CHAPTER 16
HIRING AND MANAGING EMPLOYEES

LEARNING OBJECTIVES:
1. Explain the three different types of staffing policies used by international companies.
2. Describe the recruitment and selection issues facing international companies.
3. Discuss the importance of training and development programs, especially cultural training.
4. Explain how companies compensate managers and workers in international markets.
5. Describe the importance of labor-management relations and how they differ worldwide.

CHAPTER OUTLINE:

Introduction
International Staffing Policy
   Ethnocentric Staffing
      Advantages of Ethnocentric Staffing
      Disadvantages of Ethnocentric Staffing
   Polycentric Staffing
      Advantages and Disadvantages of Polycentric Staffing
   Geocentric Staffing
      Advantages and Disadvantages of Geocentric Staffing

Recruiting and Selecting Human Resources
   Human Resource Planning
   Recruiting Human Resources
      Current Employees
      Recent College Graduates
      Local Managerial Talent
      Nonmanagerial Workers
   Selecting Human Resources
      Culture Shock
      Reverse Culture Shock
      Dealing with Reverse Culture Shock

Training and Development
   Methods of Cultural Training
      Environmental Briefings and Cultural Orientations
      Cultural Assimilation and Sensitivity Training
      Language Training
      Field Experience
      Compiling a Cultural Profile
      Nonmanagerial Worker Training

Employee Compensation
   Managerial Employees
      Bonus and Tax Incentives
      Cultural and Social Contributors to Cost
   Nonmanagerial Workers

Labor–Management Relations
   Importance of Labor Unions
   International Labor Movements

A Final Word
A comprehensive set of specially designed PowerPoint slides (designated ‘PPT’ below) is available for use with Chapter 16. These slides and the lecture outline below form a completely integrated package that simplifies the teaching of this chapter’s material.

**Lecture Outline**

1. **INTRODUCTION (PPT #3)**
   - Human resource management (HRM) is the process of staffing a company and ensuring that employees are as productive as possible. It requires managers to be effective in recruiting, selecting, training, developing, evaluating, and compensating employees and in forming good relations.
   - International HRM differs considerably from HRM in a domestic setting because of differences in national business environments.
   - There is the issue of expatriates—citizens of one country who are living and working in another; many issues arise when expatriate employees have job assignments that last several years.
   - Culture is central to the discussion of how international companies manage their employees. Training and development programs and recruitment and selection practices must often be tailored to local practices.

2. **INTERNATIONAL STAFFING POLICY**
   *Staffing policy* is the means by which a company staffs its offices; staffing policy is influenced by international involvement. The main approaches to the staffing of international operations are ethnocentric, polycentric, and geocentric. Companies often blend different staffing policies.

   **A. Ethnocentric Staffing (PPT #4)**
   - Individuals from the home country manage operations abroad. Appeals to companies that want control over decision making in offices abroad and that formulate policies designed to work in every country of operations. Firms pursue this policy only for top managerial posts in their international operations because at lower levels, it is impractical.

   1. **Advantages of Ethnocentric Staffing**
      - Locally qualified people are not always available. In developing and newly industrialized countries, there is often a shortage of qualified personnel—resulting in a highly competitive local labor market.
      - Companies use ethnocentric staffing to re-create operations in the image of home-country operations.
      - Expatriate managers infuse branch offices with the corporate culture; this is important for a strong set of shared values in each international office implementing global strategies. The image of home-office operations can ease the transfer of special know-how.
      - Some firms feel managers sent from the home country will look out for the company’s interests more than host-country natives.
Companies that operate in highly nationalistic markets and those worried about industrial espionage use an ethnocentric approach.

2. Disadvantages of Ethnocentric Staffing
   a. Relocating managers from the home country is expensive. Bonuses for relocating, plus relocation expenses for families, increase the cost of a manager. Cultural differences and long periods away from relatives and friends contribute to the failure of international assignments.
   b. Can create barriers for the host-country office. Home-country managers in the host country encourage a “foreign” image of the business; lower-level employees feel that managers do not understand their needs. Expatriate managers may not overcome cultural barriers or understand the needs of their local employees or their local customers.

