

EXPATRIATE MANAGEMENT IN GLOBAL COMPANIES

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Abstract

With the development of global companies and the increase of the internationalization level of their businesses the differences between cultures, political and economic patterns, which they operate in, are becoming more distinct, so their need to take those differences into consideration while formulating business strategy and the course of competitive struggle is growing. The most important goals of HRM in a global company are to ensure the competitive advantage, efficiency, local responsiveness and flexibility, but also knowledge transfer and learning within a global company. The most efficient way to ensure the compatibility between satisfaction of local interests and company's global strategic goal is by moving people with critical organizational knowledge through organizational parts and by process of socialization. By expatriation global companies achieve the internationalization of values system, which enables managers to be able to make strategically important decisions, as well as operational one, in the way that they are in compliance with the mission, vision and strategy of a company as a whole. Also, the creation of informal networks between employees and knowledge and skills transfer between organizational parts.

Key words: global companies, human resources, expatriate, training.

INTRODUCTION

Global companies are under a great pressure of the need to manage efficiently, both globally since the whole world is a unique market for them, and locally since the world market consists of many different and weakly connected markets. The need to be, at the same time, global and local, becomes the greatest challenge for management of global companies in XXI century. This demand lays, in front of human resources management (HRM) in global companies, important challenges related to the means of accomplishing it. What differentiates developed from undeveloped countries is, above all, economic structure. High technology products, based on knowledge and modern achievements are preconditions of long-term economic development. That is why the importance of investments in knowledge, technology and innovations is more and more emphasized. The most important goals of HRM in a global company are to ensure the competitive advantage, efficiency, local responsiveness and flexibility, but also knowledge transfer and learning within a global company. The last goal mentioned, knowledge transfer and learning within the

global organization is indicated, by many authors, as the basic motive for appearance of global companies. However, regardless the importance of organizational learning for global companies, in literature about international HRM, there is a blank related to suggestions about how to develop this organizational ability, how to improve and evaluate it and how to make sure that this process lasts continuously.

The aim of this paper is to, according to the relevant literature, analyze the influence that the processes of global differentiation and local integration have on the possibilities of organizational learning, and the role that HRM has in global companies in relations to dissemination and knowledge transfer through that organization. The most efficient way to ensure the compatibility between satisfaction of local interests and company's global strategic is by increasing dedication of local managers to global vision, and the best way to achieve this is by moving people with critical organizational knowledge through organizational parts and by process of socialization. Undoubtedly, expatriates have the leading role in such activities.

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Contrary to comparative, international HRM (IHRM) deals with the research of problems related to human resources in the context of an organization, that is within multinational companies [8]. HRM activities on international level are done on wider geographic area; they demand intensive usage of mechanism of coordination and control, as well as some additional activities which HRM on national level doesn't include.

New researches emphasize the significant variety and recognition of HRM on international level while taking into consideration wider perspective, exposition to stronger external factors, greater scope of activities and higher level of their heterogeneity, better involvement in private lives of their employees and greater risk during doing all HRM activities [10]. As two most important factors, which make HRM in global environment significantly different from HRM in national environment, cultural and institutional differences, which include the differences in political, legal and economic systems, are singled out.

Global companies as a challenge to management of XXI century

Global companies are the carrier of the process of globalization considering that their business activities lead to increase of exchange of goods and services, intensive movement of production factors, capital and information. Basic characteristic of global companies is that they have to design an internal organization in the way which will enable the execution of key jobs and tasks and internal transaction between geographically dispersive organizational parts, and not to do those activities by relying on markets [1].

Specifics of HRM on international level comes from the specific characteristics of global companies which see the world as a source where they draw their business resources from; they tend to do their businesses all over the world and implement global business strategies while crossing internal and external borders of business.

With the development of global companies and the increase level of internationalization of

their businesses, the differences in cultural, political and economic patterns they operate in, are becoming much more distinctive, so their need to take these differences into consideration while making formulating business strategies and the means of competitive struggle in certain markets, is growing [5]. On the other hand, only globally integrated strategy ensures competitive advantage to global companies in global market. The need for incorporated business, increase of efficiency of business functions, as well as realization of global learning and knowledge transfer in a company lead to increasing power for global integration [8]. Finally, only real balance between these two extremes ensures business success in global market to a global company: global integration should ensure balanced functioning of organizational parts, while local responsiveness should ensure flexibility. That particular need, to be, at the same time, global and local, while the levels of globalism and local responsiveness are different, as well as the ways for their actualization, becomes the greatest challenge for the management of global companies in XXI century. The most important goals of HRM in a global company are to ensure the competitive advantage, efficiency, local responsiveness and flexibility, but also knowledge transfer and learning within a global company [14]. The last goal mentioned, knowledge transfer and learning within the global organization, that is dissemination of existing and obtaining new knowledge, is that much important as the basic motive for creating global companies. Organizational learning within global companies has a crucial role in their growth and development since the organizational learning is a process through which managers are trying to encourage the desire and ability, of members of the organization, to understand and manage the organization and its environment, the way they make decisions which constantly increase organizational effectiveness, and is manifested through changes in organizational knowledge or through changes in organizational performances.

