

# global human resource management essay sample

[Business](#), [Management](#)



This chapter focuses on the challenging topic of global human resource management (HRM). The term “ expatriate manager” is introduced. The task of staffing foreign subsidiaries is discussed. In this area, firms typically pursue either an ethnocentric, polycentric, or geocentric approach.

This section is followed with an explanation of the challenges involved in selecting expatriate managers. Expatriate managers often fail in their overseas assignments for a variety of reasons, ranging from the inability of their spouses to adjust to living overseas to a manager’s personal or emotional maturity. Techniques that can be used to reduce expatriate failure are presented and discussed. The chapter also discusses a number of other HRM topics in the context of global management. The topics of training and management development are discussed, along with performance appraisal and compensation. The chapter concludes with a discussion of labor issues in the international business.

Opening Case: Lenovo

Summary

The opening case explores Lenovo’s mission to become a major player in the global personal computer industry. Lenovo acquired IBM’s personal computer division in 2004 to become the third largest personal computer firm in the world. After the acquisition, Lenovo immediately put a new management team in place led by an American, and moved the company’s headquarters from China to the United States. Discussion of the case can revolve around the following questions:

## Suggested Discussion Questions

QUESTION 1: Immediately after it acquired IBM's personal computer division, Lenovo shifted its headquarters to the United States, and named an American to head the company. Lenovo has also stated that English will be the company's business language. Why is Lenovo trying to distance itself from its Chinese origins?

ANSWER 1: When Lenovo acquired IBM's PC division it made the surprising decision to move the company's headquarters to New York. Lenovo feared that without such a move, the company risked losing IBM's managers, engineers, and salespeople - individuals who created value for the organization. In addition to moving the company's headquarters, Lenovo also appointed Stephen Ward, the former head of IBM's PC division to CEO. Lenovo then created a management team that included an equal number of Chinese and Americans. Most students will recognize that Lenovo was making a concerted effort to create a firm that was neither Chinese, nor American, but instead global in its orientation, a firm that is positioned to compete head-to-head with other players in the global PC market.

QUESTION 2: How has Lenovo human resource function supported the company's intention to be a truly global company? What type of human resource strategy does Lenovo follow?

ANSWER 2: Most students will probably suggest that Lenovo is following a geocentric approach to human resources. This approach can be seen from the top down within the organization. The company appointed an American

to the position of CEO because it felt that none of the firm's existing Chinese executives had the capabilities to manage a truly global enterprise. At the management level, Lenovo again focused on finding individuals with the skills and capabilities necessary for the position rather than their nationality. Lenovo stressed that this same approach would be used to staff local workforces as well.

## Chapter Outline with Lecture Notes, Video Notes, and Teaching Tips

### Introduction

A) Human resource management (HRM) refers to the activities an organization carries out to utilize its human resources effectively. These activities include determining the firm's human resource strategy, staffing, performance evaluation, management development, compensation, and labor relations.

B) The role of HRM is complex enough in a purely domestic firm, but it is more complex in an international business, where staffing, management development, performance evaluation, and compensation activities are complicated by the profound differences between countries in labor markets, culture, legal systems, economic systems, and the like.

C) The HRM function must also deal with a host of issues related to expatriate managers (citizens of one country working abroad).

eaching Tip: There are a number of private HRM firms that provide selection, training and repatriation services for expatriate managers.

A) Success in international business requires that HRM policies be congruent with the firm's strategy (see Figure 16. 1 in the text).

### Staffing Policy

A) Staffing policy is concerned with the selection of employees who have the skills required to perform a particular job. Staffing policy can be viewed as a major tool for developing and promoting a corporate culture (the organization's norms and value systems).

### Types of Staffing Policies

B) Research has identified three main approaches to staffing policy within international businesses. These have been characterized as an ethnocentric approach, a polycentric approach and a geocentric approach.

### The Ethnocentric Approach

C) An ethnocentric approach to staffing policy is one in which key management positions in an international business are filled by parent-country nationals. The policy makes most sense for firms pursuing an international strategy.

