

APPROACHES TO MANAGING PEOPLE

There are three primary approaches to managing people in MNEs.⁴ An **ethnocentric approach** emphasizes the norms and practices of the parent company (and the parent country of the MNE). Hence subsidiaries are run largely using the same structures and processes as operations in the home country. The MNE will typically have comprehensive procedures and standards developed in the home country, and compliance with them is emphasized throughout its worldwide operations.

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PART FIVE OPERATIONS IN THE GLOBAL MNE

expatriate (expat)

A non-native employee who works in a foreign country.

parent (home) country national

An employee who comes from the parent country of the MNE and works at its local subsidiary.

host country national

An individual from the host country who works for an MNE.

To facilitate the consistent implementation of management practices, subsidiaries are often led by **expatriates**, who are non-native employees that work in the foreign country. In ethnocentric MNEs, these expatriates are typically **parent country nationals** who have been sent out specifically to work in this subsidiary. They not only facilitate control and coordination by headquarters but they also contribute specific skills for the job because they have been trained in the home country (Table 16.1). An ethnocentric approach can be motivated by an (actual or perceived) lack of suitably qualified **host country nationals**, or by the need for headquarters to effectively communicate with the leader of the subsidiary.

Table 16.1 Multinational management practices

Management practices	Typical top managers at local subsidiaries	Advantages
Ethnocentric	Parent country nationals	Strategies can be implemented most consistently; skills base at home is fully utilized
Polycentric	Host country nationals	Local adaptation through local knowledge; career opportunity for local staff
Geocentric	A mix of parent, host and third-country nationals	Utilization of the broadest worldwide talent pool; equal career opportunities for everyone

polycentric approach
An emphasis on the norms and practices of the host country.

In contrast, a **polycentric approach** focuses on the norms and practices of the host country. In short, ‘when in Rome, do as the Romans do’. Who will be the best managers if we have an operation in Rome? Naturally, Roman (or Italian) managers. As host country nationals, they face no language and cultural barriers in the local environment and hence may be better at engaging with local customers, suppliers and government officials. Unlike parent country nationals who often pack up and move after a few years, local employees stay in their positions longer, thus providing more continuity of management. Further, placing host country nationals in top subsidiary positions sends a morale-boosting signal to other local employees who may feel that they, too, can reach the top (at least in that subsidiary). However, in some MNEs, local employees in leadership positions may find it difficult to effectively communicate with HQ.

geocentric approach
A focus on finding the most suitable managers independent of nationality.

Disregarding nationality, a **geocentric approach** focuses on finding the most suitable managers, who may be parent, host, or **third-country nationals**, who come from neither the parent country nor the host country. In other words, a geocentric approach treats all employees the same. Geocentric firms develop a pool of managers recruited from a wide range of countries, trained in multiple locations and serving in management roles across the MNE. For a geographically dispersed MNE, a geocentric approach can facilitate the emergence of a corporate-wide culture and identity. For example, the 400 top managers of *Reckitt Benckiser*, a leading household goods manufacturer, represent 55 different nationalities, with no country being recognized as ‘home country’, and many subsidiaries being run by a third-country national.⁵ Likewise, *EADS* (Opening Case) is developing a geocentric approach, in part because of its tri-national roots (French, German, Spanish). Even so, the Opening Case illustrates the problems of implementing such an approach. Developing managers from a variety of nationalities into a coherent team is a lot more complex than integrating individuals from two (parent and host) countries.

third-country national
An employee who comes from neither the parent country nor the host country.

The challenge of managing human resources in an MNE is thus to support very diverse types of people and careers. At the one end, high-flyers have the capability, potential and ambition to one day take on leadership roles in the company. They like to be known as ‘global talent’. Hence a pivotal area of modern HRM is **global talent management**, defined as the attraction, selection, development and retention of talented employees in the most strategic roles within an MNE.⁶ Employees selected to the **global talent pool** are systematically prepared to assume leadership roles in the MNE and thus given expatriate assignments both to develop their capabilities and to serve in strategically important roles in the MNE’s worldwide operation. At the other end of the spectrum are local employees hired for specific tasks within a unit of the MNE. They would not normally be expected to be promoted beyond the local unit, though some may join the global talent pool if they show exceptional competencies. We first discuss global talents serving in expatriate roles, before turning our attention to locally recruited employees.

global talent management
The attraction, selection, development and retention of talented employees in the most strategic roles within an MNE.

global talent pool
Employees that are systematically prepared to assume leadership.

