

# **Chapter 9:**

## **Staffing, Training, and Compensation for Global Operations**

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# Chapter Learning Goals

1. Understand the strategic importance to the firm of the IHRM function and its various responsibilities.
2. Learn about the major staffing options for global operations and the factors involved in those choices.
3. Emphasize the need for managing the performance of expatriates through careful selection, training, and compensation.



# Chapter Learning Goals

- 4. Discuss the role of host country managers and the need for their training and appropriate compensation package.**
- 5. Distinguish among various IHRM practices around the world.**



# Opening Profile: Staffing Company Operations in Emerging Markets



# BRIC



## BRIC Countries

BRIC Have outpaced the supply of mid and upper-level management

BRIC Need for up to 75000 business leaders, but 3000–5000 may be available

BRIC Many are simply not at the skill level required by foreign companies

# Opening Profile: BRIC—The Shortage of Mid/Upper-Level Managers

**Brazil** Deficit at upper-level management

**Russia** Deficit at all management levels

**India** Deficit starting at the middle level. Also, dealing with the “brain drain”

**China** Severe deficit at all levels of management



# Opening Profile: What Attracts the Potential Recruits in Emerging Markets?

## Brand

- A global “name brand” known for its excellence

## Purpose

- A company that is breaking into new markets, with new models and strategy

## Opportunity

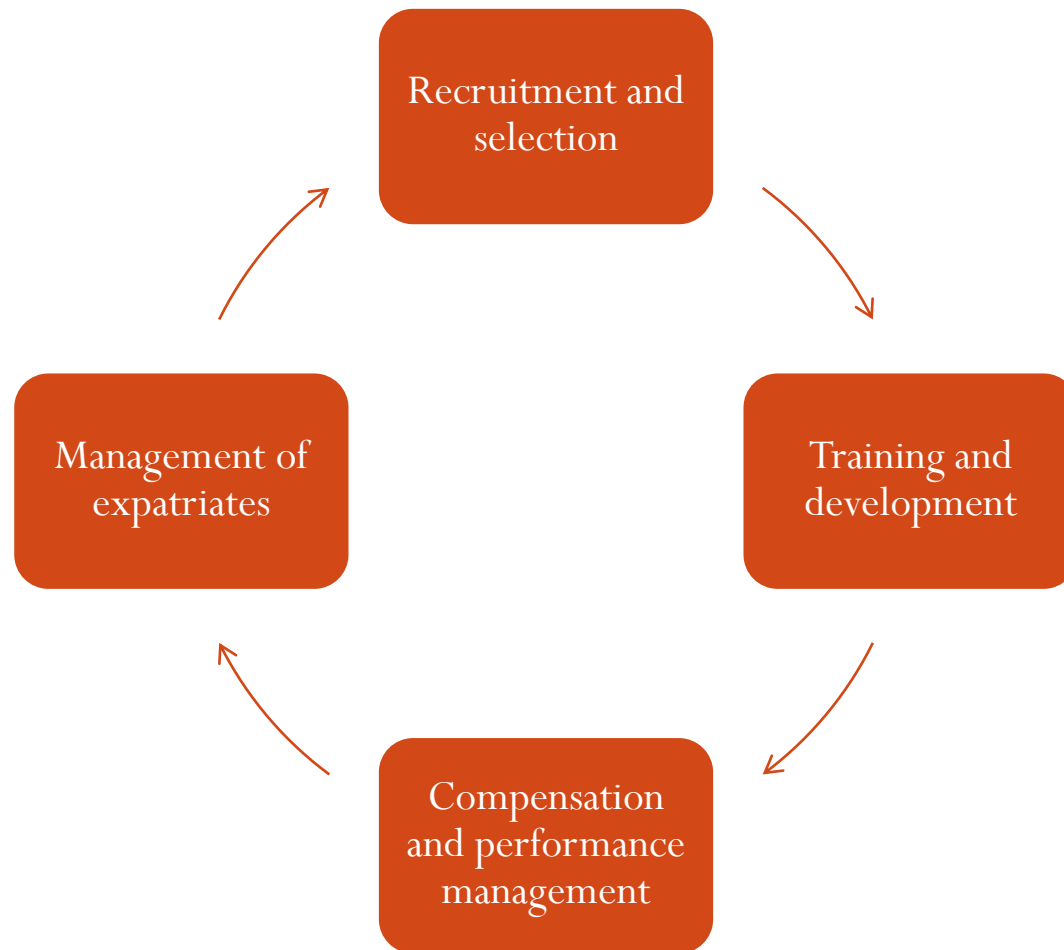
- A company that provides a fast-track training and career path

