

*“If you have heard this before,
do not interrupt me because
I want to hear it again”
Groucho Marx*

Abstract

This paper presents the already well explored field on recruiting alternatives for a manager position in a subsidiary located abroad. The aim of the dissertation is to distinguish different criteria described in literature that influence the choice between home or host country manager. Furthermore, the aim is to find out if there are additional criteria that might influence the choice. The research is concentrated on Swedish companies that have subsidiaries abroad. A quantitative survey is chosen and information is collected via a homepage based questionnaire. The research accounts for 80 Swedish companies selected from a larger population. The analysed results are combined with propositions. The propositions are based on the theoretical framework, which includes different theories about home/host managers, and the criteria that influence the choice of one of the alternatives. Several conclusions are drawn after an elaborated analysis of the questionnaire.

Key concepts

Home country manager, Host country manager, selection alternatives, criteria, subsidiary.

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Chapter 1 – Introduction

The background to the problem area and the information about the subject will be presented in this chapter. The purpose and the problem definition are also stated as well as the outline of the dissertation

1.1 Background

The choice between the home or host country national for a manager position in a subsidiary abroad can be a very difficult process for a company. There are certain criteria that are distinguished as important for both alternatives. This paper accounts for the variety of criteria that help companies to choose between home and host country national manager.

The ideal of the Swedish management comprehends to act individually where managers are able to do a good job and equality is valued high. The decision making happens on all levels without conciliation with the superiors when unexpected problems emerge. Managers are encouraged to think by themselves, be able to work in a team, take advantage of the natural creativity and motivate the staff. Being a good listener, communicator, and reasonable person are preferable criteria among managers in order to work more effectively (www.fek.su.se/home/gus/lectures). This view on Swedish management is general. However, it would be interesting to find out if the same values and expectations are valid for the subsidiary manager as well.

According to Advisory Booklet "recruiting people who are wrong for the organisation can lead to increased labour turnover, increased costs for the organisation, and lowering of morale in the existing workforce. Such people are likely to be discontented, unlikely to give of their best, and end up leaving voluntary or involuntary when their unsuitability becomes evident. They will not offer the flexibility and commitment that many organisations

seek. Managers and supervisors will have to spend extra time on further recruitment exercises, when what is needed in the first place is a systematic process to assess the role to be filled, and the type of skills and abilities needed to fill it." (ACAS, 1999 p.7)

An international company can hire employees from the global pool. To choose the best qualified applicant is a result of an objective selection process. A company's view towards host culture has a strong bearing in the decision on selection (Fatehi, 1996). This means that executive's attitude determine in selection between home/expatriate or host country national.

Many criteria have been described to have an impact on choice of selection between home and host country nationals. This will be presented in detail further on in this paper. The important thing is to attract suitable applicants to offered positions in Swedish subsidiaries that are located abroad. According to Mullins, (2002) it is clearly important to know where suitable applicants are likely to be found, how best to make the contact with them and to secure their application. This involves a detailed knowledge of sources of labour and methods of recruitment. The most appropriate means of attracting suitable applicants will depend upon the nature of the organisation, the position to be filled, and possibly the urgency of the need to make the appointment.

1.2 Problem analysis

The literature describes three different manager alternatives that can be chosen when selecting a manager for foreign subsidiaries. Those are: expatriate/home country manager, host country manager and third country manager.

The alternatives that are going to be described and analysed in this paper, i.e. home and host country national, are influenced by variety of different criteria. According to Fatehi (1996) criteria

that have an impact on choice of home country national can be social skills, technical and administrative skills, diplomatic skills, maturity etc. Beside all criteria valid for the home country manager a host country manager should even possess adaptability, flexibility, ability to speak parent company's language etc.

This brings us to the problem area of this paper. The criteria that influence the choice of home manager as well as host manager are many. According to Mead (1998 p.405) "frustration arises when the balance between the parent company and subsidiary interests are uncertain. The home country managers do not know how to interpret their job description. The host country managers are demoralized if they believed that one of their managers could perform the job as competently as the home country manager – in terms of their standards". Consequently, there are some research objectives that would be of interest to find out.