EXPATRIATES

People posted abroad by an MNE are known as expatriates. As home or third-country nationals, they play a critical role in managing subsidiaries of MNEs and in facilitating communication between different units of the MNE. Shown in Figure 16.1, expatriates can play at least five important roles:⁷

LEARNING OBJECTIVE

- 2 Explain how MNEs manage expatriates

- Expatriates may be *strategists* who lead the design and implementation of the subsidiary's strategies. This CEO-type role requires integration of local knowledge with the strategies and values of the parent, a combination of expertise that global talents are destined for.
- Expatriates may act as *monitors* who ensure the parent's control over the operations of the subsidiary. Expatriates in the role of chief financial officer, in particular, primarily serve to ensure the financial results and accounting standards meet the parent's expectations. This monitoring role aims to ensure that subsidiaries fit into the MNE's global 'orbit'.
- Expatriates are also *ambassadors*.⁸ Representing HQ's interests, they build relationships with host country stakeholders, such as local managers, employees, suppliers, customers and government officials. At the same time, expatriates also act as ambassadors representing the interests of the subsidiaries when interacting with HQ.
- Expatriates may act as *daily managers* to run the operations and lead the local workforce.
- Finally, expatriates are *trainers* for local staff, including their own replacements, thus transferring knowledge from HQ to subsidiaries.⁹ Hence not all expats are managers; some are specialists, such as engineers seconded for a specific assignment.

Selection of expatriates

An expatriate assignment is demanding, both as a leadership role and as a personal experience. Selecting the right people for expat assignments is thus crucial to their success.¹⁰ Figure 16.2 outlines who influences expatriate selection. In addition to personal preferences, requirements of both HQ and subsidiaries have to be considered. HQ may focus on loyalty to the company and leadership skills in implementing actions mandated from the top. Subsidiaries may be more concerned about

sensitivity to local culture and in filling specific capability gaps.¹¹ In some Asian countries, where seniority is highly respected, younger expatriates may be ineffective. Also, it is preferable for expatriates to have some command (or better yet, mastery) of the local language.

In terms of individual dimensions, a wide range of capabilities is required that goes beyond what is needed to succeed in the home environment.¹² One study suggests that in addition to the specific functional skills required for the job, successful expatriates combine three sets of capabilities:¹³