## Culture

- An organizational culture of openness and transparency



# IHRM Functions



# Staffing for Global Operations

## Ethnocentric Approach

- Used at internationalization stage of strategic expansion, with centralized structure
- Parent-country nationals (PCNs)

## Polycentric Approach

- Often used with multinational strategy
- Host-country nationals (HCNs)





# Staffing for Global Operations

## Global Staffing Approach

- Third country nationals (TCNs)
- Transpatriates



## Regiocentric Approach

- Can produce a mix of PCNs, HCNs, and TCNs

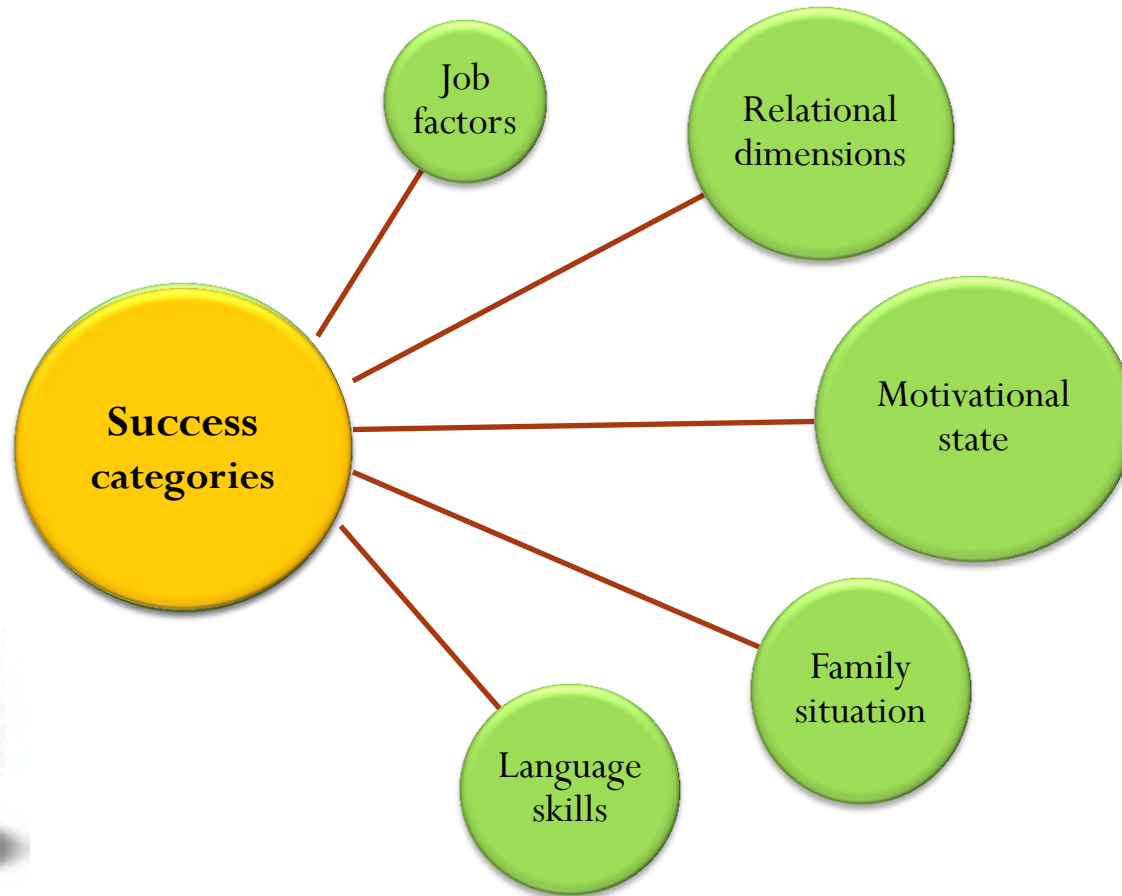