B. Polycentric Staffing (PPT #5)
   Individuals from the host country manage operations abroad.
   1. Well suited to companies that want to grant autonomy in decision making. But this policy does not mean that host-country managers are left to run operations any way they see fit.
   2. Large international companies conduct extensive training programs in which host-country managers visit home offices for extended periods to be exposed to the company’s culture and business practices.
   3. Advantages and Disadvantages of Polycentric Staffing:
      a. Places managerial responsibility in the hands of people familiar with the local business environment.
      b. Managers with deep cultural understanding of the local market can be an enormous advantage.
      c. They need not overcome cultural barriers created by being an outsider, and they have a better feel for the needs of employees, customers, and suppliers.
      d. Eliminates the high cost of relocating expatriate managers and families.
      e. But with natives of each country managing, a company becomes a collection of national businesses.
      f. For a firm following a global strategy, a lack of integration, knowledge sharing, and a common image may negatively affect performance.

C. Geocentric Staffing (PPT #6-7)
   Best-qualified individuals, regardless of nationality, manage operations abroad. The local manager is from the host country, from the home country, or from a third country, depending on specific needs. Reserved for top-level managers.
   1. Advantages and Disadvantages of Geocentric Staffing:
      a. Develops global managers who adjust to any business environment and to cultural differences.
      b. Useful for companies trying to break down nationalistic barriers among managers in an office or between different offices.
      c. The main drawback is cost. The high demand for people with special skills and their short supply have inflated salaries.
3. RECRUITING AND SELECTING HUMAN RESOURCES
Companies try to recruit and select qualified managers and non-managerial workers well suited to their tasks and responsibilities. How does a company recruit and select the best available individuals?

A. Human Resource Planning (PPT #8)
1. Forecasting both a company’s human resources needs and supply.
2. Phase one of HR planning involves taking an inventory of a company’s current human resources. Data is collected on employees, including education, job skills, previous jobs, language skills, and experience living abroad.
3. Phase two estimates the company’s future HR needs. A company must decide whether to hire employees or to subcontract production to other producers.
4. This decision frequently raises ethical questions because the public knows that global companies use subcontractors in low-wage nations who take advantage of “sweatshop labor.” Allegations of workplace abuse cause many firms to establish codes of conduct and step up efforts to ensure compliance.
5. Phase three has managers develop a plan for recruiting and selecting people to fill vacant and anticipated new positions.
6. A firm must make plans for reducing its workforce—a process called 
recruitment
—when HR levels are greater than anticipated.

B. Recruiting Human Resources (PPT #9)
Identifying and attracting qualified applicants for vacant positions.
1. Current Employees
   a. Likely candidates within the company are those managers who were involved in previous stages of an international project.
   b. These individuals may have important contacts in the host country and have been exposed to its culture.
2. Recent College Graduates
   a. Companies also recruit from among recent college graduates who have come from other countries to attend college in the firm’s home country.
   b. This is a common practice among U.S. companies; new hires receive general and specialized training and receive positions in their native countries. They learn about the organization’s culture and how it conducts business.
   c. Most important is their familiarity with the culture of the target market, including its customs, traditions, and language.
3. Local Managerial Talent
   a. Hiring local managers is common when cultural understanding is a key job requirement.
   b. Hiring local managers with government contacts may speed the approval process for local operations.
   c. Governments may force a company to recruit local managers to develop its own managerial talent.
   d. Governments may restrict the number of international managers that can work in the host country.
4. Non-Managerial Workers
a. Companies recruit locally for non-managerial positions if there is little need for specialized skills or training.
b. A specialist from the home country is brought in to train people chosen for more demanding positions.
c. Firms turn to the local labor market when governments restrict the number of workers allowed into the host country; such efforts reduce unemployment among the local population.
d. Countries sometimes permit the importation of non-managerial workers.

C. Selecting Human Resources (PPT #10)
1. Screening and hiring the best-qualified applicants with the greatest performance potential.
2. For international assignments, it is essential to measure a person’s ability to bridge cultural differences.
3. Expatriate managers must adapt to a new way of life in the host country and work with others from different cultural backgrounds.
4. Culturally sensitive managers increase the likelihood that a company will achieve its business goals.
5. Recruiters assess cultural sensitivity by asking candidates questions about their receptiveness to new ways of doing things and questions about racial and ethnic issues. They can employ global aptitude tests.
6. The cultural sensitivity of each family member going to the host country needs assessment; the inability of a family member (a spouse) to adapt is the most common reason for the expatriate failure.

D. Culture Shock (PPT #11)
1. Culture shock is a psychological process that affects people living abroad, characterized by homesickness, irritability, confusion, aggravation, and depression.
2. A person experiencing it has trouble adjusting to the new environment in which they find themselves.
3. Expatriate failure—the early return by an employee from an international assignment because of inadequate job performance—often results from cultural stress.
4. The higher cost of expatriate failure is convincing many companies to invest in cultural-training programs for employees sent abroad.

