

THE MULTINATIONAL ENTERPRISE:
MANAGING THE TRAINING OF AMERICAN EXPATRIATES

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INTRODUCTION

In today's business world, taking a company beyond American borders has become more than a competitive strategy; it is now an economic necessity. Increasing market share is one of the major reasons to expand. Statistics show that 96 percent of the world's population lives outside the United States (Smith and Steward, 1995). Foreigners' demand for American products is far from being satisfied, so American firms must tap into this international market in order to remain competitive on a global scale.

An example of a company which has successfully taken advantage of this assumption is Exxon, whose foreign net profits in 1996 were a staggering \$5.1 billion, a figure which accounted for over 68 percent of the firm's net income (Zajac, 1997). In contrast, Xerox Corporation failed to acknowledge the importance of the vast international market. Xerox invented the fax machine in 1964, "but [by] 1989 held only seven percent of the fax market, while Japanese firms controlled 67 percent" (Fisher, Schoenfeldt, Shaw, 1993, p. 781). If Xerox had taken advantage of the international market when the fax machine was still a novelty, they could have reaped greater benefits and established themselves as the dominant firm in this industry. Obviously, international expansion benefits those firms who succeed. However, succeeding is not easy.

One of the most important elements in any business is its people. Most multinational enterprises (firms who go international; referred to as *MNE's* throughout the remainder of the paper) send many of their top and middle American managers abroad. Such an undertaking requires a substantial dedication to training these so-called “expatriates”—people living outside their native countries. The training of an expatriate is the focus of this paper. Research was done primarily from journal articles and the books, with some references to the World Wide Web and knowledge of the authors.

The authors have chosen to focus on U. S. MNE's, although it is acknowledged that businesses from many countries expand beyond their borders. Five main topics will be covered: Training basics, cross-cultural training, strategic training, bureaucratic training, and family and post-arrival training.

TRAINING BASICS

The importance of training expatriates for a foreign assignment cannot be overlooked. A typical three year foreign assignment costs an American MNE \$1 million or more (Strawn and Nurney, 1995). If the expatriate fails in his or her assignment, a replacement must be found and trained, causing costs to rise substantially. Additionally, the “mistakes of corporate representatives because of language or intercultural incompetence can jeopardize millions of dollars in negotiations and purchases, sales and contracts, as well as undermine customer relations” (Smith and Steward, 1995, p. 25). Such problems can be lessened through successful training.

The Importance and Effectiveness of Expatriate Training

Simply stated, training increases the chances of success for the MNE. Employees sent overseas who have had pre-arrival training exhibit higher levels of confidence and competence, contributing to greater personal achievement and adjustment (Fisher, Schoenfeldt, Shaw, 1993).

Training Methodology

MNE's preparing an expatriate to work on foreign soil must first determine the appropriate techniques. Furthermore, the intensity—especially in regards to length—of the training is an important consideration. In their discussion of “Multinational Human Resource Management,” Fisher, Schoenfeldt, and Shaw (1993), state that the intensity depends largely on the:

- ✎ location of the subsidiary,
- ✎ duration of the stay, and
- ✎ degree of interaction with the local people.

For instance, relocating to Canada requires far less training than relocating to Nigeria, and less assimilation occurs during a stay of six months than a stay of three years. Additionally, less training time is required for those who will have minimal contact with local workers, merchants, neighbors, and teachers.

Once these decisions are made, the MNE can then focus on the training itself.

The Expatriate Training Process

The authors have identified four areas necessary to the expatriate training process:

- ① cross-cultural training

- ② strategic training
- ③ bureaucratic training
- ④ family and post-arrival training

Each of these four areas will be developed in further detail below.

CROSS-CULTURAL TRAINING

An expatriate will do far more than simply *visit* another country, therefore the majority of the training time should be devoted to cultural education. The ability of expatriates to adjust to the norms of the new country is a significant factor contributing to the success of the foreign assignment.

Communication, culture, and customs are the three C's that should be included in the cross-cultural training experience.

