

# GLOBAL STAFFING

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## Abstract

There are growing numbers of Indonesian companies going out of domestic and even regional markets to global market. Most of them are reasonably seeking out for more sales and/or profits. The environment for global business is certainly different from that of local and regional businesses, and that mandates different management practices then. There are some management practices that desperately need companies' management attention, among them is staffing. Staffing is considered an important management practice because it deals with human resources. If the management of company is not aware of staffing practice, the chances are the human resources of company will not fully utilized which in turn will affect the performance of company.

This article will briefly describe the staffing practice under the global business environment that includes the focus, objective, alternative approaches and factors need to be considered when deciding which approach is more appropriate than others. It will also describe the other topics which are closely related to staffing practice such as international transfer and career system. At the end part of the article, there will be a proposal for developing a global staffing strategy as well as one global staffing practice's case study of U.S.-based company.

Nowadays, more and more Indonesian companies are becoming global companies. They are doing so for many reasons such as limited absorption of domestic market, reducing dependency on domes-

tic market, gaining more sales/profits and exploring the new markets. Whatever the reasons are, since management practices are subject to environmental changes, global operations mandate different management practices. The management of global companies must pay adequate attention to those differences, and must develop appropriate strategies to accommodate the differences. One management practice which needs to be seriously considered is staffing. Staffing practice for global operations is different from local and regional operations because the focus of global staffing is on staffs placement and transfer in a global context. The objective is to enable the fast transfer of technical or marketing know-how across company's subsidiaries or affiliates in support of current business strategies, as well as enhance knowledge creation, allowing the firm to pursue business opportunities in uncharted territory (Pucik, 1993: p. 69).

There are four alternative approaches for global staffing (Dowling, Schuler, and Welch, 1994). They are as follows:

1. The ethnocentric approach. This approach results in all key positions in a multinational company (MNC) being filled by parent country nationals (PCNs)<sup>1</sup>. The ethnocentric approach is common in the early stage of internationalization, when a company is establishing a new business, process, or product in another country and prior experience is essential. Other reasons for pursuing the ethnocentric approach are a perceived lack of qualified home country nationals (HCNs)<sup>2</sup>, the need to

maintain good communication links with corporate headquarters, and the need to give PCNs international experience and train them for future important tasks in subsidiaries abroad or with the parent company (management development motive).

This approach, however, has a number of disadvantages. First, it limits the promotion opportunities of HCNs, which may lead to reduced productivity and increased turnover among that group. Second, the adaptation of PCNs to host countries often takes a long time, during which PCNs often make mistakes and make poor decisions. Third, when PCN and HCN compensation packages are compared, the often-considerable income gap in favor of PCNs is viewed by HCNs as unjustified. Fourth, for many PCNs, a key overseas position means new status, authority, and an increase in standard of living. It tends to dull PCNs' sensitivity to the needs and expectations of their host-country subordinates, and is not conducive to objective self-evaluation. Fifth, the ethnocentric approach prevents the company from taking advantage of worldwide talent pool. Finally, PCNs are very expensive to maintain in overseas locations.

2. The polycentric approach. This approach staffs subsidiaries with HCNs while PCNs occupy positions at corporate headquarters. There are some reasons for pursuing the polycentric approach. First, employing HCNs

1. The example for PCN is an Indonesian company employs a Indonesian manager in its U.S. operation  
2. The example for HCN is an Indonesian company employs a US manager in its U.S. operation

eliminates language barriers, avoids the adjustment problems of PCNs and their families, and removes the expensive cost of maintaining PCNs. Second, employment of HCNs allows an MNC to take a lower profile in sensitive political situations, and looks more favorable by host-country government. Third, the polycentric approach may help to satisfy the rising ambitions and expectations of many HCNs. Last, HCNs are more acceptable by host-country people.

The polycentric approach has its own disadvantages as well. Perhaps the major disadvantage is that of bridging the gap between HCNs at national subsidiaries and PCNs at corporate headquarters. Language barriers, conflicting national loyalties, and a range of cultural differences may isolate corporate headquarters from the various foreign subsidiaries. The second major disadvantage concerns with the career paths of HCNs and PCNs. HCNs have limited opportunities to gain experience outside their own countries and cannot progress beyond the senior positions in their own subsidiaries. PCNs have also limited opportunities to gain overseas experience. Organizational competence at running a global business can thus be seriously jeopardized.

3. The geocentric approach. This approach utilizes the best people for the key jobs throughout the organization, regardless the nationality. The main advantage of the geocentric approach is providing an MNC a greater pool of quality staffs who can be moved anywhere in the world whenever needed.