D) Firms pursue an ethnocentric staffing policy for three reasons: First, the firm may believe there is a lack of qualified individuals in the host country to fill senior management positions. Second, the firm may see an ethnocentric staffing policy as the best way to maintain a unified corporate culture. Third, if the firm is trying to create value by transferring core competencies to a

foreign operation, as firms pursuing an international strategy are, it may believe that the best way to do this is to transfer parent country nationals who have knowledge of that competency to the foreign operation.

Video Note: Some experts believe that the United States is falling behind in developing managers with the types of skills necessary to be successful in the future. To learn more about this, consider the iGlobes High-Tech School Prepares Students for Shifting Economy and High-tech Companies Seek to Hire More Foreign Workers.

E) Despite the rationale for pursuing an ethnocentric staffing policy, the policy is now on the wane in most international businesses. There are two reasons for this. First, an ethnocentric staffing policy limits advancement opportunities for host country nationals. Second, an ethnocentric policy can lead to cultural myopia (a failure to understand host-country cultural differences that require different approaches to marketing and management).

#### The Polycentric Approach

F) A polycentric staffing policy is one in which host country nationals are recruited to manage subsidiaries in their own country, while parent country nationals occupy the key positions at corporate headquarters. While this approach may minimize the dangers of cultural myopia, it may also help create a gap between home and host country operations. The policy is best suited to firms pursuing a localization strategy.

G) There are two advantages of the polycentric approach. First, the firm is less likely to suffer from cultural myopia, and second, this staffing approach may be less expensive to implement than an ethnocentric policy. There are two important disadvantages to polycentric staffing approach however. First, host country nationals have limited opportunities to gain experience outside their own country and thus cannot progress beyond senior positions in their own subsidiaries. Second, a gap can form between host country managers and parent country managers.

### The Geocentric Approach

H) A geocentric staffing policy is one in which the best people are sought for key jobs throughout the organization, regardless of nationality. This approach is consistent with building a strong unifying culture and informal management network. It is well suited to firms pursuing either a global or transnational strategy. The immigration policies of national governments may limit the ability of a firm to pursue this policy.

I) The advantages of a geocentric approach to staffing include enabling the firm to make the best use of its human resources and build a cadre of international executives who feel at home working in a number of different cultures. The disadvantages of geocentric approach include difficulties with immigration laws and costs associated with implementing the strategy.

### Summary

J) The advantages and disadvantages of each of the three main approaches to staffing policy are summarized in Table 16. 1 in the text.

### Expatriate Managers

K) A prominent issue in the international staffing literature is expatriate failure - the premature return of an expatriate manager to his or her home country.

Lecture Note: The Mercer Human Resource Consulting group conducts studies on a variety of issues related to expatriate managers. To see a selection of studies go to {<http://www.mercer.com/managingexpats>}.

### Expatriate Failure Rates

L) The costs of expatriate failure can be substantial. According to a study by Rosalie Tung, the main reasons for expatriate failure among U. S. firms seem to be 1) an inability of an expatriate's spouse to adapt to a foreign culture, 2) an inability of the employee to adjust, 3) other family-related reasons, 4) the manager's personal or emotional maturity, and 5) inability to cope with larger overseas responsibilities (see Table 16. 2 in the text).

M) Managers of European firms gave only one reason consistently to explain expatriate failure: the inability of the manager's spouse to adjust to a new environment. For Japanese firms, the reasons for failure, in descending order of importance, were inability to cope with larger overseas responsibility, difficulties with new environment, personal or emotional problems, lack of



technical competence, and the inability of spouse to adjust.

Management Focus: Managing Expatriates at Royal Dutch/Shell

## Summary

This feature examines how Royal Dutch/Shell, a global petroleum company employing over 100, 000 people manages its some 5, 500 expatriates. The international mobility of its workforce is an important part of Shell's overall philosophy. However, in the early 1990s, the company found that it was having an increasingly difficult time recruiting personnel for foreign postings.

Discussion of the feature can begin with the following questions:

## Suggested Discussion Questions

1. Shell's commitment to the success of its foreign assignments is demonstrated by its efforts to uncover expatriate concerns. Discuss the results of Shell's survey to its present and past expatriates and families. How do these results compare to the results of other studies exploring expatriate failure?

