organization's headquarters is located.

Host Country
A country (other than the parent country) in which an organization operates a facility.

Third Country
A country that is neither the parent country nor the host country of an employer.

Expatriates
Employees assigned to work in another country.

Best Practices

INNOVATION IS A GLOBAL AFFAIR AT CISCO

Cisco Systems, which develops and sells technology for computer networking, doesn't just hire people around the world. It also is committed to getting them fully engaged in the company's performance. As Cisco's CEO, John Chambers, sees it, high-tech companies can survive only as long as they keep ahead of developments in their industry. That means everyone has to be learning and creating new ideas.

Fundamentally, Cisco meets that goal with an organization that fosters collaboration, not control through some vast hierarchy. The company established an information-sharing tool it calls Ciscopedia, where employees are encouraged to share ideas with one another online.

Linking employees online is logical for a company with Internet-related products and customers spread around the globe. To connect with those customers, Cisco thinks beyond the conventional approach of staffing local offices with host-country nationals. The company serves clients in developing economies through a "second headquarters," established in Bangalore, India, the home of many engineers from India and other developing nations. With that talent pool to draw from, Cisco hires employees and assembles teams that travel to client sites in nations as far-flung as Russia and Chile. When the teams return, the company assigns them to expand what they learned into a client solution that could help other customers worldwide.

Cisco also has established training aimed at developing its multinational workforce. To develop managers, Cisco recruits employees with experience on at least two continents plus the ability to speak at least two languages and places them in its Global Talent Acquisition Program. These young managers and engineers undergo six months of training in sales and finance, coupled with mentoring. Cisco also provides resources to support local training programs in the areas where its customers operate. Cisco's commitment to local communities doesn't stop with training. The company has also set up a program called Cisco's Ready, which partners with 20 Red Cross chapters to train thousands of Cisco employees in emergency response skills.

This commitment to developing employees and communities must be serving Cisco well. Even at a time when other companies have been struggling, Cisco recently announced plans to hire 10,000 people in North Carolina and to maintain growth plans calling for 10,000 new employees in India.

Sources: Michael Useem, "Whether Up or Down, Always Innovating: John Chambers, CEO," *U.S. News & World Report,* November 1, 2009, Business & Company Resource Center, http://galenet.galegroup.com; Peter Burrows, "Cisco Builds a Local Workforce in Emerging Markets," *BusinessWeek,* March 12, 2009, www.businessweek.com; Cisco, "Just in Time for National Volunteer Week, Collaboration Creates Largest Corporate Disaster Response Volunteer Program in Red Cross History," news release, April 20, 2010, http://newsroom.cisco.com; John Murawski, "Cisco Hopes to Employ 10,000," *News and Observer (Raleigh, N.C.),* March 5, 2010, Business & Company Resource Center, http://galenet.galegroup.com; and "Cisco's India Hiring Plan on Track: CEO," *Asia Pulse News,* March 15, 2010, Business & Company Resource Center, http://galenet.galegroup.com.
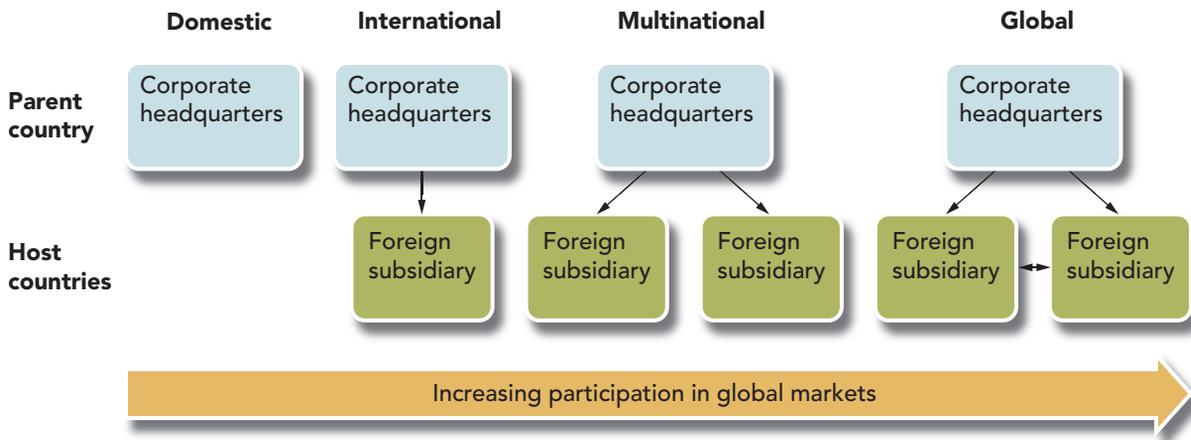
Northeastern University to set up an MBA training program for IBM employees in India.[5] To learn about another company that is developing employees in host countries, see the "Best Practices" box.

Employers in the Global Marketplace

Just as there are different ways for employees to participate in international business—as parent-country, host-country, or third-county nationals—so there are different ways for employers to do business globally, ranging from simply shipping products to customers in other countries to transforming the organization into a truly global one,

Figure 15.1

Levels of Global Participation

Domestic	International	Multinational		Global	
Parent country	Corporate headquarters	Corporate headquarters	Corporate headquarters		Corporate headquarters	
Host countries		Foreign subsidiary	Foreign subsidiary	Foreign subsidiary	Foreign subsidiary	Foreign subsidiary

Increasing participation in global markets

with operations, employees, and customers in many countries. Figure 15.1 shows the major levels of global participation.

Most organizations begin by serving customers and clients within a domestic marketplace. Typically, a company's founder has an idea for serving a local, regional, or national market. The business must recruit, hire, train, and compensate employees to produce the product, and these people usually come from the business owner's local labor market. Selection and training focus on employees' technical abilities and, to some extent, on interpersonal skills. Pay levels reflect local labor conditions. If the product succeeds, the company might expand operations to other domestic locations, and HRM decisions become more complex as the organization draws from a larger labor market and needs systems for training and motivating employees in several locations. As the employer's workforce grows, it is also likely to become more diverse. Even in small domestic organizations, a significant share of workers may be immigrants. In this way, even domestic companies are affected by issues related to the global economy.

As organizations grow, they often begin to meet demand from customers in other countries. The usual way that a company begins to enter foreign markets is by *exporting,* or shipping domestically produced items to other countries to be sold there. Eventually, it may become economically desirable to set up operations in one or more foreign countries. An organization that does so becomes an **international organization.** The decision to participate in international activities raises a host of HR issues, including the basic question of whether a particular location provides an environment where the organization can successfully acquire and manage human resources.

While international companies build one or a few facilities in another country, **multinational companies** go overseas on a broader scale. They build facilities in a number of different countries as a way to keep production and distribution costs to a minimum. In general, when organizations become multinationals, they move production facilities from relatively high-cost locations to lower-cost locations. The lower-cost locations may have lower average wage rates, or they may reduce distribution costs by being nearer to customers. The HRM challenges faced by a multinational company are similar to but larger than those of an international organization, because more countries are involved. More than ever, the organization needs to hire managers

International Organization
An organization that sets up one or a few facilities in one or a few foreign countries.

Multinational Company
An organization that builds facilities in a number of different countries in an effort to minimize production and distribution costs.

eHRM

THE INTERNET BRINGS TOGETHER P&G EMPLOYEES

With more than 138,000 employees working in more than 90 countries, Procter & Gamble is a massive global organization. Its global presence is massive as well: the company estimates that four billion consumers use its products already, and it hopes to add another billion over the next few years. Much of that growth is expected to come from developing nations such as China, India, and Mexico. To serve them, the company plans to add another 20 manufacturing facilities to its current operations.

How can so many employees in so many places share what they have learned about serving so many customers? The answer, of course, is to go online.

Procter & Gamble set up an online collaboration system for its employees. The system includes instant messaging, wikis (where users collaborate to post shared content), and high-definition videoconferencing. If someone needs help coming up with ideas or solving a problem, they can search the content or post requests. The system makes it far easier to find ideas, given that the best source could be in another city or even another continent.

The benefits quickly became evident to P&G's research and development groups. Researchers found that when they went online with these tools, they were discovering expertise from people through the company. Ultimately, says Laurie Heltsley, P&G's director of global business services, online collaboration means "work is not a place but something you do." Given the ferocious competition in the consumer products industry, that freedom from "place" is essential. What an employee learns about customers in, say, Mexico may be just the idea needed to solve a problem in China. That's why Heltsley calls this collaboration "an absolute necessity."

Sources: Matt Hamblen, "Finding the Stars with Bright Ideas," *Computerworld,* September 14, 2009, p. 10; Matthew W. Evans, "P&G Chief Targets Emerging Markets," *WWD,* October 14, 2009, Business & Company Resource Center, http://galenet.galegroup.com; and Procter & Gamble careers Web site, www.experiencepg.com, accessed May 10, 2010.

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who can function in a variety of settings, give them necessary training, and provide flexible compensation systems that take into account the different pay rates, tax systems, and costs of living from one country to another.

At the highest level of involvement in the global marketplace are **global organizations.** These flexible organizations compete by offering top products tailored to segments of the market while keeping costs as low as possible. A global organization locates each facility based on the ability to effectively, efficiently, and flexibly produce a product or service, using cultural differences as an advantage. Rather than treating differences in other countries as a challenge to overcome, a global organization treats different cultures as equals. It may have multiple headquarters spread across the globe, so decisions are more decentralized. This type of organization needs HRM practices that encourage flexibility and are based on an in-depth knowledge of differences among countries. Global organizations must be able to recruit, develop, retain, and use managers who can get results across national boundaries. The "eHRM" box shows how Procter & Gamble uses online tools to keep its people connected on a global scale.

A global organization needs a **transnational HRM system**[6] that features decision making from a global perspective, managers from many countries, and ideas contributed by people from a variety of cultures. Decisions that are the outcome of a transnational HRM system balance uniformity (for fairness) with flexibility (to account for cultural and legal differences). This balance and the variety of perspectives should

Global Organization
An organization that chooses to locate a facility based on the ability to effectively, efficiently, and flexibly produce a product or service, using cultural differences as an advantage.

Transnational HRM System
Type of HRM system that makes decisions from a global perspective, includes managers from many countries, and is based on ideas contributed by people representing a variety of cultures.

work together to improve the quality of decision making. The participants from various countries and cultures contribute ideas from a position of equality, rather than the parent country's culture dominating.

LO2 Identify the factors that most strongly influence HRM in international markets.