Figure 16.1 The roles of expatriates

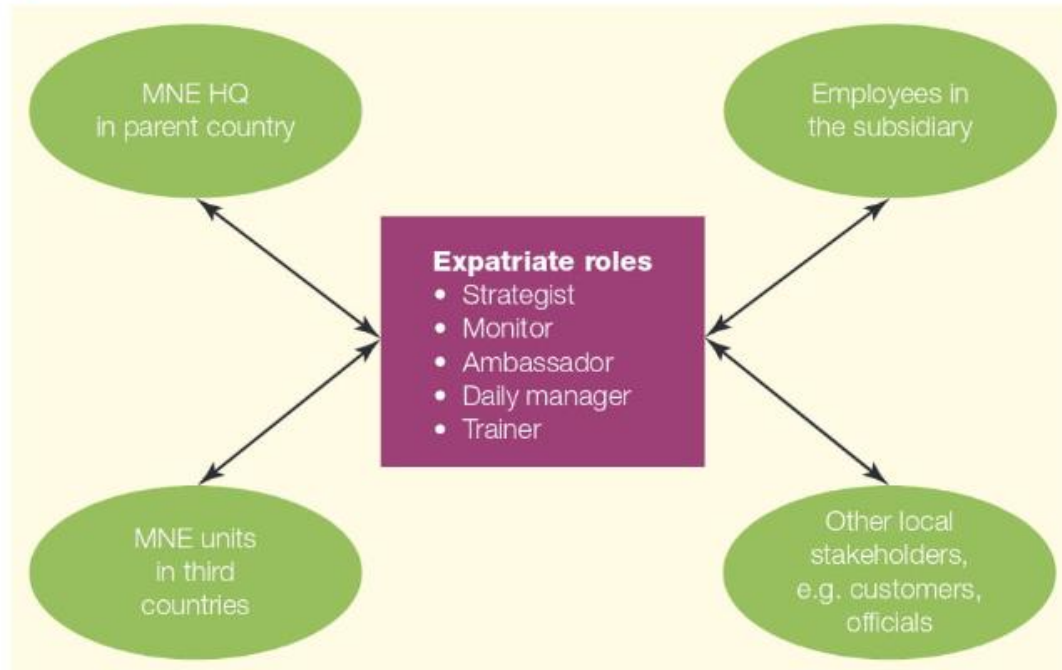
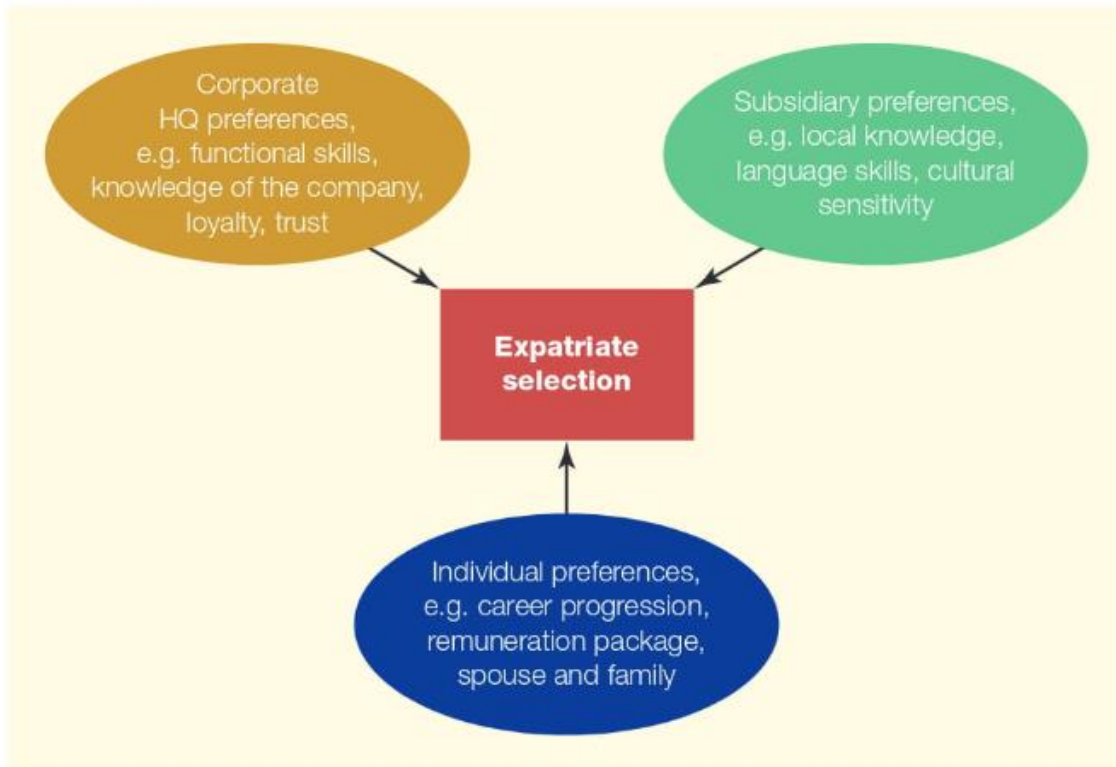


Figure 16.2 Factors in expatriate selection



CHAPTER SIXTEEN PEOPLE IN THE MNE

- Intellectual capabilities: knowledge of international business and the capacity to learn about new business contexts.
- Psychological capabilities: openness to different cultures and the capacity to change, along with receptiveness to new ideas and experiences.
- Social capabilities, including the ability to form connections, to bring people together and to influence stakeholders with diverse cultural backgrounds (for example, colleagues, clients, suppliers and regulatory agencies).

That is quite a demanding capability profile! In addition, personality traits such as an open mindset and emotional stability help expatriates to adjust.¹⁴ Last (but certainly not least), spouse and family preferences have to be considered. The accompanying spouse may have to leave behind a career and a social network. He or she has to find meaningful endeavours abroad (In Focus 16.1). Personal frustrations of family members are a frequent cause of expatriate failure.



IN FOCUS 16.1

Expatriate spouses

You may be excited when you are offered an expatriate assignment, but what will your spouse think about it? Traditionally, it was men who went on expatriate assignments with their wives dutifully tagging along, taking care of home and children while socializing with other expatriate wives. Yet in the age of dual career couples and women as the main breadwinner of the family, this is becoming more complicated. To start with, finding a job for the spouse is often challenging because many countries make it difficult to obtain a spouse work permit. Few companies would offer matching expat assignments for a couple; their operations are simply not big enough. One option for spouses is to work freelance in jobs that are location-independent – such as IT consultants, journalists or novelists – but that does not suit everyone. Also, teachers may find their expertise sought after in local schools.

Yet many spouses face the prospect of temporarily suspending their own career to support their partner during a challenging period in his/her life. For Northern Europeans used to women pursuing their own careers, this can be quite challenging, both practically and psychologically. Stories abound about unhappy wives feeling diminished in their self-esteem, playing a reduced role in a foreign culture. How best to pre-empt this challenge?