Discussion Points: Shell discovered that there were five key issues that were important to its expatriates. First, the division of families that occurred when children were sent to boarding schools while their parents were on foreign assignments, second, the harm done to a spouse's career during the foreign assignment, third, the lack of consideration for a spouse during the expatriate assignment process, fourth, the failure to provide adequate relocation assistance, and fifth, health issues. Students should recognize the

similarities between the results of this study and the results of other studies that have found difficulties with the spouse and family's ability to adapt to be a central reason for expatriate failure.

2. Shell has implemented several changes to its expatriate program including providing education assistance to families with children, and establishing a Spouse Employment Center to help locate employment opportunities. In your opinion, will these programs "solve" Shell's problems, or is there still more to be done?

Discussion Points: Most students will suggest that Shell's programs are a good start to ensuring the success of its expatriate program. They may also note that Shell may well be ahead of the game in even thinking about the situation. Expatriate failure can be very costly for companies, and so taking steps to ensure that expatriates are successful is an important component in a firm's international strategy, especially for a company like Shell that relies heavily on expatriates.

### Expatriate Selection

N) One way of reducing expatriate failure rates is through improved selection procedures. Mendenhall and Oddou identified four dimensions that seem to predict success in a foreign posting: self-orientation, others-orientation, perceptual ability, and cultural toughness.

O) Self-orientation attributes strengthen the expatriate's self-esteem, self-confidence, and mental well-being. Others orientation refers to how the

attributes of this dimension enhance the expatriate's ability to interact effectively with host-country nationals. Perceptual ability refers to the ability to understand why people of other countries behave the way they do. Cultural toughness refers to the fact that how well an expatriate adjusts to a particular posting tends to be related to the country of assignment.

### The Global Mindset

P) A global mindset, one that is characterized by cognitive complexity and a cosmopolitan outlook, may be the fundamental attribute of a global manager. Managers with a global mindset can deal with high levels of complexity and ambiguity and are open to the world.

Q) Most firms fail to test employees for the attributes that have been shown to improve expatriate success, and instead select expatriate managers primarily on the basis of technical expertise.

### Training and Management Development

A) Selection is just the first step in matching a manager with a job. The next step involves training the manager to do the job. Training begins where selection ends and it focuses upon preparing the manager for a specific job.

B) Management development is a broader concept. Management development is concerned with developing the skills of the manager, reinforcing the firm's culture, and facilitating the creation of an informal network for knowledge sharing within the organization.

## Training for Expatriate Managers

C) Cultural training, language training, and practical training all seem to reduce expatriate failure. However, according to one study only about 30 percent of managers sent on one- to five-year expatriate assignments received training before their departure.

D) Cultural training seeks to foster an appreciation for the host country's culture.

## Language Training

E) Despite the prevalence of English, an exclusive reliance on English diminishes an expatriate manager's ability to interact with host country nationals.

## Practical Training

F) Practical training is aimed at helping the expatriate manager and her family ease themselves into day-to-day life in the host country.

Lecture Note: Until the advent of the Internet, expatriates often felt isolated. Today numerous sites exist where expatriates can communicate with each other and share their experiences. Students can explore the site, or it can be an in-class activity to see some of the issues facing expatriates.

## Repatriation of Expatriates

G) A largely overlooked but critically important issue in the training and development of expatriate managers is to prepare them for reentry into their home country organization.

H) The HRM function needs to develop good program for re-integrating expatriates back into work life within their home country organization once their foreign assignment is over, and for utilizing the knowledge they acquired while abroad.

#### Management Development and Strategy

I) Management development programs are designed to increase the overall skill levels of managers through a mix of ongoing management education and rotations of managers through a number of jobs within the firm to give them varied experiences.

J) Management development is often used as a strategic tool to build a strong unifying culture and informal management network, both of which are supportive of a transnational and global strategy

#### Management Focus: Monsanto's Repatriation Program

#### Summary

This feature describes Monsanto's repatriation program for its expatriate managers. The program is very sophisticated, and is designed to provide a supportive environment for the company's managers who are returning from overseas assignments. The feature describes the details of the repatriation

program, which is a model program for the repatriation of expatriate managers. Discussion of the feature can begin with the following questions:

### Suggested Discussion Questions

1. How does Monsanto's repatriation program provide an incentive for high-potential managers to accept overseas assignments?