Factors Affecting HRM in International Markets

Whatever their level of global participation, organizations that operate in more than one country must recognize that the countries are not identical and differ in terms of many factors. To simplify this discussion, we focus on four major factors:

- culture
- education
- economic systems
- political-legal systems

Culture

By far the most important influence on international HRM is the culture of the country in which a facility is located. *Culture* is a community's set of shared assumptions about how the world works and what ideals are worth striving for.[7] Cultural influences may be expressed through customs, languages, religions, and so on.

Culture is important to HRM for two reasons. First, it often determines the other three international influences. Culture can greatly affect a country's laws, because laws often are based on the culture's definitions of right and wrong. Culture also influences what people value, so it affects people's economic systems and efforts to invest in education.

Even more important for understanding human resource management, culture often determines the effectiveness of various HRM practices. Practices that are effective in the United States, for example, may fail or even backfire in a country with different beliefs and values.[8] Consider the five dimensions of culture that Geert Hofstede identified in his classic study of culture:[9]

1. *Individualism/collectivism* describes the strength of the relation between an individual and other individuals in the society. In cultures that are high in individualism, such as the United States, Great Britain, and the Netherlands, people tend to think and act as individuals rather than as members of a group. People in these countries are expected to stand on their own two feet, rather than be protected by the group. In cultures that are high in collectivism, such as Colombia, Pakistan, and Taiwan, people think of themselves mainly as group members. They are expected to devote themselves to the interests of the community, and the community is expected to protect them when they are in trouble.

2. *Power distance* concerns the way the culture deals with unequal distribution of power and defines the amount of inequality that is normal. In countries with large power distances, including India and the Philippines, the culture defines it as normal to maintain large differences in power. In countries with small power distances, such as Denmark and Israel, people try to eliminate inequalities. One way to see differences in power distance is in the way people talk to one another. In the high-power-distance countries of Mexico and Japan, people address one another with titles (Señor Smith, Smith-san). At the other extreme, in the United States, in most situations people use one another's first names—behavior that would be disrespectful in other cultures.

3. *Uncertainty avoidance* describes how cultures handle the fact that the future is unpredictable. High uncertainty avoidance refers to a strong cultural preference for structured situations. In countries such as Greece and Portugal, people tend to rely heavily on religion, law, and technology to give them a degree of security and clear rules about how to behave. In countries with low uncertainty avoidance, including Singapore and Jamaica, people seem to take each day as it comes.

4. *Masculinity/femininity* is the emphasis a culture places on practices or qualities that have traditionally been considered masculine or feminine. A "masculine" culture is a culture that values achievement, money making, assertiveness, and competition. A "feminine" culture is one that places a high value on relationships, service, care for the weak, and preserving the environment. In this model, Germany and Japan are examples of masculine cultures, and Sweden and Norway are examples of feminine cultures.

5. *Long-term/short-term orientation* suggests whether the focus of cultural values is on the future (long term) or the past and present (short term). Cultures with a long-term orientation value saving and persistence, which tend to pay off in the future. Many Asian countries, including Japan and China, have a long-term orientation. Short-term orientations, as in the cultures of the United States, Russia, and West Africa, promote respect for past tradition and for fulfilling social obligations in the present.

In Taiwan, a country that is high in collectivism, co-workers consider themselves more as group members instead of individuals.

Such cultural characteristics as these influence the ways members of an organization behave toward one another, as well as their attitudes toward various HRM practices. For instance, cultures differ strongly in their opinions about how managers should lead, how decisions should be handled, and what motivates employees. In Germany, managers achieve their status by demonstrating technical skills, and employees look to managers to assign tasks and resolve technical problems. In the Netherlands, managers focus on seeking agreement, exchanging views, and balancing the interests of the people affected by a decision.[10] Clearly, differences like these would affect how an organization selects and trains its managers and measures their performance.

Cultures strongly influence the appropriateness of HRM practices. For example, the extent to which a culture is individualist or collectivist will affect the success of a compensation program. Compensation tied to individual performance may be seen as fairer and more motivating by members of an individualist culture; a culture favoring individualism will be more accepting of great differences in pay between the organization's highest- and lowest-paid employees. Collectivist cultures tend to have much flatter pay structures.

Job design aimed at employee empowerment can be problematic in cultures with high "power distance." In a Mexican slipper-manufacturing plant, an effort to expand the decision-making authority of production workers stumbled when the workers balked at doing what they saw as the supervisor's proper responsibility.[11] Realizing they had moved too quickly, the plant's managers narrowed the scope of the workers' decision-making authority so they could adapt to the role. On the other hand, a factor in favor of empowerment at that plant was the Mexican culture's high collectivism. The workers liked discussing team-related information and using the information

to benefit the entire team. As in this example, a culture does not necessarily rule out a particular HRM practice, such as employee empowerment, but it should be a consideration in deciding how to carry out the practice.

Finally, cultural differences can affect how people communicate and how they coordinate their activities. In collectivist cultures, people tend to value group decision making, as in the previous example. When a person raised in an individualistic culture must work closely with people from a collectivist culture, communication problems and conflicts often occur. People from the collectivist culture tend to collaborate heavily and may evaluate the individualistic person as unwilling to cooperate and share information with them. Cultural differences in communication affected the way a North American agricultural company embarked on employee empowerment at its facilities in t he United States and Brazil.[12] Empowerment requires information sharing, but in Brazil, high power distance leads employees to expect managers to make decisions, so they do not desire information that is appropriately held by managers. Empowering the Brazilian employees required involving managers directly in giving and sharing information to show that this practice was in keeping with the traditional chain of command. Also, because uncertainty avoidance is another aspect of Brazilian culture, managers explained that greater information sharing would reduce uncertainty about their work. At the same time, greater collectivism in Brazil made employees comfortable with the day-to-day communication of teamwork. The individualistic U.S. employees needed to be sold more on this aspect of empowerment. The "HR Oops!" box describes another example of miscommunication resulting from cultural differences.

Because of these challenges, organizations must prepare managers to recognize and handle cultural differences. They may recruit managers with knowledge of other cultures or provide training, as described later in the chapter. For expatriate assignments, organizations may need to conduct an extensive selection process to identify individuals who can adapt to new environments. At the same time, it is important to be wary of stereotypes and avoid exaggerating the importance of cultural differences. Recent research that examined Hofstede's model of cultural differences found that differences among organizations within a particular culture were sometimes larger than differences from country to country.[13] This finding suggests that it is important for an organization to match its HR practices to its values; individuals who share those values are likely to be interested in working for the organization.

Education and Skill Levels

Countries also differ in the degree to which their labor markets include people with education and skills of value to employers. As discussed in Chapter 1, the United States suffers from a shortage of skilled workers in many occupations, and the problem is expected to increase. For example, the need for knowledge workers (engineers, teachers, scientists, health care workers) is expected to grow almost twice as fast as the overall rate of job growth in the United States.[14] On the other hand, the labor markets in many countries are very attractive because they offer high skills and low wages.

Educational opportunities also vary from one country to another. In general, spending on education is greater per pupil in high-income countries than in poorer countries.[15] Poverty, diseases such as AIDS, and political turmoil keep children away from school in some areas. A concerted international effort to provide universal access to

HR Oops!

Sometimes No One Reads between the Lines

Employees in the British division of an oil and gas company were frustrated. They carefully researched ideas for where to conduct exploration in the Persian Gulf. They wrote reports presenting their recommendations and sent them to the company's headquarters in Texas. But no matter what they recommended, the British division's ideas were turned down.

As it turned out, the British employees had a cultural problem. They were using the careful, understated language of their business culture. They started off each report by identifying the risks of the proposal. Next, they laid out historical background. Finally, at the end of the report, the writers presented the possible opportunities.

Back in Texas, management had the optimistic, can-do spirit typical of U.S. business culture. They were looking for the positives and expected proposal writers to actively sell them on exploration ideas. Without that message, the managers at headquarters concluded that the proposals must not be very attractive. When the British team learned to reorganize and rephrase their reports for an American audience, they started winning approvals.

Source: Based on Jill Rose, "Global Mindset," *American Executive,* January 2010, pp. 7–9.

Questions

1. In this example, who made a mistake—the writers of the proposal or the readers of the proposal? Why?
2. Imagine you are involved in recruiting a manager for a British facility of your company. Based on the example given here, what cultural differences in communication might you expect, and how might they affect your search for qualified candidates in Britain?

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primary education has dramatically reduced the number and proportion of children without access to schooling. However, the problem persists in sub-Saharan Africa and is significant but declining in South Asia.[16]

Companies with foreign operations locate in countries where they can find suitable employees. The education and skill levels of a country's labor force affect how and the extent to which companies want to operate there. In countries with a poorly educated population, companies will limit their activities to low-skill, low-wage jobs. In contrast, India's large pool of well-trained technical workers is one reason that the country has become a popular location for outsourcing computer programming jobs.

Economic System

A country's economic system, whether capitalist or socialist, as well as the government's involvement in the economy through taxes or compensation, price controls, and other activities, influences human resource management practices in a number of ways.

As with all aspects of a region's or country's life, the economic system and culture are likely to be closely tied, providing many of the incentives or disincentives for developing the value of the labor force. Socialist economic systems provide ample opportunities for educational development because the education system is free to students. At the same time, socialism may not provide economic rewards (higher pay) for increasing one's education. In capitalist systems, students bear more of the cost of their education, but employers reward those who invest in education.

The health of an economic system affects human resource management. In developed countries with great wealth, labor costs are relatively high. Such differences show up in compensation systems and in recruiting and selection decisions.

Students at the University of Warsaw in Poland are provided with a government-supported education. In general, former Soviet bloc countries tend to be generous in funding education, so they tend to have highly educated and skilled labor forces. Capitalist countries such as the United States generally leave higher education up to individual students to pay for, but the labor market rewards students who earn a college degree.

In general, socialist systems take a higher percentage of each worker's income as the worker's income increases. Capitalist systems tend to let workers keep more of their earnings. In this way, socialism redistributes wealth from high earners to the poor, while capitalism apparently rewards individual accomplishments. In any case, since the amount of take-home pay a worker receives after taxes may thus differ from country to country, in an organization that pays two managers in two countries $100,000 each, the manager in one country might take home more than the manager in the other country. Such differences make pay structures more complicated when they cross national boundaries, and they can affect recruiting of candidates from more than one country.

Political-Legal System

A country's political-legal system—its government, laws, and regulations—strongly impinges on human resource management. The country's laws often dictate the requirements for certain HRM practices, such as training, compensation, hiring, firing, and layoffs. As we noted in the discussion of culture, the political-legal system arises to a large degree from the culture in which it exists, so laws and regulations reflect cultural values.