- To describe the already existing criteria that influence the choice of either home or host country manager.
- To find out if there are, beyond the existing criteria, other criteria which are specifically important for Swedish subsidiaries when choosing between home and host manager for a subsidiary abroad.

According to Mullins (2002, p. 757) "... The choice, combination and applications of methods should be appropriate to the nature of the organisation, the vacant job and the number and nature of candidates. Whatever the selection process is adopted, it requires careful planning and preparation."

1.3 Purpose

The aim of this dissertation is to develop a model that presents and explains all existing criteria but also examines if there are

other criteria that might influence the choice of a home or host manager.

1.4 Limitation

The selection criteria, as mentioned before, are many but this paper is explicitly limited on selection criteria that are used when choosing between home and host country manager for subsidiaries abroad. The third country manager is very rare used among the other alternatives and will therefore not be discussed in this paper. Furthermore, limitation is made on fact that the researched companies have subsidiaries abroad. No difference has been made between wholly owned, joint venture and other forms of foreign investment. We are aware that most of the literature is written from an American perspective, which we will try to implement into the Swedish management style.

1.5 Definitions

Home country manager is a manager that comes from the country where the parent company is situated.

Host country manager is a manager that comes from the country where the subsidiary is situated.

Subsidiary is a company that is owned by a parent company. (Nordsted, 1997)

Criterion is a mark that uses to stipulate belonging to a certain type of occurrence. (Nordsted, 1997)

1.6 Outline

Chapter 2 – Methodology

This chapter presents the choice of the method used in this dissertation. Approach to the problem was deductive to gain a greater understanding of the already existing theories. The work

procedure and the complications during the process are profoundly described and evaluated.

Chapter 3 – Theory

This chapter consists of the theories used as a support for our deductive research. An explanation of both home and host manager are given, followed by several criteria which are important for the selection of manager. The purpose with this chapter is to give a general view and understanding of the theories used.

Chapter 4 – Empirical method

In this chapter methods used to finish the empirical method are presented. This chapter is built as a continuum on chapter 2 where methodology was presented. The research procedure includes the sample selection, the questionnaire design, the data collection, and the research strategy.

Chapter 5 - Analysis

This chapter contains analyses and results of the replied questions from 22 different companies. Some of the answers are presented in figures, which creates greater comprehension of the research. Several hypotheses will be presented and answered, with support of our findings.

Chapter 6 - Conclusion

The final conclusion of this paper is presented in this chapter. The purpose of the dissertation followed by a section with suggestions for improvements is submitted. Finally, the indication for further studies is presented.

Chapter 2 - Research design

This chapter presents the choice of the method used in this dissertation. Approach to the problem was deductive in order to gain a greater understanding of the already existing theories. The work procedure and the complications during the process are profoundly described and evaluated.

2.1 Problem involvement

The main issue of this dissertation is to find out which selection alternatives Swedish companies use, when choosing between home or host manager, and which selection criteria influence the choice. Our starting point is Fatehi's (1996) theories about selection of managers. Our beliefs are that there are *additional criteria* that might influence the selection of managers, especially for Swedish companies.

According to Fatehi (1996), in the past it has been quite common for firms to use managerial and technical expertise as the sole criterion for selecting managers for foreign assignments. Technical and managerial expertise, however, is not enough for today's international assignments. To select managers only on technical and managerial expertise could result in disappointing outcomes. The companies must work to make the manager's assignment a positive experience, for both company and the manager.

According to Mullins (2002), it is necessary to explore the potential of the persons appointed for training, development and future promotion; and their flexibility and adaptability to possible new methods procedures or working conditions. She continues that it is necessary to consider not just technical competence and the ability to perform certain tasks but also, and equally important, sociability.

A firm should accept that there is no ideal way to select and evaluate personnel, and no perfect way to staff foreign offices. The global competition requires human resources that are broad based, multilingual and understand the complexity of the multicultural global market. To meet the challenge of global competition it requires careful planning and preparation. Prospective candidates, from whatever cultural background, should be identified early in their careers (Fatehi 1996).