Discussion Points: One question that managers often have when accepting a foreign assignment is how the assignment will help their career. At Monsanto, foreign assignments are clearly linked to business objectives allowing managers to understand what the assignment means to their future. In addition, managers are explicitly told about their position in the firm once the assignment is over, eliminating questions over how the manager might fit in when the foreign assignment ends. Students will note that these steps will help alleviate some of the stress that may come with accepting a foreign assignment.

2. According to the feature, after they return home, Monsanto's expatriate managers are given the opportunity to showcase their experience to their peers, subordinates, and superiors, in special information exchange. Why is this important? What function does this serve in the repatriation process?

Discussion Points: Students will probably recognize that Monsanto's program allows expatriates to "show their stuff" to the home country staff. This can help avoid the problem of "out of sight, out of mind" that can make it

difficult for expatriates to fit back into the headquarters. The program also allows home country staff to identify new ways the expatriate might be able to fit into the home country structure. Students will probably also note the program offers home country staff the opportunity to learn from the expatriate's experiences.

3. How does Monsanto's repatriation program help an expatriate manager adjust his personal life to returning home? Is this an important component of a firm's repatriation program?

Discussion Points: Studies show that expatriates go through reverse culture shock when they return home. By ensuring that expatriates have a clearly defined role at their job, the adjustment to being home can be easier.

Monsanto believes that because personal matters can affect job performance, making an investment in this area benefits the firm.

#### Performance Appraisal

A) Performance appraisal systems are used to evaluate manager performance. It can be particularly difficult to evaluate the performance of expatriate managers.

#### Performance Appraisal Problems

B) Unintentional bias makes it difficult to evaluate the performance of expatriate managers objectively. In most cases, two groups evaluate the performance of expatriate managers - host nation managers and home office managers - and both are subject to bias.

C) Frequently home country managers must rely more on hard data when evaluating expatriates, and host country managers can be biased towards their own frame of reference.

#### Guidelines for Performance Appraisal

D) There are several ways to reduce bias in performance appraisals. First, most expatriates appear to believe more weight should be given to an on-site manager's appraisal than to an off-site manager's appraisal. Second, a former expatriate who served in the same location should be involved in the appraisal process to help reduce bias. Finally, when the policy is for foreign on-site managers to write performance evaluations, home office managers should probably be consulted before an on-site manager completes a formal termination evaluation.

#### Compensation

A) There are two key issues to consider regarding compensation in an international business. First, how compensation should be adjusted to reflect national differences in economic and compensation practices. The second issue refers to how expatriate managers should be paid.

#### National Differences in Compensation

B) Substantial differences exist in the compensation of executives at the same level in various countries. These differences in compensation practices raise a perplexing question for an international business: should the firm pay



executives in different countries according to the prevailing standards in each country, or should it equalize pay on a global basis?

C) Over the last decade, many firms have moved toward a compensation structure that is based upon consistent global standards, with employees being evaluated by the same grading system and having access to the same bonus pay and benefits structure irrespective of where they work.

Management Focus: Global Compensation Practices at McDonald's

### Summary

This feature explores McDonald's efforts to develop a global compensation and performance appraisal strategy. McDonald's, which has some 400,000 managers and senior employees working in 118 different countries wants its new program to provide some standardization of compensation and performance appraisal for the firm, but at the same time, allow subsidiaries to tailor the program to local market conditions. Discussion of the feature can begin with the following questions:

### Suggested Discussion Questions

1. What does McDonald's hope to gain from having a global compensation and performance appraisal system in place?

Discussion Points: With hundreds of thousands of managers and senior employees working in more than 100 countries around the world, compensation and performance appraisal at McDonald's has the potential to

become a nightmare of inconsistencies and complexities. To try to reduce the potential for such a situation, McDonald's began to implement a global compensation and performance appraisal system in 2004. The new system was developed after extensive consultation with managers all over the world, and thus reflects differing perspectives on the process. McDonald's hope that its new program will give the firm greater control, and at the same time, provide subsidiaries with the tools necessary to develop fair policies. Under the new program, performance and compensation for an individual is based in part on how well local units meet their self-selected goals as well as their individual performance.

2. How does the compensation and performance appraisal system introduced at McDonald's allow managers to take local market differences into account? Why is this type of approach important to employees?