As with other staffing approaches, there are disadvantages associated with the geocentric approach. First, there will be resistance from host-country governments which want their people to be employed in MNCs. The governments will utilize immigration control to force HCN employment if enough people and adequate skills are available. Another disadvantage is the geocentric can be expensive to implement because of increased training, relocation, and administrative (for human resource planning) costs.

4. The regiocentric approach. This approach makes transfer of staffs from country to country within the same region possible. There are two advantages of the regiocentric approach. First, it allows interaction between staffs transferred to regional headquarters from subsidiaries in the region and PCNs posted to the regional headquarters. Second, the regiocentric approach can be a way for an MNC to gradually move from purely concentric or polycentric approach to geocentric approach. The disadvantages of the regiocentric approach are it can produce federalism at a regional level, and it does not make the possibility of regional staffs to occupy positions at parent headquarters greater.

In deciding which staffing approach is the most appropriate, an MNC needs to consider the environmental (country factors) and the characteristics of foreign subsidiary (Boyacigiller, 1995). The environmental factors consist of:

1. The level of political risk. In countries where political risk is high, it is important to have a local profile, that is, to appear to act and look like a local firm.
2. Cultural distance. When two cultures (PCN's or third country national's (TCN's)<sup>1</sup> culture and HCN's culture) differ significantly, it is more difficult for PCNs or TCNs and HCNs to communicate and work well together.
3. Competition. If the local competition exists, an MNC should employ more HCNs than PCNs or TCNs. The logical explanation for this is HCNs are more familiar with local competition and have better contact with local government which plays important role in local competition.
4. Cost. It is quite expensive sending PCNs or TCNs abroad. The total compensation for PCN or TCN can be 2.5 times higher than HCN or PCN who is employed at the headquarters. But, MNCs need to address the cost issue within a broader framework of what the company seeks to gain through overseas assignments. The assignments appear more useful when perceived as long-term investment.

The most important characteristics of foreign subsidiary are:

1. Interdependence. Subsidiaries do not operate as closed systems. Typically, they have resource links to other units within the MNC as well as ties to firms and customers in host, home, and other countries. This interdependence creates important implications for staffing. If a subsidiary has a high level of interdependence with the headquarters, placing some PCNs in key positions at that subsidiary facilitates intraorganizational communication and relations.
2. Complexity. Most MNCs are comprised of units that differ widely in their level of complexity. Controlling units that have disparate levels of complexity is difficult for MNCs. Complex tasks imply an increase in information load, information diversity, or rate of information change. Consequently, the amount of information processing necessary to control complex operations is much greater than the information processing required to control less complex units. So, it is not surprising that PCNs and/or TCNs are more preferable to be assigned to the complex units because they have more experience in maintaining the speed of information processing in such units. The low speed rate of information processing in one subsidiary may impede the information flow of the whole MNC's network.
3. Control. There are two types of control: direct or behavioral control and indirect or output control (Phatak, 1989; Davis, 1994a). One important device of direct control is staffing of foreign subsidiaries by PCNs. On the other hand, the indirect control mostly relies on the periodical reports submitted to the headquarters.

#### International Transfer

Basically, the reasons for international transfer are filling out the positions when qualified HCNs are unavailable or difficult to train, giving staffs international experience and train them for future important tasks in subsidiaries abroad or with

the parent company (management development reason), and socializing staffs and creating international communication network (organizational development reason) (Borg and Harzing, 1995: pp. 181-183). Companies have different ways of handling international transfers of staffs. In general we can distinguish four transfer policies as follows: (Borg and Harzing, 1995):

1. Extensive and planned international transfer of personnel policy. Companies which adopt this policy have identified the supply of competent international staffs as a critical success factor or a competitive weapon. They spend considerable resources on the transfer of personnel. These transfers take place in all directions, from headquarters to subsidiaries, from subsidiaries to headquarters and between subsidiaries. Furthermore, individuals from all nationalities and from each level of the company are transferred. There are policies and central departments which support these extensive transfers.
2. Assigning key managers abroad policy. Companies which adopt this policy assign only trusted staffs to key positions in subsidiaries. It is a kind of simple control strategy which builds upon the idea that a trusted person on site will make the same decision as the headquarters managers would have done.
3. Not having PCNs or TCNs policy. This policy is exactly the same as the polycentric approach in which subsidiaries are staffed only with HCNs. The reason of adopting such policy is because employing PCNs and/or TCNs has many disadvantages as mentioned above.
4. Ad hoc policy. This policy implies that transfers are made without help of major guidelines or that major guidelines are ignored. So, the decision of whether assigning PCNs/TCNs or not depends on the condition of each subsidiary. If it is necessary, the headquarters will assign PCNs/TCNs to certain subsidiary (ies).

