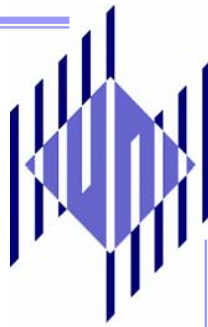




Ludwigshafen University of Applied Sciences
Prof. Dr. Jutta Rump

International Human Resource Management



Contents

International Human Resource Management – an Introduction

- Definition
- The Functional Areas of Human Resource Management
- Definition of International
- Classification of International Human Resource Management
- Targets
- The Difference between Internationals Human Resource Mangement and National Human Resource Mangement
- Criteria of a Successful International Human Resource Management
- Internationalization Models



Job Analysis in International Companies

- Definition
- Job Analysis Methods
- Job Description
- Job Specification
- Job Specification in International Companies

Human Resource Planning in an International Context

- Definition
- The Specific Features of International Human Resource Planning
- The Human Resource Planning Process
- Human Resource Forecasting Techniques
- Quantitative Comparison of Requirements and Availability
- Qualitative Comparison of Requirements and Availability



International Recruitment

- Definition
- The Environment of Recruitment
- The Recruitment Process
- Alternatives to Recruitment
- Internal Recruitment Sources and Methods
- External Recruitment Sources and Methods

Selection of Employees Working in an International Context

- Definition
- The Selection Process



International Human Resource Development

- Definition
- The Purpose of the International HRD
- The Specific Feature of the International HRD
- The Functional Areas of the International HRD
 - The Cross-Cultural Training and Development
 - Definition
 - Target Groups
 - Content
 - The Components Influencing the Cross-Cultural
 - Training and Development
 - The Training and Development Process



Compensation and Benefits in International Companies

- Definition
- Theoretical Basics
- The Purpose of Compensation and Benefits
- Components of a Total Compensation Program
- The International Dimension of Compensation and Benefits
- Direct Financial Compensation
 - Factors of Individual Direct Financial Compensation
 - Job Pricing
 - Parent Country-oriented Compensation
 - Host Country-oriented Compensation
 - International Compensation Model
 - Other Financial Compensation Vehicles
 - Procedure of Payout
 - Executive Compensation



- Indirect Financial Compensation – Measures
- Nonfinancial Compensation
- The Job as a Total Compensation Factor
- The Job Environment as a Total Compensation Factor
- Cafeteria Compensation



International Human Resource Development

1. Conceptualnesse
2. Targets
3. Special qualities
4. Functions
5. Instruments
6. Cross-Cultural-Training (CCT)
7. Integration of employees of different nationality
8. Evaluation of the personnel development

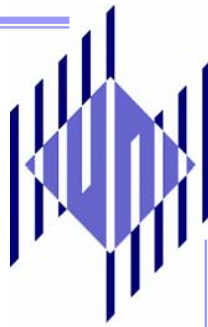


International performance Appraisal

1. Conceptualnesses
2. Targets
3. Types of delegation
4. Factors of influence international mission
5. Possible problems in the context international mission
6. The process of the delegation

performance appraisal in international enterprises

1. Basic, generally accepted considerations
(conceptualnesses, targets)
2. Organization of performance appraisal in the international context (differentiation criteria, the model)



Incentive systems in international enterprises

1. Basic, generally accepted considerations (conceptualnesses, theoretical bases, classification of incentives, targets)
2. Organization of performance appraisal in the international context (framework, request of an international incentive system, methodology)

International payment identification

1. Factors of influence
2. Models of international remuneration politics

International work relations

1. Conceptualnesses
2. Heterogeneity of participation
3. Internationalization beginnings of workers' delegate / trade unions
4. International employer organizations
5. Internationalization of the participant "state"
6. Industrial-Relations-Management



Personnel management in the international context

1. International-aligned guidance understanding
2. Special features
3. Systematization of guidance

International HR Controlling

1. The term of the HR Controlling
2. Functions of the HR Controlling
3. Competencies of an international HR Controlling



International Human Resource Management - an Introduction



Definition of Human Resource Management

Human resource management deals with the availability of human resources and the efficiency of the personnel placement. There are several functional areas being associated with effective human resource management:

- Job analysis
- Human resource planning
- Recruitment and selection
- Human resource development (including training and development, career planning and development and performance appraisal)
- Compensation and benefits
- Downsizing
- Leadership

The main purpose of human resource management is to create and to keep the balance between the firm's goals and the interests of the employees.



The Functional Areas of Human Resource Management

Job analysis is the systematic process of determining the skills, duties and knowledge required for performing jobs in an organization. It impacts on human resource planning and recruitment.

Human resource planning is the process of systematically reviewing human resource requirements to ensure that the required numbers of employees with the required skills are available when needed.

Recruitment is the process of attracting qualified individuals and encouraging them to apply for work.

Compensation and benefits provide employees with rewards for their contributions to meeting organizational goals.

Downsizing is a process of reducing the numbers of employees.



Human resource development is a major HRM function that consists not only training and development but also individual career planning, career development and performance appraisal.

Training is designed to provide learners with knowledge and skills needed for their present job.

Development involves learning that goes beyond today's job, it has a more long-term focus.

Career planning is an ongoing process whereby an individual sets career goals and identifies the means to achieve them.

Career development is a formal approach used by the organization to ensure that people with proper qualifications and experiences are available when needed.

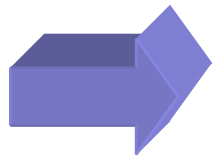
Through **performance appraisal**, employees are evaluated to determine how well they are performing their assigned tasks.



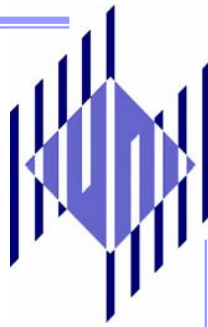
Definition of International

International in this context means that relations between company units in (two or several) different countries exist.

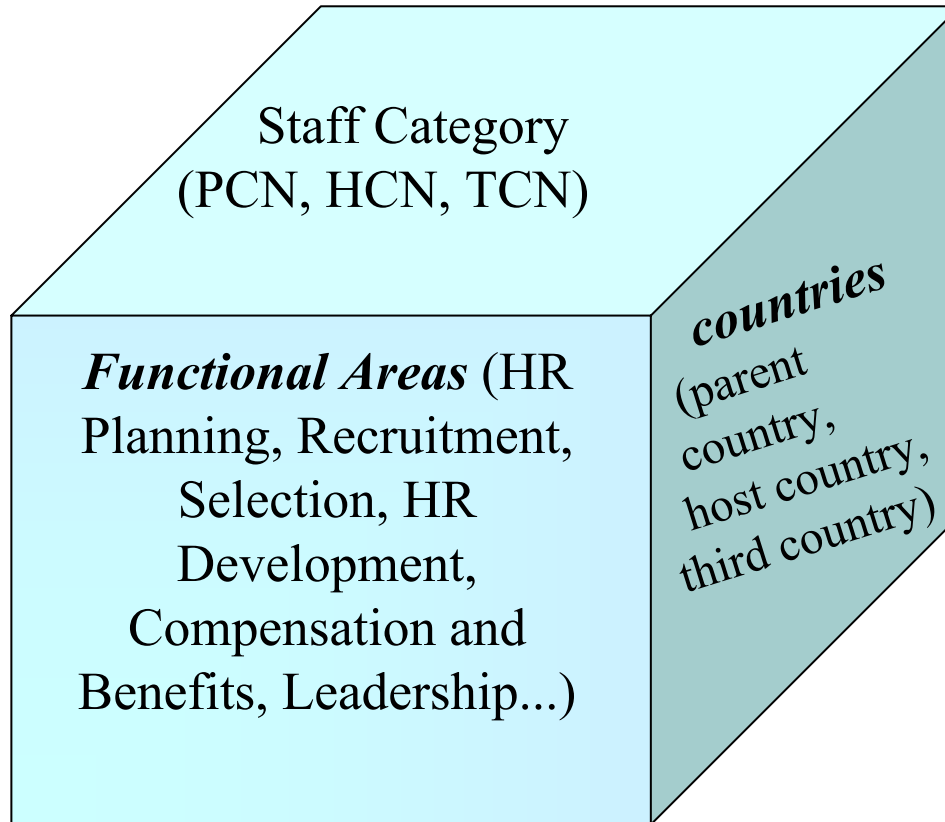
An international company is defined as an institution that is active at least in two national economies, and/or follows business activities beyond national boundaries.



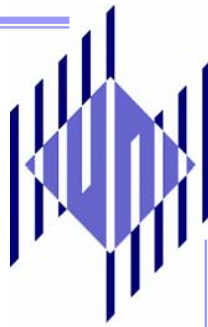
The most important aspect in international human resource management is the cross-border orientation. This relates to the functional areas and to the processes.



Classification of International Human Resource Managements



(Vgl.: Scherm, E. (1999), S. 23;
Weber, W. / Festing, M. (1991);
Morgan, P. V. (1986), S. 44.)



Targets concerning an International Orientation

- ❖ Increase of profit
- ❖ Increase of sales by activities from abroad
- ❖ Diversification of risks
- ❖ Achieving competition advantages
- ❖ Reaction to the success of competitors abroad
- ❖ Use of national subsidies
- ❖ Securing the business relationship to partners, which move production abroad
- ❖ Gaining knowledge, Know-how transfer and Development of competence
- ❖ Considering currency relations



Targets concerning International Human Resource Management

- ❖ availability of human resources and the efficiency of the personnel placement in the national und international context
- ❖ Identification of critical HR factors influencing success
- ❖ Improving the relationship within the company and over the boundaries
- ❖ Considering different thinking and action patterns
- ❖ Creating a learning culture which is characterized by openness and tolerance
- ❖ Support of the transnational know-how transfer
- ❖ Increasing the mobility and the motivation to change
- ❖ Developing cross-cultural empathy
- ❖ Considering different economic, political, social and cultural conditions
- ❖ ...

The Difference between International Human Resource Management and National Human Resource Management



An international company deals with an increased complexity and an increased uncertainty. There are several reasons:

The numbers and the heterogeneity of the elements influencing the process of decision making increase. At the same time the transparency decreases.

If the degree of strangeness increases, the identification of interdependences will become more and more difficult.

Environmental elements and conditions are different from country to country. This makes a specific, case-referred procedure necessary.

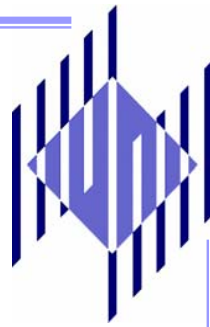
Economic, political and social differences hinder a standardized procedure.

The linguistic variety affects the communication and influences the cooperation.

Cross-cultural differences determine the thinking and behavior pattern.

Prejudices influence the relationship.

(Vgl.: Düfler, E. (1991), S. 191f.; Reisch, B. (1991), S. 10ff.; Scherm, E. (1999), S. 127f.)



The international human resource management differs from the human resource management on national level by the following factors:

- ❖ Increased numbers of activities (e.g. international taxation, foreign delegations, services for expatriates, language translation services...)
- ❖ Global perspective
- ❖ Considering the privacy of the (potential) expatriates
- ❖ Larger risks
- ❖ Considering different economic, political, sozial and cultural conditions
- ❖ Equal treatment of the different nationalities

(Vgl.: Weber, W. / Festing, M. / Dowling, P. / Schuler, R. (1998), S. 12ff.)



Criteria of a successful International Human Resource Management

- Environmental consideration
- Compatibility



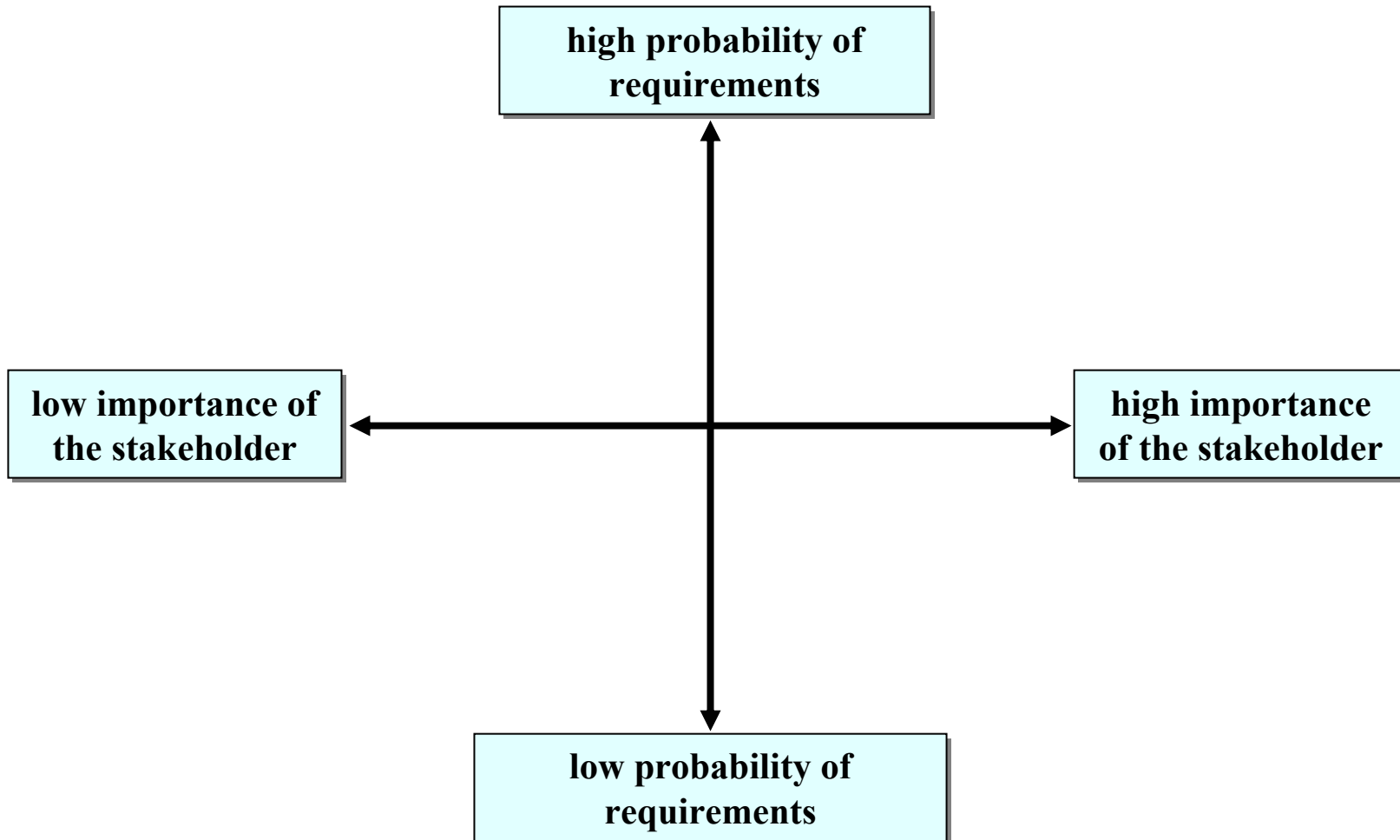
Environmental consideration: Stakeholder Scanning and Environmental Scanning

In an international company the human resource management will be successful, if

- ❖ the targets and requirements of the relevant stakeholders in the different countries are identified, and
- ❖ the relevant external conditions are considered.