Discussion Points: The compensation and performance appraisal system introduced recently at McDonald's was specifically designed to allow local market conditions to be considered. So, for example, rather than simply setting a specific performance appraisal scales, the company has issued general guidelines that allow local managers some flexibility. Similarly, McDonald's issues a set of business principles to focus on that each local subsidiary then tailors to the conditions in its market. Employees seem to like the new approach. Turnover is down, and surveys show that employees feel the new program is fair and reflects local market conditions.

Expatriate Pay

D) The most common approach to expatriate pay is the balance sheet approach. This approach equalizes purchasing power across countries so employees can enjoy the same standard in their foreign posting that they enjoyed at home.

E) A further component of the balance sheet approach is to provide financial incentives and allowances to offset qualitative differences between assignment locations.

F) The components of the typical expatriate compensation package are: base salary, a foreign service premium, allowances of various types, tax differentials, and benefits.

#### Base Salary

G) An expatriate's base salary is normally in the same range as the base salary for a similar position in the home country.

#### Foreign Service Premium

H) A foreign service premium is extra pay the expatriate receives for working outside his or her country of origin. It is offered as an inducement to accept foreign postings.

#### Allowances

I) Four types of allowances are often included in an expatriate's compensation package: hardship allowances, housing allowances, cost-of-living allowances, and education allowances.

## Taxation

J) Unless a host country has a reciprocal tax treaty with the expatriate's home country, the expatriate may have to pay income tax to both the home country and the host-country governments. When a reciprocal tax treaty is not in force, the firm typically pays the expatriate's income tax in the host country.

## Benefits

K) Many firms also ensure that their expatriates receive the same level of medical and pension benefits abroad that they received at home.

## International Labor Relations

A) A key issue in international labor relations is the degree to which organized labor is able to limit the choices available to an international business. A firm's ability to pursue a transnational or global strategy can be significantly constrained by the actions of labor unions.

## The Concerns of Organized Labor

B) A principal concern of organized labor is that the multinational can counter union bargaining power by threatening to move production to another country. Another concern is that an international business will keep highly skilled tasks in its home country and farm out only low-skilled tasks to foreign plants. A third concern is that multinationals will try to import and impose unfamiliar labor practices from other countries.

## The Strategy of Organized Labor

C) Organized labor has responded to the increased bargaining power of multinational corporations by taking three actions: (1) trying to set-up their own international organizations, (2) lobbying for national legislation to restrict multinationals, and (3) trying to achieve regulations of multinationals through international organization such as the United Nations. However, none of these efforts have been very successful.

## Approaches to Labor Relations

D) Traditionally, labor relations have been decentralized to individual subsidiaries within multinationals. Now there is a trend towards greater centralization. This enhances the bargaining power of the multinational vis-à-vis organized labor.

E) There is a growing realization that the way in which work is organized within a plant can be a major source of competitive advantage.

## Critical Discussion Questions

1. What are the main advantages and disadvantages of the ethnocentric, polycentric, and geocentric approaches to staffing policy? When is each approach appropriate?

Answer: The answer to this question is contained in Table 16. 1 in the text.

An ethnocentric staffing policy is one in which key management positions are filled by parent country nationals. The advantages of the ethnocentric

approach are: (1) Overcomes lack of qualified managers in host country, (2) Unified culture, and (3) Helps transfer core competencies. The disadvantages of the ethnocentric approach are: (1) Produces resentment in host country, and (2) Can lead to cultural myopia. An ethnocentric approach is typically appropriate for firms utilizing an international strategy. A polycentric staffing policy requires host country nationals to be recruited to manage subsidiaries, while parent country nationals occupy key positions at corporate headquarters. The advantages of the polycentric approach are: (1) Alleviates cultural myopia, and (2) It is inexpensive to implement.

The disadvantages of the polycentric approach are: (1) Limits career mobility, and (2) Isolates headquarters from foreign subsidiaries. A polycentric approach is typically appropriate for firms utilizing a localization strategy. A geocentric staffing policy seeks the best people for key jobs throughout the organization, regardless of nationality. The advantages of a geocentric approach are: (1) Uses human resources efficiently, (2) Helps build strong culture and informal management network. The disadvantages of the geocentric staffing policy are: (1) National immigration policies may limit implementation, and (3) It is expensive to implement. A geocentric approach is typically appropriate for firms utilizing a global or transnational strategy.