Communication in Foreign Countries

In global business, communication is the key to successful negotiations. There are two main considerations when training an expatriate in foreign communication: verbal and non-verbal communication.

Verbal Communication

Although English has developed into the most widely used language in international business (Gilsdorf, 1997), American expatriates still have a responsibility to learn the language of the host country. Those who fail to do so are often viewed as culturally blind and insensitive by their foreign counterparts, resulting in failed corporate transactions (Hugenburg, LaCivita, Lubanovic, 1996). For example, because they live in a high context culture, where the

responsibility of the conversation is placed on the listener, Chinese business executives expect visitors to understand the rudiments of their dialects (Gilsdorf, 1997). It is therefore a necessity for trainers to teach the basics of a foreign language to expatriates. Beyond learning the language, understanding the non-verbals of a foreign culture is also important.

Non-Verbal Communication

Body language, in the form of physical movements, eye contact, and dress, is another form of communication. In the foreign environment, it is essential for Americans to be culturally sensitive in this area to avoid unintentional insults. Two good examples are Bulgaria and Spain. In Bulgaria, the signal for “yes” is a shaking of the head, while “no” is signified by a nod (Axtell, 1997). In Spain, men should cross their legs at the knees, but if a woman does so, she would be considered unfeminine (Axtell). Even the level of eye contact has mixed reactions. Whereas in the United States, it is viewed as a sign of respect, in a few Asian countries, it is perceived as impolite (Gilsdorf, 1997). The style of clothing, especially the degree of conservative dress, is another determinant of cultural non-verbals. In China, as an example, business suits should be highly professional and concealing (Gilsdorf).

In addition to training in communication, expatriates also require instruction in culture and customs of the host country.

Culture and Customs

Culture and *customs*, while appearing similar to each other on the surface, are two different areas of sociology. Webster defines *culture* as “a complex of typical behavior or standardized social characteristics peculiar to a specific group . . .” (1986, p. 552). A *custom*,

however, is a “long-established and constant practice considered as unwritten law . . .” (p. 559). Because they are two different areas of the international experience, training should include both.

Culture

Expatriates have an obligation to be aware of the expectations present in foreign lands. Those executives who are sensitive to these issues will most likely find themselves appreciated by their foreign peers.

For example the World Trade Center, Denver, (1996) identifies the following scenarios of acceptable cultural behaviors:

- ✎ In Germany, punctuality is prized. Americans should always arrive on time for every business meeting conducted in Germany.
- ✎ While doing business in France, American men should remember to wear their suit coats at restaurants in order to maintain the higher level of professionalism expected.
- ✎ Unlike American business executives, neither their Japanese nor Russian counterparts shake hands upon greeting. In Japan, a bow and eye contact is expected, whereas in Russia, shaking hands is viewed as unlucky. Further, Russians refuse to greet in doorways, because it is perceived as bad luck.
- ✎ The English prefer not to display affection in a business setting. Expatriates should remain reserved while in Britain.
- ✎ Canadian business executives resent the discussion of societal and political issues while in the office. Americans should discuss issues like the weather and other non-partisan topics.

Trainers need to be conscious of such implicit rules and should effectively communicate them with the expatriates during the cross-cultural education process.

Customs

Any American who has traveled abroad is aware of the differences existing between cultures. However, for an American business executive, such differences are more than a point of interest, they are a potential barrier to the success of the assignment (Nowak, 1997). Only by learning and incorporating the foreign customs can an American expatriate ensure the MNE will reach its goals. Foreigners expect American expatriates to abide by these unwritten laws, and have greater respect for those who do. International business dealings often hinge on this very topic.

For example, Americans often casually hand over a business card. However, in China, they would be expected to ceremonially present the card with both hands. After receiving a card in this fashion, a Chinese businessman will carefully read it, displaying both interest and respect for the other person (Nowak, 1997). An American expatriate aware of this and other customs will experience greater assimilation, leading to higher confidence, which in turn contributes to greater success.