E. Reverse Culture Shock (PPT #12)
1. Reverse culture shock is the psychological process of re-adapting to one’s home culture.
2. Values and behavior that once seemed so natural now seem strange, and returning managers find that either no position or a “standby” position awaits them in the home office.
3. Companies often do not take full advantage of the cross-cultural abilities of managers who have spent valuable years abroad.
4. Expatriates who successfully adapt to new cultures often leave their companies within a year of returning home because of difficulty blending back into the company culture.
5. Spouses and children often have difficulty leaving the adopted culture and returning home.
6. **Dealing With Reverse Culture Shock**
   a. Home-culture reorientation programs and career-counseling sessions for returning managers and their families can be highly effective.
   b. The employer might bring the family home for a short stay before the return to prepare for reverse culture shock.
   c. Good career development programs help companies retain valuable managers. Ideally, a career development plan is created before an employee goes abroad.
   d. Mentors can be assigned to returning managers; mentor becomes a confidant so the expatriate manager can discuss problems about work, family, and readjustment to the home culture.

4. **TRAINING AND DEVELOPMENT**

   After recruitment and selection, a company identifies the skills and knowledge needed to perform duties. Employees lacking the necessary skills or knowledge go into training or development programs. Companies realize the need for in depth training and development programs if they want maximum productivity from managers abroad.

   **A. Methods of Cultural Training (PPT #13)**

   1. The extent of a company’s international involvement demands a corresponding level of cultural knowledge from employees.
   2. Companies that are highly international need employees with language fluency and in-depth experience in other countries; small companies or those new to global business begin with basic cultural training.
   3. Companies use many methods to prepare managers for international assignments. The goal of most programs is to create informed, open-minded, and flexible managers with a level of cultural training appropriate to the duties required of them.

   **4. Environmental Briefing and Cultural Orientations**

   a. *Environmental (area) briefings* include information on local housing, health care, transportation, schools, and climate.
   b. *Cultural orientations* offer insight into social, political, legal, and economic institutions.

   **5. Cultural Assimilation and Sensitivity Training**

   a. *Cultural assimilation* teaches the culture’s values, attitudes, manners, and customs.
   b. Guerilla linguistics, which involves learning some phrases in the local language, is used at this stage.
   c. Also useful at this stage is role-playing: the trainee responds to a situation and is evaluated by a team of judges.
   d. *Sensitivity training* teaches people to be considerate and understanding of other peoples’ feelings and emotions.

   **6. Language Training**

   a. This level of training gets a trainee “into the mind” of local people—to learn more about why people behave as they do.
   b. This is perhaps the most critical part of cultural training for long-term assignments.
   c. A survey of top executives found that foreign-language skills topped the list of skills needed for a competitive edge.

   **7. Field Experience**
a. *Field experience* means visiting the culture, walking the streets of its cities and villages, and becoming absorbed by it for a short period of time.

b. The trainee enjoys the unique cultural traits and feels the stresses inherent in living in the culture.

B. Compiling a Cultural Profile (PPT #14)

Cultural profiles can be quite helpful in deciding whether to accept an international assignment. Sources for constructing a cultural profile include:

1. *CultureGrams*: This guide can be found in the reference section of many libraries. Updates make this a timely source of information.
2. *Country Studies Area Handbooks*: This series explains how politics, economics, society, and national security issues are related and shaped by culture in more than 70 countries.
3. *Background Notes*: These notes contain relevant factual information on human rights and related issues. Published by the U.S. State Department, they take a U.S. perspective.
4. Information can also be obtained by contacting the embassies of other countries and by locating people with firsthand knowledge and specific books and films.

C. Non-Managerial Worker Training

1. Nonmanagerial workers have training and development needs, especially in developing and newly industrialized countries where people have not completed primary school.
2. Even if the workforce is fairly well educated, workers may lack industry experience.
3. The need for basic-skills training grows as companies explore opportunities in emerging markets.
4. In some countries, students who are unable or unwilling to enter college can enter programs paid for by the government and private industry and undergo extensive training for cutting edge technologies (e.g., Japan and Germany lead the world in vocational training and apprenticeship programs for non-managerial workers).

5. EMPLOYEE COMPENSATION (PPT #15)

The compensation system is designed to attract and retain the best and brightest employees and to reward them for their performance. Because a country’s compensation practices are rooted in its culture, and legal and economic systems, determining compensation is complicated.