A manager must have certain expertise like being competent to deal with managerial technical routines. Moreover, a manager should be able to adapt his/her skills to different business environments as well as be able to deal with new opportunities and threats. Furthermore, a manager must solve problems quickly, communicate with people from different cultures, be able to motivate people and be an effective negotiator (Mead, 1998). There are many other authors describing variety of selection criteria, however, we will concentrate our research on criteria that Fatehi (1996) distinguished in his book.

2.2 Choice of methodology

The choice of methodology is very important in order to explain research objectives and attain the purpose. A survey based on a questionnaire has been made to get the answers to research questions. The questionnaire includes both quantitative and qualitative questions. The qualitative research is based on open questions.

The deductive or the inductive approach can be used as a research approach. The deductive approach means, that one can develop a theory, hypotheses/propositions and design a research strategy to test the hypotheses/propositions. (Saunders, 2002)

We agreed that the deductive approach should be more suitable to our research. This should facilitate understanding of the existing models and theories. It should even discover if those correspond to the Swedish custom of choosing between home or host manager for subsidiaries abroad.

2.3 Choice of theories

The theory defines as "a formulation regarding the cause and effect relationship between two or more variables, which may or may not have been tested." (Saunders, 2003, p.26)

According to Mullins (2002, p.740), "Recruitment is hardly an exact science. It grapples with the irrational and intangible, and hiring the right person for the job is no easy task and mistakes will occur. But it is the careful preparation and harnessing of the tools available to aid the recruitment process that is important and will help to minimise the risk." Therefore, a company should distinguish what characteristics are preferable when choosing between different alternative in order to know if home or host manager is more suitable.

According to the Fatehi (1996), the characteristics that make a good domestic country manager are also necessary for an international executive as well but there are additional criteria that need to be taken into consideration. These criteria are going to be presented in the theory part.

2.4 Scientific approach

The research philosophy used in this paper is positivism. The positivism refers to scientific knowledge that requires careful observations of social reality. The structured methodology is very important so as to facilitate replication. Positivism is usually associated with a deductive approach. (Saunders, 2002)

Deductive approach means, according to Saunders (2002), to design a theory and/or hypothesis and afterwards shape a research strategy for testing. In the next chapter the stated hypothesis/proposition will be presented.

To facilitate the answers to the research objectives the interpretation and the analysis of the data is necessary. This can be done by quantitative analysis techniques (Saunders, 2002). To analyse the importance of knowledge in certain areas a scale measurements are required. That is why a scale from 1 to 5 is developed.

According to Saunders (2002), qualitative data is non-numerical data or data that have not been quantified. A qualitative study is profoundly needed while finding out participators' understanding and interest in the selection process between home and host manager. It is also necessary to see if different criteria are required and recognised. The qualitative study is not only based on open-ended question but also straight asked questions.

2.5 Summary

The problem definition of this paper is the distinction between two selection alternatives, i.e. home and host managers, and different criteria that influence those alternatives. The deductive approach is applied in order to develop hypothesis/propositions which will simplify the creation of research strategy for testing formed hypothesis/propositions. The research methodology is based both on quantitative and qualitative studies.

Theoretical framework is based on theories about home and host manager as well as theories about different criteria that influence the selection. The scientific approach is positivism, which refers to scientific knowledge that requires careful observations of social reality

Chapter 3 – Theoretical Framework

This chapter consists of the theories used as a support for our deductive research. A description of both home and host manager are given, followed by several criteria which are important for the selection of manager. The purpose with this chapter is to give a general view and understanding of the theories used.

3.1 Selection

Although our purpose is to find out if Swedish companies choose a home or host country manager for the foreign subsidiary, we will also look at what kind of criteria that play a major role in the selection process. We will begin with a short description of the manager alternatives that exist.

There are three different kinds of managers, namely home country manager, host country manager, and third country manager. We have decided to concentrate our research on the choice between home or host country managers. We believe that these alternatives are the most common among Swedish companies.

3.1.1 Home country manager/Expatriate

When the company hires home country staff both at home as well as abroad, it is because the company feels that this group is most loyal, intelligent and capable employees. This thinking may be developed from the lack of knowledge of foreign countries and cultures. A firm can send a manager abroad based on his long relationship with the parent company, but he does not have to be a former employee of the company. The knowledge about the firm's history, policies and procedures about the industry and business as a whole, are preferable criteria. This, however, does not mean that local staff at the subsidiary accepts managers based only on the knowledge they possess (<http://highered.mcgraw-hill.com>).

