

Strategic issues around training and development faced by mncs



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Nowadays Multinational corporations are more and more widespread, but a problem that they still don't have accomplished is how to retain successful employees, and most importantly how to train their employees in order to make them an efficient and successful resource of their enterprises.

Some researchers estimated that around 30% of all expatriates sent to undertake overseas assignments return home prematurely (Kim & Slocum, 2008; Mendenhall, Dunbar, & Oddou, 1987). Failed adjustment of expatriates leads to high amount of economic and social costs for multinationals corporations. Expatriate failure is argued to be the inability of the expatriate to undertake effectively the international assignment, with the consequence of being fired or recalled to home (Tung (1982), therefore it is crucial to identify the ways to reduce and eliminate such failures. Although estimations of the costs of expatriate failure tend to vary in regards to each different country and are not based on a fixed set of criteria, they certainly cannot be neglected by multinationals (Gregersen & Black, 1990).

This essay aims to explore the strategic issues around training and development that are faced by Multinational corporations. In particular, a definition of what is International training and development will be given, then its importance in MNCs outlined, and the most advocated training programs explained, finally the essay concludes saying that trainees should also take in consideration expatriate's spouse and children as the family support is fundamental for an expatriate to perform effectively.

2. What is International training and development?

One of the most significant topics of International Human Resource Management (IHRM) is International training and development and its benefits are well recognized in the literature. (Dowling and Welch, 2004; Kamoche, 1996; Mendenhall et al., 1987; Tung, 1982).

Kamoche (1996) says: “ The human resource refers to the accumulated stock of knowledge, skills and abilities that individuals possess, which the firm has built up over time into an identifiable expertise” (p. 216).

In the management literature, the two words International training and management development are always related to each other.

Training has the scope to enhance work behaviour and skills, and development has the scope to gain better abilities for future work (Dowling et al., 1999).

The word “ development” in the human resource management area it involves career and abilities development, human resource and management development. Career and abilities development are related to International training and job rotation. Management development aims to identify, forecast and promote International managers. Inside Human resource development is incorporated career and abilities development and management development.

Dowling and Welch (2004) argue that the issue for multinationals is how to retain and leverage their employees in order to have at disposal highly trained, internationally oriented human resources to support their strategic

responses and concur to their key competencies. Multinationals are increasing their usage of training to improve and assist expatriates' activities.

3. The importance of training and development in MNCs

Nowadays, a successful international manager has to detain a set of specific abilities in regards to the context, such as managing responsibility skills, cultural adaptability, ability to generate subordinates, ability to demonstrate and to exhibit (Baumgarten, 1992).

These skills are regarded as fundamental international ability and characteristics which can be generated with an effective international training and development program.

International training is the type of training specifically set for who has been allocated an international assignment.

In the international literature the group of international training that has received more attention is Pre-departure training for expatriates, as overseas failure (i. e. the return of an expatriate employee before the completion of the assigned assignment) is most of the time caused by failure to provide adequate international training for expatriates and their spouses.

In order to measure the effectiveness of employees' expatriation, the expatriate failure rate is a good indicator.

One of the reason MNCs have to avoid expatriation failure is certainly because their cost are really high, involving direct (salary, training, travel

and relocation costs) and indirect expenditure. The average direct cost per failure to the parent company goes from US\$ 55. 000 to US\$ 80. 000, depending to the assignment's destination (Mendenhall and Oddou, 1986). Whereas indirect costs can be considerable and difficult to quantify, including the damage of the relationships with host country's government, other organizations and with customers, losing market share and company's reputation, therefore also missing future business opportunities.

Some research conducted among American's multinationals has revealed a high rate of expatriate failure and therefore it remains a recurring problem (Brewster, 1988).

Table 1 shows this phenomenon (Shen and Edwards, 2004).

The global environment is becoming more and more complex and in continuous change, for this reason it requires flexibility. Therefore organizations have to devise strategic responses with the help of suitably trained and internationally oriented employees.

Researches find that there is positive correlation between the rigor of the selection and training process and its expatriate success rate (Tung, 1981). This means that if a company uses a more rigorous training program then it will significantly benefit and improve the performances of the expatriate in the overseas environment, therefore decreasing the failure rate (Mendenhall et al., 1987). Cultural training aims to enables personnel to adjust themselves in the foreign culture and then work more effectively in the new environment (Earley, 1987).

Table 2 shows (in descending order of importance) some reasons of expatriate failure in US and Japanese MNCs (Tung, 1982).

Table 2. SOURCE: Tung, 1982.

From the table it's important to note that the more important cause of expatriate failure is not expatriates absence of adequate technical skills, but the inability of expatriates and their spouse to adapt themselves in the new overseas environment and culture.