However, regardless of the importance of organizational learning for global companies,

in literature about international HRM there is a blank regarding the recommendation about how to develop this organizational ability, how to improve and evaluate it, and how to make sure that this process lasts continuously. The questions such as: 1. in what way a global organization, confronted with the need to adjust to local characteristics, can learn about characteristics of different countries, and to use that knowledge on the level of the whole company and increase organizational performances? 2. Are there barriers for efficient learning, what are they and can they be removed?, and 3. In what way HRM activities can contribute to knowledge transfer within global company?, are still waiting for answers..

Expatriation in global companies

The most efficient way to ensure the compatibility between satisfaction of local interests and company's global strategic is by increasing dedication of local managers to global vision. The best way to achieve this goal is by moving people with critical organizational knowledge through organizational parts and by process of socialization [1]. The question of expatriation in global companies comes down to the dilemma whether to give managerial positions to manager from local market or managers from the central. Engaging managers from the central to do the job abroad- expatriate is common thing, since global companies are reluctant to engage a local candidate, as a risky option, because they don't know the candidate well and the candidate doesn't know the organization well. Expatriation has the advantage of knowing the organization and the candidate. It is expected, from the expatriate, to develop the business abroad, to organize and operate the training and development of employees in organizational unit abroad, as well as to control implementation of a strategy, policies and procedures regulated in the central. The success in adjusting expatriate to altered working and living conditions depends on their characteristics, abilities and skills, and the most important ones mentioned in literature are: 1. previous working experience abroad, 2. previous experience in living in another country, 3. knowledge of foreign

languages, 4. ability to look at the problems from different angles and 5. sensitivity of a candidate [13].

While choosing managers to engage abroad, four possible orientations of HRM approaches can be found in the literature, depending of which candidates have the advantage: 1. ethnocentricity (managers from the country of origin have the priority), 2. polycentricity (the priority have the candidates from local labor market), 3. regiocentricity (the same chances of getting the job have candidates from the central and local labor market) and 4. geocentricity (the origin of a candidate is not important, but his skills and abilities; this can involve engaging candidates from the third country) [11]. Basically there are only three choices: candidates from the central, local labor market or some third country. The choice, of course, depends on the fact if a company has chosen a strategy of global integration, local responsiveness or balancing their relationship.

Sometimes the decision of a company to sent candidates from the central to branches abroad is proven wrong, especially in American companies [7]. The following are usually named to be the reasons for expatriate's failure: "collision of cultures" and insufficient ability of expatriates to adjust to the conditions of another culture, so called "culture shock", stagnation of their careers, the lack of cross-cultural training, too much emphasize on technical qualifications, tendency to use the international affairs as a political means of removing the problematic employees and family problems [5]. That is why, during the last years, speculations, that expatriation will lose its significance for global companies, have appeared in the literature, considering that larger number of good quality workers, who speak local and another language, have relevant education and skills and represent a good choice for managerial positions abroad, have appeared on local labor markets [15].

However, present researches show that the global companies choose expatriation because of the advantage it possesses [4]. By expatriation global companies achieve the internationalization of the value system, which enables managers to be able to make strategically important decisions, but, also,

operative ones, in the way that they are compatible with the mission, vision and the strategy of a company as the whole. By using the mechanisms of expatriation and rotation of employees and managers between organizational parts, global companies succeed in creating informal networks between employees and knowledge and skill transfer between organizational parts [10]. That enables global integration of a company and knowledge transfer. However, some authors are drawing attention to the fact that in global companies there is a real risk of managers from the central developing a sort of elitism, which can be an obstacle to their ability to adjust to another culture and to creating a global corporative culture [6].