For example, the United States has led the world in eliminating discrimination in the workplace. Because this value is important in U.S. culture, the nation has legal safeguards such as the equal employment opportunity laws discussed in Chapter 3, which affect hiring and other HRM decisions. As a society, the United States also has strong beliefs regarding the fairness of pay systems. Thus, the Fair Labor Standards Act (discussed in Chapter 11), among other laws and regulations, sets a minimum wage for a variety of jobs. Other laws and regulations dictate much of the process of negotiation between unions and management. All these are examples of laws and regulations that affect the practice of HRM in the United States.

Similarly, laws and regulations in other countries reflect the norms of their cultures. In Western Europe, where many countries have had strong socialist parties, some laws have been aimed at protecting the rights and benefits of workers. Until recently, workers in Germany and France had 35-hour workweeks, but under growing pressure to adopt the "Anglo-Saxon model" emphasizing productivity, many have made concessions. The European Union's standard permits workweeks of up to 48 hours.[17]

An organization that expands internationally must gain expertise in the host country's legal requirements and ways of dealing with its legal system, often leading organizations to hire one or more host-country nationals to help in the process. Some countries have laws requiring that a certain percentage of the employees of any foreign-owned subsidiary be host-country nationals, and in the context of our discussion here, this legal challenge to an organization's HRM may hold an advantage if handled creatively.

Human Resource Planning in a Global Economy

As economic and technological change creates a global environment for organizations, human resource planning is involved in decisions about participating as an exporter or as an international, multinational, or global company. Even purely domestic companies may draw talent from the international labor market. As organizations consider decisions about their level of international activity, HR professionals should provide information about the relevant human resource issues, such as local market pay rates and labor laws. When organizations decide to operate internationally or globally, human resource planning involves decisions about where and how many employees are needed for each international facility.

Decisions about where to locate include HR considerations such as the cost and availability of qualified workers. In addition, HR specialists must work with other members of the organization to weigh these considerations against financial and operational requirements. For example, one reason that Toyota built manufacturing facilities in the United States was to address U.S. customers' concerns over U.S. jobs being lost to foreign auto companies. However, the company has tended to locate its factories in lower-wage areas of the United States (away from union strongholds) and also has facilities in Mexico, where it can serve North America as economically as possible.[18]

Other location decisions involve outsourcing, described in Chapter 2. Many companies have boosted efficiency by arranging to have specific functions performed by outside contractors. Many—but not all—of these arrangements involve workers outside the United States in lower-wage countries.

In Chapter 5, we saw that human resource planning includes decisions to hire and lay off workers to prepare for the organization's expected needs. Compared with other countries, the United States allows employers wide latitude in reducing their workforce, giving U.S. employers the option of hiring for peak needs, then laying off employees if needs decline. Other governments place more emphasis on protecting workers' jobs. European countries, and France in particular, tend to be very strict in this regard.

Selecting Employees in a Global Labor Market

Many companies such as Microsoft have headquarters in the United States plus facilities in locations around the world. To be effective, employees in the Microsoft Mexico operations in Mexico City must understand that region's business and social culture. Organizations often meet this need by hiring host-country nationals to fill most of their foreign positions. A key reason is that a host-country national can more easily understand the values and customs of the local workforce than someone from another part of the world can. Also, training for and transporting families to foreign assignments is more expensive than hiring people in the foreign country. Employees may be reluctant to take a foreign assignment because of the difficulty of moving overseas. Sometimes the move requires the employee's spouse to quit a job, and some countries will not allow the employee's spouse to seek work, even if jobs might be available.

Even so, organizations fill many key foreign positions with parent-country or third-country nationals. Sometimes a person's technical and human relations skills outweigh the advantages of hiring locally. In other situations, such as the shortage of

LO3 Discuss how differences among countries affect HR planning at organizations with international operations.

LO4 Describe how companies select and train human resources in a global labor market.

Qualities associated with success in foreign assignments are the ability to communicate in the foreign country, flexibility, enjoying a challenging situation, and support from family members. What would persuade you to take a foreign assignment?

U.S. knowledge workers, the local labor market simply does not offer enough qualified people. At organizations located where needed skills are in short supply, hiring immigrant employees may be part of an effective recruitment and selection strategy.[19] In the United States' largest metropolitan areas, where about two-thirds of immigrants live, these workers are distributed almost evenly among types of work and across income levels. In fact, in more than half of those cities, more immigrants hold white-collar positions than low-wage jobs.[20] The ability to tap this labor supply is limited by government paperwork and delays, which deter some immigrant workers, as well as by expanding opportunities in fast-developing nations such as China and India. Recent surveys have found that Chinese and Indian professionals returning home to work are most likely to say their reason is that they see better opportunities in their home country. In addition, as described in Chapter 6, U.S. employers must take care to hire employees who are eligible to work in the United States. Recently, Immigration and Customers Enforcement has been auditing the eligibility status of workers at hundreds of companies.[21]

Whether the organization is hiring immigrants or selecting parent-country or third-country nationals for foreign assignments, some basic principles of selection apply. Selection of employees for foreign assignments should reflect criteria that have been associated with success in working overseas:

• Competency in the employee's area of expertise.
• Ability to communicate verbally and nonverbally in the foreign country.
• Flexibility, tolerance of ambiguity, and sensitivity to cultural differences.
• Motivation to succeed and enjoyment of challenges.
• Willingness to learn about the foreign country's culture, language, and customs.
• Support from family members.[22]

In research conducted a number of years ago, the factor most strongly influencing whether an employee completed a foreign assignment was the comfort of the employee's spouse and family.[23] Personality may also be important. Research has found successful completion of overseas assignments to be most likely among employees who are extroverted (outgoing), agreeable (cooperative and tolerant), and conscientious (dependable and achievement oriented).[24]

Qualities of flexibility, motivation, agreeableness, and conscientiousness are so important because of the challenges involved in entering another culture. The emotions that accompany an overseas assignment tend to follow stages like those in Figure 15.2.[25] For a month or so after arriving, the foreign worker enjoys a

Figure 15.2

Emotional Stages Associated with a Foreign Assignment

SOURCE: Adapted from Delia Flanja, "Culture Shock in Intercultural Communication," *Studia Europaea* (October 2009), Business & Company Resource Center, http://galenet.galegroup.com.

"honeymoon" of fascination and euphoria as the employee enjoys the novelty of the new culture and compares its interesting similarities to or differences from the employee's own culture. Before long, the employee's mood declines as he or she notices more unpleasant differences and experiences feelings of isolation, criticism, stereotyping, and even hostility. As the mood reaches bottom, the employee is experiencing **culture shock,** the disillusionment and discomfort that occur during the process of adjusting to a new culture and its norms, values, and perspectives. Eventually, if employees persist and continue learning about their host country's culture, they begin to recover from culture shock as they develop a greater understanding and a support network. As the employee's language skills and comfort increase, the employee's mood should improve as well. Eventually, the employee reaches a stage of adjustment in which he or she accepts and enjoys the host country's culture.

Culture Shock
Disillusionment and discomfort that occur during the process of adjusting to a new culture.

Training and Developing a Global Workforce

In an organization whose employees come from more than one country, some special challenges arise with regard to training and development: (1) Training and development programs should be effective for all participating employees, regardless of their country of origin; and (2) When organizations hire employees to work in a foreign country or transfer them to another country, the employer needs to provide the employees with training in how to handle the challenges associated with working in the foreign country.

Training Programs for an International Workforce

Developers of effective training programs for an international workforce must ask certain questions.[26] The first is to establish the objectives for the training and its content. Decisions about the training should support those objectives. The developers should next ask what training techniques, strategies, and media to use. Some will be more effective than others, depending on the learners' language and culture, as well as the content of the training. For example, in preparation U.S. employees might expect to discuss and ask questions about the training content, whereas employees from other cultures might consider this level of participation to be disrespectful, so for them some additional support might be called for. Language differences will require translations and perhaps a translator at training activities. Next, the developers should identify any other interventions and conditions that must be in place for the training to meet its objectives. For example, training is more likely to meet its objectives if it is linked to performance management and has the full support of management. Finally, the developers of a training program should identify who in the organization should be involved in reviewing and approving the training program.

The plan for the training program must consider international differences among trainees. For example, economic and educational differences might influence employees' access to and ability to use Web-based training. Cultural differences may influence whether they will consider it appropriate to ask questions and whether they expect the trainer to spend time becoming acquainted with employees or to get down to business immediately. Table 15.1 provides examples of how cultural characteristics can affect training design. For additional suggestions on providing effective training programs to an international workforce, see the "HR How To" box.

Table 15.1

Effects of Culture on Training Design

CULTURAL DIMENSION	IMPACT ON TRAINING
Individualism	Culture high in individualism expects participation in exercises and questioning to be determined by status in the company or culture.
Uncertainty avoidance	Culture high in uncertainty avoidance expects formal instructional environments. There is less tolerance for impromptu style.
Masculinity	Culture low in masculinity values relationships with fellow trainees. Female trainers are less likely to be resisted in low-masculinity cultures.
Power distance	Culture high in power distance expects trainer to be expert. Trainers are expected to be authoritarian and controlling of session.
Time orientation	Culture with a long-term orientation will have trainees who are likely to accept development plans and assignments.

SOURCE: Based on B. Filipczak, "Think Locally, Act Globally," *Training*, January 1997, pp. 41–48.

Cross-Cultural Preparation

When an organization selects an employee for a position in a foreign country, it must prepare the employee for the foreign assignment. This kind of training is called **cross-cultural preparation,** preparing employees to work across national and cultural boundaries, and it often includes family members who will accompany the employee on the assignment. The training is necessary for all three phases of an international assignment:

Cross-Cultural Preparation
Training to prepare employees and their family members for an assignment in a foreign country.

1. Preparation for *departure*—language instruction and an orientation to the foreign country's culture.
2. The *assignment* itself—some combination of a formal program and mentoring relationship to provide ongoing further information about the foreign country's culture.
3. Preparation for the *return* home—providing information about the employee's community and home-country workplace (from company newsletters, local newspapers, and so on).

Methods for providing this training may range from lectures for employees and their families to visits to culturally diverse communities.[27] Employees and their families may also spend time visiting a local family from the country where they will be working. In the later section on managing expatriates, we provide more detail about cross-cultural preparation.