The aims of international management development is to identify, promote and use international managers, and it is forecasted to have a important role in MNCs because it is fundamentally needed in order to develop a cross-national corporate culture and to integrate international operations.

Bartlett and Ghoshal (2000), argue that multinational corporations can develop their network by creating a group of international managers from different countries.

4. International training and development programs

In Multinational corporations there are mainly two different groups of international trainings.

They are divided in:

1. Pre-departure training for expatriates: before an expatriate's departure for the international assignment, there will be a preparatory training course, this has the scope to ensure that the expatriate has the right capacity and knowledge to accomplish his assignment in a successful way.

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2. Post-arrival training for expatriates: Once the expatriate is arrived in his destination to fulfil his international assignment, he will be provided with on-site training, in order to familiarize with the new working environment.

3. Training for nationals of the host-country (HCNs) and nationals of third-country (TCNs): multinationals will provide training in order to teach them their corporate culture and strategy.

4. 1 Pre-departure training

Most of the literature is concentrated on expatriate pre-departure training programs and their scope is to provide and develop host-country's cultural awareness to expatriates. Once expatriates have been selected by the multinational for an overseas task, pre-departure training is the next indispensable step to be taken in order to ensure the successful and effective performance of expatriates' assignment in the host-country (Dowling, Engler, Festing, 2008).

Pre-departure training programs to be effective have to include different components: cultural awareness training, preliminary visits, language instruction and assistance with practical assistance (Mendenhall & Oddou, 1986).

4. 1. 1 Cultural awareness programs

Is generally known that expatriates have to feel comfortable and adapted in the host-country in order to perform effectively their task, therefore is fundamental to provide them with a well-designed cultural awareness training program. Receiving this kind of training expatriates will understand

and appreciate host-country's different culture and can behave accordingly or develop appropriate coping patterns.

Without any understanding of host-country's different culture, expatriates are likely to feel disoriented and face difficult behavioural problems during their time abroad. Therefore, cultural awareness training is considered the most common and important part of pre-departure training. Cultural awareness training programs is formed by different components which may vary according to country of destination, duration of the assignment, purpose of the expatriation, and the provider of such programs (Dowling, Engler, Festing, 2008).

4. 1. 2 Preliminary visits

One method for orientating the expatriates is to send them in the host-country for a short trip. If the trip overseas is well planned can provide a useful preview to expatriates and their spouse about the international assignment's destination, and allow them to assess their suitability for the new environment. This kind of trip is needed also to introduce expatriates to the new business context in the host-country and provide them with more information before their departure. Preliminary visit to the host-country can assist in the initial adjustment process when used as part of a pre-departure training program (Dowling, Engler, Festing, 2008).

Even if the useful adoption of preliminary visits is well known, some European multinationals do not provide it. The 1997 European study reported what one firm admitted: " We do not provide pre-assignments visits where conditions are so poor that nobody would want to go."

4. 1. 3 Language training

Language training is an important component of a pre-departure training program. However its importance is always put after that of cultural awareness training.

It is generally worldwide accepted that English is the common language of the business world.

The ORC Worldwide 2002 survey discovered that the adoption of language training for expatriates and their spouse, as part of the pre-departure training program is increased. In fact, results say that 59% of the sample firms provided language training before the departure of expatriates, and 74% provided language training once expatriates arrived on the assignment's destination.

The ability to speak the foreign country's language is essential to perform better and improve negotiating ability; indeed Tung (1997) discovered from a survey of 400 expatriates that language competence is a critical part of the assignment's performance. Language skills are not important only for task performance but also for cultural adjustment. One reason for multinational not providing language training may be the difficulty and long time required to learn even a base level of a foreign language. A solution to this problem for multinationals is to hire a large language competent staff from which they can choose the potential expatriates to send abroad, but multinationals have also to keep an up-to-date information on all employees, and make frequent tests to verify if those language skills have been maintained (Marschan, Welch, 1997).

4. 1. 4 Practical assistance

Providing practical assistance is another component of a pre-departure training program. Practical assistance aims to help expatriates and their family to adapt themselves to the new foreign environment. Many multinationals are paying specialized assistants in order to help expatriates and their family, providing practical assistance in finding a suitable accommodation or school for their children.

4. 2 Post-arrival training

Some recent research studies and innovative multinational companies practices suggest that there are three main emerging topic that managers working in multinational corporations have to be aware: In-Country, Real-Time Training, Global Mindset Training; and Self Internet-Based Training.