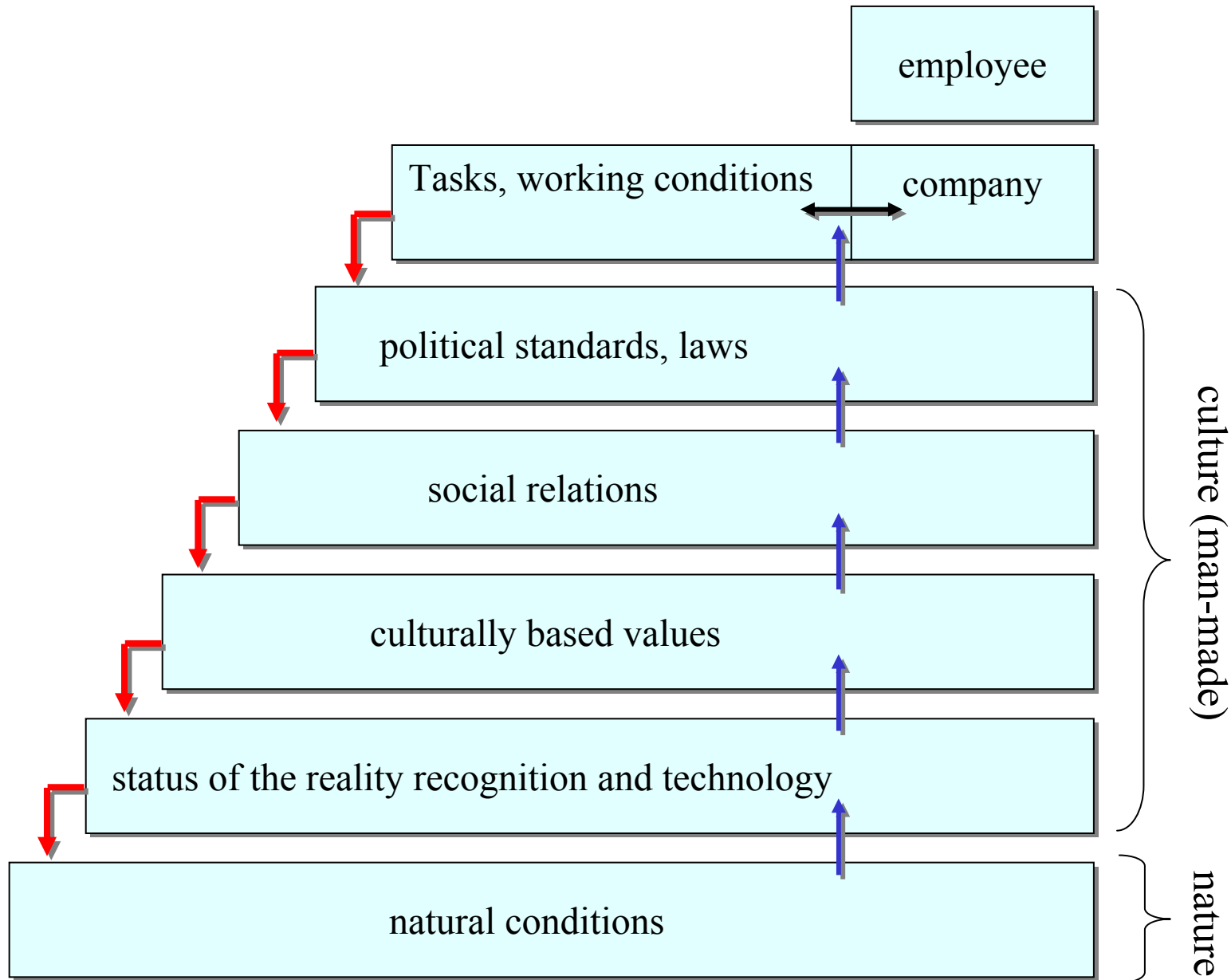
(Vgl.: Scherm, E. (1999), S. 37ff.)

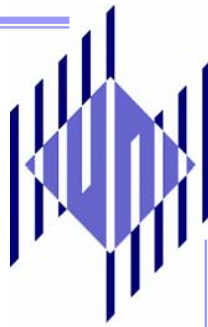
Stakeholder Scanning: The method "Grid for Charting Stakeholder Assumptions"



Environmental Scanning: The Model of Environment

(Düfler, E. (1997), S. 261)





The internal and External Environment of Human Resource Management





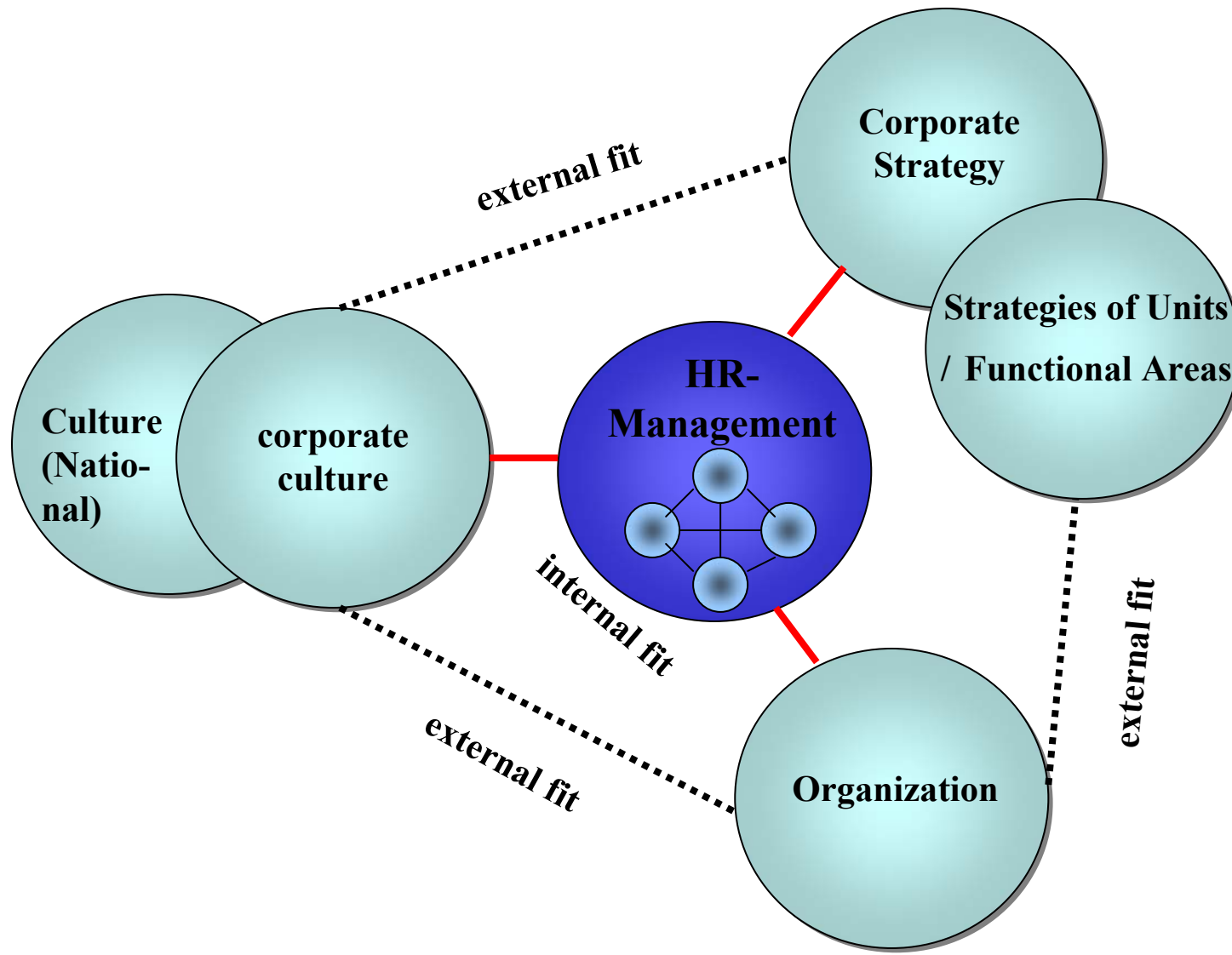
Compatibility: External Fit und internal Fit

External fit: The external fit relates to the interdependence between

- the corporate strategies and human resource management,
- the organization and human resource management and
- the corporate culture and human resource management.

Internal fit: The internal fit contains the interdependence between the functional areas of human resource management.

(Vgl.: Scherm, E. 81999), S. 57.)





Internationalization models

Perlmutter identifies several internationalization models.

- ❖ Centralization
- ❖ Decentralization
- ❖ Situative integration

These models represent the company's attitude concerning the international business activities.

In addition they depend often on the development level of the international activities. At the beginning of internationalization many companies prefer the centralization model. After some years they establish the decentralization model. If a company becomes a global player with many plants and departments all over the world, it will implement the integrative model of internationalization.

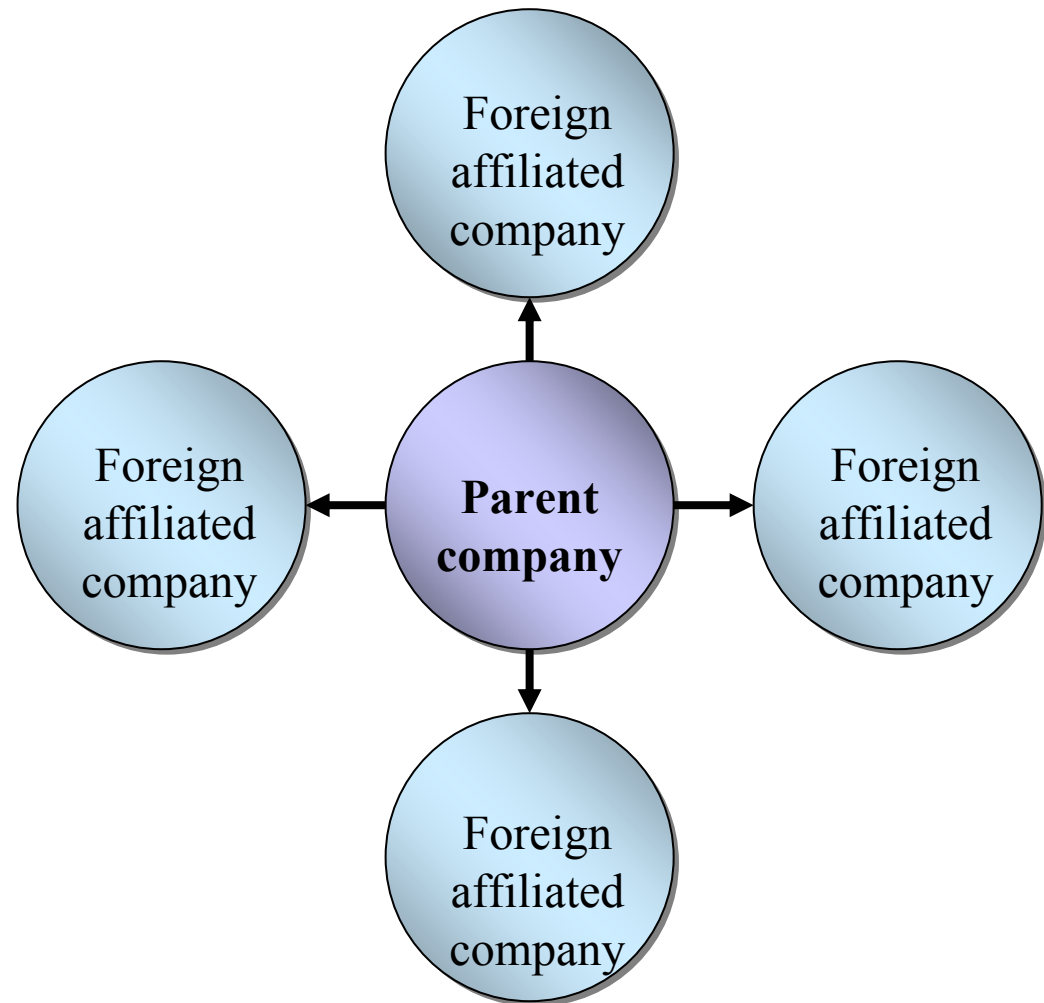


The centralization

Parent country nationals / expatriates take the key positions in the foreign affiliated companies.

Strategic decisions are made by the parent company.

Concepts and strategies which are effective in the parent company are transferred to the foreign affiliated companies.

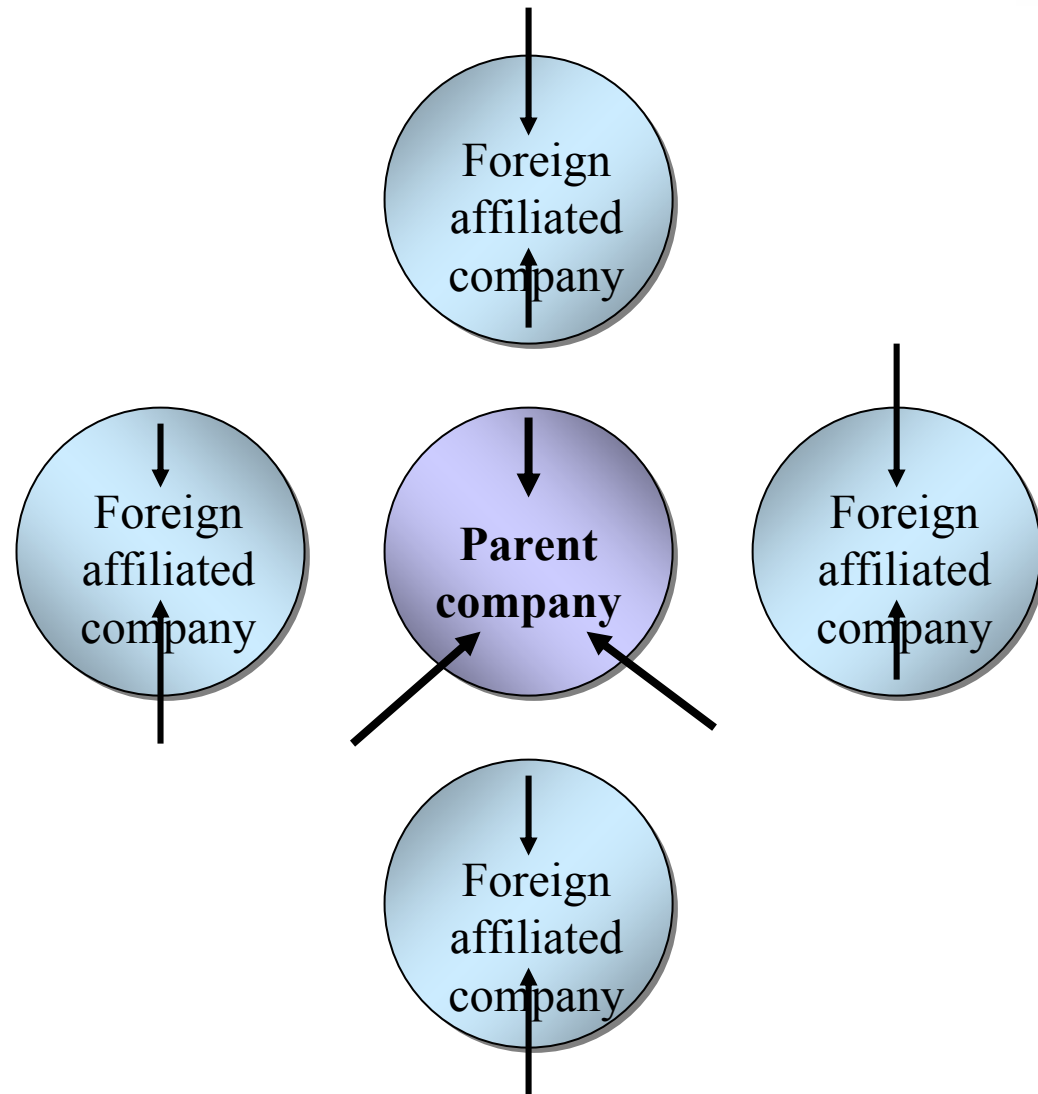


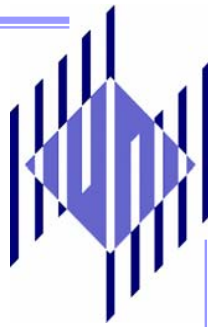


The Decentralization

Host country nationals / locals take the key positions in the foreign affiliated companies.