A. Managerial Employees

1. Compensation packages must reflect the *cost of living*, which includes the cost of groceries, dining out, clothing, housing, schooling, heath care, transportation, and utilities.
2. It costs more to live in some countries, and within a country the cost of living varies from large cities to rural towns.
3. Managers who relocate to lower cost-of-living countries are paid the same amount that they were receiving at the home office; otherwise, they would be penalized for accepting an international job.
4. Companies cover other costs incurred by expatriate managers such as high-quality local education.

5. Bonus and Tax Incentives
   a. Companies commonly offer inducements for international postings; the most common is a financial bonus.
   b. *Hardship or combat pay* involves bonuses for an unstable country or one with a very low standard of living.
   c. The U.S. government permits citizens working abroad to exclude “foreign-earned income” from their taxable income in the U.S.

6. Cultural and Social Contributors to Cost
   a. Culture also plays an important role in the compensation of expatriate managers.
   b. Some nations offer more paid holidays, free medical care, and plans for taking seriously ill expatriates and family members home or to nearby countries.
   c. Companies that hire managers in the local market might encounter additional costs engendered by social attitudes (e.g., Some governments insist that paid maternity leave of one and a half years be provided).
   d. Host-country managers receive the same pay as managers who work for local companies, but they receive perks not offered by local firms.

**B. Non-Managerial Workers**

Two main factors influence the wages of non-managerial workers.

1. First, their compensation is strongly influenced by increased cross-border business investment.

2. Employers can relocate fairly easily to nations where wages are lower. In the home country workers must accept lower wages or see their jobs move abroad.

3. One result of this situation is a trend toward greater equality in workers’ pay around the world. This equalizing effect encourages economic development and improvement in workers’ lives in some countries at the expense of those in others.

4. However, the freedom to relocate differs from country to country; some countries allow firms to move with little notice, others impose restrictions.

5. Second, labor is more mobile than ever before.

6. Although labor laws in Europe are more stringent than in the U.S., EU countries are abolishing the requirement that workers from one EU nation obtain visas to work in another (e.g., If workers in Spain have no work or the pay is inadequate, they move to another EU country).

**6. LABOR-MANAGEMENT RELATIONS (PPT #16-18)**

- The positive or negative condition of relations between management and workers.
- When management and workers realize they depend on one another, the company is better prepared to meet its goals and surmount unexpected obstacles.
- Giving workers a greater stake in the company—through profit-sharing plans—can increase morale and generate commitment to improved quality and customer service.
Because relations between laborers and managers are human relations, they are rooted in culture and are affected by political movements.

Large companies make high-level labor decisions at home for control over production operations around the world; lower-level decisions are typically left to managers in each country.

Localizing management decisions contributes to better labor-management relations because managers familiar with local practices can better handle matters that affect workers personally.

A. Importance of Labor Unions
1. The strength of labor unions where a company has operations affects performance and the selection of a location.
2. Developing and emerging markets in Asia are popular for international companies, and some Asian governments appeal to companies by promising to keep labor unions in check.
3. Developed nations are attractive if a cooperative atmosphere exists between company management and labor unions.
4. Labor unions are stronger in France and Germany although union membership in Germany has dropped from 12 to 8 million.
5. Under codetermination, German workers enjoy a direct say in the strategies and policies of their employers.

International Labor Movements
a. Unions around the globe try to improve the treatment of workers and reduce incidents of child labor.

b. Although a union in one nation might wish to support its counterpart, it is difficult. Events in another country are difficult to comprehend, and workers compete for jobs at multinational companies.

c. Labor unions in one country might offer concessions to attract the jobs created by a new production facility; in this way, unions in different nations compete against one another.

d. Some argue that this phenomenon creates downward pressure on wages and union power worldwide.

7. A FINAL WORD
This chapter concludes our survey of international business. We studied how firms, ranging from small and medium-size businesses to large global companies, hire and manage their most important resource—their employees. We covered a great deal of territory in our “tour” of international business. We hope we piqued your interest in the goings-on of the global marketplace and in the activities of international companies of all types and sizes. Nevertheless, our learning does not end here. Each of us will continue to be exposed to international business in our daily lives—whether as consumers or as current or future business managers. As a result, we will continue to expand our knowledge of other national cultures, the international business environment, and how companies manage their international operations. We wish you well on your continued journey through this fascinating and dynamic subject.