Lotte Nørgreen, a successful career woman, experienced this challenge when her husband was

posted by *Novozymes* to an attractive job in Tianjin, near Beijing. The culture shock hit her in many ways, some quite unexpected. One surprise was the local community of Danes she joined: many of the fellow expatriate wives were living a much more traditional wife role than was common in urban Denmark, focusing on children and household and gossiping with their neighbours.

Experts working with expatriate families offer three pieces of advice for those following their partners to an expatriate assignment. First, in the first couple of weeks, you are likely to need to focus on supporting your family and making local arrangements, such as supporting children joining an unfamiliar new school. Second, you should actively engage in the local community and learn the local language. Do not get stuck in the 'expat bubble' in your fancy villa district. Third, set yourself specific objectives as to what you want to achieve while living abroad: define your own project – say, acquire a new skill or write the book you have always dreamt about!

Sources: (1) M. Shaffer & D. Harrison, 2001, Forgotten partners of international assignments, *JAP*, 86: 238–254; (2) R. Brown, 2008, Dominant stressors on expatriate couples during international assignments, *IJHRM*, 19: 1018–1034; (3) J. Lauring & J. Selmer, 2009, The supportive spouse, *IBR*, 19: 59–69; (4) L. Mäkelä, M. Känssäli & V. Suutari, 2011, The roles of expatriates' spouses among dual career couples, *CCM*, 18: 185–197; (5) C. Bostrup, 2011, *Kina Sweet & Sour: Erfaringer fra danskere, der tør sates på Kina* (chapter 13), Copenhagen: Gyldendal.

In practice, MNEs often face the difficult choice between sending (1) a senior person with extensive industry experience and well-embedded in the company and (2) an eager, young person who knows the local language and culture, but has limited understanding of the business. First, middle-aged expatriates (forty-somethings) often combine best experience, industry competence, ambition and adaptability. Yet they are the most expensive, because the employer often has to provide heavy allowances for children's education. High-quality schools are very expensive. For example, schools teaching a British curriculum in places such as Beijing, Shanghai or Tianjin, cost €25 000 to €40 000 per year.¹⁵ Unfortunately, these expatriates also have the highest percentage of failure rates, in part because of their family responsibilities. An alternative would be to send relatively older managers who no longer have school-age children at home, but unless they have a track record of international assignments, they may find it more difficult to adapt to cultural differences.

Second, MNEs may promote younger managers with high career ambition and interest in the local culture – perhaps even fluency in the local language. Thus expatriates in their late 20s and early 30s are often easier to motivate to take on a challenging assignment in an unfamiliar environment. Moreover, they are less costly to relocate because they may not yet have established a family (and have no school-age children) and have not yet bought a house. The second preference has strong implications for students studying this book now: these overseas opportunities may come sooner than you expect – are *you* ready?

Pre-departure training for expatriates

Before sending people on important assignments, MNEs ought to prepare them for the task by providing language and cross-cultural training.¹⁶ However, about one-third of MNEs do not provide cross-cultural **training** for expatriates – other than wishing them ‘good luck’ – because many appointments are made on too short notice to allow for in-depth preparation.¹⁷ While the share of companies providing systematic preparation has been increasing over the years, often it is still up to the individual expatriate to ensure that they are well prepared for their assignment.

The extent of training should vary with the length of stay for expatriates. Longer and more rigorous training is imperative for stays of several years, especially for first-time expatriates. Three levels of training can be distinguished.¹⁸ At a basic level, training focuses on providing information on practicalities in so-called area briefings, cultural briefings and the use of interpreters. Language training may focus on survival phrases (such as ‘good morning’, ‘thank you’ and ‘please take me to this address’). At an intermediate level, the training would include cultural assimilation training, including, for example, role plays and discussion of cases and critical incidences in groups that include experienced expatriates.

At an advanced level, **full immersion training** can intensively expose an expat-to-be to the foreign culture and language. For example, expats may spend a few days at the new location in a situation resembling the future role, but with a mentor at hand to explain and to teach the language. More enlightened firms involve the spouse and children in expatriate training, as they will be sharing the expat experience and can be an important source of personal support – or stress. Large MNEs usually also provide practical assistance, sometimes through specialist relocation service firms providing a comprehensive package for expatriates, including a suitable place to live, the removal of furniture, identifying suitable schools for the children, and taking care of visa and work permit-related matters.

Expatriates in action

Many of the practical challenges for expatriates are similar to experiences of students going abroad on exchange or to study for a degree course – except that few MNEs provide the sort of pastoral care that many universities offer their students. Arriving at the place of an expat assignment, the initial concerns are usually very practical matters such as finding your way to the office, home and local shops, and ‘who does what’ and ‘who is who’ at work (In Focus 16.2). Once these essentials have been taken care of, you can settle down and get on with work – and life.