# Strategic Mode, Organizational Variables, and Staffing Orientation

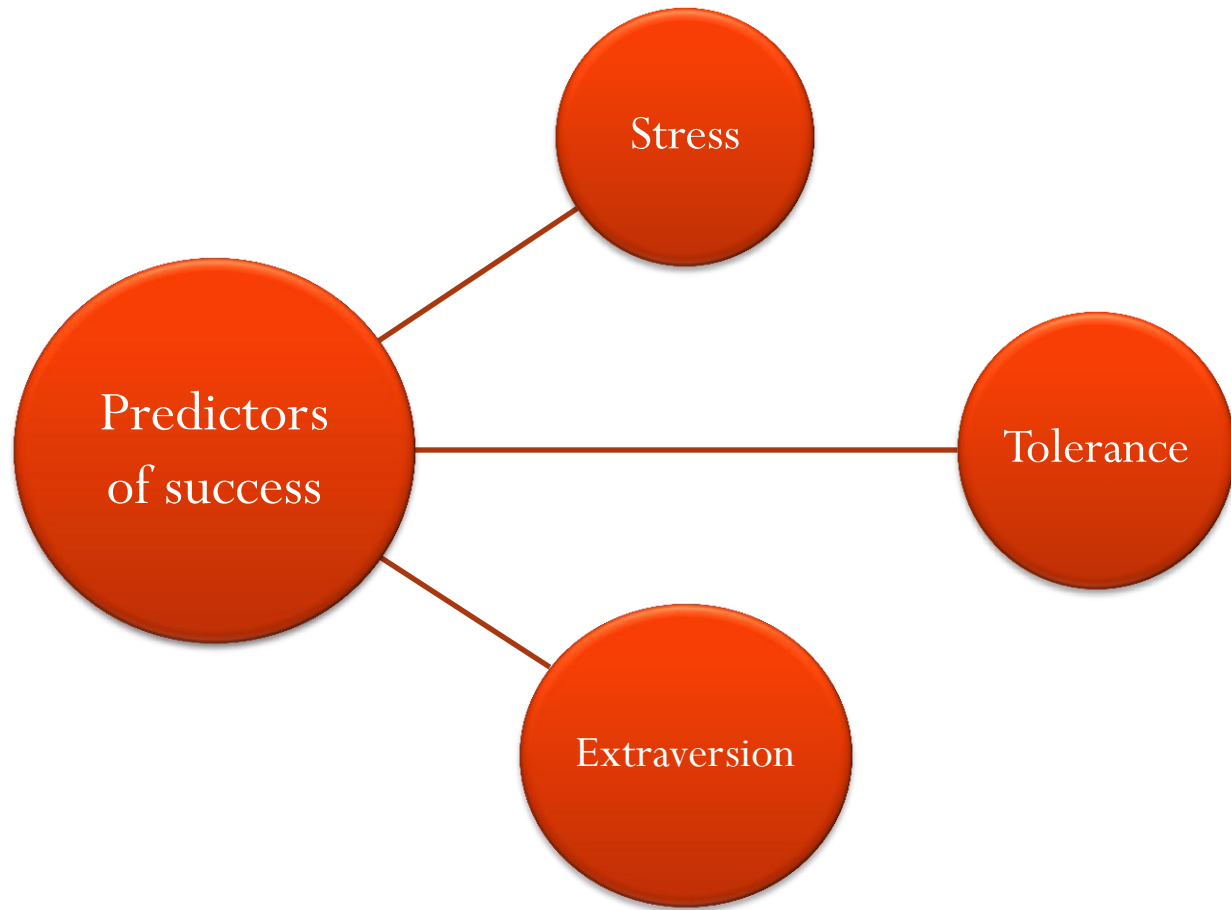
Aspect of enterprise	Ethnocentric	Polycentric	Regiocentric	Global
<b>Strategic orientation</b>	International	Multidomestic	Regional	Transnational
<b>Perpetuation</b>	Expatriates used for key positions	Locals used for key positions locally	Regional people used regionally	Best people used anywhere
<b>Evaluation and control</b>	Home standards applied	Determined locally	Determined regionally	Globally integrated
<b>Rewards</b>	High at home; low in subsidiaries	Wide variation	Based on contribution to regional objectives	Based on contribution to local and worldwide objectives