Every foreign affiliated company is more or less independent. It has the autonomy and the competence to make decisions.

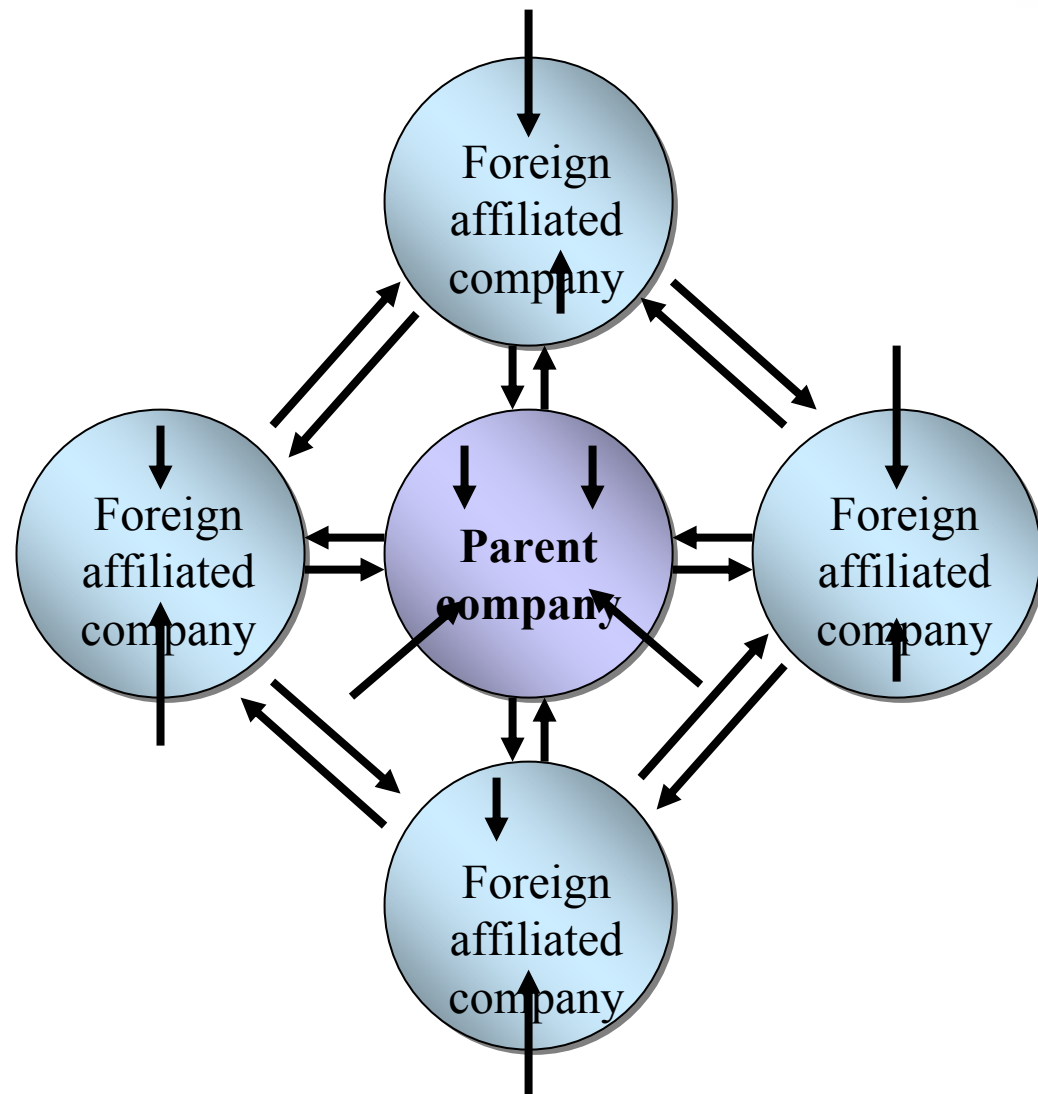




The Situative Integration

The fulling of a position especially a key position does not depend on the nationality of the employee. It depends on the qualifications (knowledge, skills, abilities).

Decisions are made by the ajustment between parent company and foreign affiliated company. The main purpose is to achieve a high global efficiency all over the company.





Job Analysis in International Companies



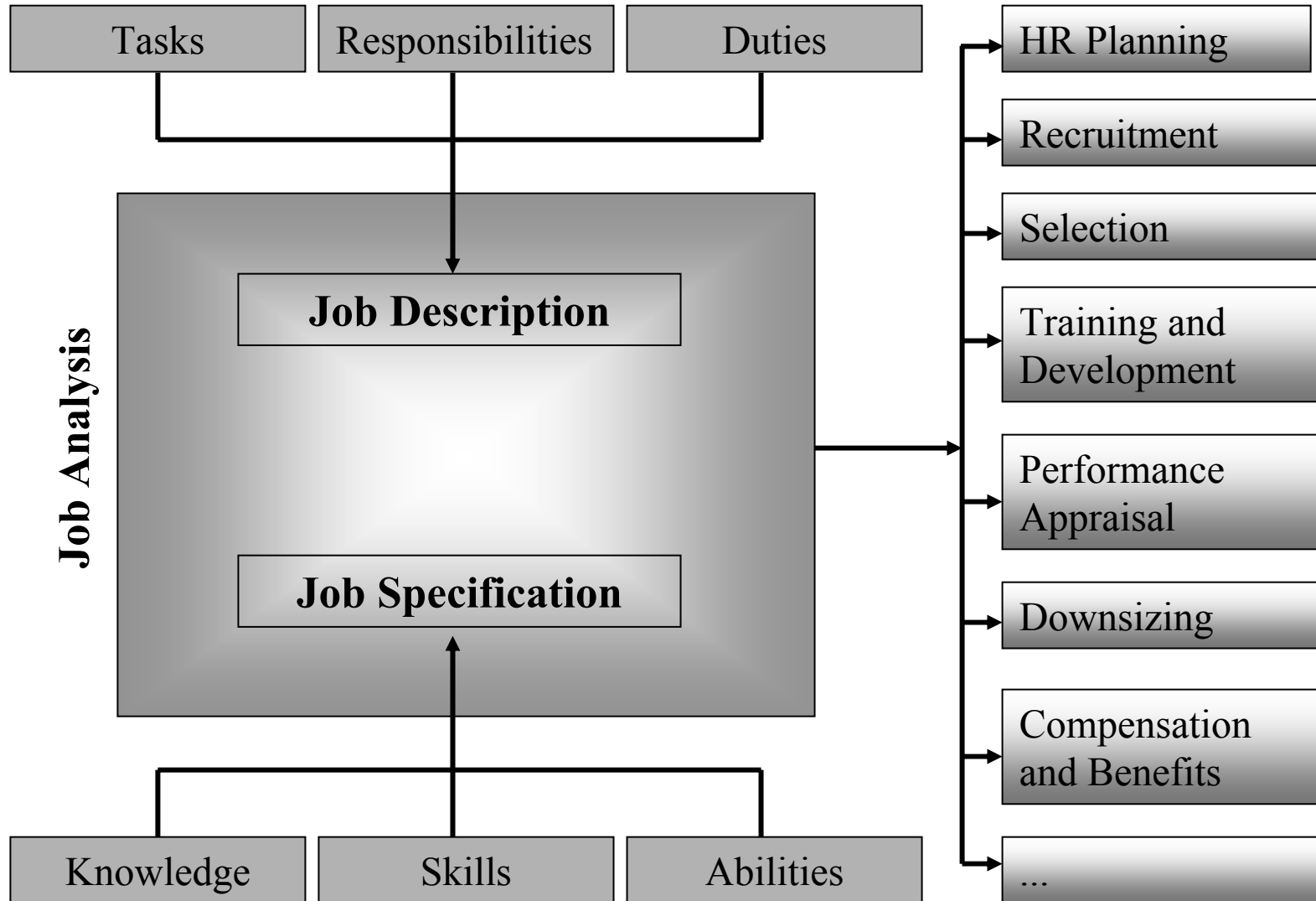
Definition

Job analysis is the systematic process of determining a job's duties and responsibilities, its relation to other jobs, skills and knowledge required and working conditions under which it is performed.

Job analysis is used to prepare job descriptions and job specifications.

The **job description** is a document that provides information regarding the task, duties and responsibilities of the job.

The minimum acceptable qualifications that a person should possess in order to perform are listed in the **job specification**.





Job Analysis Methods

There are several methods of job analysis:

- Questionnaires
- Observation
- Interviews
- Employee recording

Usually an analyst does not use one job analysis method exclusively. A combination of methods is often more appropriate.

Regardless of the methods taken the analyst should learn as much as possible about the job. It is necessary that the supervisor introduces the analyst to the employees and explains the purpose of the job analysis.

Trust and confidence is an essential requirement for the process of job analysis.



Job Description

The job description is a document that provides information regarding the task, duties and responsibilities of the job. It has to be relevant and accurate.

Components of the job description are

- major duties performed,
- percentage of time devoted to each duty,
- performance standards to be achieved,
- Working conditions and possible hazards,
- supervision and subordination,
- the machines and equipment used on the job.



Job Specification

The job specification is a document containing the minimum acceptable qualifications that a person should possess in order to perform a particular job. Items are requirements concerning skills, knowledge, abilities, experience ...

Criteria are for example

- knowledge of business
- customer orientation
- interpersonal skills / team player
- ability to influence others
- confidentiality
- planing, organizing and time management
- written and oral communication
- ...



Job Specification in International Companies

In an international context the human resource requirements are divided into four dimensions:

Requirements which do not depend on the international context

- Knowledge
- Ability to make decisions
- Ability to carry responsibility
- Self initiative
- Ability to work in teams
- Ability to be aware of mistakes
- ...

Self-Oriented Dimension

- Ability to improvise
- Ability to stress management
- Mobility
- Ability to manage alienation and isolation
- Ability to cope with pressure

Others-Oriented Dimension

- Ability to build up sozial contacts and relationship
- ability to communicate and to cooperate
- Respect and culture empathy

Perceptive Dimension

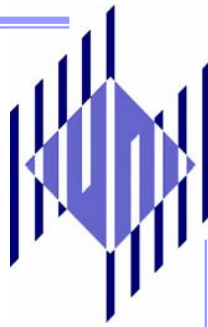
- Tolerance
- Open-mindedness
- Ability to deal with uncertainty

Factor X is the capability to live and work under different historical, cultural, geographical, economical and political conditions.

Values, attitudes and behavior are adapted.



Human Resource Planning in an International Context

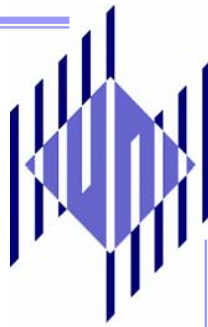


Definition

Human resource planning is the process of systematically reviewing human resource requirements to ensure that the required numbers of employees with the required skills are available when and where they are needed.

Human resource planning includes four factors:

- ❖ Quantity: How many employees do we need?
- ❖ Quality: Which skills, knowledge and abilities do we need?
- ❖ Space: Where do we need the employees?
- ❖ Time: When do we need the employees? How long do we need them?



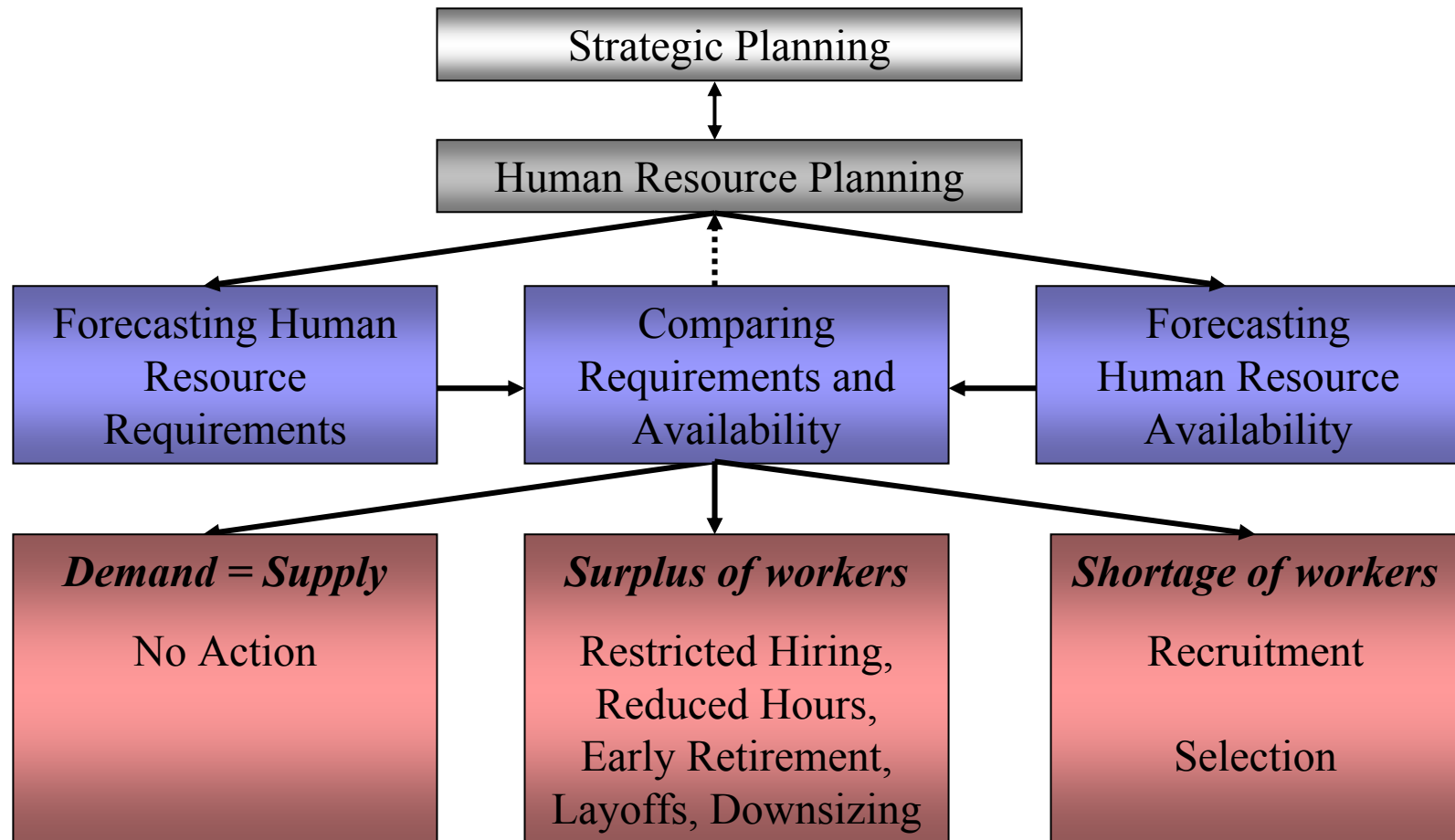
The Specific Features of International Human Resource Planning

Specific features which have to be considered are:

- ❖ Different labor laws and legal considerations
- ❖ Different qualifications
- ❖ Different behavior pattern, values and attitudes
- ❖ Different working conditions
- ❖ Different management concepts and models of leadership



The Human Resource Planning Process





A **requirement forecast** is an estimate of the numbers and kinds of employees the organization will need at future dates in order to realize its goals. Before human resource requirements can be projected, the demand for the company's goods and services must be forecasted first. Forecasting requirements provide managers with the means of estimating how many and what types of employees will be required.