After a while abroad, essentially every expatriate experiences **culture shock**, defined as the expatriate’s reaction to a new, unpredictable and therefore uncertain environment.¹⁹ Recall from Chapter 3 that societies vary in their culture, which concerns not only visible artefacts but also values and norms, as well as underlying assumptions. Since such differences are not directly observable, someone entering an unfamiliar society will experience behaviours that are inconsistent with his or her own culture and thus needs to figure out what values and norms are guiding the actions of the people in that society. Without such knowledge social interactions are ineffective and individuals are likely to feel frequently confused.

culture shock

An expatriate’s reaction to a new, unpredictable and therefore uncertain environment.



IN FOCUS 16.2

Practical tips for getting started in Asia

If you live in a foreign country, you need to take care of a few practicalities right from the start. These tips may help you as you take your first steps. First, in the early days, the support of a local person is invaluable to communicate with other locals what your situation is and what needs to be done. This includes getting your work permit, opening a bank account and setting your account up with the employer's personnel office. If you are not being offered help, ask for someone to come along with you to make these initial visits – if your account is set up in the wrong way it will come to hound you later. In Taiwan, a basic need is to get a Chinese name: the university computer system reads only Chinese, and without being in that computer I (Klaus Meyer) would not have received my salary. I also urgently needed a name stamp because this is the normal means of identification, for example, when withdrawing money from the bank. Other important issues to do in the first week are to get a mobile phone (or a local SIM card) and learn how to use the local buses and trains (taxis are expensive in the long run).

Second, a major issue for many expatriates is food. Compared to Europe, people in Asia are more likely to eat out at one of the small corner shops than to eat at

home – the food is much cheaper and there really isn't much point in cooking for yourself. If you don't read the local language, you may find it useful to memorize where your favourite dish is on the restaurant menu or the supermarket shelf. However, if you are craving specific dishes from back home, you will find that ingredients are hard to find and expensive, and home cooking may often still be the best. In reverse, I have often been bemused by Asian students learning how to cook *after* arriving in England because there it is very expensive (compared to Asia) to go out for meals, and English food doesn't please their tastes.

Third, talk with expats and locals who have been to your country. They will be better able to help you with practicalities and with cross-cultural issues, because they appreciate the differences in cultures. People who have never been abroad often find it difficult to explain their own country to outsiders because they lack understanding of your situation – or have their own prejudices (like 'foreigners don't eat whole fish' just because earlier US visitors apparently had problems facing a whole fish with its head on the table). Friends with whom you can discuss your experiences help a lot to pre-empt, or overcome, your culture shock.

Students studying abroad also often experience culture shock; some of your classmates may indeed be going through this experience as you are taking your international business course. Essentially, when living in a different culture, your selective perception and interpretation systems don't function, you need to spend more effort on interpreting what local people do or say, and you find it more difficult to make yourself understood. Particularly troubling is that unconscious ways of communicating (such as body language) do not work, and hence the expat may not understand why he or she is less effective.²⁰ For example, when people raised in Northern Europe hear loud shouting, they will intuitively think some major conflict is happening; yet in Cairo, Mumbai or Hong Kong, this may merely signal a routine bargaining over a price. Our cognitive system of interpreting what is happening is grounded in our culture and, when entering another culture, the home culture's perceptive system becomes ineffective. Another source of personal frustration of expatriates is to miss activities that used to be a normal part of daily life, notable 'oral pleasures' of speaking and enjoying entertainment in their own language and eating familiar foods.²¹

At the same time, when you work as an expat, you are normally under high expectations from both yourself and from your company. This imbalance between the effectiveness of your actions and your expectations causes **expatriate stress** (Figure 16.3). Even with a lot of financial and psychological support, few expatriates can simultaneously play these challenging multidimensional roles effectively.²² Thus it is common that expatriates fail to achieve all they set out to achieve, though this phenomenon appears to be more common for US expatriates²³ than for Australian or Nordic expatriates, perhaps because people growing up in smaller countries are more familiar with differences across countries.²⁴

Culture shock tends to set in after a few weeks in the new culture. Initially, expatriate managers, like exchange students, are enthusiastic about all the new experiences (Figure 16.4). This initial enthusiasm – or honeymoon period – wears off after a while however. The pressures of work set in, and you may miss your friends back home. For students, unfortunately, this period often coincides with the time when the first assignments are due – to be written and assessed under rules that you are not familiar with. However, this period passes, you become more familiar with the local culture and – hopefully – the language, and you make new friends with both other expats and locals. Thus the mood recovers, and by the time the assignment ends, many would rather stay a bit longer.