# Managing Expatriates: Selection



# Managing Expatriates: Selection



# Expatriates Performance Management

Selection based on headquarters criteria

Inadequate preparation, training, orientation

Alienation or poor support from headquarters

Inability to adapt to the local culture



# Expatriates Performance Management

Problems with spouse and children

Insufficient compensation and financial support

Poor programs for career support and repatriation



# Expatriate Training and Development

China

- Eating duck tongue and pigeon head

Brazil

- Home phones don't work

India

- Pervasive poverty

Indonesia

- Rent paid 2–3 years in advance

Japan

- Doctors reveal little to patients



# Expatriate Training and Development

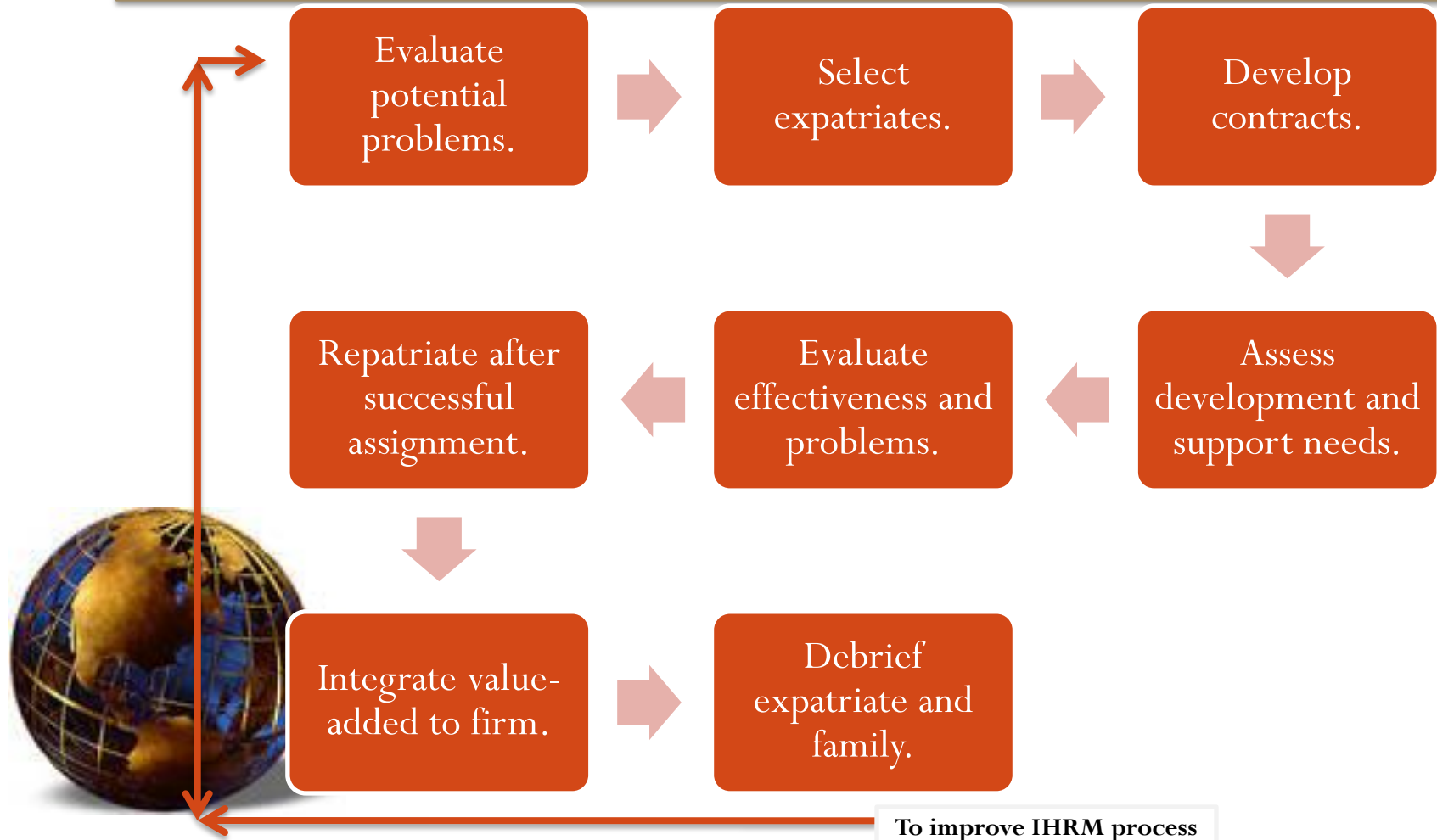
## Japanese Expatriate Planning

- Selection based on long-term knowledge of executives and their families
- Use of longer assignments (e.g., 5 years)
- Extensive headquarters support





# IHRM Process to Maximize Effectiveness of Expatriate Assignments



# Cross-Cultural Training

## Culture Shock

- A state of disorientation and anxiety about not knowing how to behave in an unfamiliar culture
- The goal of training is to ease the adjustment to the new environment



## Subculture Shock

- When a manager is transferred to another part of the country, where there are cultural differences
- The “shock” comes from feeling like an “immigrant” in one’s own country

# Training Techniques

Area studies

Culture assimilators

Language training

Sensitivity training

Field experiences

Host-family surrogate



# Corporate Programs to Develop Global Managers



ABB rotates 500 managers to different countries every 2–3 years.



Pepsi brings foreign managers to the United States for one-year assignments.



British Telecom uses informal mentoring between expatriates and potential assignees.