Availability forecast is an estimate of the numbers and kinds of employees the organization will have got at future dates. The availability forecast is a process of considering incomings and outgoings during the planning period.



Human Resource Forecasting Techniques

Forecasting techniques include

- ❖ zero-base forecasting (zero-base forecasting is a method for estimating future employment needs using the organization's current level of employment as the starting point. Vacant positions are not automatically filled. The filling has to be justified.),
- ❖ the bottom-up approach (the bottom-up approach is a method beginning with the lowest organizational units. Each level forecasts its requirements),
- ❖ the use of mathematical models,
- ❖ simulations.



Quantitative Comparison of Requirements and Availability

Availability in t_0

- + estimated incomings during the planning period
 - estimated outgoings during the planning period
-

Availability in t_x

- Requirments in t_x
-

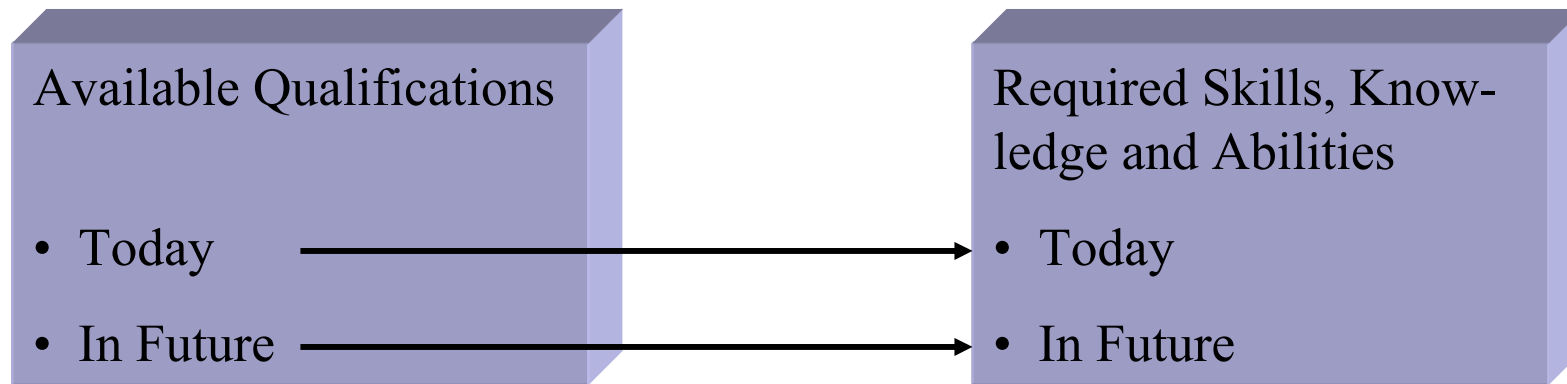
Balance

Positive balance: Downsizing

Negative balance: Recruitment and / or human resource development

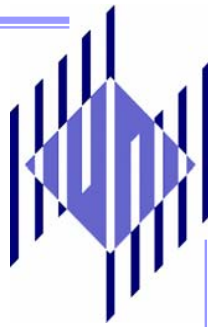


Qualitative Comparison of Requirements and Availability



Requirements > Qualifications: Human resource development, job rotation, job reduction

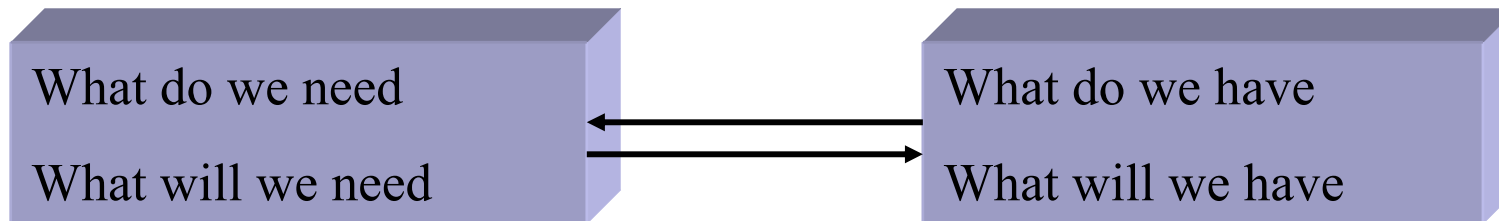
Requirements > Qualifications: Promotion, transfer, job enlargement, job enrichment, organization development



6. Qualification Profil

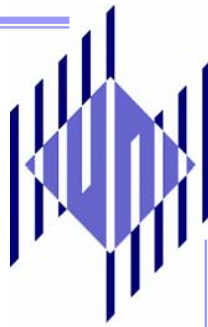
The qualification profil is a document containing qualifications which a person possesses.

In order to check the aptitude the job specification and the qualification profil are compared.





International Recruitment



Definition

Recruitment is the process of attracting individuals

- just in time,
- in sufficient numbers and
- with appropriate qualifications

and encouraging them to apply for jobs.

Identifying productive sources of applicants and using suitable recruitment methods are essentials to maximize recruiting effectiveness and efficiency.

The international aspect of recruitment means that

- the labor market conditions become more heterogeneous,
- national differences of applicants have to be considered,
- cultural empathy is an important requirement.



The Environment of Recruitment

External environment

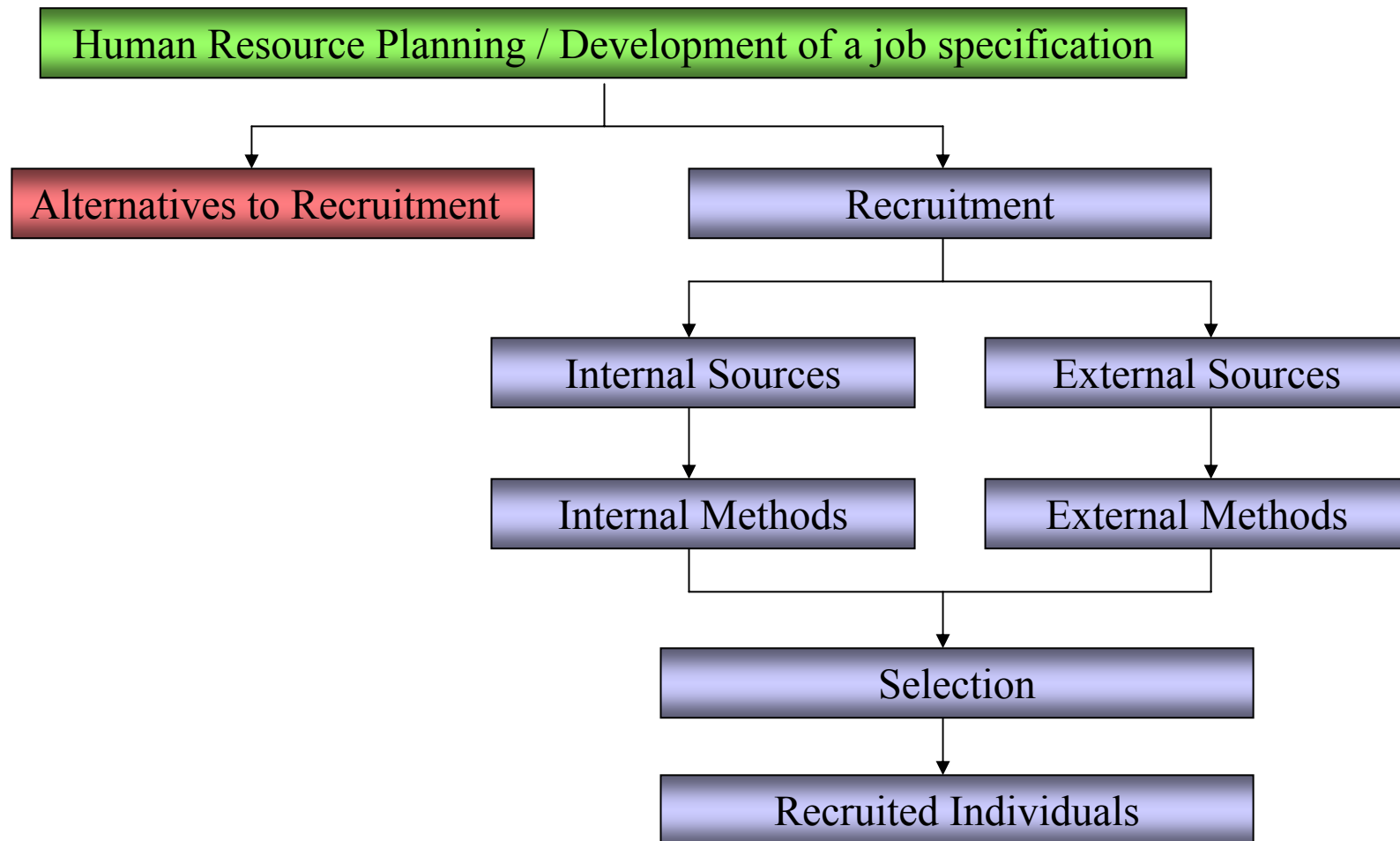
- ❖ Labor Market Conditions
 - Quality
 - Quantity
- in Different Countries
- ❖ Different legal Considerations
- ❖ Different Formal Qualification and Different Dokumentation of Qualifications
- ❖ Heterogeneity of Values, Attitudes and Behavior Pattern

Internal environment

- ❖ Internationalization Model
- ❖ Human Resource Planning
- ❖ Promotion Policies:
 - Promotion from within
 - or a policy of filling positions from outside the organization
- ❖ The Firm's Knowledge of Employees



The Recruitment Process





Alternatives to Recruitment

Even when human resource planning indicates a need for additional employees, a company may decide against increasing the size of its workforce.

Alternatives to recruitment include

- outsourcing,
- contingent workers,
- employee leasing and
- overtime.

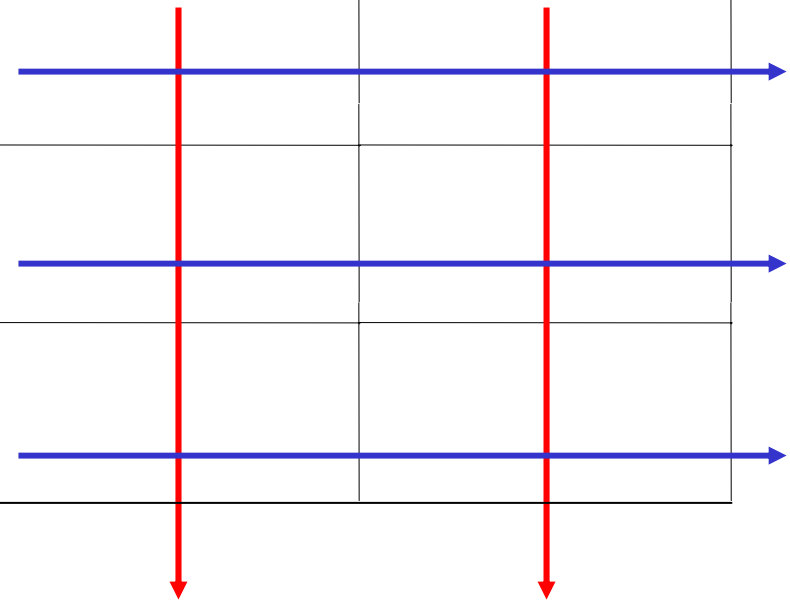


Internal Recruitment Sources and Methods

	Methods	transfer	Promotion
Sources			
PCN			
HCN			
TCN			

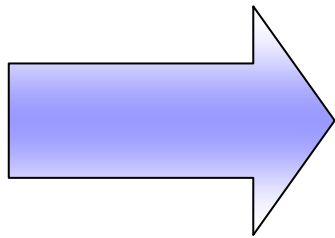


Depending on the internationalization model



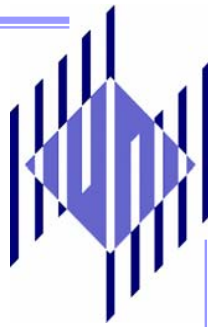


In international companies internal recruitment takes priority over external recruitment. This is based on the increased risk of personnel placement.



Exceptions are:

- to fill entry-level jobs
- to acquire skills not possessed by current employees
- to obtain employees with different backgrounds
- to provide a diversity of ideas.



External Recruitment Sources and Methods

External Recruitment Sources

- Schools
- Vocational Schools
- Colleges and Universities
- Competitors and Other Firms
- The Unemployed
- Older Individuals
- Self-employed Workers

In Parent Country, in Host Countries and/ or Third Countries

External Recruitment Methods

- Advertising
- Internet Recruiting
- Private and Public Employment Agencies
- Executive Search Firms
- Job Fairs
- Internships
- Employee Referrals
- Event Recruiting
- Sign-on Bonuses



Selection of Employees Working in an International Context



Definition

The purpose of the selection is to identify and employ the best-qualified individuals. Selection is the process of choosing from a group of applicants the individual best suited for a particular position.