Figure 16.3 Sources of stress for expatriates

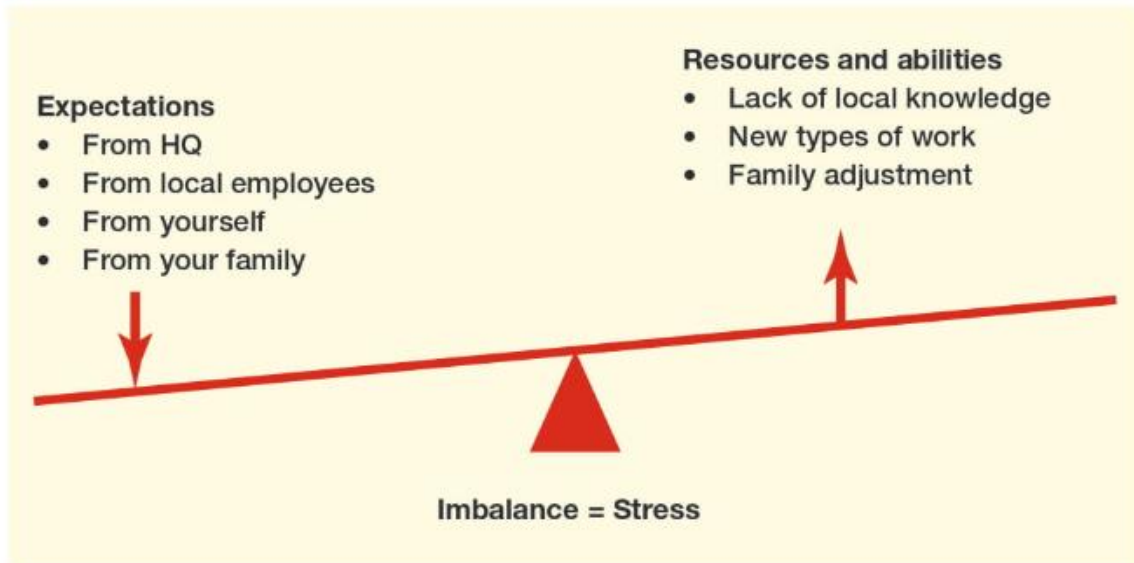
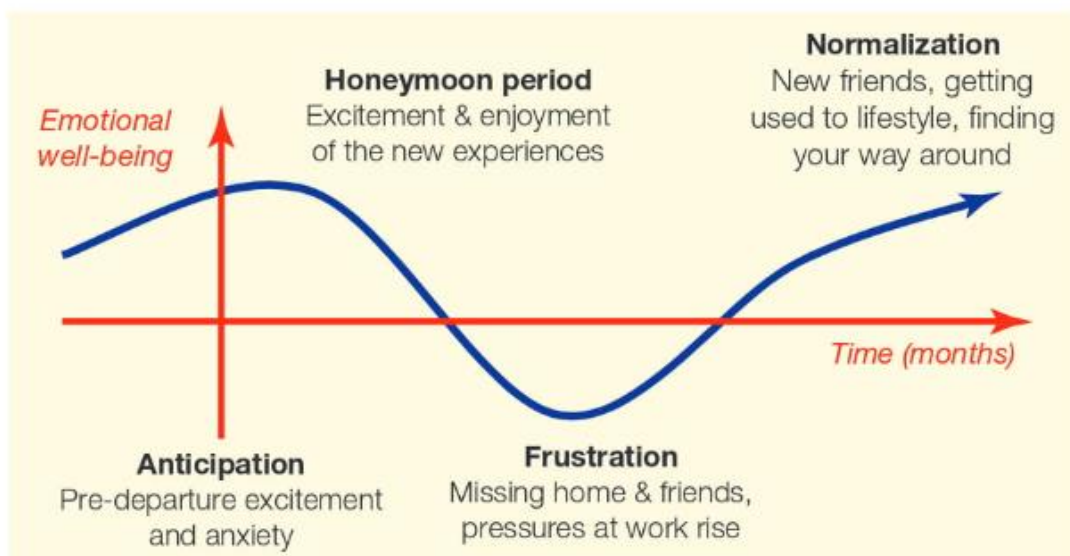