2. Research suggests that many expatriate employees encounter problems that limit both their effectiveness in a foreign posting and their contribution to the company when they return home. What are the main causes and

consequences of these problems, and how might a firm reduce the occurrence of such problems?

Answer: The primary causes of expatriate problems are the inability of the spouse to adjust, inability of the employee to adjust, other family problems, personal/emotional maturity, and an inability to cope with the larger overseas responsibilities. The consequences of such problems are that an employee can be ineffective or detrimental overseas, and/or may return prematurely before the assigned job tasks are completed. A firm can reduce the occurrence of expatriate problems by developing an effective selection process, training, and repatriation program. The most successful expatriates seem to be those who have high self-esteem and self-confidence, get along well with others, are willing to attempt to communicate in a foreign language, and can empathize with people of other cultures. An expatriate training program should include cultural, language, and practical training.

Cultural training seeks to foster an appreciation of the host country's culture so that the expatriate behaves accordingly. Language training involves training in local language both from a business and personal perspective. Practical training is aimed at assisting the expatriate manager and her family to ease into day-to-day life in the host country. The sooner a day-to-day routine is established, the better the prospects are that the expatriate and family will adapt successfully. Before leaving, however, specific plans and procedures should be in place for the repatriation of the employee.

3. What is the link between an international business's strategy and its human resource management policies, particularly with regard to the use of expatriate employees and their pay scale?

Answer: In firms pursuing a localization strategy, a polycentric staffing approach is most common and there are relatively few expatriates or the associated pay issues. Expatriates are more common in firms with international strategies, and when an ethnocentric staffing approach is utilized. In this situation the pay is often based on home country levels, with adjustments as required for differing living costs and taxes as outlined by the balance sheet approach. Firms pursuing global or transnational strategies most often use a geocentric approach to staffing, where the best individuals (regardless of nationality) are chosen fill positions in any country. Here the pay issues for expatriates can become particularly complex, as allowances must be made for home country norms, host country costs and expectations, and global norms across the company.

4. In what ways can organized labor constrain the strategic choices of an international business? How can an international business limit these constraints?

Answer: Organized labor can significantly constrain the choices firms make with respect to location. International firms (or domestic ones for that matter) often choose to locate new facilities in places where labor is relatively peaceful and working relations are harmonious. Labor can raise objections and threaten disruptive behavior if a firm decides to move some



activities to other locations - which in some cases only reinforces the need for relocating the activities. Organized labor has also attempted to (i) set-up its own international organizations, (ii) lobby for national legislation to restrict multinationals, and (iii) achieve regulation of multinationals through international organization such as the United Nations.

However, none of these broader efforts have been very successful.

International businesses have the advantage of being able to provide or take away jobs, and in today's labor market that gives them considerable power. As a condition of opening or expanding a facility, firms can negotiate favorable conditions with local unions and force unions to compete against each other for the gains in membership.

5. Reread the Management Focus on McDonald's global compensation practices. How does McDonald's approach help the company to take local differences into account when reviewing the performance of different country managers and awarding bonus pay?

Answer: Compensation at McDonald's is based not only on individual performance, but also on how well local units meet their goals. Each country manager selects certain goals from a menu of business principles identified by headquarters, and then works toward achieving those goals. By allowing country managers to choose the principles to focus on, the company allows for local differences to enter into the mix. There is also an opportunity to consider local market differences when conducting performance appraisals. McDonald's issues guidelines on performance rather than specific rating

systems. The guidelines give individual units the ability to consider local market differences.

## Summary

The closing case explores the efforts of John Ross, general manager of XCO's Chinese joint venture, to improve productivity. Despite considerable improvement in the joint venture's operations, Ross, who took over the venture four years earlier, was frustrated both at his inability to further improve the situation, and at his headquarters for not understanding the Chinese market and way of operating. Discussion of the case can revolve around the following questions:

## Suggested Discussion Questions

QUESTION 1: Why do you think John Ross' prior expatriate experience failed to prepare him for the task of managing XCO China?

What were the challenges facing John Ross? Why was it so difficult for him to improve productivity at the joint venture?