Beyond training in culture, MNE's must make sure their expatriates are keenly aware of global objectives and strategies, especially as they relate to ethical considerations.

STRATEGIC TRAINING

When part of the corporate strategy is to become an MNE, goals must be heavily instilled as part of the expatriate training experience. The expatriate will be physically separated from American headquarters in a nation where business strategies, and the methods used to accomplish them, are often overwhelmingly different, sometimes leading to fewer ethical constraints. Managers operating abroad will face dilemmas in dealing with the differences

between what is expected in the U. S. and what their foreign counterparts are practicing. Effective training, emphasizing international ethics, can alleviate this problem.

“The Book of Ethics”

A number of different business situations can arise in foreign environments. These situations, when influenced by ethical considerations, can be even more complex with the realization that there is no set “book of ethics.” Without such a manual, managers in foreign subsidiaries are forced to use their own judgment in making decisions where ethics play a role. Due to this lack of clarity, it is futile to train on any specific set of ethics. Therefore, pre-arrival training in this area should focus on compliance with corporate strategy through intuitive skills and generalized ethical decision making.

Webley’s Four Key Values of Intuition

Simon Webley of the British-North American Research Association simplifies ethics into four key values: justice, mutual respect, stewardship and honesty (1996).

Justice

Justice refers to doing what is right and fair. Although this might seem like a broad and general guideline, it should be thought of as the “Golden Rule” for companies expanding abroad.

Mutual Respect

In a business and managerial sense, *mutual respect* implies expatriates should go beyond doing no direct harm to the host country; they should also respect and participate in activities that will benefit the host country.

Stewardship

MNE's have an obligation to use their resources rationally. *Stewardship* implies expatriates should not act as parasites in the host country, but rather work in cooperation to ensure further development in several industries, looking both at the present and towards the future.

Honesty

Honesty transcends all aspects of business, from truthfulness with consumers to reliability from suppliers. An MNE should strive to fulfill this "rule" even in a country where human rights are not protected by law.

When justice, mutual respect, stewardship, and honesty are effectively incorporated into the expatriate training process, they will ensure that the American manager will have an intuitive and correct reaction to any ethical dilemma that may arise while on assignment.

Generalized Ethical Decision Making

With these four values in the expatriate's arsenal, it is possible to derive some important guidelines for businesses operating internationally. MNE's have a "duty to avoid depriving people of any of their fundamental rights . . ." (Beauchamp and Bowie, 1997, p. 517). Richard T. De George is more assertive in his proposal of "Ethical Norms for American Multinationals:"

- ☞ "Multinationals should do no intentional harm.
- ☞ "Multinationals should produce more good than harm for the host country.
- ☞ "Multinationals should contribute by their activity to the host country's development.
- ☞ "Multinationals should respect the human rights of their employees.

- ☞ “To the extent that local culture does not violate ethical norms, multinationals should respect the local culture and work with and not against it.
- ☞ “Multinationals should pay their share of taxes.
- ☞ “Multinationals should cooperate with the local government in developing and enforcing just background institutions.” (1993, p. 46-54)

Training regarding these basic ethical duties should be a significant part of strategic training. American expatriates who are aware of corporate strategy and its ethical implications will be more competent managers.

International ethics and strategy are abstract areas of expatriate training. Closely related are the more concrete topics of foreign laws and bureaucracy.

BUREAUCRATIC TRAINING

When operating a business in a foreign country, an MNE is expected to abide by the local laws. Because Americans are often unfamiliar with foreign governments, the expatriate manager must be trained extensively on such issues. They must be familiar with the bureaucracy of the country and its specific laws.

Elements to Consider

Americans should consider legal procedures in the host country and the consequences for breaking any specific laws. For example, if jail is a consequence, an American should be aware that foreign jails often are less civilized than those in the U. S. Expatriates should be able to adapt and adjust to a variety of laws. Considered here are labor relations and safety.