# Management Focus: *Citibank Gives Advice on Career Planning*

- **Be mobile:** *to get somewhere, you have to go places!*
- There is a growing need for a cadre of professionals with the global perspective to lead the organization.
- A global move is a good career move
- Expatriate assignments offer an extraordinary opportunity for experience, learning, and personal and career enrichment.



# Integrating Training with Global Orientation

## Export Stage

- **Training need:** low to moderate
- **Content:** interpersonal skills, culture, customer values, business behavior
- **HCNs:** train to understand parent-country products and policies

## Multidomestic Stage

- **Training need:** moderate to high
- **Content:** interpersonal skills, culture, technology transfer, business practices and laws
- **HCNs:** familiarize with production and service procedures

# Integrating Training with Global Orientation

## Multinational Stage

- **Training need:** high moderate to high
- **Content:** interpersonal skills, two-way technology transfer, corporate value transfer, strategy, stress management, culture, business practices
- **HCNs:** training in technical areas, products and services, corporate culture

## Global Stage

- **Training need:** high
- **Content:** global corporate operations, corporate culture transfer, customers, global competitors, strategy
- **HCNs:** training in proficiency in production and efficiency systems, corporate culture, business systems, global conduct policies



# Factors that Influence the Integration of Expatriates with Local Staff

## Factors Helping

- Forming close working relationships
- Learning local language
- Transferring technical/business knowledge
- Integrating into local life
- Cultural sensitivity
- Willingness to learn
- Adaptability

