



University of Navarra

DPON-79-E
0-408-088

Management of International Staff

Introduction

Over the last few decades, Western multinational corporations (MNCs) have shifted their focus beyond the industrialized world, attempting to capitalize on the growing business opportunities in developing and emerging markets. At the same time, many MNCs from emerging economies have expanded their activities beyond their domestic markets, with companies such as Haier, Embraer, Lenovo, Tata, Vale and Cemex successfully operating on an international scale. To keep up with the increasing global scope of their activities and develop the necessary expertise to compete in foreign markets, MNCs continue to heavily rely on a pool of international talent. In particular, international staffing serves as a crucial mechanism to allocate resources and skills, integrate an MNC's network of foreign units and share knowledge.

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Last edited: 4/27/09



This note deals with several aspects of international staffing in MNCs. First, it reviews different staffing policies and examines the determinants for the choice between host country and parent country nationals. In a second step, the underlying motives for deploying international staff between MNC units are discussed. Third, it reviews alternatives to the traditional expatriation of parent country nationals, including the use of inpatriate, short-term, self-initiated and virtual assignments. Subsequently, the note describes the international assignment process, discussing selection and preparation measures associated with international assignments, cultural adjustment during the assignment, compensation issues, and organizational support upon repatriation. The final section outlines a multidimensional perspective on how to assess the success of international assignments.

Staffing in Multinationals

Staffing Policies

In general, three different international orientations (ethnocentric, polycentric and geocentric) have become the standard way to describe MNC staffing policies (Perlmutter, 1969) as seen in Table 1. MNCs following an *ethnocentric* staffing policy tend to appoint mostly parent country nationals (PCNs) to top positions at their subsidiaries, while MNCs following a *polycentric* staffing policy prefer to appoint host country nationals (HCNs). Firms with a *geocentric* staffing policy simply appoint the best person regardless of their nationality. The latter staffing policy may also involve the use of third country nationals (TCNs), nationals of a country other than the MNC's home country and the country of the subsidiary.

Frequently, MNCs also adopt a fourth orientation, the *regiocentric* approach, in which managers are transferred on a regional basis, such as Europe, and it often forms a mid-way station between a purely polycentric/ethnocentric approach and a truly geocentric approach. It is important to note that these staffing policies apply to key positions in MNC subsidiaries only. Whereas some PCNs or TCNs may still be found at middle management, MNCs normally appoint host country managers at this and lower levels.

Table 1
Classification of International Staff

Parent country national (PCN)	Nationality of employee is the same as that of the headquarters of the multinational firm	e.g. a German employee working at the Chinese subsidiary of Volkswagen
Host country national (HCN)	Nationality of employee is the same as that of the local subsidiary	e.g. a Chinese employee working at the Chinese subsidiary of Volkswagen
Third country national (TCN)	Nationality of employee is neither that of the headquarters nor the local subsidiary	e.g. a Spanish employee working at the Chinese subsidiary of Volkswagen

Source: Own elaboration.

The term expatriation is often used to describe the process of international transfer of managers. Although the term expatriate could literally be understood to mean any

employee that is working outside their home country, it is normally reserved for PCNs working in foreign subsidiaries of the MNC for a pre-defined period, usually 2-5 years. Given the range of alternative forms of international transfers it is common to use the generic term 'international assignee' to refer to any person that is relocated internationally.

PCNs, HCNs or TCNs: (Dis)advantages and Determinants for Their Use

A review of the advantages and disadvantages of employing these different groups of employees will clarify the applicability of the different staffing policies identified above. Some of the most frequently mentioned advantages and disadvantages are summarized in Table 2.

Table 2

Advantages and Disadvantages of Using PCNs, HCNs or TCNs

	Advantages	Disadvantages
PCNs Parent country nationals	Familiarity with the home office's goals, objectives, policies and practices. Technical and managerial competence. Effective liaison and communication with home office staff. Easier exercise of control over the subsidiary operations.	Difficulties in adapting to the foreign language and the socioeconomic, political, cultural and legal environment. Excessive cost of selecting, training and maintaining international assignees and their families abroad. The host country's insistence on localizing operations and on promoting local nationals in top positions at foreign subsidiaries. Family adjustment problems, especially concerning the unemployed partners of assignees.
HCNs Host country nationals	Familiarity with the socioeconomic, political and legal environment and with business practices in the host country. Lower cost incurred in hiring them as compared to PCNs and TCNs. Provides opportunities for advancement and promotion to local nationals and, therefore, increases their commitment and motivation. Responds effectively to the host country's demands for localization of the subsidiary operation.	Difficulties in exercising effective control over the subsidiary operations. Communication difficulties in dealing with home office staff. Lack of opportunities for home country nationals to gain international and cross-cultural experience.
TCNs Third country nationals	Perhaps the best compromise between securing necessary technical and managerial expertise and adapting to a foreign socioeconomic and cultural environment. TCNs are usually less expensive to maintain than PCNs. TCNs may be better informed about the host environment than PCNs.	Host country's sensitivity with respect to nationals of specific countries. Local nationals are limited in their efforts to advance their own career and assume responsible positions in the subsidiary.

Source: Adapted from Dowling, Festing & Engle (2008).