Existing practices and IHRM policies, such as: hiring, that is expatriation, training and development, rewarding and evaluation of performances, mostly deal with the problems of expatriate- manager, from the central, who are employed in branches abroad. Central IHRM questions are: how to choose real candidates, that is which characteristics, skills and abilities they should have in order to be successful in realization of international professional tasks, how to motivate them to take a job abroad and how to prepare them, through different trainings, for local circumstances, which are different in political, economic and legal sense from the country the company's central is situated. Considering characteristics, which are recommended that expatriate should have, the ones that enable adjusting to different cultural contexts are usually mentioned, because one of the goals is that expatriates should achieve adjustment to local characteristics [13]. The fact that the goal of sending expatriates abroad is to enable integration, knowledge transfer and learning, is completely neglected, so the new question is about the appropriateness of the selection criteria or, in other words, the abilities which enables a successful realization of that goal. Considering the training, practice IHRM usually involves training of cultural sensibility and acculturation, in order to avoid a culture shock, which is in compliance with the goal of cultural adjustment. However, if the main goal of training is to prepare a candidate for a job which he is supposed to do, there is a question

of why the training neglects other goals and other aspects of a job which expatriates have to do, and which, among other things, involves coordination and knowledge transfer.

Training and development of expatriates in global companies

Education and training and future working force are the only force of further development. Education quality is the most important for the development of human capital. Knowledge and education are seen as essential economic sources, central factors of business based on knowledge, and main agents which will determine the future social cohesion, development and sustain the present way of life.

Practical work contribute to obtaining new knowledge, but knowledge is obtained by education and training. Drilling or training can be defined as the planned effort of an employees' organization to improve employees' performances of their work or some related jobs [2]. Education gives wider basic knowledge and doesn't have direct and measurable effects in certain fields. Training relies on education and gives specific, specialized knowledge from particular fields, with the clear results in the knowledge that has been gained.

The development of employees is related to creating possibilities for learning in order to help employees in their personal development. It is a constant process which involves formal education, working experience, relationships with other people and personality and capability evaluation, and which enables employees to be prepared for their future jobs. Development is usually connected to employees who have potential for managerial positions. From the beginning it is insisted that the training in a company is planned as a systematic activity. Among possible postulates in designing training the following are named: 1. functionality, 2. consistency (agreement on many levels), 3.gradation (on general and internal level), 4.efficiency, 5.time consuming efficiency, 6.communication (the ability to establish desirable functional relations with other processes and programs).

Training means that an individual should learn technical details for doing the job, while

development is related to learning of managers and professionals of skills needed for present and future jobs [12]. During the training an experienced expert takes under his wing an inexperienced, newcomer or a person with full time job and shows him the best way to do the job. Basic advantage is that this training is cheap and it enables an easy transition from work to learning, because the place of work is at the same time the place of training.

One of the most efficient training methods, used in the most of modern systems, is, so called, cross training [12]. It teaches employees various skills, and above all, how to do different jobs. Investing in all types of training, the abilities of individuals and loyalty to organizations, which organize permanent training for people to live modern and with changes, is increased. Even when it is about drill, training or entertainment, it doesn't have directly anything with work, it doesn't cost anything, and because it is proven that it lowers fluctuation and number of people leaving the organization.

Global companies use different types of trainings. Different authors give different suggestions about what type of standard training programs are necessary to global companies. Among them, the works, related to training programs for expatriates, stand out. Desler, for example, recommends approach of four levels of training: the first level focuses on cultural differences, the second level tends awake the sense of how attitudes influence behavior in expatriates, the third level provides fact knowledge about the targeted country and the fourth level of training is focused on creating skills (knowledge, language, adjustment etc.) [3]. Independent from different practices, mandatory training program in most of global companies are cross-cultural trainings, necessary for working with the people with different systems of values [5]. They, usually, involve: 1.trainings for learning basic characteristics of a country and culture a person goes to, 2. language training, 3.cultural orientation and assimilation trainings, which are supposed to awake the sense of cultural differences, and should serve as a work shop for generating strategies for overcoming cultural differences, and 4. trainings of sensibility focused on

development of flexibility in attitudes. Companies usually combine the programs mentioned, dosing it according to the needs of attendants. In that sense, training programs are usually focused on implementation of global strategy through learning about cultures and other differences.

Compensation system and policy of rewarding expatriates

Managers and other employees should be paid for their involvement at their jobs and the contribution of their results, in other words their involvement at their jobs should be compensated accordingly. Rewarding system, in a narrow sense, includes money, goods, status and/or services [2]. The most important part of rewarding system is a system or income. Namely, rewarding system includes material and immaterial rewards, and material rewards are included in a system of income. Immaterial rewards are related to status, development possibilities, job challenges, etc. managers use the terms like salary or payment reluctantly, but instead they use the terms like compensation, reimbursement or reward. The basic role of rewarding system in an organization is to reconcile individual goals of employees with strategic goals of a company, through attracting and keeping capable people, encouraging employees to develop their abilities and knowledge, motivating employees and creating a culture where the employees will care about the company they work in.