The international transfer activities follow the three general sequential steps

(Borg and Harzing, 1995). The first step is recruitment and selection. According to Dowling, Schuler, and Welch (1994: p. 51), recruitment is defined as searching for and obtaining potential job candidates in sufficient numbers and quality so that the organization can select the most appropriate people to fill its job needs. They define selection as the process of gathering information for the purposes of evaluating and deciding who should be employed in particular jobs. Considering the costs of PCNs or TCNs failure, selecting the appropriate staffs for overseas assignment is important. What are the criteria usually used in selecting staffs for overseas assignment? Here are some important criteria: technical ability, managerial skills, language ability, diplomacy skills (interactive skills), cultural empathy, adaptability and flexibility, positive attitude, emotional stability and maturity, willingness to serve abroad (personal motives), and adaptability and support of family.

The second step is the assignment period abroad. An assignment abroad normally lasts about three years. At the beginning of the assignment everything is new and exciting, but after about three months a kind of culture shock sets in, which may be expressed in frustration over details such as the difficulties involved in getting a new telephone line installed or the manners of the local personnel. Carefully designed selection procedures and pre-departure training can temporize some of the culture shock. After another two months the PCNs and/or TCNs start to adapt to the foreign culture and gradually moves to a more neutral state. After a period of four to five years, the PCNs and/or TCNs is neutralized to some extent. It is an advantage if the personnel department at home and at subsidiary are aware of this adjustment process.

The last step is PCNs repatriation or TCNs transfer. After a number of years, the assignment period ends, and the PCNs are repatriated (returned to the headquarters at the home country) or TCNs are transferred either to another foreign subsidiary or to the headquarters at home country. The TCNs transfer will not discussed here because it has already been discussed above. The process of PCNs repatriation can be divided into four related

phases (Dowling, Schuler, and Welch 1994):

1. Preparation which involves developing plans for the future and gathering information about the new position.
2. Physical relocation which refers to removing personal effects, breaking ties with colleagues and friends, and traveling to the home country.
3. Transition which means settling into temporary accommodation, making arrangements for housing and schooling, and carrying out other administrative tasks.
4. Readjustment and reestablishment. Readjustment means adjustment to one's native culture again while reestablishment means employing to a suitable position (Borg and Harzing, 1995). According to Borg and Harzing (1995), both can be problems of repatriation. Returning PCNs often experience a second culture shock and sometimes prove to be even more difficult than adjusting to a foreign culture because it is not really interested for them. In addition, unfortunately it rarely happens that repatriates are offered suitable positions on return because there is no positions at home fit with the experience and/or knowledge acquired abroad. This may make repatriates frustrated.

### Global Staffing and Career System

Sonnenfeld and Peiperl (1984; 1988) developed four models of career systems which have close relations with staffing patterns. These models were developed based on the assumptions that a firm's labor supply is subject to the external environment in the basic process of entry and exit, and is internally interdependent among its components in the process of development. Such assumptions imply two fundamental properties of career systems: first, the movement into and out of the firm (the supply flow); second, the movement across job assignments and through promotions within the firm (the assignment flow). The supply flow dimension is measured by the openness of the career system to the external labor market at other than entry levels. The assignment flow dimension describes the criteria by which

assignment and promotion decisions are made. In particular, the choice of individuals for assignments can be made primarily on the basis of their individual performance or on the basis of their contribution to the general group. From these two dimensions, the four models of career systems can be developed (see Figure 1).

The first model of career system is academy. It rewards individual performance and prefers to promote from within (close to outside labor markets), and strives to develop the members' knowledge, skills, and commitment. Staffs in the company that adopts academy, see professional growth as a personal goal and a community obligation. Most of the huge global companies, such as Kodak, IBM, Apple, P&G, GM, and Xerox, are the "academy companies".

The second model is club. It also uses an internal labor supply, but pays more attention to group factors in deciding assignments. In club model, security and membership are the essence of commitment. Such huge global companies as oil companies, airlines, banks, and telecommunication companies adopt this model.

The third model of career system is baseball team. It is open to external labor markets at all levels, and assign and promote on the basis of individual merit. So, it relies upon skilled, individual performers but with transferable talents that can be taken to other members. In "the baseball companies", the lack of employment security heightens the pressure for creativity. The pool of risk-takers is not limited to the internal labor market. The spirit is upbeat, and commitment is at a low level. There are some huge global companies which are "the baseball companies": consulting firms, software development companies, banks, consumer products manufacturers, advertising companies, semi conductor manufacturers, public relations firms, and entertainment enterprises.