U.S.-based companies sometimes need to be reminded that foreign employees who come to the United States ("inpatriates") need cross-cultural preparation as much as do U.S. employees sent on foreign assignments.[28] In spite of the many benefits of living in the United States, relocation can be challenging for inpatriates. In fact, in the 2010 Global Relocation Trends Survey Report, the United States had the third highest rate of assignment failure, after China and India.[29] For example, inpatriates exposed to the United States through Hollywood and TV shows often worry about safety in their new homes. In many parts of the world, a middle manager or professional's lifestyle may include servants, and the cost of rental housing is far less. As with expatriates, organizations can prepare inpatriate employees by providing

TRAINING PROGRAMS IN OTHER COUNTRIES

Training professionals offer the following ideas for preparing and delivering training programs to employees in other countries:

- To get training sessions off to a positive start, learn the other culture's customs for greeting people and making eye contact. Know how to treat others with respect, and know how to interpret reactions to the presentation. In some cultures, speaking up is a sign of interest; in other cultures, listening quietly is preferred, because it signals that the participants are thinking about what they are learning.
- Learn about the other culture's values related to humor. A hilarious joke in the United States might be puzzling or completely inappropriate somewhere else.

- Be aware that employees from different countries may be used to different learning methods. Trainees in the United States might expect to get involved in a group to practice concepts, whereas trainees in Africa or Asia might assume that good teaching involves a lecture from a person with authority. A mixture of learning activities can engage many kinds of learners.
- If the trainees are a multicultural group and are expected to engage in teamwork, don't leave them alone to flounder with cultural differences. The trainer should assign trainees to groups, rather than leaving them to divide up on their own, and then the trainee

should monitor group activities, watching for individuals who seem not to be participating and asking questions that bring them into the activity.
- Devise training exercises that are relevant to all the participants. The exercises should not favor one cultural group of participants over another—for example, by investigating an issue that will be familiar only to part of the group.

Sources: Aliah D. Wright, "Respect Cultural Differences When Training, Experts Say," *HR Magazine,* December 2009 (HR Trendbook supp.), pp. 19–20; and Wei-Wen Chang, "Is the Group Activity Food or Poison in a Multicultural Classroom?" *T+D,* April 2010, Business & Company Resource Center, http://galenet.galegroup.com.

information about getting the resources they need to live safely and comfortably in their new surroundings. HR personnel may be able to identify local immigrant communities where their inpatriate employees can go to shop for familiar foods and hear their native language.

Global Employee Development

At global organizations, international assignments are a part of many career paths. The organization benefits most if it applies the principles of employee development in deciding which employees should be offered jobs in other countries. Career development helps expatriate and inpatriate employees make the transitions to and from their assignments and helps the organization apply the knowledge the employees obtain from these assignments.

Performance Management across National Boundaries

The general principles of performance management may apply in most countries, but the specific methods that work in one country may fail in another. Therefore, organizations have to consider legal requirements, local business practices, and national

LO5 Discuss challenges related to managing performance and compensating employees from other countries.

cultures when they establish performance management methods in other countries. Differences may include which behaviors are rated, how and the extent to which performance is measured, who performs the rating, and how feedback is provided.[30]

For example, National Rental Car uses a behaviorally based rating scale for customer service representatives. To measure the extent to which customer service representatives' behaviors contribute to the company's goal of improving customer service, the scale measures behaviors such as smiling, making eye contact, greeting customers, and solving customer problems. Depending on the country, different behaviors may be appropriate. In Japan, culturally defined standards for polite behavior include the angle of bowing as well as proper back alignment and eye contact. In Ghana and many other African nations, appropriate measures would include behaviors that reflect loyalty and repaying of obligations as well as behaviors related to following regulations and procedures.

The extent to which managers measure performance may also vary from one country to another. In rapidly changing regions, such as Southeast Asia, the organization may have to update its performance plans more often than once a year.

focus on social responsibility

Feedback is another area in which differences can occur. Employees around the world appreciate positive feedback, but U.S. employees are much more used to direct feedback than are employees in other countries. In Mexico managers are expected to provide positive feedback before focusing the discussion on behaviors the employee needs to improve.[31] At the Thai office of Singapore Airlines, managers resisted giving negative feedback to employees because they feared this would cause them to have bad karma, contributing to their reincarnation at a lower level in their next life.[32] The airlines therefore allowed the managers to adapt their feedback process to fit local cultures.

Compensating an International Workforce

The chapters in Part 4 explained that compensation includes decisions about pay structure, incentive pay, and employee benefits. All these decisions become more complex when an organization has an international workforce. In a recent survey of employers with international operations, 85 percent said they have a global compensation strategy to guide compensation decisions for employees at all levels and in all countries where they operate.[33] Still, HR specialists may need to make extra efforts to administer these systems effectively. In half of the companies surveyed, the person in charge of HRM in one country reports to the head of that company's operations, rather than to the leader of HRM at headquarters.

Pay Structure

As Figure 15.3 shows, market pay structures can differ substantially across countries in terms of both pay level and the relative worth of jobs. For example, compared with the labor market in Germany, the market in Mexico provides much lower pay levels overall. In Germany, bus drivers average higher pay than kindergarten teachers, while the relative pay of teachers is much greater in Mexico and South Korea. For all the types of jobs shown, the pay differences between jobs are much less dramatic in Germany than in the other two countries. One reason for such differences is the supply of qualified labor. In Nigeria and China, for example, the supply of management talent has not caught up to the demand, so in those countries there is a large gap between the pay for management jobs and the pay for clerical workers.[34]

Differences such as these create a dilemma for global companies: Should pay levels and differences reflect what workers are used to in their own countries? Or should they reflect the earnings of colleagues in the country of the facility, or earnings at the company headquarters? For example, should a German engineer posted to Bombay be

Figure 15.3

Earnings in Selected Occupations in Three Countries
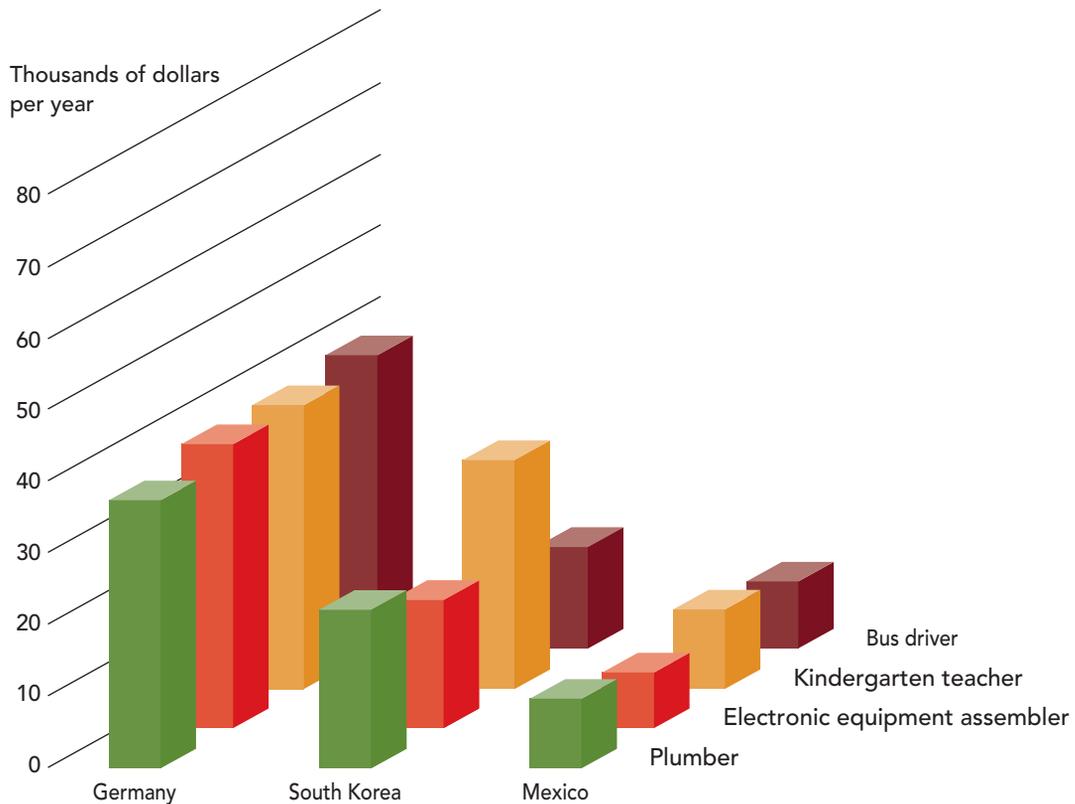
Note: Earnings are adjusted to reflect purchasing power.

SOURCE: Wage and hour data from International Labour Organization, LABORSTA Internet, http://laborsta.ilo.org, accessed May 7, 2010.

paid according to the standard in Frankfurt or the standard in Bombay? If the standard is Frankfurt, the engineers in Bombay will likely see the German engineer's pay as unfair. If the standard is Bombay, the company will likely find it impossible to persuade a German engineer to take an assignment in Bombay. Dilemmas such as these make a global compensation strategy important as a way to show employees that the pay structure is designed to be fair and related to the value that employees bring to the organization.

These decisions affect a company's costs and ability to compete. The average hourly labor costs in industrialized countries such as the United States, Germany, and Japan are far higher than these costs in newly industrialized countries such as Mexico, Hong Kong, and Brazil.[35] As a result, we often hear that U.S. labor costs are too high to allow U.S. companies to compete effectively unless the companies shift operations to low-cost foreign subsidiaries. That conclusion oversimplifies the situation for many companies. Merely comparing wages ignores differences in education, skills, and productivity.[36] If an organization gets more or higher-quality output from a higher-wage workforce, the higher wages may be worth the cost. Besides this, if the organization has many positions requiring highly skilled workers, it may need to operate in (or hire immigrants from) a country with a strong educational system, regardless of labor costs. Finally, labor costs may be outweighed by other factors, such as transportation costs or access to resources or customers. When a production process is highly automated, differences in labor costs may not be significant.

Cultural differences also play a role in pay structure. This became evident in the recent recession, when companies in many parts of the world, including the United States, were slashing payrolls. Even fast-growing India experienced some downsizing, but many of the cuts came from U.S.-based companies. India's business culture tends to be more "paternalistic," with managers feeling responsible for employees' well-being. So when business slowed, Indian companies were more likely to restructure, hold back on salary increases, and institute hiring freezes than to take actions like laying off employees or even reducing their hours.[37]

Incentive Pay

Besides setting a pay structure, the organization must make decisions with regard to incentive pay, such as bonuses and stock options. Although stock options became a common form of incentive pay in the United States during the 1990s, European businesses did not begin to embrace this type of compensation until the end of that decade.