HRM policy, which is very important to global companies, is a policy of rewards, and, in literature, it is usually associated with expatriates. Expatriate income policy has several goals: 1.to attract candidates who are qualified and want to work abroad, 2.to support moving of expatriates, 3.to ensure consistent and comparable level of income between managers in company's central and managers abroad [15]. One of the important recommendations is that expatriates shouldn't be in positions where some local employees are, or have lower positions in relations to them. Incomes of expatriates are usually higher, and according to some researches, even up to five times, then the ones they had in the central, because apart from the basic package they include compensations for other

expenses in order to provide them with the same living standard abroad, and which include accommodation expenses, education and babysitting expenses, compensation for moving, etc [4]. If top management choose the approach where incomes in local organizational units are generally lower than the incomes in the central, including managerial package, then it is probable that it would have to rely on local candidates or candidates from some third country, to fill in managerial positions. In that way they can risk losing the flexibility which implementation of global strategy is providing in favor of strategy of local responsiveness. As far as structure of expatriates' income is concerned, it is with its biggest part fixed, and only a small part is variable and is connected to some accomplished performances [14].

Important variable elements of compensation package are bonuses. Bonuses represent one time payment at the end of the year and are usually related to profit which has been accomplished [9]. Bonuses are conditioned by business success, in other words this right is gained after a certain level of targeted performances is achieved. They belong to a group of short term stimulations. Different criteria (for example, individual performances, hierarchical position, salary percentage) can be used to determine the amount of a bonus to be paid. Another type of risky or variable component of compensation package is different long term stimulations which ensure a long term focus on creating values. In order to ensure that, options and actions are included in compensation package. This component of compensation package has a special significance for motivating managers to increase riches for owners. Bonuses are typical short term stimulation, and other possibilities of taking parts in owning a company or buying stocks under privileged conditions represent long term stimulations. Considering that managers and directors while doing their activities have to pay attention to short term, as well as sustainable performances of a company, the structure of compensation package should create a balance between short term and long term performances of a company. In developing compensation system, for managers of corporation top, there is a

trend in creating compensation systems which should be the driving force for the future performances. In that way payments for the managers are under risk, that is they have the character of investments

Rewarding practice and evaluation of expatriates mostly relies on compensation packages which mostly consists of fixed earnings and reimbursement characteristic for living abroad, while variable earnings related to certain performances make a negligible part of the whole package, even despite the fact that total incomes of expatriates are up to five times higher than at home. Even in the case when a part of income is connected to certain performances, the question is which performances are evaluated and what message a company is sending to expatriates concerning its expectation. Existing IHRM practices show that qualitative and quantitative determiners are used. In order to stimulate expatriates to achieve all goals, it is necessary that determiners of performances include and job aspects, such as integration with other organizational parts in other countries and central, cross-cultural interpersonal abilities and to be more connected to achieving global strategy of a company [4]. Some authors think that performance indicators may represent the key to inter-organizational connection within global companies and that the priority in the future should be such determiners of performances which will successfully include the differences in situation factors between different countries and to ensure comparison of performances of local managers concerning the accomplishment of organizational goals [14].

CONCLUSION

Improving the quality of education of human resources increases the quality of company's economy. Engaging staff with high education and qualifications is the general hypothesis of successful business of a company. Educated staff contributes more to more productive, economic and profitable functioning of a company. Successful companies in the most developed economies in the world hire, by percentage, most of the high educated staff, who crucially influences the development of those companies. One of the key tendencies in the development of a

company in market economy is relating the effect of total business and business strategy with dominant participation of high educated and competent staff. These staff determines life and business strategy and philosophy of a company. Only educated and competent staff in the condition of sharp market competition can, by creating business strategy of a company, ensure optimal solution to total business of a company, adjusting partial segments of business to the whole.

Company's ability to make a real balance between two choices will become the key organizational ability for achieving competitive advantage in global market. Practices and policies of HRM in a global company have the central role in balancing of that "trade off". They play their role through the influence they have on creating conditions for organizational learning. Organizational learning has the potential and should take the role of basic mechanism of integration in global companies and the key factor of competitive advantage in global market. It is very important to steer the practice and theory of IHRM towards the organizational learning, ways to establish and stimulate it through different IHRM practices. An important question for future researches will be the need to evaluate learning, especially in connection to the influence on efficiency of business of global companies, which, until now it wasn't given attention to, in theories or empiric papers. Learning ability, it is obvious, will become a key comparative advantage, which can ensure the survival and leading position of a company in global market.

Policy of income and rewarding of expatriates has a very important role in management of global companies. Its goals are to attract candidates who are qualified and want to be engaged in a task abroad, to enable a support for moving of expatriates and to provide consistent and comparable level of income between managers in company's central and managers abroad. Expatriation of employees and managers between organizational parts of global companies achieve creating informal networks between employees and knowledge and skill transfer between organizational parts. Thus, global integration and transfer of learning is achieved.

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