Figure 16.4 Culture shock: from honeymoon to normalization



When you are experiencing culture shock, the most important thing to know is that most other people also go through it. It is not a disease, but rather a *natural* response to living in an unfamiliar culture. In fact, culture shock is a *positive* sign of deep involvement with the host culture, rather than remaining isolated in an expatriate ghetto.²⁵ What can expatriates (or students studying abroad) do to ease the impact of the culture shock? Different activities work for different individuals. Table 16.2 offers some suggestions. Some expatriates use extensive physical exercise, while others use meditation and relaxation techniques. Building new social networks with both locals and the expatriate community is particularly important.²⁶ For example, in many cities around the world, expat communities have organized social jogging events (known as ‘hash’) that promote fitness and community. A particularly powerful idea is ‘stability zones’, which is where the expatriate would spend most of the time ‘totally immersed’ in the host culture but retreat into a ‘stability zone’ that closely resembles home, such as an international club or a church gathering. For example, Danish expatriates in Hong Kong meet every first Tuesday in the month at a restaurant that serves Biksemad and Pariserbøf for the occasion. Likewise, Spaniards in Shanghai socialize at the *Casa España*, or watch Spanish language movies at the *Instituto Cervantes*. For one evening, they chat in their native tongue and exchange gossip about business, local culture and latest news from back home. Similarly, Chambers of Commerce bring together expatriates in formal and informal settings to facilitate the exchange of experiences.

If you are experiencing culture shock-related stress, there are three things you should *not* do: blame the host nationals, blame the company, or blame your spouse.²⁷ The culture shock is a natural experience and there is not much that they can do. In fact, your spouse and your children may be experiencing culture shock as well, and they need (and usually deserve) your support.²⁸ The advice of Table 16.2 is not only relevant for expatriates but also for people hosting foreigners who recently moved to their country: did you notice a foreign classmate who recently appeared to be a bit frustrated? Maybe you can engage him or her in some of the activities suggested.

Table 16.2 Dos and don'ts for expatriates experiencing culture shock

Dos	Don'ts
<ul style="list-style-type: none"> ● Physical exercise ● Meditation and relaxation techniques ● ‘Stability zones’, such as groups in your own cultural community ● Meet others in a similar situation, such as fellow expats and internationally experienced locals ● Modify expectations on the job ● Decorate your home-away-from-home with items reflecting your own heritage 	<ul style="list-style-type: none"> ● Blame the host nationals ● Blame the company ● Blame your spouse

Returning expatriates (returnees)

Coming home may seem easier than leaving home, yet it presents challenges of its own. Many **returnees** (returning expatriates) are surprised by the extent of their readjustment challenges in both (1) professional re-entry and (2) private life (Table 16.3).²⁹ Unfortunately, many MNEs are not doing a good job managing **repatriation** – the process of facilitating the return of expatriates.

Professionally, chief among the problems is career anxiety. A key concern is, ‘What kind of position will I have when I return?’ Some large MNEs have systematic career development plans that include not only commitments by the employee to the company but commitments by the company specifying what the employee will receive if certain performance objectives are met. In large European MNEs, international experience thus is typically an asset, if not prerequisite, for top management positions, and returnees are likely to find themselves working with colleagues that have gone through similar experiences. In many firms, however, commitments are informal and non-binding. Prior to departure, many expatriates are encouraged by their boss: ‘You should take (or volunteer for) this overseas assignment. It’s a smart move for your career’. Theoretically, this is known as a **psychological contract** – an informal understanding of expected delivery of benefits in the future for current services.³⁰ However, a psychological contract is easy to violate. Bosses may change their mind. Or they may be replaced by new bosses. Violated psychological contracts naturally lead to disappointments.

Table 16.3 Challenges of repatriation

Professional re-entry	<ul style="list-style-type: none">● Career anxiety – what kind of position will I have when I return (if I do have a position)?● Work adjustment – from a big fish in a small pond (at the subsidiary) to a small fish in a big pond (at HQ).● Loss of status and pay – expatriate premiums are gone; chauffeured cars and maids are probably unavailable.
Private life	<ul style="list-style-type: none">● Friends and family have moved on and cannot relate to the ‘exotic’ tales of the returnee.● Difficult for the spouse and children to adjust to a more mundane life back home.

The international experience of a returning expat is less valued by smaller MNEs that are not using expats extensively and that may have an ethnocentric view of their firm. Your boss may not appreciate how your rich experience may help the firm. Few (or no one) at HQ seem interested in learning from expatriates' overseas experience and knowledge. Having been 'big fish in a small pond' in subsidiaries, returnees often feel like 'small fish in a big pond' at HQ. The initial job back home may be very similar to what you did before you left, and your performance will be similar to your pre-departure job (your boss's perspective) and less than what you did when abroad (your own perspective), which leads to stress. Returning expatriates may also experience a loss of status. Overseas, they are 'big shots', rubbing shoulders with local politicians and visiting dignitaries. They often command expatriate salaries, plus chauffeured cars and maids. However, most of these perks disappear back home. Encouragingly, however, scholarly studies show that international experience tends to accelerate performance improvements, and thus promotions, in the long run.³¹

Moreover, returnees experience a **reverse culture shock**, a common phenomenon, but less well understood than culture shock. When abroad, images of 'the green, green grass of home' often keep expatriates going. Yet coming home they realize that home is not what it used to be:

- the country has changed
- the company has changed
- the expatriate him/herself has changed. In particular, the personality and expectations have subtly changed under the experience of living abroad: some things that seemed to be important way back then (like the local sports club where your friends spend all their spare time) just aren't that important when seen from afar.