Most centralised companies use this choice of manager, but this alternative is also good when political disturbance or political power is too strong in the host countries. Fatehi states that "Companies using the home country managers tend to staff all key positions, at the home office or abroad with home country executives." (Fatehi, 1996, p 301)

The selection procedure to sort out the inappropriate candidates is important because it reduces home country manager's failure and saves money in the long run. The main problem is that an executive, who performs well in a domestic setting, may not be able to adapt in a different culture setting (<http://highered.mcgraw-hill.com>).

"A very important factor for selecting managers for foreign assignments is their personal motives for seeking and accepting the assignment. The best candidates for a position in a foreign country are individuals who possess a genuine interest in foreign countries, their people, and their cultures" (Fatehi, 1996, p.303)

The preferable criteria that the company requires, results in both advantages and disadvantages for the company. Advantages can be that a home manager is aware of the company's concept, which gives a better control over the subsidiary. Furthermore, a home manager gives priority to the parent company before the subsidiary's tasks. A parent company can spread its organisational culture more easily and can control local skill levels. The company that is more sensitive to subsidiary needs and company's staff is gaining experience overseas. The communication flow between parent company and the subsidiary improves, which leads to faster solution of the problems (Dowling, Welch & Schuler, 1999).

The negative effects of this selection contribute to the lack of reliability between manager and employees, which in return

creates poor exchange of information. Local staff may interpret the foreign manager as having a higher status that in return can make potential problem. The opportunity for the local staff to become managers is very low. It can take time for the home country manager to develop local connections, learn language, and managing local staff. It can be costly for the company to deliver an appropriate training for the manager and relocation to the host country (Dowling, Welch & Schuler, 1999).

3.1.2 Host country manager

"...the natives are better able to understand the requirements of the assignment. The same principle is followed in staffing the home country positions with the home country nationals."

(Fatehi, 1996, p 301)

When companies fill key positions with host country nationals, they believe that people living in the host country best understand the culture and the traditions. This kind of selection has lately grown very strongly among multinational companies. The reason is that the costs for the home country manager's assignments abroad, related with relocation of the managers and their families, can be very high (Mead, 1994).

The results gained by host national manager can be better because the manager is already familiar with the traditions and the culture in the host country. This means that the company reduces risks of failure. A host national manager can be selected on the grounds that he is very familiar with the local markets, customers, and the governments. Furthermore, these kinds of managers help the multinational firm to harmonise relationship with the local employees, customers and the community. Subsidiary has an unique opportunity to have an independent control and manage themselves once a host country national is on the key position. The training of the host nationals does not have to be provided by the parent company, which avoid additional

costs for the company. A company with a host country manager may appear less threatening than a Swedish manager in countries with high nationalism. Some governments demand use of host country nationals in key positions as a part of agreement to allow the international company to enter (Dowling, Welch & Schuler, 1999).

One thing that can be considered as a disadvantage with this kind of selection is that manager does not have personal experience of parent company's organisational culture and policies. The parent company may also lose authority and the decision power in the foreign subsidiary (Dowling, Welch & Schuler, 1999).

Positive effects can be that managers are experts on certain area while other areas are covered by overall knowledge. Moreover, such a manager has an objective view on the working process and leadership. Problem can arise when the manager concentrate on more than one thing, which might make him lose focus on the subsidiary's main purpose (Dowling, Welch & Schuler, 1999).

If a company should choose which method is best to use when selecting a manager for the subsidiary, the answer can be very difficult to find. Both alternatives have advantages and disadvantages to take into consideration. "Each selection should be decided on its own merits but there is, however, other factors that can influence the decision. Those are Industry factors, strategic factors, technology, age and condition, etc..." (Mead, 1994, p.363). All of these factors are linked to each other and are helpful when the selection is made. The structure of a company is also a important factor that influences selection.