However, the United States and Europe differ in the way they award stock options. European companies usually link the options to specific performance goals, such as the increase in a company's share price compared with that of its competitors.

Employee Benefits

As in the United States, compensation packages in other countries include benefits. Decisions about benefits must take into account the laws of each country involved, as well as employees' expectations and values in those countries. Some countries require paid maternity leave, and some countries have nationalized health care systems, which would affect the value of private health insurance in a compensation package.

Figure 15.4

Average Hours Worked in Selected Countries
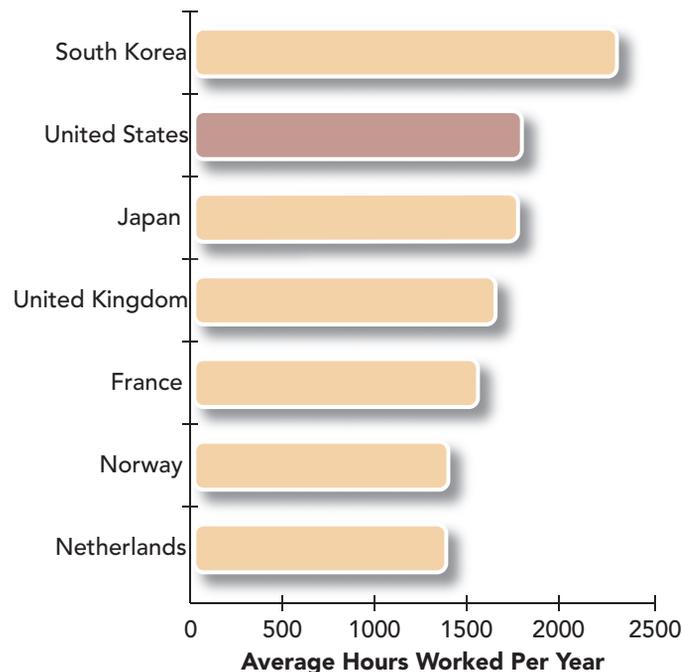
SOURCE: Data from Susan E. Fleck, "International Comparisons of Hours Worked: An Assessment of the Statistics," *Monthly Labor Review,* May 2009, pp. 3–31.

Pension plans are more widespread in parts of Western Europe than in the United States and Japan. Over 90 percent of workers in Switzerland have pension plans, as do all workers in France. Among workers with pension plans, U.S. workers are significantly less likely to have defined benefit plans than workers in Japan or Germany.

Paid vacation, discussed in Chapter 13, tends to be more generous in Western Europe than in the United States. Figure 15.4 compares the number of hours the average employee works in various countries. Of these countries, only in South Korea do workers put in more hours than U.S. workers. In the other countries, the norm is to work fewer hours than a U.S. worker over the course of a year.

International Labor Relations

Companies that operate across national boundaries often need to work with unions in more than one country. Organizations establish policies and goals for labor relations, for overseeing labor agreements, and for monitoring labor performance (for example, output and productivity).[38] The day-to-day decisions about labor relations are usually handled by each foreign subsidiary. The reason is that labor relations on an international scale involve differences in laws, attitudes, and economic systems, as well as differences in negotiation styles.

At least in comparison with European organizations, U.S. organizations exert more centralized control over labor relations in the various countries where they operate.[39] U.S. management therefore must recognize differences in how various countries understand and regulate labor relations. For example, in the United States, collective bargaining usually involves negotiations between a union local and an organization's management, but in Sweden and Germany, collective bargaining generally involves negotiations between an employers' organization and a union representing an entire industry's employees.[40] Legal differences range from who may form a union to how much latitude an organization is allowed in laying off workers. In China, for example, the government recently passed a law requiring employers to give new employees shorter probationary periods, consider workers' dependents in making layoff decisions, pay severance to fired workers, and give the Communist Party–run union more power in negotiating contracts and work rules.[41] In Germany, because labor representatives participate on companies' boards of directors, the way management handles labor relations can affect a broad range of decisions.[42] Management therefore has an incentive to build cooperative relationships.

International labor relations must also take into account that negotiations between labor and management take place in a different social context, not just different economic and legal contexts. Cultural differences that affect other interactions come into play in labor negotiations as well. Negotiators will approach the process differently depending on whether the culture views the process as primarily cooperative or competitive and whether it is local practice to negotiate a deal by starting with the specifics or agreeing on overall principles.[43] Working with host-country nationals can help organizations navigate such differences in negotiation style.

Due to the Multi Fibre Agreement which governs trade in the textile and clothing industry, the once prosperous clothing industry in Cambodia is falling to competitors in countries such as China. Many fear employees being laid off will be pushed to prostitution or become victims of human trafficking.

Managing Expatriates

At some point, most international and global organizations assign managers to foreign posts. These assignments give rise to significant human resource challenges, from selecting managers for these assignments to preparing them, compensating them, and helping them adjust to a return home. The same kinds of HRM principles that apply to domestic positions can help organizations avoid mistakes in managing expatriates: planning and goal setting, selection aimed at achieving the HR goals, and performance management that includes evaluation of whether the overseas assignment delivered value relative to the costs involved.[44]

Selecting Expatriate Managers

The challenge of managing expatriate managers begins with determining which individuals in the organization are most capable of handling an assignment in another country. Expatriate managers need technical competence in the area of operations, in part to help them earn the respect of subordinates. Of course, many other skills are also necessary for success in any management job, especially one that involves working overseas. Depending on the nature of the assignment and the culture where it is located, the organization should consider each candidate's skills, learning style, and approach to problem solving. Each of these should be related to achievement of the organization's goals, such as solving a particular problem, transferring knowledge to host-country employees, or developing future leaders for the organization.[45]

A successful expatriate manager must be sensitive to the host country's cultural norms, flexible enough to adapt to those norms, and strong enough to survive the culture shock of living in another culture. In addition, if the manager has a family, the family members must be able to adapt to a new culture. Adaptation requires three kinds of skills:[46]

1. Ability to maintain a positive self-image and feeling of well-being.
2. Ability to foster relationships with the host-country nationals.
3. Ability to perceive and evaluate the host country's environment accurately.

In a study that drew on the experience of people holding international assignments, expatriates told researchers that the most important qualities for an expatriate manager are, in order of importance, family situation, flexibility and adaptability, job knowledge and motivation, relational skills, and openness to other cultures.[47] To assess candidates' ability to adapt to a new environment, interviews should address topics such as the ones listed in Table 15.2. The interviewer should be certain to give candidates a clear and complete preview of the assignment and the host-country culture. This helps the candidate evaluate the assignment and consider it in terms of his or her family situation, so the employer does not violate the employee's privacy.[48]

Preparing Expatriates

LO6 Explain how employers prepare managers for international assignments and for their return home.

Once the organization has selected a manager for an overseas assignment, it is necessary to prepare that person through training and development. Because expatriate success depends so much on the entire family's adjustment, the employee's spouse should be included in the preparation activities. Employees selected for expatriate assignments already have job-related skills, so preparation for expatriate assignments often focuses on cross-cultural training—that is, training in what to expect from the host country's culture. The general purpose of cross-cultural training is to create an

Table 15.2

Topics for Assessing Candidates for Overseas Assignments

Motivation
- Investigate reasons and degree of interest in wanting to be considered.
- Determine desire to work abroad, verified by previous concerns such as personal travel, language training, reading, and association with foreign employees or students.
- Determine whether the candidate has a realistic understanding of what working and living abroad require.
- Determine the basic attitudes of the spouse toward an overseas assignment.

Health
- Determine whether any medical problems of the candidate or his or her family might be critical to the success of the assignment.
- Determine whether he or she is in good physical and mental health, without any foreseeable change.

Language ability
- Determine potential for learning a new language.
- Determine any previous language(s) studied or oral ability (judge against language needed on the overseas assignment).
- Determine the ability of the spouse to meet the language requirements.

Family considerations
- How many moves has the family made in the past among different cities or parts of the United States?
- What problems were encountered?
- How recent was the last move?
- What is the spouse's goal in this move?
- What are the number of children and the ages of each?
- Has divorce or its potential, or death of a family member, weakened family solidarity?
- Will all the children move? Why or why not?
- What are the location, health, and living arrangements of grandparents and the number of trips normally made to their home each year?
- Are there any special adjustment problems that you would expect?
- How is each member of the family reacting to this possible move?
- Do special educational problems exist within the family?

Resourcefulness and initiative
- Is the candidate independent; can he make and stand by his decisions and judgments?
- Does she have the intellectual capacity to deal with several dimensions simultaneously?
- Is he able to reach objectives and produce results with whatever personnel and facilities are available, regardless of the limitations and barriers that might arise?
- Can the candidate operate without a clear definition of responsibility and authority on a foreign assignment?
- Will the candidate be able to explain the aims and company philosophy to the local managers and workers?
- Does she possess sufficient self-discipline and self-confidence to overcome difficulties or handle complex problems?
- Can the candidate work without supervision?
- Can the candidate operate effectively in a foreign environment without normal communications and supporting services?

Adaptability
- Is the candidate sensitive to others, open to the opinions of others, cooperative, and able to compromise?
- What are his reactions to new situations, and efforts to understand and appreciate differences?
- Is she culturally sensitive, aware, and able to relate across the culture?
- Does the candidate understand his own culturally derived values?
- How does the candidate react to criticism?
- What is her understanding of the U.S. government system?
- Will he be able to make and develop contacts with peers in the foreign country?

(Continued)

Table 15.2   Concluded

• Does she have patience when dealing with problems?
• Is he resilient; can he bounce back after setbacks?
Career planning
• Does the candidate consider the assignment anything other than a temporary overseas trip?
• Is the move consistent with her progression and that planned by the company?
• Is his career planning realistic?
• What is the candidate's basic attitude toward the company?
• Is there any history or indication of interpersonal problems with this employee?
Financial
• Are there any current financial and/or legal considerations that might affect the assignment, such as house purchase, children and college expenses, car purchases?
• Are financial considerations negative factors? Will undue pressures be brought to bear on the employee or her family as a result of the assignment?