The last model is fortress. It places commitment at a low level as well, and it neither limits its labor supply channel nor makes assignments based on individual contributions. "The fortress companies" may hire and fire in reaction to market conditions, and these may be companies never in control of their strategic environment because of the highly competitive

nature of the business or the shortage of key resources. The primary goal of such companies is institutional survival. Some huge global companies which adopt this model, for example, are hotels, retail companies, and publishing companies.

Which model is the most appropriate depends on the types of the companies (Sonnenfeld and Peiperl, 1984; 1988). The prospector companies which thrive on product innovation and the creation of new markets usually adopt the baseball model. The defender companies, the companies with narrow product/market positions and seek mastery over a narrowly-defined field, prefer the club model. The analyzer companies which fall between the above

types of companies, suppose to adopt the academy model. The reactor companies, the companies which are buffeted by their environment, have the fortress model preference.

### Developing A Global Staffing Strategy

Every global company needs to develop a global staffing strategy which considers its internal and external conditions. This strategy is very important to ensure the consistency of global staffing policies in the global company. I propose six phases of developing a global staffing strategy as follows:

Figure 1: Models of Career Systems

	<i>FORTRESS—Retrenchment</i>	<i>BASEBALL TEAM—Recruitment</i>
External	<p>Entry</p> <ul style="list-style-type: none"> <li>passive recruitment</li> <li>drawn to industry by own interests/background</li> <li>selective turnaround recruitment</li> </ul> <p>Development</p> <ul style="list-style-type: none"> <li>effort to retain core talent</li> </ul> <p>Exit</p> <ul style="list-style-type: none"> <li>layoffs frequent</li> <li>respects seniority</li> </ul>	<p>Entry</p> <ul style="list-style-type: none"> <li>primary human resources practice</li> <li>emphasis on credentials, expertise</li> <li>recruit at all career stages</li> </ul> <p>Development</p> <ul style="list-style-type: none"> <li>on-the-job</li> <li>little formal training</li> <li>little succession planning</li> </ul> <p>Exit</p> <ul style="list-style-type: none"> <li>high turnover</li> <li>cross-employer career paths</li> </ul>
SUPPLY FLOW	<i>CLUB—Retention</i>	<i>ACADEMY—Development</i>
Internal	<p>Entry</p> <ul style="list-style-type: none"> <li>early career</li> <li>emphasis on reliability</li> </ul> <p>Development</p> <ul style="list-style-type: none"> <li>as generalists</li> <li>slow paths</li> <li>required steps</li> <li>emphasis on commitment</li> </ul> <p>Exit</p> <ul style="list-style-type: none"> <li>low turnover</li> <li>retirement</li> </ul>	<p>Entry</p> <ul style="list-style-type: none"> <li>strictly early career</li> <li>ability to grow</li> </ul> <p>Development</p> <ul style="list-style-type: none"> <li>primary human resources practice</li> <li>training for specific jobs extensive</li> <li>tracking and sponsorship of high potential employees</li> <li>elaborate career paths/job ladders</li> </ul> <p>Exit</p> <ul style="list-style-type: none"> <li>low turnover</li> <li>retirement</li> <li>dismissal for poor performance</li> </ul>
Group Contribution	ASSIGNMENT FLOW	
		Individual Contribution

Note:

Adapted from "Staffing policy as a strategic response: A typology of career systems", by Jeffrey A. Sonnenfeld and Maury A. Peiperl, 1988. In Human Resources Management: Readings (p. 69) by Fred K. Foulkes (Ed.), 1989, Englewood Cliffs, NJ: Prentice-Hall, Inc. Copyright by Prentice-Hall, Inc.