Even at work returnees may find it hard to adjust to the work culture, because their own perspective, personality and habits have changed. For example, after eight years in China, one returnee to Germany complained:

It is nice that my team members actually give some feedback on my ideas rather than just wait for me to make all the decisions. But then the discussions are never ending, they always have something to say, it takes so much more time until people actually do something!³²

Many also realize that they held idealistic views when abroad that were not true anyway – the streets aren't as clean and the food isn't always as good as you imagined. Re-establishing links with old friends can also be challenging, because you may have quite literally developed away from each other. Some friends have moved, married and had children, and their interests have shifted from, say, mountain climbing to playing with the kids. Moreover, many cannot relate to your experiences and may treat your constant temptation of telling stories from distant places as showing off, partly being jealous and partly just being annoyed. Thus a typical experience for a returnee is that: *'I came back with so many stories to share, but my friends and family couldn't understand them. It was as if my years overseas were unshareable.'*³³

Overall, repatriation, if not managed well, can be traumatic not only for expatriates and their families but also for the firm. Unhappy returning expatriates do not last very long.³⁴ Approximately one-in-four leaves the firm within one year. Since MNEs make a heavy investment in each expatriate over the duration of a foreign assignment, losing that individual can wipe out any return on investment.³⁵ The best way to prevent returnees from leaving is a career development plan that comes with a personal mentor (also known as a champion, sponsor or 'godfather').³⁶ The mentor helps alleviate the 'out of sight, out of mind' feeling by ensuring that the expatriate is not forgotten at HQ and by helping to secure a challenging position upon return.

MANAGING PEOPLE ABROAD

Over time, MNEs usually aim to reduce the number of expensive expatriates, calling for expatriates to train local employees.³⁷ In fact, many subsidiary managers consider the recruitment and retention of a capable and committed workforce their biggest challenge. For example, in the ongoing quest for talent in China, whether employers can provide better training and development opportunities often becomes a key determining factor on whether top talent abroad is retained or not. To stem staff turnover, many MNEs now have formal career development plans and processes for local employees in countries like China.

Attracting a committed workforce

How do you find people to work for you? **Recruitment** concerns the identification of suitable local employees, convincing them to apply for a job and selecting the most suitable candidates for each job. In many countries, working for an MNE is a very popular career path. Hence the main challenge is to sift through a large number of curricula vitae (CVs) and to identify the most suitable candidates. Compared to HRM back home, foreign subsidiaries face two additional challenges. First, the candidates need to have not only the functional skills required for the job but the ability to fit in with a multicultural work environment and to communicate with foreign employees, often in English. This creates difficult trade-offs and challenges in assessing the applicants' abilities. Some MNEs like to hire graduates with degrees in foreign languages and train them in functional skills, rather than hiring people with specialist degrees (say, engineers) whom they would have to train in English. Second, MNE subsidiaries, especially recently established ones, lack knowledge of how the local labour market works. For example, how do you make contact with the best university graduates? How do you use job interviews most effectively in a different culture? Due to the need for such local knowledge, the HRM function is often among the most localized units in an MNE subsidiary.

At the top end of the organization, the challenges are quite different. In rapidly developing countries like China, management talent for leadership roles is often quite scarce. People who can lead a major unit within a cross-cultural context are especially almost as scarce as expatriates. The main challenge is thus not to sort through a large numbers of applicants but to find good people and convince them to apply. For this purpose, firms often employ **headhunter (or 'executive search') companies** that specialize in finding suitable people for senior positions, working through personal networks to identify those who may seek promotions but didn't get promoted in their own firm. While using headhunters, MNEs naturally don't want their people to be headhunted. Thus the ideal candidate shows a high degree of commitment to the MNE, which is hard to find in rapidly changing business environments.

Compensation, appraisal and retention

As an HRM area, **compensation** refers to the determination of salary and benefits.³⁸ At the bottom end of the compensation scale, low-level workers, especially those in developing countries, have relatively little bargaining power. They may be **migrant workers** who left their village behind to earn better pay in a textile or electronics assembly plant for a few years before returning home. They are willing to accept wage levels substantially lower than those in developed countries, which is why some industries move assembly operations to developing countries in the first place.