SOURCE: Excerpted with permission, pages 55–57 from *"Multinational People Management: A Guide for Organizations and Employees,"* by David M. Noer. Copyright © 1975 by the Bureau of National Affairs, Inc., Washington, DC 20037. Published by the Bureau of National Affairs, Inc., Washington, DC 20037. For copies of BNA Books publications call toll free 1-800-960-1220.
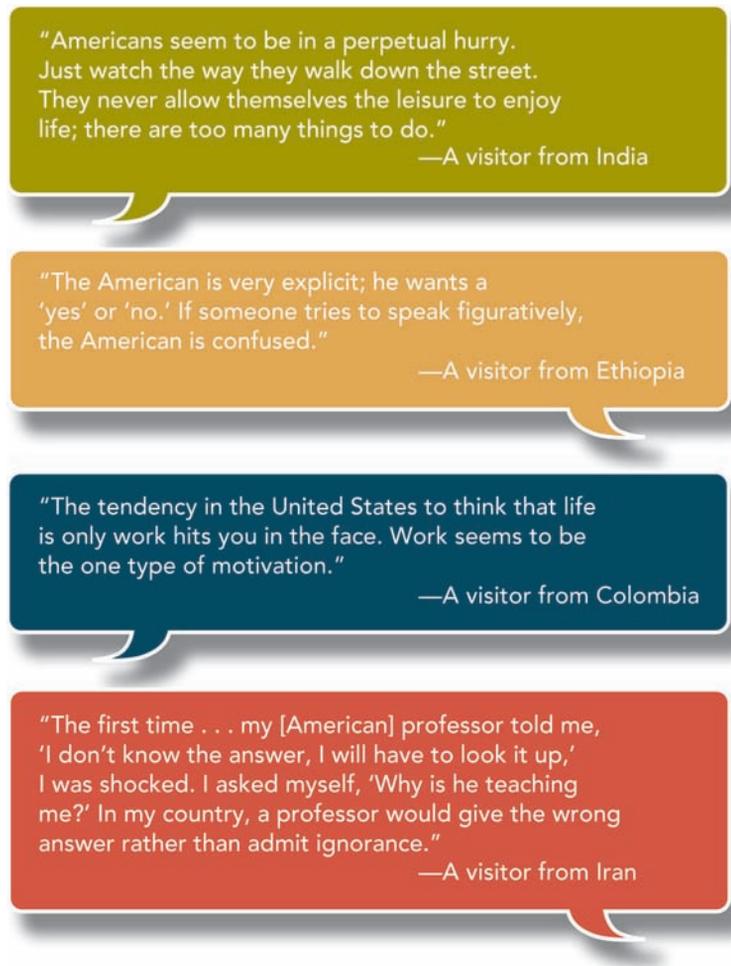
appreciation of the host country's culture so expatriates can behave appropriately.[49] Paradoxically, this requires developing a greater awareness of one's own culture, so that the expatriate manager can recognize differences and similarities between the cultures and, perhaps, home-culture biases. Consider, for example, the statements in Figure 15.5, which are comments made by visitors to the United States. Do you think these observations accurately describe U.S. culture?

On a more specific level, cross-cultural training for foreign assignments includes the details of how to behave in business settings in another country—the ways people behave in meetings, how employees expect managers to treat them, and so on. As an example, Germans value promptness for meetings to a much greater extent than do Latin Americans—and so on. How should one behave when first meeting one's business counterparts in another culture? The "outgoing" personality style so valued in the United States may seem quite rude in other parts of the world.[50]

Employees preparing for a foreign assignment also need information about such practical matters as housing, schools, recreation, shopping, and health care facilities in the country where they will be living. This is a crucial part of the preparation.

Communication in another country often requires a determined attempt to learn a new language. Some employers try to select managers who speak the language of the host country, and a few provide language training. Most companies assume that employees in the host country will be able to speak the host country's language. Even if this is true, host country nationals are not likely to be fluent in the home country's language, so language barriers remain. This is even true when employees move to a country that nominally speaks the same language. For example, a U.S. employee working in England might be surprised to discover that when a project suddenly goes awry, it has "hit the buffers," while if it is proceeding smoothly, it is "on cam." And a client who says, "Give me a bell," isn't requesting an unusual sort of gift, but rather a phone call.[51]

Along with cross-cultural training, preparation of the expatriate should include career development activities. Before leaving for a foreign assignment, expatriates should discuss with their managers how the foreign assignment fits into their career

"Americans seem to be in a perpetual hurry.
Just watch the way they walk down the street.
They never allow themselves the leisure to enjoy
life; there are too many things to do."
—A visitor from India

"The American is very explicit; he wants a
'yes' or 'no.' If someone tries to speak figuratively,
the American is confused."
—A visitor from Ethiopia

"The tendency in the United States to think that life
is only work hits you in the face. Work seems to be
the one type of motivation."
—A visitor from Colombia

"The first time . . . my [American] professor told me,
'I don't know the answer, I will have to look it up,'
I was shocked. I asked myself, 'Why is he teaching
me?' In my country, a professor would give the wrong
answer rather than admit ignorance."
—A visitor from Iran

SOURCE: J. Feig and G. Blair, *There Is a Difference,* 2nd ed. (Washington, DC: Meridian House International, 1980),
cited in N. Adler, *International Dimensions of Organizational Behavior,* 2nd ed. (Boston: PWS-Kent, 1991).

plans and what types of positions they can expect upon their return. This prepares
the expatriate to develop valuable skills during the overseas assignment and eases the
return home when the assignment is complete.

When the employee leaves for the assignment, the preparation process should con-
tinue.[52] Employees need a chance to discuss their experiences with other expatriates,
so they can learn from their failures and successes. The organization may provide a
host-country mentor or an executive coach with experience in the country to help
expatriates understand their experiences. Successful expatriates tend to develop a
bicultural or multicultural point of view, so as they spend more time in the host coun-
try, the value of their connections to other expatriates may actually increase.

Managing Expatriates' Performance

Performance management of expatriates requires clear goals for the overseas assign-
ment and frequent evaluation of whether the expatriate employee is on track to
meet those goals. Communication technology including e-mail and teleconferencing

provides a variety of ways for expats' managers to keep in touch with these employees to discuss and diagnose issues before they can interfere with performance. In addition, before employees leave for an overseas assignment, HR should work with managers to develop criteria measuring the success of the assignment.[53] Measures such as productivity should take into account any local factors that could make expected performance different in the host country than in the company's home country. For example, a country's labor laws or the reliability of the electrical supply could affect the facility's output and efficiency.

Compensating Expatriates

One of the greatest challenges of managing expatriates is determining the compensation package. Most organizations use a *balance sheet approach* to determine the total amount of the package. This approach adjusts the manager's compensation so that it gives the manager the same standard of living as in the home country plus extra pay for the inconvenience of locating overseas. As shown in Figure 15.6, the balance sheet approach begins by determining the purchasing power of compensation for the same type of job in the manager's own country—that is, how much a person can buy, after taxes, in terms of housing, goods and services, and a reserve for savings. Next,

Figure 15.6

The Balance Sheet for Determining Expatriate Compensation
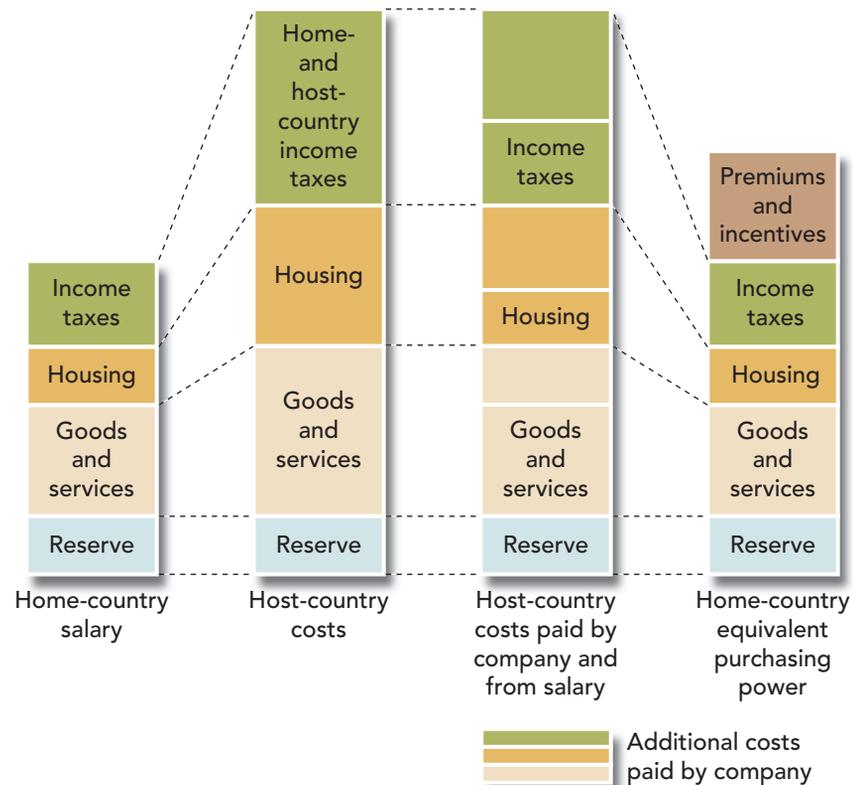
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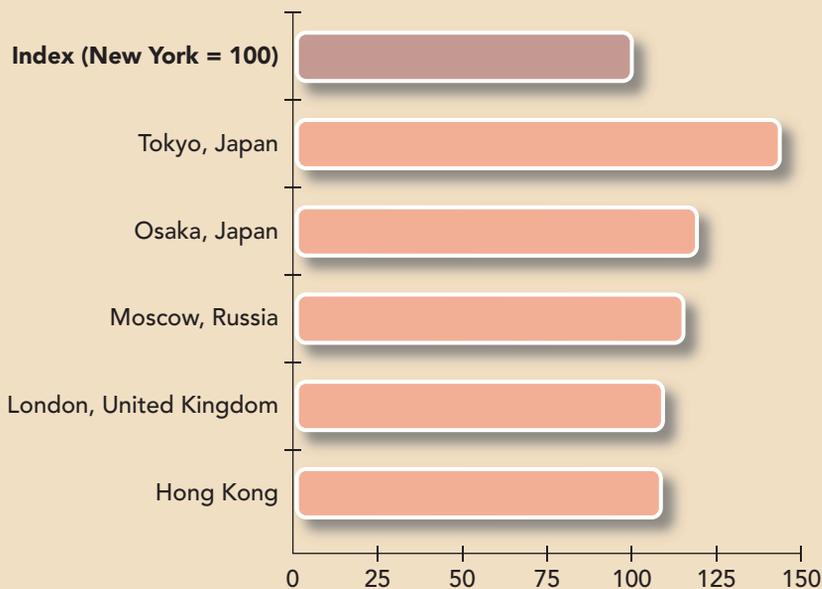
Did You Know?