There are several factors influencing the selection:

- Legal considerations
- Labor market conditions
- Corporate Policies
- Type of organization (Private, governmental or not for profit)
- Speed of decision making
- Organizational hierarchy

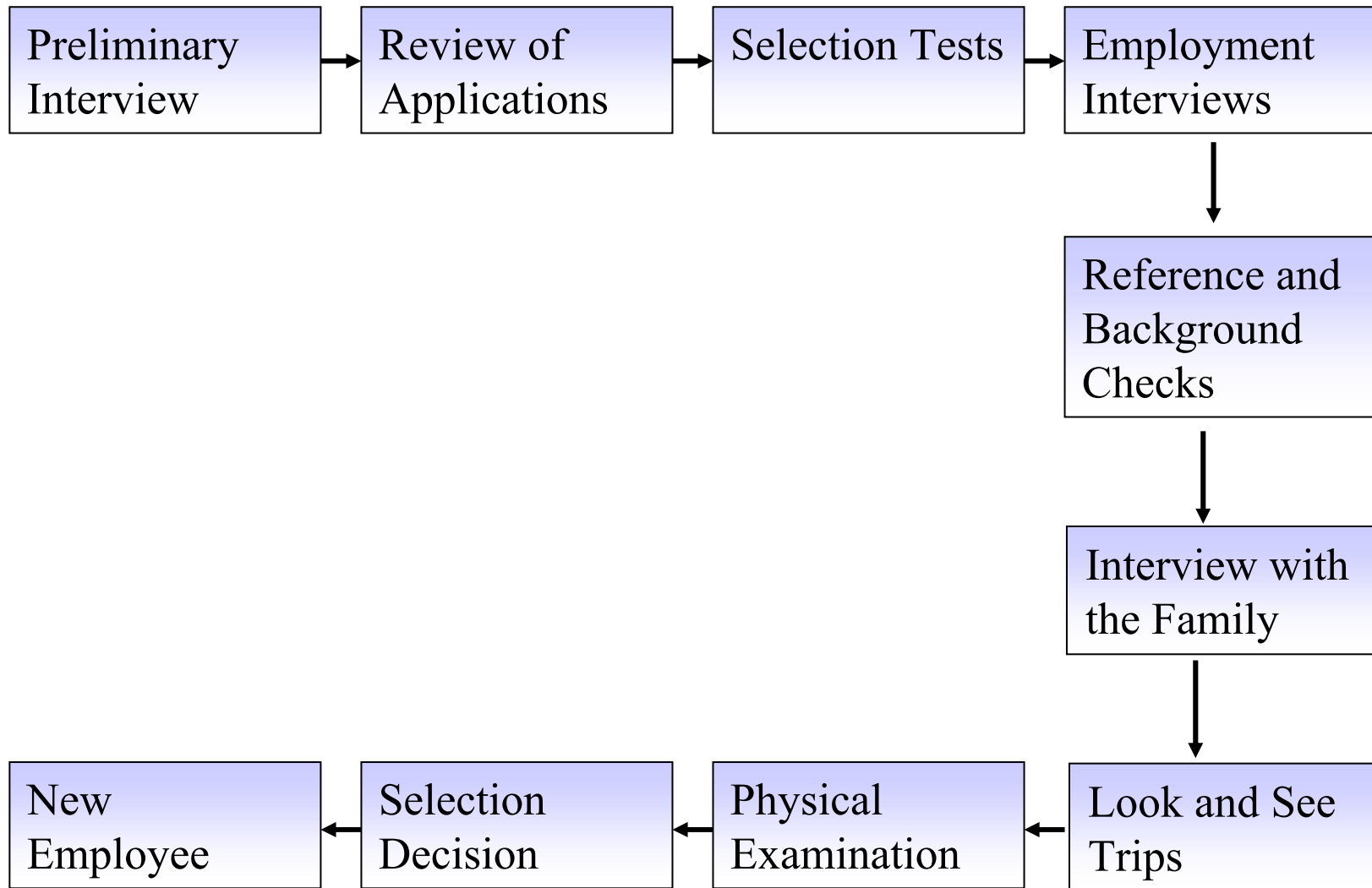


Relating to selection in an international context further factors play an important role:

- ❖ Internationalization model
- ❖ Different values, attitudes and behavior patterns
- ❖ Different formal qualifications and the limited comparability
- ❖ Language
- ❖ Family background
- ❖ Factor X



The Selection Process





International Human Resource Development



Definition

In every market customers are demanding higher quality, lower costs, and faster cycle times. To meet these requirements, firms must continuously improve their overall performance. Rapide advances in technology and improved processes have been important factors in helping businesses. However, the most important competitive advantage is the workforce and especially the competency, knowledge and skills. The function / functional area dealing with competency, knowledge and skills is human resource development (HRD).

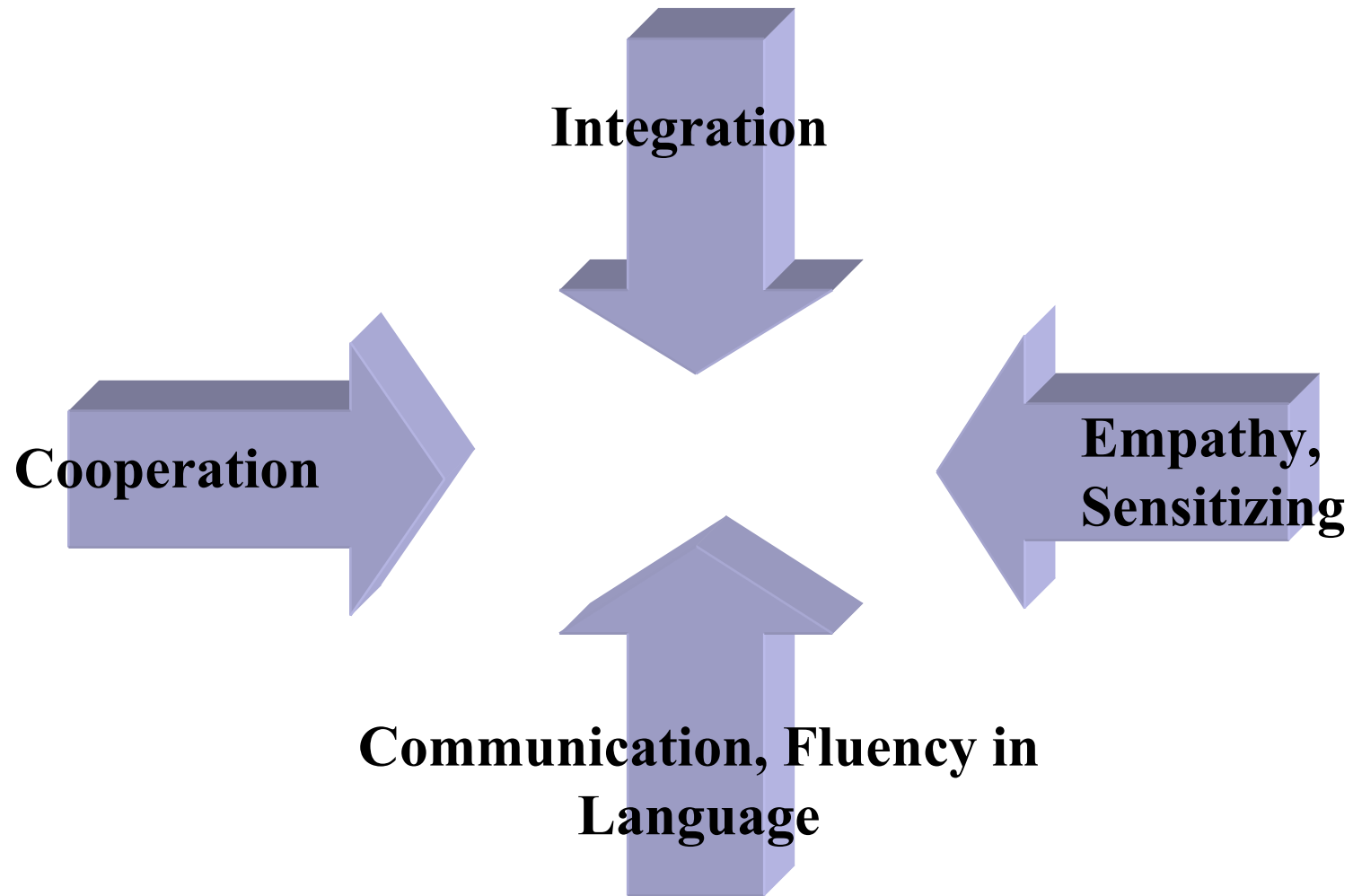
Improved performance is the buttom.line purpose of HRD.

International HRD deals with the improvement of cross-cultural competency and with the enhancement of international knowledge.



The Purpose of the International HRD

- ❖ Availability of qualified employees
- ❖ Development of cross-cultural competency and international knowledge
- ❖ Promotion of prospective managers and talented young employees
- ❖ Preparation for an assignment in a foreign country
- ❖ Enhancement of motivation
- ❖ Increase of flexibility and job mobility
- ❖ Decrease of the resistance to work abroad
- ❖ Improvement of the collaboration in international teams
- ❖ Decrease of fluctuation rate
- ❖ ...





The Specific Feature of the International HRD

- ❖ International HRD is characterized by a high level of complexity. This complexity is based on
- ❖ different cultural conditions,
- ❖ different training and education systems,
- ❖ different training and education methods,
- ❖ different attitudes concerning the important qualifications,
- ❖ different attitudes concerning the career planning and career development,
- ❖ the heterogeneity of the target groups.



The Functional Areas of the International HRD

The functional areas of international HRD are

- ❖ the cross-cultural training and development,
- ❖ international job rotation,
- ❖ working in international task forces,
- ❖ the performance appraisal.



The Cross-Cultural Training and Development

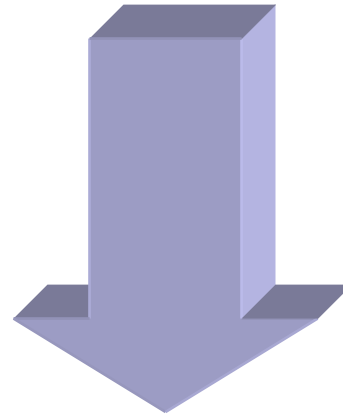
The cross-cultural training and development is designed to provide learners with knowledge and skills needed for the assignment in foreign countries and / or for the collaboration in international task forces.

The cross-cultural training and development prevent

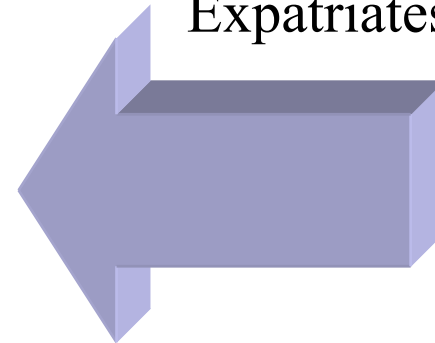
- ❖ that the experiences in different countries and with other nationals stay on the surface, and
- ❖ that the prejudices prove to be right.



