The challenge of international assignments

June 15, 2009

The international staffing policies of multinationals are shifting away from expatriation to on-site training of local nationals.

In the early days of globalization, the custom was to send someone out from the parent country to train and oversee local staff in the workings and culture of the company. Now, with mergers and acquisitions, as well as businesses from emerging economies expanding into the developed world, the HQ-centric model is no longer adequate.

The authors of "Management of International Staff" review the staffing policies of multinational corporations (MNCs) and examine the determinants for the choice between host country and parent country nationals.

The standard way to describe MNC staffing policies are as ethnocentric, polycentric and geocentric. Under an ethnocentric policy, most appointees are parent country nationals, while companies following a polycentric policy tend to appoint host country nationals. Companies with a geocentric policy simply appoint the best people regardless of their nationality.

Frequently, MNCs adopt a fourth orientation, known as regiocentric, in which managers are transferred on a regional basis within, say, Europe. This often forms a midway station between a polycentric/ethnocentric approach and a truly geocentric one. These policies only apply to key positions in MNC subsidiaries.

Each policy carries clear advantages and disadvantages. Parent country nationals (PCNs) are familiar with the home office's goals, practices and culture and can offer effective liaison with head office. On the other hand, relocated nationals are expensive to maintain and may experience problems of cultural or family adjustment.

However, host country nationals (HCNs), while less expensive and familiar with the society and business practices of the host country, may lack experience, communication skills and have difficulties controlling the subsidiary operations.

Another policy is to use third country nationals, who may have the necessary skills and may be better informed about the host country than a PCN. Much, however, depends on the attitude of the host country to people from the third country.

Historically, MNCs in the financial and automotive sectors have tended to appoint a higher percentage of PCNs as managing directors of their subsidiaries, far more than, say, MNCs in the advertising, computer, electronic or food industries. Other determining factors are the level of education and political risk in the host country.

The primary motives for international transfers are: to fill positions when locally qualified staff are not available; provide managers with international experience; and to use international transfers for organization development purposes. The latter serves to socialize local managers into the corporate culture of the MNC and the creation of a verbal information network.

Knowledge carriers

International assignees are also seen as carriers of knowledge between the home and host units. This is mainly due to MNCs' growing attempts to capitalize on business opportunities in culturally and institutionally more distant markets, where they face the challenge of acquiring local knowledge.

The knowledge assignees acquire includes:

- an understanding of the company's global organization, management practices and corporate culture
- factual knowledge about the assignment culture
- the acquisition of culture-specific repertoires

At the same time, the knowledge acquired at the host unit helps to:

- streamline cross-unit processes
- create common corporate practices and routines

- increase local expertise such as project development know-how

As sending out PCNs is very costly and is becoming increasingly difficult as the issue of dual-career couples means many are unwilling to accept assignments abroad, companies are looking at alternatives to the expatriation of PCNs. One such alternative is inpatriation, which involves the transfer of subsidiary managers to the HQ for a specific period of time. This allows key subsidiary workers to familiarize themselves with the workings of the parent company and build up informal communication networks.

Another strategy is the short-term assignment, usually defined as postings of between one to 12 months. The assigned manager is not usually accompanied by his or her family, thus avoiding disruption. Short-term assignments are particularly useful when specific skills need to be transferred or if particular problem-solving needs arise. Even more temporary are business trips lasting from a few days to a few weeks.

The authors list four variables that contribute to success or failure of international assignees:

- technical competence
- personal traits and relational abilities
- ability to cope with environmental variables
- family situation

Minimizing failure rates

In order to minimize the risk of failure, assignees should undergo cross-cultural training programs that take in factors such as the individual's cultural background, the culture of the host environment, the assignee?s degree of contact with the host environment, length of assignment, family situation and language skills.

Experience shows that assignees pass through several phases of adjustment: the honeymoon, irritation, crisis and, if this is overcome, gradual adjustment and eventual biculturalism.

Repatriation can often throw up as many problems as expatriation, especially if the assignee has become settled in the host country. However, the authors claim that the "fact" of high assignee failure rates is a myth, with little empirical foundation and based on even less discussion of what constitutes failure. They argue for more research on this issue.

The authors conclude that the key challenge is to link international assignments more directly to career paths in order to capitalize on the experiences and skills that assignees develop during their transfers. Changing career perceptions among the young suggest they are less willing to focus their professional lives on a single employer. Companies, therefore, have a lot to lose if they don't manage international assignments well.

www.iese.edu/insight