Tokyo Tops Priciest Cities

Expatriates spend more for housing, transportation, food, clothing, and other living expenses in Tokyo than in any other major city, according to a survey by Mercer Human Resources Consulting. Mercer's list of the 50 most expensive cities includes seven in North America: New York, Los Angeles, White Plains, N.Y., San Francisco, Honolulu, Miami, and Chicago (which just barely made the list at number 50). The top five are shown in the figure below.

City	Index
Index (New York = 100)	100
Tokyo, Japan	~143
Osaka, Japan	~119
Moscow, Russia	~115
London, United Kingdom	~108
Hong Kong	~108

this amount is compared with the cost (in dollars, for a U.S. company) of these same expenses in the foreign country. In Figure 15.6, the greater size of the second column means the costs for a similar standard of living in the foreign country are much higher in every category except the reserve amount. This situation would be likely in one of the cities identified in the "Did You Know?" box. For the expatriate in this situation, the employer would pay the additional costs, as shown by the third column. Finally, the expatriate receives additional purchasing power from premiums and incentives. Because of these added incentives, the expatriate's purchasing power is more than what the manager could buy at home with the salary for an equivalent job. (Compare the fourth column with the first.) In practice, the total cost of an international assignment is roughly four times the employee's salary in the host country.[54] To restrain spending, some organizations are sending expatriates on shorter assignments. For instance, on an assignment of less than a year, an expatriate generally would not move his or her family, substantially reducing the cost of relocation and eliminating the need to cover children's education expenses.

After setting the total pay, the organization divides this amount into the four components of a total pay package:

1. *Base salary*—Determining the base salary is complex because different countries use different currencies (dollars, yen, euros, and so on). The exchange rate—the rate at which one currency may be exchanged for another—constantly shifts in response to a host of economic forces, so the real value of a salary in terms of dollars is constantly changing. Also, as discussed earlier, the base salary may be comparable to the pay of other managers at headquarters or comparable to other managers at the foreign subsidiary. Because many organizations pay a salary premium as an incentive to accept an overseas assignment, expatriates' salaries are often higher than pay for staying at headquarters.

2. *Tax equalization allowance*—Companies have different systems for taxing income, and in many countries, tax rates are much higher than in the United States. Usually, the employer of an expatriate withholds the amount of tax to be paid in the parent country, then pays all of the taxes due in the country where the expatriate is working.

3. *Benefits*—Most benefits issues have to do with whether an employee can use the same benefits in the foreign country. For example, if an expatriate has been contributing to a pension plan in the United States, does this person have a new pension in the foreign country? Or can the expatriate continue to contribute to the U.S. pension plan? Similarly, health benefits may involve receiving care at certain health facilities. While the person is abroad, does the same health plan cover services received in the foreign country? In one case, flying a manager back to the United States for certain procedures actually would have cost less than having the procedures done in the country where the person was working. But the company's health plans did not permit this alternative. An employer may offer expatriates additional benefits to address the problem of uprooting the spouse when assigning an employee overseas.

4. *Allowances to make a foreign assignment more attractive*—Cost-of-living allowances make up the differences in expenses for day-to-day needs. Housing allowances ensure that the expatriate can maintain the same standard of living as in the United States. Education allowances reimburse expatriates who pay tuition for their children to attend private English-speaking schools. Relocation allowances cover the expenses of making the move to the foreign country, including transportation, shipping or storage of possessions, and expenses for temporary housing until the employee can rent or purchase a home.

Figure 15.7 is an example of a summary sheet for an expatriate manager's compensation package, showing a variety of allowances.

Helping Expatriates Return Home

As the expatriate's assignment nears its end, the human resource department faces a final challenge: helping the expatriate make the transition back to his or her home country. The process of preparing expatriates to return home from a foreign assignment is called **repatriation.** Reentry is not as simple as it might sound. Culture shock takes place in reverse. The experience has changed the expatriate, and the company's and expatriate's home cultures have changed as well. Also, because of differences in economies and compensation levels, a returning expatriate may experience a decline in living standards. The standard of living for an expatriate in many countries includes maid service, a limousine, private schools, and clubs.

Repatriation
The process of preparing expatriates to return home from a foreign assignment.

Figure 15.7

International Assignment
Allowance Form

John H. Doe		1 October 2010	
Name		**Effective date**	
Singapore		Manager, SLS./Serv. AP/ME	
Location of assignment		**Title**	

Houston, Texas	1234	202	202
Home base	**Emp. no.**	**LCA code**	**Tax code**

Reason for Change: International Assignment

	Old	New
Monthly base salary		$5,000.00
Living cost allowance		$1,291.00
Foreign service premium		$ 750.00
Area allowance		-0-
Gross monthly salary		$7,041.00
Housing deduction		$ 500.00
Hypothetical tax		$ 570.00
Other		
Net monthly salary		$5,971.00

Prepared by	**Date**
Vice President, Human Resources	**Date**

Companies are increasingly making efforts to help expatriates through this transition. Two activities help the process along: communication and validation.[55] Communication refers to the expatriate receiving information and recognizing changes while abroad. The more the organization keeps in contact with the expatriate, the more effective and satisfied the person will be upon return. The expatriate plays a role in this process as well. Expatriates should work at maintaining important contacts in the company and industry. Communication related to career development before and during the overseas assignment also should help the employee return to a position that is challenging and interesting. Validation means giving the expatriate recognition for the overseas service when this person returns home. Expatriates who receive praise and recognition from colleagues and top managers for their overseas service and future contribution have fewer troubles with reentry than those whose contributions are disregarded. Validation should also include planning for how the returning employee will contribute to the organization. What skills will this person bring back? What position will he or she fill?

Guardian Industries, a glass manufacturer based in Auburn Hills, Michigan, treats its returning expatriates as valuable employees who have made a sacrifice for the company. They are therefore placed first in line for key assignments. After Dana Partridge worked for Guardian in Saudi Arabia and Thailand for a total of 13 years, the company couldn't immediately give him the job he was prepared for, plant manager, but as soon as a position became available, Partridge was selected.[56]

thinking ethically

JOB LOCATION: IS IT ALL ABOUT THE MONEY?

A chief reason companies cite for locating operations in low-wage areas is to save money so they can meet customers' demands for low-priced products. That's what took Scovill Fasteners from Clarksville, Georgia, to China. Several years ago, management saw that customers who bought its snaps for baby clothes were making the clothes in China, and they expected that customers who bought its snaps to make blue jeans would soon be there as well. The company decided it would have to join them.

Scovill opened a factory in Shenzhen China, where it paid 500 workers an average of $2.20 per hour. The private equity firm that owns Scovill decided to keep all the profits instead of forming a partnership with Chinese business owners. To find English-speaking managers, it hired them in Hong Kong. The Shenzhen workers and Hong Kong managers distrusted each other, and no one could relate to the owners back in the United States.

With the difficult relationships came difficulty overseeing the work. Management back in the United States was unsure whether the factory's relationship with the Chinese government was proper. And when the lunar new year holiday occurred, headquarters was unprepared to see the Chinese workers leave en masse, many of them never to return.

Eventually, management concluded that the money-saving effort was actually expensive. The company considered setting up shop in a country where wages were even lower, but employees in Clarksville had agreed to cut their pay by 10 percent, and operations at home began looking like the most productive alternative. Scovill decided to keep 170 Georgia jobs on its payroll instead of outsourcing production.

SOURCE: Based on Dan Chapman, "Jobs Return from China," *Atlanta Journal-Constitution,* April 25, 2010, Business & Company Resource Center, http://galenet.galegroup.com.

Questions

1. Do companies have an ethical obligation to keep jobs in their home country? Why or why not?
2. In what ways, if at all, were Scovill's ethical obligations to its U.S. and Chinese workers different?
3. Scovill moved a sizable part of its operations to China, planning to move more, but workers accepted pay cuts, and Scovill moved back home. How would you rate the fairness of this situation from management's point of view? As a human resource manager, how would you communicate the decision to the workers?

SUMMARY

LO1 Summarize how the growth in international business activity affects human resource management.

More and more companies are entering international markets by exporting and operating foreign facilities. Organizations therefore need employees who understand customers and suppliers in other countries. They need to understand local laws and customs and be able to adapt their plans to local situations. To do this organizations may hire a combination of parent-country, host-country, and third-country nationals. They may operate on the scale of an exporter or an international, global, or multinational organization. A global organization needs a transnational HRM system, which makes decisions from a global perspective, includes managers from many countries, and is based on ideas contributed by people representing a variety of cultures.

LO2 Identify the factors that most strongly influence HRM in international markets.

By far the most important influence is the culture of each market—its set of shared assumptions about how the world works and what ideals are worth striving for. A culture has the dimensions of individualism/collectivism, high or low power distance, high or low uncertainty avoidance,

masculinity/femininity, and long-term or short-term orientation. Countries also differ in the degree to which their labor markets include people with education and skills of value to employers. Another influence on international HRM is the foreign country's political-legal system—its government, laws, and regulations. Finally, a country's economic system, capitalist or socialist, as well as the government's involvement in the country's economy, such as through taxes and price controls, is a strong factor determining HRM practices.

LO3 Discuss how differences among countries affect HR planning at organizations with international operations.

As organizations consider decisions about their level of international activity, HR professionals should provide information about the relevant human resource issues. When organizations decide to operate internationally or globally, HR planning involves decisions about where and how many employees are needed for each international facility. Some countries limit employers' ability to lay off workers, so organizations would be less likely to staff for peak periods. Other countries allow employers more flexibility in meeting human resource needs. HRM professionals need to be conversant with such differences.

LO4 Describe how companies select and train human resources in a global labor market.

Many organizations with foreign operations fill most positions with host-country nationals. These employees can more easily understand the values and customs of the local workforce, and hiring locally tends to be less expensive than moving employees to new locations. Organizations also fill foreign positions with parent-country and third-country nationals who have human relations skills associated with success in foreign assignments. When sending employees on foreign assignments, organizations prepare the employees (and often their families) through cross-cultural training. Before the assignment, the training provides instruction in the foreign country's language and culture. During the assignment, there is communication with the home country and mentoring. For the return home the employer provides further training.

LO5 Discuss challenges related to managing performance and compensating employees from other countries.