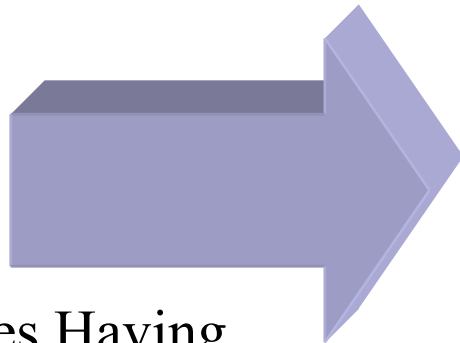
International Management Trainees



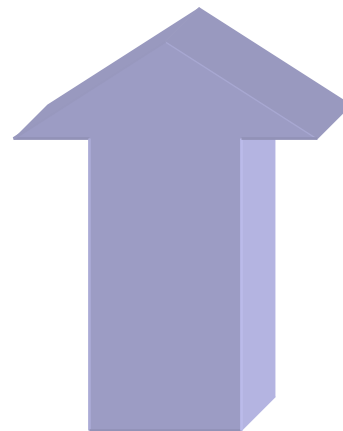
Expatriates



Target Groups



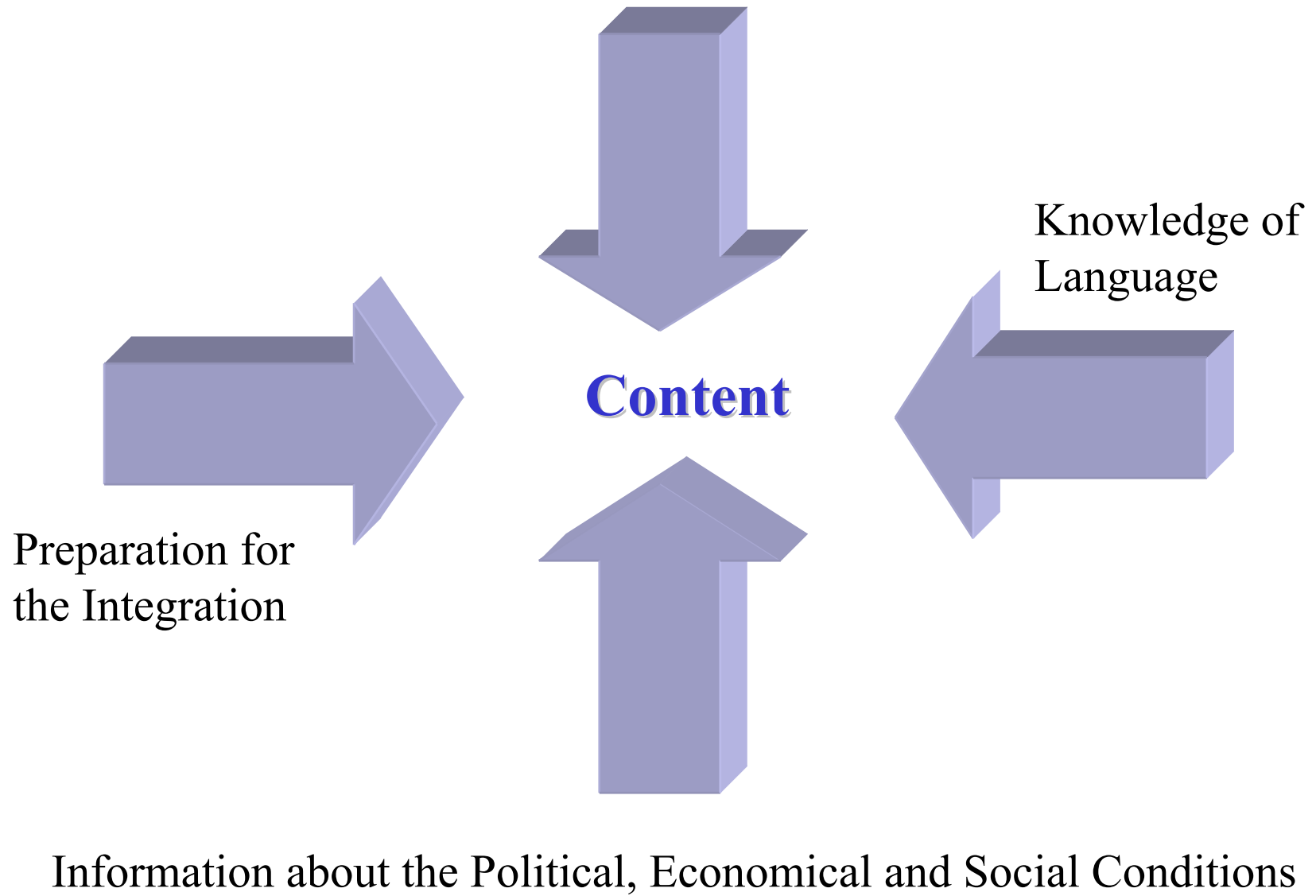
Employees Having
International Contacts

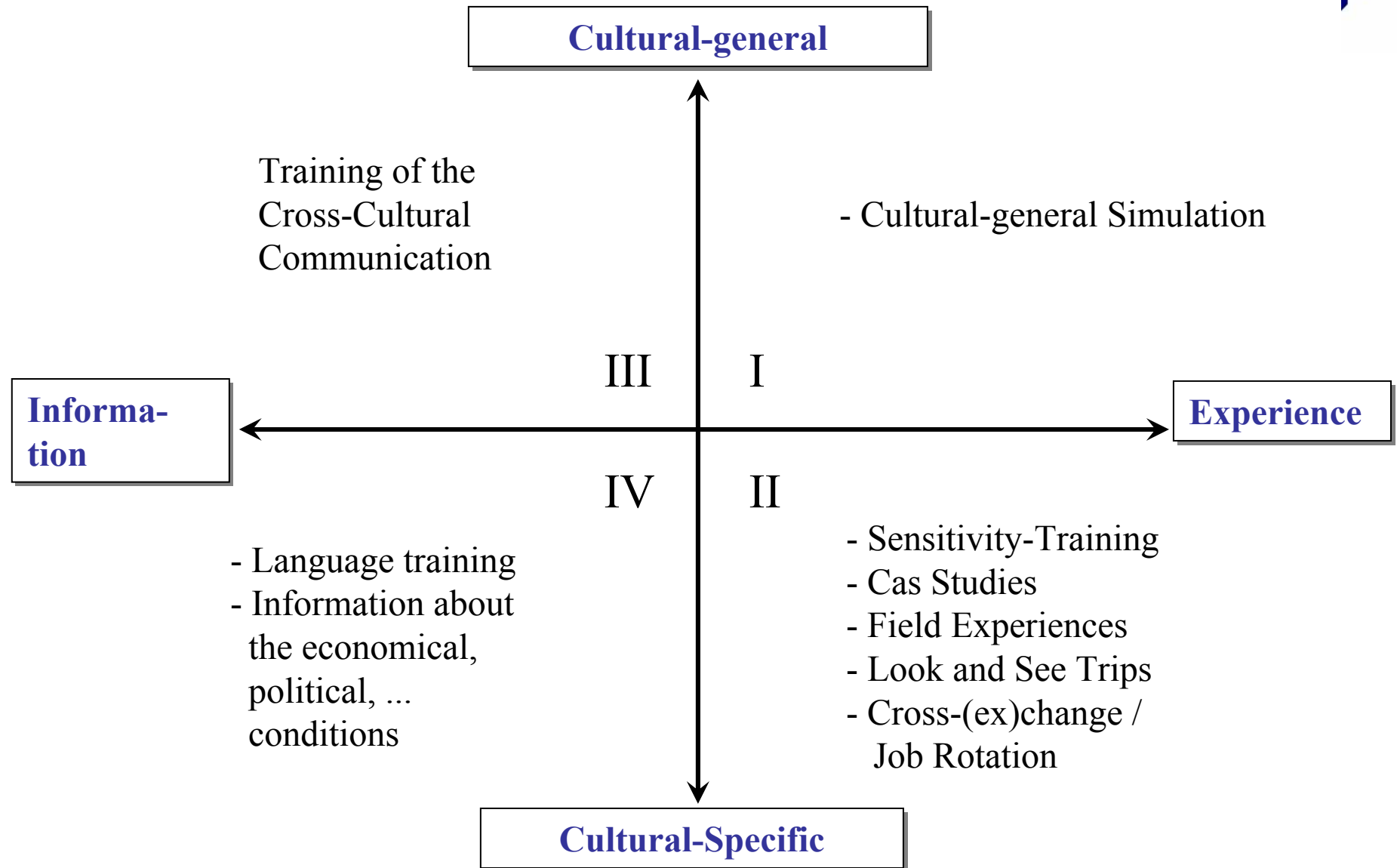


Employees Working in International Task Forces



Capability to Live and Work under Different Cultural Conditions



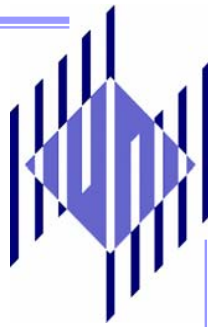




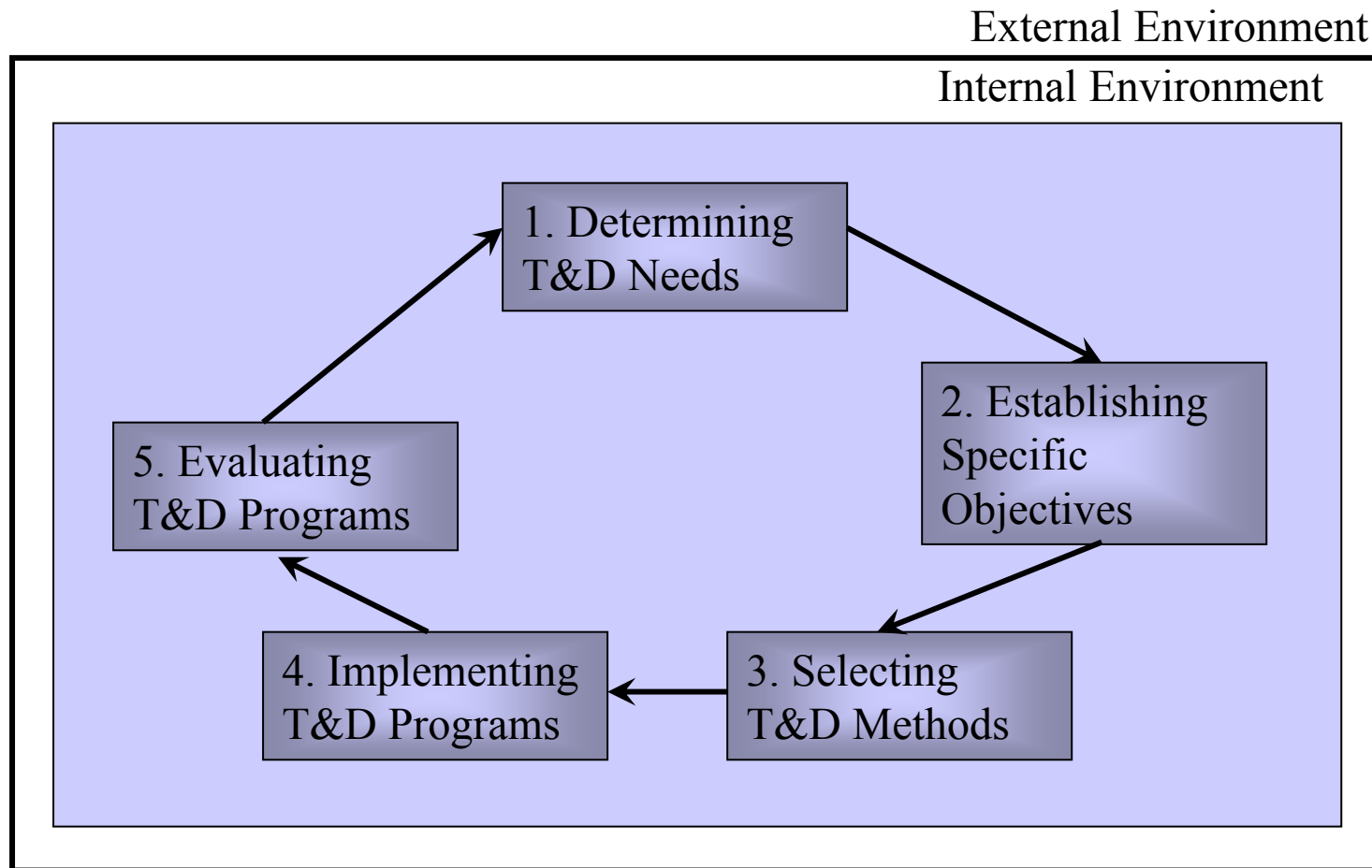
The Components Influencing the Cross-Cultural Training and Development

There are several components influencing the cross-cultural training and development:

- ❖ Qualification profil
- ❖ The job and the job environment
- ❖ The quality and the quantity of the international contacts)
- ❖ The period of the assignment in an foreign country
- ❖ The difference between the parent country and the host country

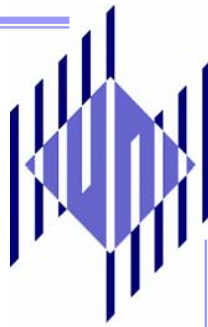


The Training and Development Process





Compensation and Benefits in International Companies



Definition

Compensation is the total of all rewards which employees get in return for their services.

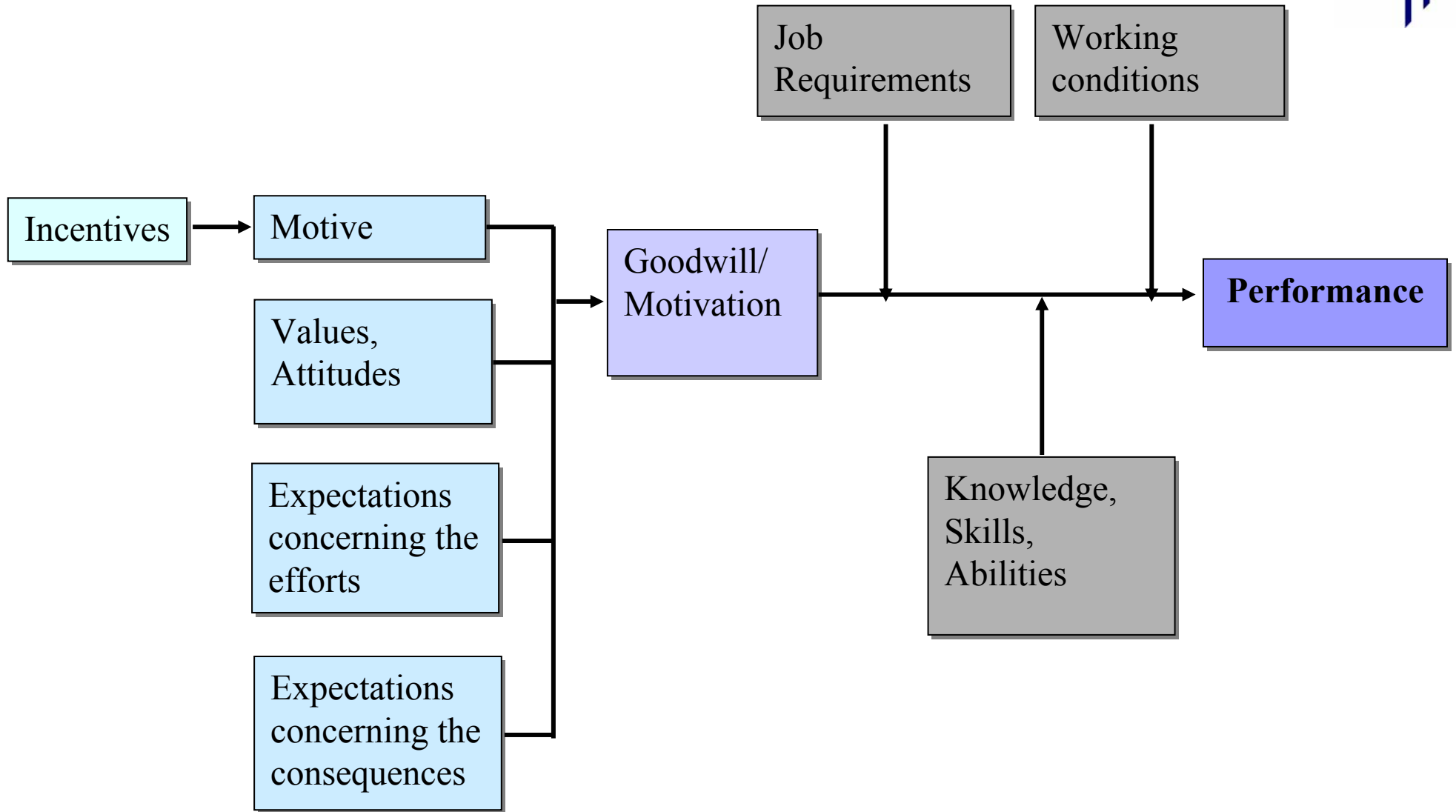
Direct financial compensation consists of the pay that a person receives in the form of wages, salary, bonuses and commissions.

Indirect financial compensation (benefits) are all financial rewards that are not included in direct compensation. These are for example insurance and other programs for health, safety, security and general welfare.

Nonfinancial compensation consists of the satisfaction that a person receives from the job itself or from the psychological and/or physical environment in which the person works.



Theoretical Basics



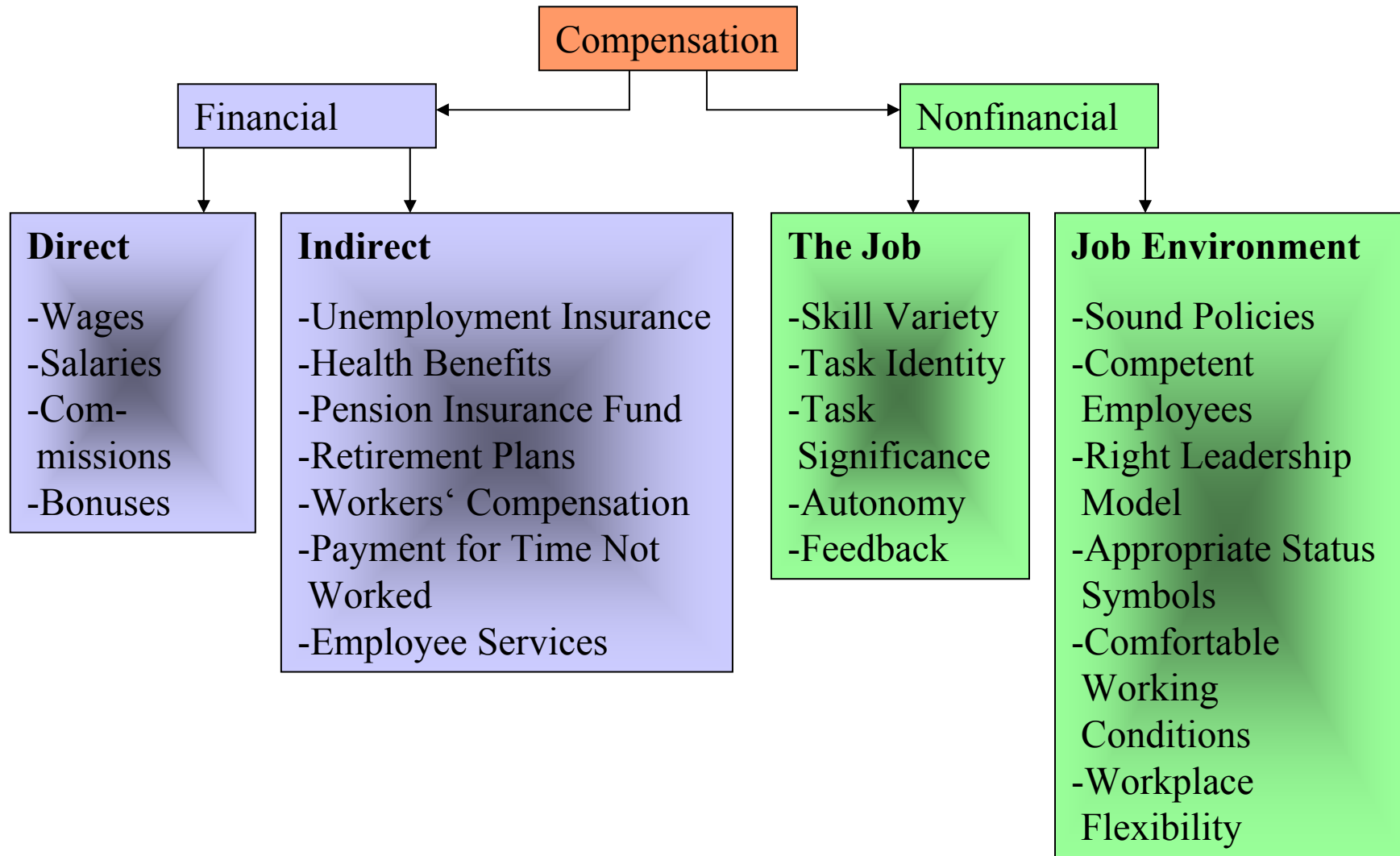


The Purpose of Compensation and Benefits

- ❖ Rewards for performance
- ❖ Becoming an attractive employer
 - Retention of well-qualified employees
 - Decrease of the fluctation rate
 - Recruiting of new well-qualified employees
- ❖ Increase of goodwill
- ❖ Enhancement of the job mobility



Components of a Total Compensation Program



The International Dimension of Compensation and Benefits



There are several factors influencing the compensation program in international companies.