## Factors Hindering

- Not using team concept
- Not learning local language
- Arrogance
- Spouse/family adjustment problems
- Being autocratic
- We-they mentality
- Lack of curiosity
- Acting like back home





# Compensating Expatriates

- DuPont's Global Transfer Center of Expertise creates perceptions of equity and goodwill.
  - Companies are looking for ways to cut the costs of expatriate assignments.
  - The need to reconcile parent- and host-country practices adds complexity.
- The balance sheet approach
  - Tax equalization
  - Components of the compensation package: salary, taxes, allowance, benefits



# Components of the Compensation Package

## Salary

- Local salary buying power vs. home salary

## Taxes

- Equalize any differential effects of taxes

## Allowances

- Relocation expenses, housing, trips home...

## Benefits

- Health insurance, stock options



# Training HNCs

- **Facilitates indigenization**
- **Links successful corporate culture and local culture**
- **Facilitates e-business adoption**



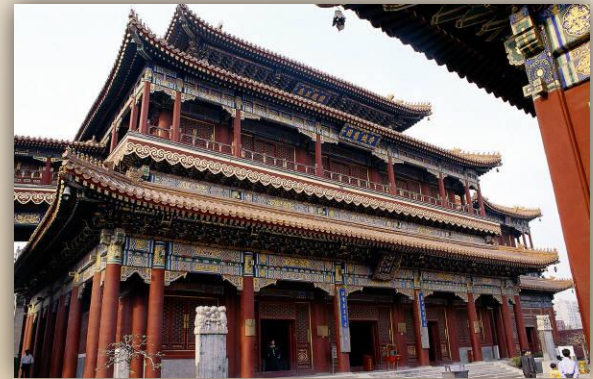
# Management Focus: Success! Starbucks' Java Style in Beijing

- **Challenges:** recruiting, motivating, and retaining Beijing managers
- Chinese recruits want training and advancement opportunities more than money.



# Management Focus: Success! Starbucks' Java Style in Beijing

- Recruits are trained in management and in Starbucks' culture
  - Three months in Seattle
  - Make coffees in a real store
- Training, and resulting trust and participation, also serve as motivators



# Compensating HNCs




Eastern Europeans require more cash than Americans.


Compensation in Japan is becoming more Westernized.

Chinese workers resist pay for performance.

# Comparative Management in Focus: Compensation

“Best Practices”	Regional Clusters	Country Specific
 <p>Incentives not too large, pay based on individual performance, reduce seniority pay</p>	Asian and Latin countries use more seniority pay, group/team pay, and pay for future goals	United States uses less incentives than expected, China and Taiwan use more

# Comparative Management in Focus: Selection

“Best Practices”	Regional Clusters	Country Specific
 <p>“Getting along with others” and “Fit with corporate values”</p>	Anglo cluster focuses on technical skill, work experience; Korea, Japan, and Taiwan focus on work experience	Japan looks at a person’s potential; Korea relies on employment tests; Taiwan relies on interviews




# Comparative Management in Focus: Performance Appraisal


“Best Practices”	Regional Clusters	Country Specific
<p>Could be better in all countries; emphasis on development and documentation</p>	<p>Expression used little in Asian countries; in Latin America the administrative purpose is important</p>	<p>In Taiwan the administrative purpose is important</p>



# Comparative Management in Focus: T&D

“Best Practices”	Regional Clusters	Country Specific
 <p>Used to improve technical skills and, increasingly, team building</p>	<p>Softer practices used in Anglo cluster but more use is desired; Latin cluster desires more use of all practices</p>	<p>In Mexico, T&amp;D is a reward; United States is outsourcing more; Korea uses team building extensively</p>

# Comparative Management in Focus: Relation to Strategy

“Best Practices”	Regional Clusters	Country Specific
 T&D and performance appraisal most closely linked to organizational capability	Low cost and differentiation strategies linked to HRM in Asian cluster	No linkages between organizational capability and HRM in Mexico