ANSWER 1: Prior to taking over at XCO China, John Ross had been posted in Mexico and Hungary. When Ross arrived at XCO China, he faced many challenges. One issue limiting his ability to improve productivity was the reluctance by the Chinese partner to reduce employment levels. A second factor was the inefficient nature of the operation. With poor product quality and lax enforcement of inventory controls, the venture was doomed to failure despite the low wages that employees earned. Another key issue for

John Ross was his boss' lack of knowledge of the Chinese way of business. Many students may suggest that despite his success in other countries, business in China, especially within a joint venture with a former-state enterprise, was far more complicated than doing business in Mexico or Hungary.

QUESTION 2: What does the experience of XCO with American expatriates tell you about the problems of working abroad, and about the difficulties of using home country employees to transfer valuable knowledge within a multinational firm?

ANSWER 2: Many students will probably suggest that the experiences of John Ross in China illustrate the challenges of expatriates, particularly those who have been selected for their technical knowledge rather than their global mindset. Some students will probably conclude that the human resources department essentially failed John Ross. He had requested two specialists to provide assistance to the Chinese. The goal was to improve productivity. While headquarters selected two highly qualified individuals from a technical perspective, it failed to consider the need to find employees who could also fit in culturally. One expatriate left almost immediately, and the other, while staying for a year, could not interact with the Chinese employees, and had to be repatriated. In retrospect, both individuals might have been more successful had they been trained for the cultural differences they were to encounter.

QUESTION 3: In order to transfer valuable knowledge, why was it apparently more effective to take Chinese employees to the United States, and then transfer them back home, than it was to use U. S. expatriates?

ANSWER 3: John Ross initially tried to improve productivity in China by bringing highly trained U. S. expatriates to China to work with Chinese employees. The strategy was a disaster as the expatriates found it difficult to interact with the Chinese workers. Students may suggest that Ross' tactic of sending Chinese employees to the United States to see the company's domestic operations and bring back their knowledge to the Chinese market was more successful than the earlier efforts to transfer knowledge because it allowed individuals who knew the Chinese mindset to introduce the ideas in a manner that could resonate with factory workers.

QUESTION 4: How might XCO's performance appraisal system be adjusted so that Ross gets credit, if it is deserved, for the difficult work that he is doing in China, work that is not reflected in a level of performance at XCO China that matches XCO's operations elsewhere?

ANSWER 4: Ross has made significant progress in improving the situation at XCO. The joint venture now follows a six sigma quality control program which has helped to reduce inventory issues. Productivity is up, and the venture is actually profitable. Because his boss is a numbers man, Ross will probably need him to view the venture in a more subjective way to see the real progress he has made.

Continuous Case Concept

Within the auto industry, it has become readily apparent that labor costs at American companies are too high and are hampering the ability of companies like GM and Ford to compete. Health care costs, for example, now make up more than \$1, 000 per vehicle at these companies. GM announced that in addition to its cuts in its blue-collar labor force (see iGlobes noted below), 5, 000 white collar jobs would also be eliminated in 2008. In an effort to become more competitive, companies are seeking lower cost production locations such as China, India, and Mexico.

Why might a company choose to produce in Eastern Europe rather than China or Mexico? As a member of the UAW, how would you view the plight of the American auto companies?

Next, ask students to consider what new challenges come from producing in foreign locations. How should wage rates be determined? What about other parts of a compensation plan such as vacation days and health care packages? Should companies participate in labor unions?

Finally, ask students to consider whether expatriates who manage the foreign operations should be paid according to their home country levels, or according to host country rates. Suppose a plant has two vice presidents, one hired locally, and one sent from headquarters. How should their compensation packages be determined?

The second two questions of this exercise can be an interesting introduction to international human resource management. Most students have probably not thought of many of the issues before, and they can provide the basis for

an interesting discussion. The questions can be revisited after the material in the chapter has been presented.

Video Note: High cost labor has proved to be a huge liability to General Motors as its attempts to succeed in a highly competitive global market place. The iGlobes Autoworkers, GM Continue Talks during Strike and GM Offers Employee Buyouts After \$38. 7 Billion in Losses explore how the company is coping with the problem.