External dimension:

- Cross-cultural differences
- Legal considerations in the parent country and host country
- The labor market conditions in the parent country and host country
- The level of prosperity in the parent country and the host country
- The wage level in the parent country and the host country
- The currency situation in the parent country and the host country

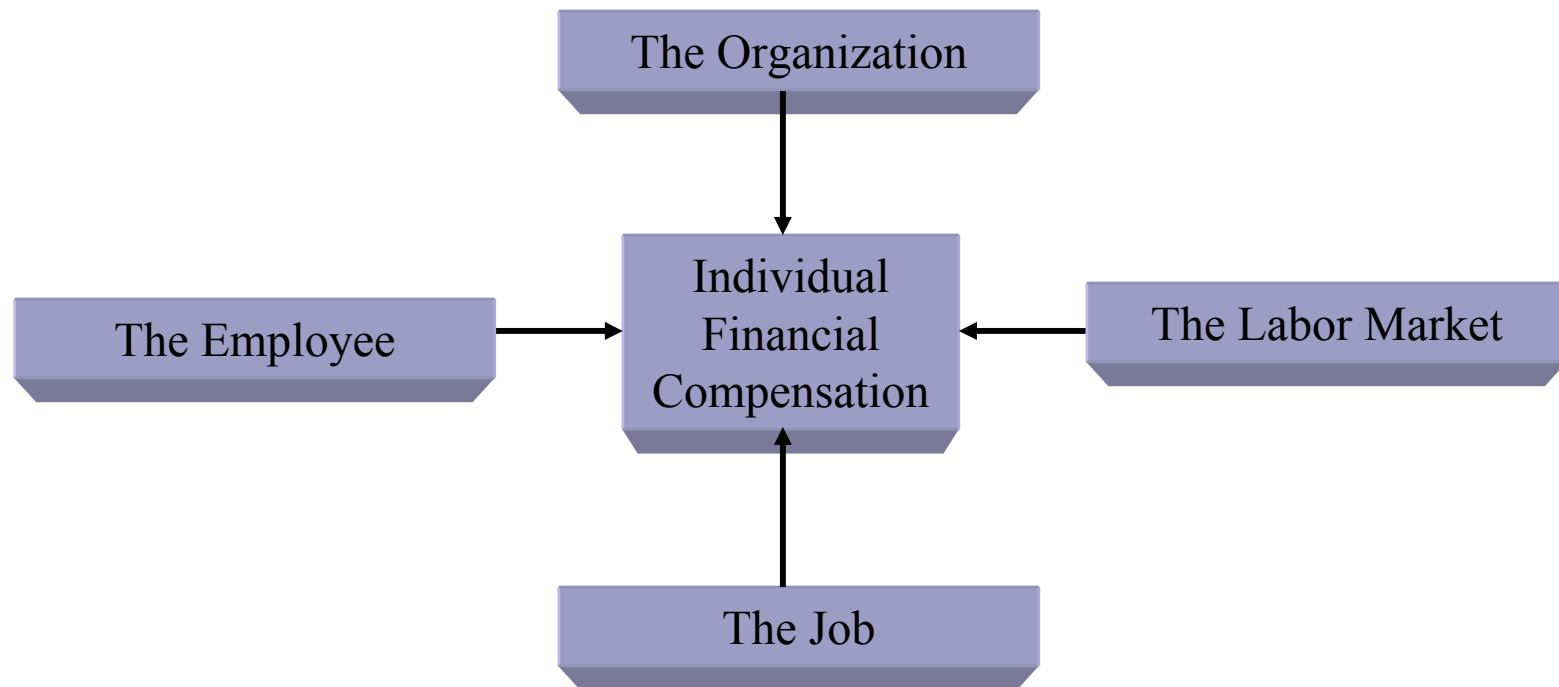
Internal dimension:

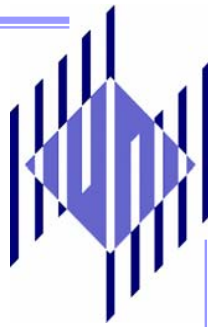
- The corporate policies: The internationalization model
- The compensation programs applied in the parent company and in the foreign affiliated companies
- Working conditions
- Period of the foreign assignment
- The purpose of foreign assignment



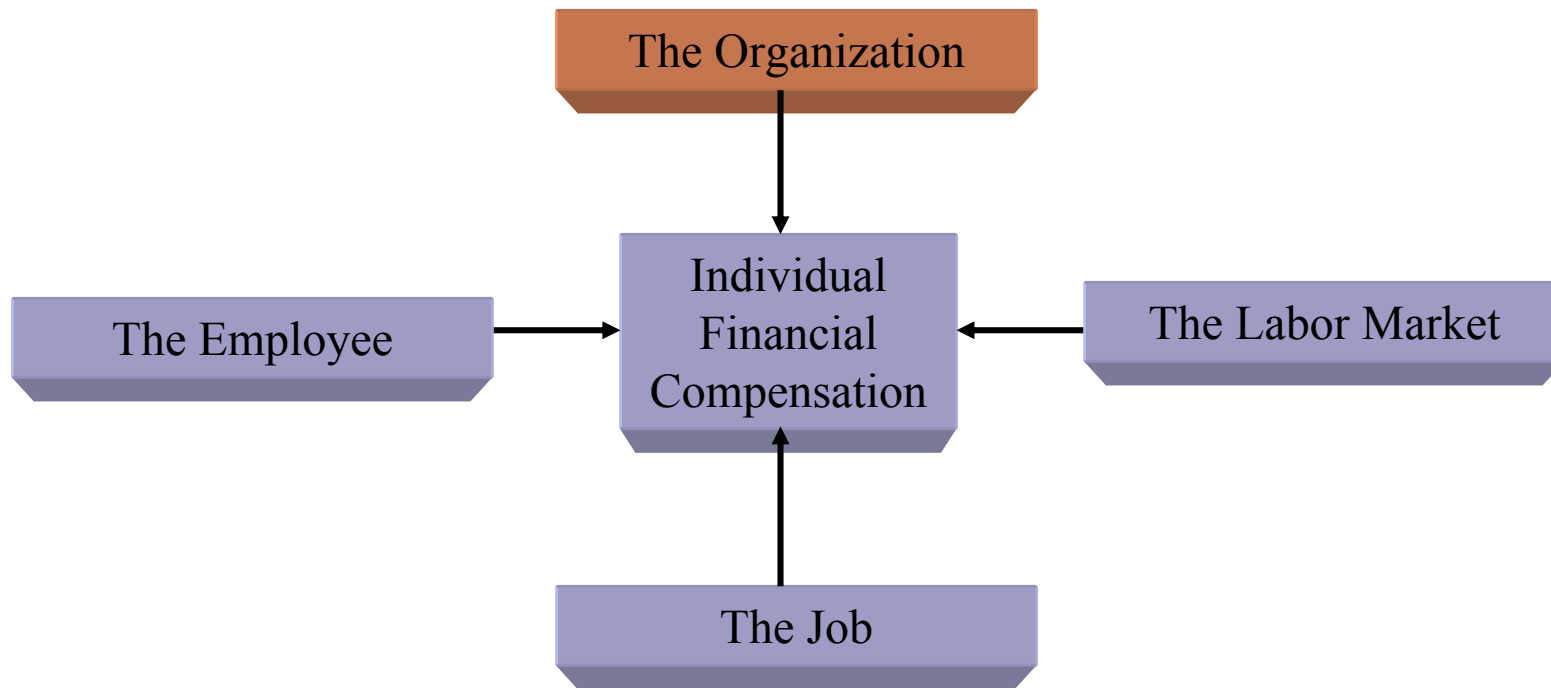
Direct Financial Compensation

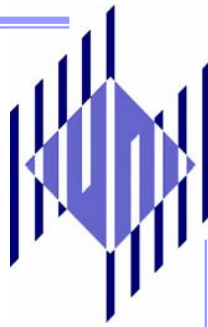
Factors of Individual Direct Financial Compensation





Organizational factors that should be considered include the internationalization model, compensation policies, organizational development and the ability to pay. This contains the decision to be a pay leader, pay follower or to strive for an average position in the labor market.

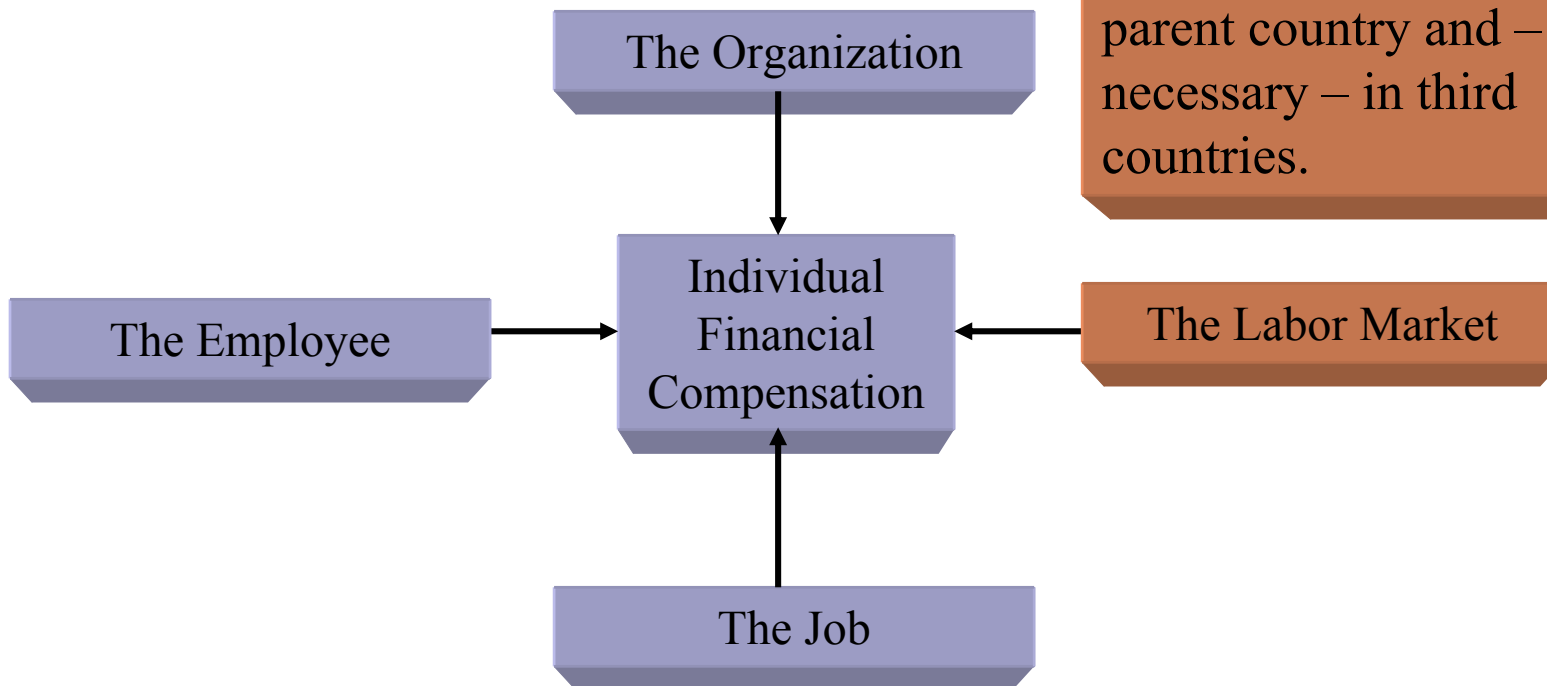


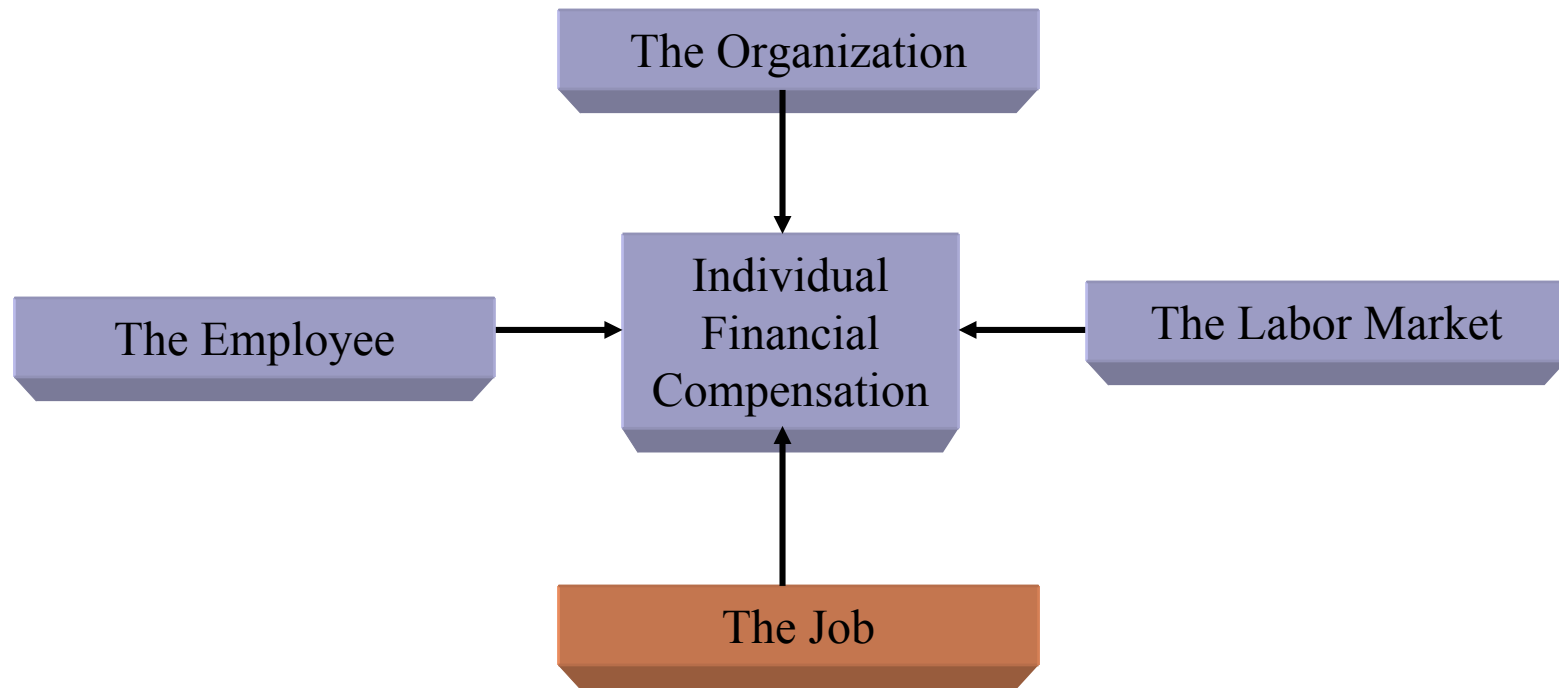
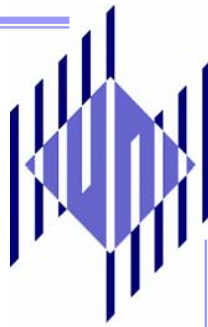


Factors that should be considered include

- unemployment rate
- wage and salary survey,
- cost of living,
- labor unions,
- the economy and
- labor law / employment legislation

in host countries, in the parent country and – if necessary – in third countries.