4. 2. 1 In-Country, Real-Time Training

The majority of multinational corporations think that pre-departure cross-cultural training alone can already give expatriate the necessary skills and knowledge to perform well in the overseas environment. But researchers in this area have analyzed the expatriation process from different perspectives and discovered that multinationals' thinking is erroneous, and argued that is important to continue the cross-cultural training program in the early stages of the international assignment (Gudykunst, Guzley, & Hammer, 1996; Mendenhall, 1999).

Living in a totally new environment facing different culture is a complex task and pre-departure training can provide expatriate with skills and knowledge only to survive, not to excel and overcome problematic situations where

expatriates don't know what they should do, because pre-departure training methods cannot cover all the specific cross-cultural situations that expatriates encounter during the international assignment.

Therefore once arrived in the foreign country is important to provide expatriates with further education and training in order to make them able to process accurately the new environment around them and to undertake wise moves. In-country training suits these specific needs.

Global Mindset Training

Nowadays it is very important that managers – especially for U. S and European firms – to develop global mindset in order to help their own companies to operate in the global context even when they have tasks only at local level. Hence increasing number of companies is educating their managers about global business issues.

Multinationals have several ways to do this, for instance they can utilize their internal returning managers or expatriates in terms of their overseas market knowledge, intercultural skills, foreign language ability, and so on. Some Multinational corporations organize seminars both on formal way and on informal way and ask repatriates to share their overseas experiences relocating managers and their families to some specific regions. Then companies could also adopt the method of field experience that puts employees in contact with subcultures, in particular with poor people, within their own country during short and compressed time periods. During this time they should learn how to “ walk in the moccasins” of the members of the subculture. This kind of experience provides them a powerful tool to

broaden their horizons, to reduce subjective barriers and prejudices, and increase their interpersonal skills. All these activities enhance those competencies to develop a global leadership and business knowledge.

Self Internet-based training

Companies also provide CD-ROM “edutainment” software to support employees and children in activities of large range in order to help expatriates to increase their productivity overseas. It is designed as self training program. For instance you can find software CD-ROM that can give you a country – specific interactive guide for business travelers and ordinary dealings with different cultures under the supervision of some trainers through internet connection. Often these software are tailored with different feature to different employees ‘ family members.

5. Trainees: “ Who should be trained?”

The support of the expatriate’s family is of critical importance for any international assignment to be successfully completed. From this point of view, is clear that multinationals have to train all family members of the expatriate in order to receive a high and effective performance of the assignment.

According to a survey conducted by Organizational Resource Counsellors (ORC), 47% of multinationals offer training program to the entire family of the expatriate, 33% offer to their employee and spouse, and 20% offer training only to the expatriate employee.

Different researchers have analysed this phenomenon and argue that the most important and common reasons for which expatriate cannot perform effectively their international assignment is the inability of their spouses to settle well and live in the host culture (Black, Gregersen, & Mendenhall, 1992; Adler, 1997; Kohls, 1994).

While expatriate are sustained by the workplace with familiar routines and job tasks, the situation of his or her family members is quite different. The spouse is left alone and has to face difficult challenges in a new international environment such as how to deal with relocation logistics, to establish the household, to settle the children at school, to negotiate with the local services, and to become part of a social network. Obviously the level of difficulty depends on spouse's level of confidence and skills. According to findings of a research made by Bennett Associates and Price Waterhouse, most of the times all expatriates are married and the accompanying spouse is female, and they have to face the dual-career dilemma situation at the time of the international relocation. When the accompanying partner is in front of this situation, she or he may feel ambivalent about the move and worried about how to find employment once arrived abroad. So all training programs should take in consideration these issues and help the spouse in order to have a positive growth and development during the time abroad. Therefore is very important that the spouse feel that he or she is also an active part in the international assignment (Lublin, 1999). Training programs should also include young family members, supporting them to adapt in the new environment. All these programs should be tailored according to

different needs of children, and they are particularly useful in case of strong difference between children's culture and host-country ones.

In most major business centres there are international schools that help expatriate community, trying to facilitate their transition from their own country's environment to the new foreign country's environment.

In other cases, when is not possible to find this kind of international schools, children have to put more efforts in facing new education system, social norms, and the challenges posed by a new language.

6. Conclusions

One of the most important issues of International Human Resource Management is International training and development and this is well known by all researchers.

From the literature and study done in this field, researchers argue that most MNCs do not provide sufficient or adequate International training for expatriates and their families. It is argued that Multinationals have reported high percentage of expatriate failure and consequently they do not have many effective international managers in the international arena.

Researchers said that the components of each different international training has to be decided in regards to the country of destination, the type of task, the duration of assignment and the purpose of expatriation. Pre-departure training and post-arrival training are the most supported in the literature.

Therefore, MNCs should provide effective International training and development to expatriates and their family, Host-country nationals and Third-country nationals, in order to gain better economic performance and to be successful in such a competitive environment.