Pay structures can differ substantially among countries in terms of pay level and the relative worth of jobs. Organizations must decide whether to set pay levels and differences in terms of what workers are used to in their own countries or in terms of what employees' colleagues earn at headquarters. Typically, companies have resolved this dilemma by linking pay and benefits more closely to those of the employee's country, but this practice may be weakening so that it depends more on the nature and length of the foreign assignment. These decisions affect the organization's costs and ability to compete, so organizations consider local labor costs in their location decisions. Along with the basic pay structure, organizations must make decisions regarding incentive pay, such as bonuses and stock options. Laws may dictate differences in benefit packages, and the value of benefits will differ if a country requires them or makes them a government service.

LO6 Explain how employers prepare managers for international assignments and for their return home.

When an organization has selected a manager for an overseas assignment, it must prepare the person for the experience. In cross-cultural training the soon-to-be expatriate learns about the foreign culture he or she is heading to, and studies her or his own home-country culture as well for insight. The trainee is given a detailed briefing on how to behave in business settings in the new country. Along with cross-cultural training, preparation of the expatriate should include career development activities to help the individual acquire valuable career skills during the foreign assignment and at the end of the assignment to handle repatriation successfully. Communication of changes at home and validation of a job well done abroad help the expatriate through the repatriation process.

KEY TERMS

cross-cultural preparation, p. 470
culture shock, p. 469
expatriates, p. 458
global organization, p. 461

host country, p. 458
international organization, p. 460
multinational company, p. 460
parent country, p. 458

repatriation, p. 482
third country, p. 458
transnational HRM system, p. 461

REVIEW AND DISCUSSION QUESTIONS

1. Identify the parent country, host country(ies), and third country(ies) in the following example: A global soft-drink company called Cold Cola has headquarters in Atlanta, Georgia. It operates production facilities in Athens, Greece, and in Jakarta, Indonesia. The company has assigned a manager from Boston to head the Athens facility and a manager from Hong Kong to manage the Jarkarta facility.

2. What are some HRM challenges that arise when a U.S. company expands from domestic markets by exporting? When it changes from simply exporting to operating as an international company? When an international company becomes a global company?

3. In recent years, many U.S. companies have invested in Russia and sent U.S. managers there in an attempt to transplant U.S.-style management. According to Hofstede, U.S. culture has low power distance, uncertainty avoidance, and long-term orientation and high individuality and masculinity. Russia's culture has high power distance and uncertainty avoidance, low masculinity and long-term orientation, and moderate individuality. In light of what you know about cultural differences, how well do you think U.S. managers can succeed in each of the following U.S.-style HRM practices? (Explain your reasons.)
   a. Selection decisions based on extensive assessment of individual abilities.
   b. Appraisals based on individual performance.
   c. Systems for gathering suggestions from workers.
   d. Self-managing work teams.

4. Besides cultural differences, what other factors affect human resource management in an organization with international operations?

5. Suppose you work in the HR department of a company that is expanding into a country where the law and culture make it difficult to lay off employees. How should your knowledge of that difficulty affect human resource planning for the overseas operations?

6. Why do multinational organizations hire host-country nationals to fill most of their foreign positions, rather than sending expatriates for most jobs?

7. Suppose an organization decides to improve collaboration and knowledge sharing by developing an intranet to link its global workforce. It needs to train employees in several different countries to use this system. List the possible cultural issues you can think of that the training program should take into account.

8. For an organization with operations in three different countries, what are some advantages and disadvantages of setting compensation according to the labor markets in the countries where the employees live and work? What are some advantages and disadvantages of setting compensation according to the labor market in the company's headquarters? Would the best arrangement be different for the company's top executives and its production workers? Explain.

9. What abilities make a candidate more likely to succeed in an assignment as an expatriate? Which of these abilities do you have? How might a person acquire these abilities?

10. In the past, a large share of expatriate managers from the United States have returned home before successfully completing their foreign assignments. Suggest some possible reasons for the high failure rate. What can HR departments do to increase the success of expatriates?

BUSINESSWEEK CASE

BusinessWeek Will Hardship Pay Survive the Downturn?

During hard times, a tempting target for cost cutters at multinational corporations might be hardship payments. Multinationals for years have paid these bonuses to managers who accept overseas assignments in difficult countries, usually in developing nations in Asia, Africa, Latin America, and the Middle East. Companies have calculated that, in order to have talented people in key locations, they need to sweeten the terms, with payments ranging from 5 percent to 30 percent of a manager's salary.

Despite the need to cut costs now, executives at the consultants that help companies calculate hardship bonuses argue companies are still going to pay managers extra for taking difficult posts. Cathy Loose, Asia-Pacific mobility leader for Mercer, the HR consulting firm that is part of the New York–based Marsh & McLennan Companies, expects demand for hardship payments to go up. "As companies expand into emerging markets, hardship allowances are actually still relevant," she says.

Economic growth continues in the big emerging markets, which will maintain their appeal to companies looking for new opportunities. With the shortage of experienced managerial talent in many of the emerging markets, multinationals will still need to find sweeteners for expatriates, says Robert Freedman, chief executive officer of ORC Worldwide, a New York–based human resource firm.

"Companies are trying to pare back where they can on some payments, but they absolutely need expats," he says. "We see the premiums for these difficult places continuing."

Even the fastest-growing emerging markets are suffering at the moment, though. Growth in India slumped to an annualized rate of 5.3 percent in the fourth quarter of 2008, compared to 7.6 percent in the previous quarter.

The expats won't necessarily be coming from the United States, Canada, or Western Europe. Companies now are trying to find managers from the same part of the world, finding someone from Singapore, for instance, to take a post in China. There are obvious cultural and language advantages to that strategy, and the costs can sometimes be lower.

HR experts don't recommend companies respond by phasing out hardship pay. The problems that make a city a hardship post—heavy pollution, risk of disease, high crime, poor sanitation, inadequate infrastructure—are the same for a manager from North America as they are for a manager from Asia, says Geoff Latta, ORC's executive vice-president. "Companies would be ill-advised to differentiate and say, 'You don't need a payment because you come from a terrible place in the first place.'"

Another way to cut costs is for a city to lose its status as a hardship post. For instance, both Prague and Budapest have fallen off ORC's list, a reflection of the improved quality of life in the former Soviet-bloc cities over the past decade.

SOURCE: Excerpted from Bruce Einhorn, "Will Hardship Pay Survive the Downturn?" *BusinessWeek,* March 4, 2009, www.businessweek.com.

Questions

1. For a company with operations in a "difficult country," what would be the advantages of hiring manager from that country? What would be the disadvantages?
2. What would be the advantages of sending managers from headquarters to lead the operations in the "difficult country"? What would be the advantages?
3. Suppose you work in HR for a company that needs to cut costs and is considering the elimination of hardship pay for managers sent to work in a "difficult country" where the company has an important facility. How can you measure whether the hardship pay is a worthwhile expense? Write a one-paragraph recommendation of how you think the company should handle the issue of hardship pay.

Case: How Roche Diagnostics Develops Global Managers

The health care company Roche has two operating divisions: a pharmaceuticals division and Roche Diagnostics, which applies research and development to identify ways that diagnostic tests can help patients manage their health with individualized care. At its main sites in Switzerland, Germany, and the United States, Roche Diagnostics conducts research by microbiologists, biochemists, geneticists, oncologists, and specialists in infectious diseases. Finding enough people with these skills is difficult, and managing them requires a special set of scientific and business expertise, as well as the ability to navigate the cultural differences of a diverse workforce.

In contrast to most of its competitors, Roche isn't focused on the most efficient way to conduct research in one or two centralized locations. Rather, the strategy is to have many different groups pursuing a variety of ideas, sharing what they learn so they create the most ideas. Thus, leadership requires a combination of technical strength and communication skill.

Roche develops the necessary management talent through a program of global rotation called the Perspectives Program. Employees who have completed their PhD or MBA and want to pursue an international career are eligible to participate. Participants are selected on the basis of geographic and functional needs. They are sent on four international assignments lasting six months each. Each assignment takes place in a different country—perhaps one of the main facilities or another Roche laboratory in, say, China or New Zealand. Typically, employees who complete the program (95 percent finish it successfully) are assigned to positions as senior managers or directors. Many find that the experience has led their career in a new direction.

Before managers are sent on these assignments, the company briefs them on what to expect. The briefing includes benefits to seek, reasons why the company selected them and what it is investing, goals for the rotation, and success stories of prior participants.

Roche has run into some challenges in implementing the program. One is that some expats start to enjoy their assignments so much that they don't want to move on when the six-month period ends. Bringing candidates into the program is occasionally difficult because talented employees' managers don't want them to leave for a foreign assignment. The company also found that preparation was sometimes inadequate—either the participant or the manager of the international assignment wasn't fully prepared.

To address some of these problems, Roche is now more careful to lay out the plan for the rotation while preparing candidates, so they understand that the rotations will have a limited duration. Rather than simply saying their careers could take them to various places, the discussion now pinpoints locations where there is a need that

matches the candidate's talents. The program also has more alternatives so some employees can take assignments for just a year.

For candidates who are deciding whether to participate, Roche lets them take their spouse or domestic partner with them on some trips to investigate the program. Although this adds to the program's expense, it helps to ensure that the participant will successfully complete the rotation. Candidates who are unsure also can shadow a current participant to see what the experience is like. One way Roche has lowered managers' resistance to losing top employees is to arrange swaps where a manager who lets a key employee participate in the rotation can be on the receiving end and get a top employee from another part of the world.

Recently, when a participant returned from a rotation in Japan, he could readily identify what aspect of the experience had made him a better businessperson. He said he learned to understand the typical decision-making process in Japan, which involves careful discussion in the office,

followed by a late evening out for dinner and further discussion, with key decisions occurring as late as midnight. Knowing the "after-hours" part of the workday is crucial for a company that has many interactions between colleagues in the United States and Japan.

SOURCE: Marilyn B. Leahy, "Making Global Rotation Work," *Research-Technology Management,* November–December 2009, pp. 38–41; and Arlene Weintraub, "Can Roche Leave Genentech Alone?" *BusinessWeek,* November 25, 2009, www.businessweek.com.

Questions

1. Based on the description in the case and the definitions in the text, would you characterize Roche Diagnostics as an *international, multinational,* or *global* organization? Explain.
2. Evaluate how Roche prepares employees for its global rotation program. What improvements or additions to the preparation would you recommend?
3. How could Roche evaluate the success of the global rotation program?

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Review	**Application**	**Practice**
• Chapter learning objectives	• Manager's Hot Seat segment: "Cultural Differences: Let's Break a Deal" • Video case and quiz: "High Tech India" • Self-Assessment: How much do you know about global HRM? • Web Exercise: Compare labor statistics for different countries • Small-business case: Is Translating a Global Business?	• Chapter quiz

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