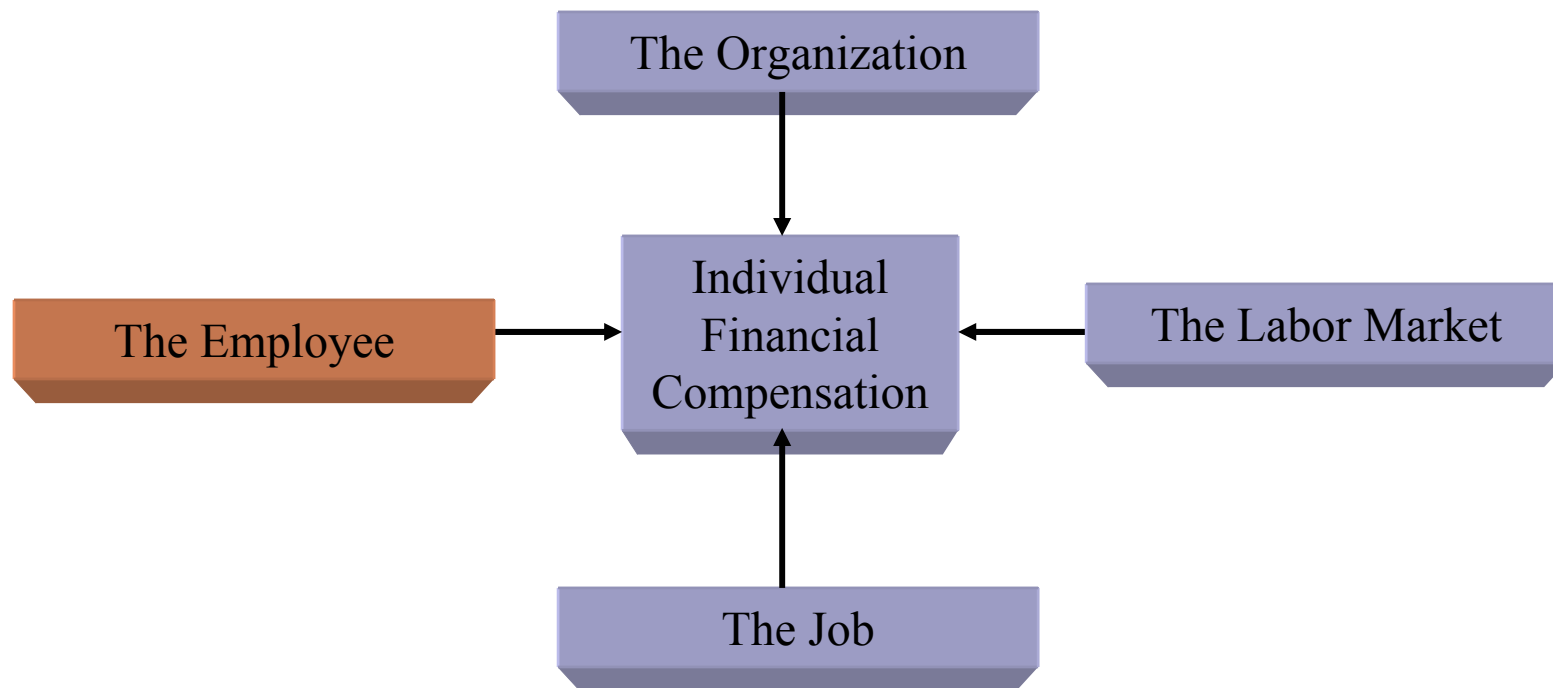




The organization pays for the value it attaches to certain duties, responsibilities and other job-related factors. Management techniques utilized for determining a job's relative worth include job analysis, job description and job evaluation.



The factors related to the employee include performance-based pay (merit pay, variable pay, skill-based pay, competency-based pay), cultural empathy, Knowledge, seniority, experience, membership in the organization, potential, political influence...





Job Pricing

Placing a monetary value on the worth of a job is called job pricing. It takes place after the job has been evaluated and the relative value of each job in the organization has been determined.

Firms often use pay grades and pay ranges in the job pricing process.

There are several models of job pricing in the international context. They correspond with the internationalization models.

- ❖ Parent country-oriented compensation (PCC)
- ❖ Host country-oriented compensation (HCC)
- ❖ International compensation model (TCC)



Parent Country-oriented Compensation

The parent country-oriented compensation refers to the income which a PCN would get in a comparable position with comparable performance. The parent country-oriented compensation does not depend on the place of assignment.

gross salary (parent country)

+ Expatriation allowance

+ hardship allowance

= gross salary

- Hypothetical taxes (parent country)

= Net income (parent country)

+ Net difference cost of living

+ Net difference cost of housing

+ Net difference training expenses

= disposal income (host country)



Gross salary: The job requirements determine the gross salary.

Expatriation allowance: The expatriation allowance is the equivalent and compensation of the risk of foreign assignment.

Hardship allowance: The main purpose of the hardship allowance is to compensate difficult working and living conditions. (for example climate, family problems, health hazard, cross-cultural difficulties...).

Hypothetical taxes: In order to avoid fiscal disadvantages, hypothetical taxes must be deducted from the salary. The company pays the taxes which the expatriate has to pay in the host country.

Net difference cost of living: This compensation corrects the differences in purchasing power between the parent country and the host country. In addition, currency conditions and the inflation rate are considered.

Net difference cost of housing: This financial compensation guarantees appropriate housing standards. The real housing costs in the parent country are compared with the housing costs in the host country.

Net difference training expenses: The allowance for training / education guarantees that the children of the expatriate get an education which corresponds to the standards in the parent country.



Host Country-oriented Compensation

The host country-oriented compensation refers to the job and the conditions in the foreign affiliated company.

Gross salary (host country)
+ Adaptation grant
+ Net difference training expenses

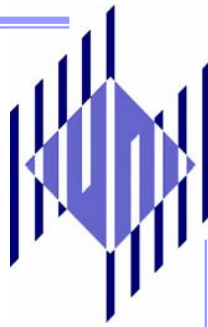
Gross salary
- Taxes (host country)

= Disposal income (host country)



Adaptation grant: The purpose of the adaptation grant is to compensate the difficult working and living conditions. It includes an allowance for job mobility. Adaptation grants are paid only for a certain period of time.

Net difference training expenses: The allowance for training / education guarantees that the children of the expatriate get an education which correspond to the standards in the parent country.



International Compensation Model

Employees who work constantly in foreign affiliated companies and who change the place of work often, need a flexible and adaptable compensation model.

Gross salary (country average of comparable positions)

- Hypothetical taxes (country average)

= Net income (host country)

+ Net difference cost or housing

+ Net difference training expenses

= disposal income (host country)



Gross salary: The gross salary orientates by comparable positions and by their compensation standards in different countries.

Hypothetical taxes: The hypothetical taxes are determined by the country average.

Net difference cost of housing: This financial compensation guarantees appropriate housing standards. There is a special percentage which is comparable with the cost of housing in the particular host country.

Net difference training expenses: The allowance for training / education guarantees that the children of the expatriate get an education which correspond to the standards in the parent country.



Other Financial Compensation Vehicles

- ❖ Allowance for business and professional membership
- ❖ Allowance for club memberships
- ❖ Company-provided automobile
- ❖ Company-provided housing
- ❖ Company-subsidized travel
- ❖ Removal allowance
- ❖ Assumption of language training
- ❖ Allowance for house keeping
- ❖ ...

(Vgl.: Spring, H. R. (1975), S. 183ff.)



Procedure of Payout

The procedure of payout includes the place of payout and the currency of payment.

The currency of payment can be

- the currency of the parent country,
- the currency of the host country,
- the currency of a third country or
- a split of different currencies (split salary).

Many companies prefer the split salary. One part is paid in the currency of the host country. It covers the cost of consumption. The rest is paid in the currency of the parent country or of a third country.



Executive Compensation

In determining executive compensation, firms typically prefer to relate salary growth for the highest-level managers to overall corporate performance, including the firm's market value. For the next management tier, they tend to integrate overall corporate performance with market rates and internal considerations to come up with appropriate pay. For lower-level managers, salaries are often determined on the basis of market rates, internal pay relationship and individual performance. In general the higher the managerial position, the greater the flexibility managers have in designing their jobs.

Executive compensation often has several elements:

- Base salary
- Short-term incentives or bonuses
- Long-term incentives and capital appreciation
- Perquisites (perks)



Indirect Financial Compensation

Measures of Indirect Financial Compensation

Unemployment insurance: If employees lose their jobs, they receive an unemployment compensation which depends on their last salaries / wages and on the length of continuous employment.

Health benefits: Health benefits include health care, dental care and sometimes vision care.

Pension insurance fund: In Germany every employee has to pay a percentage in statutory pension insurance fund. At the age of 65 he / she gets the retirement benefits.

Retirement plans: The employee pays voluntarily a part of his income in a retirement or savings fund. At the age of 60 or 65 he or she gets an amount of retirement income which depends on the investment success.



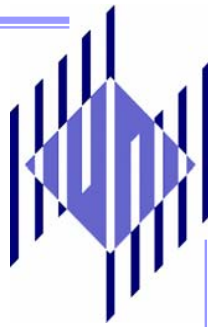
Disability insurance: The disability insurance protects employees against loss of earnings resulting from total disability.

Workers' compensation: This benefit provides a degree of financial protection for employees who incur expenses resulting from job-related accidents or illnesses.

Payment for time not worked: This includes rest periods, coffee breaks, lunch periods, cleanup time, travel time, paid vacations, sick pay, military duty, civic duties, bereavement time...

Employee services: Employee services are relocation benefits, child care, educational assistance, food services and financial services (for example loans).

The offer of these measures of indirect financial compensation depends on the internationalization model and the corresponding model of job pricing.



Nonfinancial Compensation

The effects of nonfinancial compensation depends on the motives, values, and attitudes. In international companies with PCN, HCN and TCN a variety of motives, values, and attitudes exists. In order to consider the cultural differences, a special procedure is necessary.

- ❖ Identifying the different motives, values, and attitudes
- ❖ Considering cross-cultural equity
- ❖ Creating the comparability
- ❖ Checking the external fit with the external circumstances
- ❖ Checking the internal fit the internal conditions

In international companies the nonfinancial compensation programs are characterized by a dilemma: On the one hand the specific features of the particular country have to be considered. On the other hand the principles of equity and equality have to be considered in order to avoid conflicts.



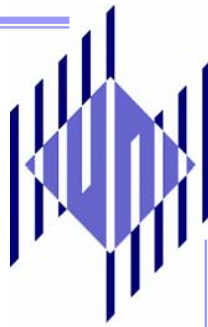
The Job as a Total Compensation Factor

Some jobs can be so exciting, that the employee can hardly wait to get to work each day. A person in this type of job would not swap his or her employment with anyone in the world.

Most of us spend a large part of our lives not on the beach, but working. When work is a drag, life may not be very pleasant.

In order to achieve motivation by the job, the job has to contain five dimensions:

- Skill variety
- Task identity
- Task significance
- Autonomy
- Feedback



The Job Environment as a Total Compensation Factor

Employees can draw satisfaction not only from their work but also from the job environment. The job environment includes

- ❖ working atmosphere and congenial co-workers,
- ❖ competent employees,
- ❖ appropriate status symbols and
- ❖ working conditions.



Working conditions achieve satisfaction and motivation especially when workplace flexibility exists. Workplace flexibility is a key factor in attracting and retaining talented and qualified employees.

Programs of workplace flexibility include

- ❖ flextime,
- ❖ a compressed workweek,
- ❖ job sharing,
- ❖ telecommuting,
- ❖ part-time work,
- ❖ modified retirement.



Cafeteria Compensation

Cafeteria compensation plans permit flexibility in allowing each employee to determine the compensation package which best satisfies his or her particular needs. The rationale behind the cafeteria plans is that employees have individual needs and preferences.



Literatur

Banks, P. / Christensen, K. / Grohmann, W.-R. (1991): Auf dem Wege zur europäischen Personalarbeit, In: Personalführung, 1991, S. 16 - 21.

Becker, M. (1999): Personalentwicklung, Stuttgart 1999.

Bergmann, A. (1993): Interkulturelle Managemententwicklung, in: Haller et al.: Globalisierung der Wirtschaft, Bern 1993, S. 193 - 216.

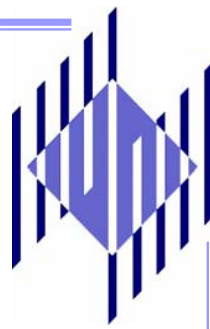
Dadder, R. (1987): Interkulturelle Orientierung, Saarbrücken 1987.

DGPF (1990): Von Erfahrung profitieren, Düsseldorf 1990.

Domsch, M. / Lichtenberger, B. (1999): Der internationale Personaleinsatz, in: Rosenstiel, L. v. / Regnet, E. / Domsch, M.: Führung von Mitarbeitern - Handbuch für erfolgreiches Personalmanagement, Stuttgart 1999, S. 503 - 512.

Düfler, E. (1997): Internationales Management in unterschiedlichen Kulturbereichen, München 1997.

Groenewald, H. (1990): Anforderungen im Auslandseinsatz, in: Berthel, J. / Groenewald, H.: Personalmanagement, Landberg 1990, Teil IV - 8.1., 10/90.



Gudykunst, R. / Hammer, M. R. (1983): The Basic Training design: Approaches to Interkultural Training, in: Landes, D. / Brislin, R. W.: Handbook of Intercultural Training, Vol I. Issues in Theory and Design, 1983, pp. 118 - 154.

Harvey, M. G. (1997): Focusing the International Personnel Performance Appraisal Process, in: Human Resource Development Quarterly, Jg. 8, Nr. 1, 1997, S. 41 - 62.

Hirsch, K. (1992): Reintegration von Auslandsmitarbeitern, in: Bergmann, A. / Sourisseaux, A.: Interkulturelles Management, Heidelberg 1992, S. 285 - 298.

Hörner, M. (1991): Konzepte der Entgeltbemessung für eine Tätigkeit im Ausland, in: Berthel, J. / Groenewald, H.: Personalmanagement, Landsberg 1991, Teil IV 8.5.

Hoffmann, C. D. (1997): Die Personalpolitik der internationalen Unternehmung, Meisenheim 1997.

Mitroff, I. (1983): Stakeholder of Organizational Mind, San Francisco 1983.

Morgan, P. V. (1986): International Human Resource Management, in: Personnel Administrator, Jg. 31, Nr. 9, 1986, S. 43 - 47.

Nienhäuser, W. (1989): Arbeitsbeziehungen als strategische Variable, in: Weber, W. / Weinmann, J.: Strategisches Personalmanagement, Stuttgart 1989, S. 139 - 164.

Nork, M. E. (1989): Managementtraining, München 1989.



Reisch, B. (1991): Euromanager - Internationale Personalentwicklung an der Schwelle zum europäischen Binnenmarkt, Institut für interkulturelles Management, Bad Honnef 1991.

Sauder, G. / Schmidt, H. (1988): Die Personalabteilung als Dienstleistungsfunktion, in : Personal, 40 Jg. 1988, S. 90 - 94.

Schanz, G. (1991): Handbuch Anreizsysteme in Wirtschaft und Verwaltung, Stuttgart 1991.

Scherm, E. (1999): Internationales Personalmanagement, München 1999.

Scholz, C. (1987): Strategisches Management, Berlin 1987.

Spring, H. R. (1975): Die Entlohnung von ins Ausland entsandten Mitarbeitern durch die multinationale Unternehmung, Winterthur 1975.

Weber, W. / Festing, M. (1991): Personalführung im Wandel - Entwicklungstendenzen im internationalen Personalmanagement, in: Gablers Magazin, Nr. 2, 1991, S. 11 - 17.

Weber, W. / Festing, M. / Dowling, P. / Schuler, R. (1998): Internationales Personalmanagement, Wiesbaden 1998.