### Exercise 1

The U. S. Department of State prepares quarterly reports for living costs abroad to compensation for civilian employees working for the U. S. government in these countries. Using the most current report, identify the countries that are regarded as having a high cost of living as well as those that are perceived as risky (those receiving a danger pay allowance). What are the living allowances determined by the U. S. Department of State for those countries?

Answer: The Quarterly reports for Living Costs Abroad can be accessed by searching the terms “ living costs” or “ U. S. Department of State” at <http://globalEDGE.msu.edu/ResourceDesk/>. The resource is titled “ U. S. Department of State – Quarterly Reports for Living Costs Abroad” and is located under the globalEDGE category “ Reference: Travel/Living Abroad”.

Search Phrase: “ living costs” or “ U. S. Department of State” Resource

Name: U. S. Department of State – Quarterly Reports for Living Costs Abroad

<https://assignbuster.com/global-human-resource-management-essay-sample/>

Website: [http://aoprals.state.gov/content.asp?content\\_id=186&menu\\_id=81](http://aoprals.state.gov/content.asp?content_id=186&menu_id=81)  
globalEDGE Category: "Reference: Travel/Living Abroad"

## Exercise 2

You work in the human resources department at the headquarters of a multinational corporation. Your company is about to send several American managers overseas as expatriates. Utilize resources available on the globalEDGE website regarding expatriate life to compile a short checklist of concerns and steps for your company to go through before sending its managers overseas.

Answer: Information related to expatriate life could be gathered from a variety of sources. These resources can be reached by searching for the term "expatriate" at <http://globalEDGE.msu.edu/ResourceDesk/>. One such source is the Expat Exchange, which provides a collection of articles filled with advice for companies on how to manage the whole expatriate process. Use the Resource Guide at this website as an outline for topics to consider when sending employees abroad. The resource is located under the global EDGE category

Reference:

Travel/Living Abroad".

Search Phrase: "expatriate"

Resource Name: Expat Exchange

Website: <http://www.expatechange.com>

globalEDGE Category: " Reference: Travel/Living Abroad"

### Additional Readings and Sources of Information

India's Got a Job for You

[http://www.businessweek.com/globalbiz/content/jun2007/gb20070619\\_062414.htm?chan=search](http://www.businessweek.com/globalbiz/content/jun2007/gb20070619_062414.htm?chan=search)

[http://www.businessweek.com/globalbiz/content/jun2007/gb20070619\\_062414.htm?chan=search](http://www.businessweek.com/globalbiz/content/jun2007/gb20070619_062414.htm?chan=search)

Life, Liberty, and the Pursuit of Balance

[http://www.businessweek.com/managing/content/oct2007/ca20071023\\_799034.htm?chan=search](http://www.businessweek.com/managing/content/oct2007/ca20071023_799034.htm?chan=search)

[http://www.businessweek.com/managing/content/oct2007/ca20071023\\_799034.htm?chan=search](http://www.businessweek.com/managing/content/oct2007/ca20071023_799034.htm?chan=search)

Seoul is No Longer Cheap for Expats

[http://www.businessweek.com/globalbiz/content/aug2007/gb2007089\\_121713.htm?chan=search](http://www.businessweek.com/globalbiz/content/aug2007/gb2007089_121713.htm?chan=search)

[http://www.businessweek.com/globalbiz/content/aug2007/gb2007089\\_121713.htm?chan=search](http://www.businessweek.com/globalbiz/content/aug2007/gb2007089_121713.htm?chan=search)

Will Travel for a Job

[http://www.businessweek.com/magazine/content/07\\_34/b4047424.htm?chan=search](http://www.businessweek.com/magazine/content/07_34/b4047424.htm?chan=search)

[http://www.businessweek.com/magazine/content/07\\_34/b4047424.htm?chan=search](http://www.businessweek.com/magazine/content/07_34/b4047424.htm?chan=search)

People Movers

[http://www.businessweek.com/magazine/content/08\\_04/b4068044082777.htm?chan=search](http://www.businessweek.com/magazine/content/08_04/b4068044082777.htm?chan=search)

[http://www.businessweek.com/magazine/content/08\\_04/b4068044082777.htm?chan=search](http://www.businessweek.com/magazine/content/08_04/b4068044082777.htm?chan=search)