1. Analyzing the current situation. This phase consists of two things: drawing up the most recent global staff inventory that shows which positions are occupied by PCNs, TCNs and HCNs, and assessing the present situation.
2. Developing the strategic vision of global staffing (developing a clear picture of global staffing of the company over the next five to ten years). The vision provides a clear view of what the company is trying to accomplish in terms of global staffing. Thus, this phase needs a lot of creativity and imagination about the future.
3. Setting the objectives. The purpose of this phase is to convert the strategic vision which has already been developed into specific performance targets, something the global staffing's progress can be measured by. Objective settings implies challenge, establishing performance targets that require stretch and disciplined effort. The challenge of trying to close the gap between actual and desired performance pushes the company to be more inventive, to exhibit some urgency in improving the global staffing performance. Setting challenging but achievable thus helps guard against complacency, drift, internal confusion over what to accomplish, and status quo global staffing performance. The objectives established should ideally include both short-range and long-range performance targets. Short-range objectives spell out the immediate improvements and outcomes that the company desires. Long-range objectives prompt the top management to consider what to do now to position the global staffing of the company to perform well over the longer term.
4. Crafting a global staffing strategy. This phase is the most critical phase in the developing process because basically what is going to be crafted is the means to achieve objectives. A global staffing strategy is typically a blend of deliberate and purposeful actions, and as-needed reactions to unanticipated developments and fresh competitive pressures. Therefore, the crafting phase requires hard work and multi-dimensional view (in general, at least

4-dimension view: internal, external, present and future).

5. Implementing and executing the global staffing strategy. This phase consists of creating commitment among top managers which is highly important in facilitating acceptance and easy implementation of the strategy, and seeing what it will take to make the strategy work and to reach the targeted performance on schedule. The strategy-implementing phase is easily the most complicated and time-consuming part of the process. The management, must supervise all the details of implementation and apply enough pressures to convert objectives into results.
6. Evaluating performance, reviewing new developments, and initiating corrective adjustments. None of the previous tasks are one-time exercises. It means the search for ever better strategy is continuous. Hence, the task of evaluating performance and initiating corrective adjustments is not only the end but also the beginning of the process toward the new, improved global staffing strategy. It is not an easy task as well because it requires the managers to stay very close to the situation to detect when changing conditions needs a strategic response and when they do not.

#### **Global Staffing Practice in Bonne Bell, Inc.**

Bonne Bell, Inc. is the story of Jesse G. Bell, a man who had a dream and made it come true. He decided to start his own business in 1927 after landing from his job as a salesman for a Kansas City cosmetic company. He then moved his family of five to Cleveland, Ohio and used the basement of his rented house as "the first factory" of his cosmetic company named Bonne Bell, Inc., the name he discovered while reading the Saturday Evening Post of Kansas City which also the name of his daughter (now the Vice Chairman of the Board). Right now, Bonne Bell, Inc. cosmetics including the Ten-O-Six Lotion which was firstly produced in 1936 are manufactured and sold throughout the United States and around the world. The target market for

its products is young people, and the quality standards for the products are high. Bonne Bell, Inc. keeps doing careful research and testing to assure high quality performance of its products.

In supporting its worldwide operations, Bonne Bell, Inc. employs approximately 500 employees in the United States, Canada and Australia. The global staffing approach used is the polycentric approach. It means Bonne Bell, Inc. staffs its subsidiaries with HCNs while PCNs occupy positions at the headquarters in Lakewood, Ohio. There are some reasons why Bonne Bell, Inc. implements such approach. They are as follows:

1. Costs. It will be very costly for Bonne Bell, Inc. maintaining PCNs or TCNs abroad. In addition to their salary, Bonne Bell, Inc. will have to provide such facilities as houses and cars. By adopting the polycentric approach, those kind of costs can be saved and the operations will be more efficient.
2. Complexity. The day-to-day operations of Bonne Bell, Inc.'s subsidiaries are not too complex and HCNs are able to handle such operations so PCNs or TCNs are not necessary.
3. Cultural distance. As mentioned above that Bonne Bell, Inc. has subsidiaries in Canada and Australia, two countries which have very similar cultures with the United States. In other words, there is quite small cultural distance among those three countries, and it implies that only very little communication barriers exist between the headquarters and the subsidiaries. Although the subsidiaries have a high level of interdependence with the headquarters, placing PCNs at the subsidiaries will be worth nothing because without them the intraorganizational communication and relations run very well.

Consistent with the polycentric approach, Bonne Bell, Inc. applies not having PCNs or TCNs policy as its transfer policy.

In terms of career system, Bonne Bell, Inc. seems to adopt the baseball team model since it recruits people to fill positions at all levels within the company, and it promotes employees on the basis of individual performance. The main reason

why Bonne Bell, Inc. adopts this model is because the competition in the cosmetic industry is very keen, and one key success factor to survive in that kind of environment is the creativity. Bonne Bell, Inc. seems to realize that the baseball team model can heighten the pressure for creativity although it can also reduce the employment security and the employees' commitment to the company. So far, the implementation of baseball team model has no significant negative effects for the company, and if such minor negative effects exist, they will be written off by the increase of employees' creativity.

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