International Labor Relations

Even if an American MNE decides to staff the subsidiary's top and middle management with expatriates, local nationals will still make up a large portion of the workforce. American managers in foreign lands must be well-versed in local laws dealing with the native workforce, especially as they relate to labor relations.

Labor in Australia, for example, is a national affair. Unions rarely negotiate with a single firm, but instead the Industrial Relations Commission establishes "awards" (settlements) which apply to all the workers in that specific industry. Approximately 90 percent of Australians are covered by these awards, which address sick leave, vacation pay, working conditions, and other elements important to workers. Compared to American laws, Australian awards are extremely generous; for example, Australians receive bonus pay for working in hot conditions. (Fisher, Schoenfeldt, Shaw, 1993)

An American managing in Australia must understand the implications of their labor relations laws. Expatriates cannot simply apply American traditions of labor relations to local workers.

International Workplace Safety

If a worker in Sweden spots a hazard, can that worker stop production while the hazard is remedied? A manager in an MNE must be able to answer this and other safety-related questions. Making the transition from managing a firm in the U. S. to managing one abroad is difficult in terms of safety because "the United States is the weakest [among five European countries] in terms of law enforcement mechanisms [relating to safety]" (Fisher, Schoenfeldt, Shaw, 1993, p. 630). In the Netherlands, Luxembourg, France, Belgium, and Denmark, worker safety committees are required by national law. These committees report directly to management—

which may consist primarily of Americans. Additionally, the European Economic Community has provided a framework for member nations regarding safety regulations, so there is a common standard throughout the continent. Conversely, unindustrialized nations have little to no laws relating to workplace safety. They most likely will remain so, because this policy attracts foreign MNE's to their borders. (Fisher, Schoenfeldt, Shaw, 1993)

American managers must be extensively trained on this aspect of foreign bureaucracy, since safety laws vary greatly. Expatriates should be acutely aware of the safety standards in the host country, as well as the ramifications for violating such requirements.

Whereas this training would most likely occur before the expatriate leaves the United States, more training will be needed once he or she arrives at the foreign destination.

FAMILY AND POST-ARRIVAL TRAINING

Because “their influence on the success of the expatriate” is notable (Peterson, 1997, p. 68), and because they will often have more interaction with the locals—at school, at home, at the market—than the expatriate, training the spouse and children is vital. In fact, “one of the major causes of failure of expatriate assignments is the inability of the family to adjust” (Fisher, Schoenfeldt, Shaw, 1993, p. 814).

Japanese firms are acutely aware of the importance of family training. Many Japanese MNE's pay for the families of expatriates to attend briefings of the Japan Overseas Educational Services (Fisher, Schoenfeldt, Shaw, 1993).

Clearly, the further development of more extensive training programs for families is essential to the success of American MNE's. But the trainer still has one more important job to complete—post-arrival training of the expatriate.

Post-Arrival Training

Once the expatriate arrives at the destination, culture shock may ensue. Therefore, additional “fine-tuning” is required to aid the expatriate and his or her family in adapting to the new environment. A suggestion is that an “expatriate mentor or a reliable local contact” meet the newcomer to aid in the practical application of pre-arrival training (Fisher, Schoenfeldt, Shaw, 1993, p. 813). Firms which engage in post-arrival training will find their expatriates more comfortable in their host country; these men and women will be ready to take on the concerns of the business rather than being preoccupied with the adjustment process.

CONCLUSION

The process of sending an expatriate abroad involves much more than the physical relocation. Substantial training is a necessity for proper expatriate preparation and assimilation. It is necessary to determine the extent of the training required, as well as the degree of cross-cultural, strategic, and bureaucratic training which is necessary. In addition, post-arrival training is also required in order to aid the expatriate in adapting to his or her new location. The total expatriate training process should be emphasized.

It is impossible for a company expanding abroad to have guaranteed success. Expanding to an international market poses considerable costs, which only increase if an expatriate has been inadequately equipped. However, through proper training it is possible to dramatically increase the chances of an expatriate’s success, and thus the success of the MNE.

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