3.2 Criteria presented in a model

Fatehi (1996) describes different criteria that he thinks influence the choice of manager for a foreign subsidiary. All criteria will be explained since they are important for both home country and host country managers. Further, we will explain other criteria that

Fatehi consider important only for the host country manager. We developed a model, which clearly shows the criteria that is important for a manager selection.

Below, crucial factors will be listed and explained that will affect the choice of the home country manager.

3.2.1 Locally Contingent Attributes

In some countries certain attributes such as the candidates' age and gender must be considered. In countries that have a seniority-emphasized view, a youthful candidate may have great

difficulties gaining access to important personnel and key decision-makers. Some countries, e.g. Japan, deny women access to certain important decision making situations. In these countries women also may encounter a great deal of resistance from superiors, subordinates, colleagues, and clients (Fatehi, 1996).

“In masculine countries gender roles tend to be very strictly limited and that stereotypically male value such as competitiveness, individual advancement, materialism, profit, strength and action-focus activities tend to be appreciated. In feminine countries more appreciation is given to stereotypically female values such as co-operation, warm relationships, caring and nurturing, the quality of life while less differentiation exists between male and female roles.” (Kirkbride, 1994, p 16)

The age profile of the personnel should be taken in account when the organisation is seeking to employ. It is wrong to say that everyone of certain age shares the same characteristics and attitudes. According to Torrington, Hall and Taylor (2002), four groups are identified by their dates of birth. These groups are Veterans (born before and during the Second World War), baby boomers (late 1940s and 1950s), Generation X (1960s and 1970s) and a group labelled ‘Nexters’ (born after 1980).

- Veterans are attracted to workplaces which offer stability and which value experience.
- Veterans are loyal to their employers and are less likely to look elsewhere for employment opportunities than younger colleagues.
- Boomers place a high value on effective employee participation.
- Boomers do not object to working long hours.

- Xers enjoy ambiguity and are at ease with insecurity.
- Xers require a proper 'working-life balance'
- Xers are strongly resistant to tight control systems and set procedures.

- Nexters are wholly intolerant of all unfair discrimination.
- Nexters, being serious-minded and principled, prefer to work for ethical employers.
- Xers and nexters work more easily with new technology than veterans and boomers (Torrington, Hall & Taylor, 2002, p. 141).

Characteristics for each group that are mentioned above require different sets of expectation and a subjective feeling of job insecurity. As Torrington, Hall and Taylor (2002) stated, young workers accept insecurity, almost as the norm, but older workers feel the contract has been violated. The employer might not be willing to fulfil older worker's part of the bargain since they might have the same expectation as before.

3.2.2 Technical and Managerial skills

Mullins (2002), states that the application of specific knowledge, methods and skills are important linkages to technical competence. It is required more at the manager level, for the training of staff, and with operations concerned in the production of goods of service.

According to Fatehi (1996), basic technical and managerial skills are very crucial for a manager who is assigned for abroad operations. Furthermore, he states that a person's past performance are a good indication of his or hers managerial and technical ability. However, this does not make any guarantee that the manager should do equally well in a foreign assignment.

3.2.3 Diplomatic Skill

In most developing countries the government plays a major role in business, and therefore it is crucial for the manager to interact with different business associates, government agencies and political leaders. The ability to relate to government officials properly and to conduct business under unfamiliar conditions requires diplomatic skills. The manager's responsibility is to act as an ambassador for the company, both when hosting government bureaucrats and towards other businesses (Fatehi, 1996).

The main diplomatic skills are language proficiency, interaction with media, IT proficiency, representation, information management, negotiation, diplomatic behaviour and protocol. Language proficiency is an example of a skill that requires a natural sensitiveness, but is acquired through training (<http://diplo.diplomacy.edu/edu/info/doc/usip-info-814.htm>).

3.2.4 Motives and Desire

A motive is defined as emotion, desire, physiological need, or similar impulse that acts as an incitement to action (www.dictionary.com).

Desire, however, can be defined into different ways. First, to wish or long for is a "want". Secondly, to express a wish for is a "request" (www.dictionary.com).

Manager's motives and desires are a driving force for better efficiency and co-operation. Fatehi (1996) states that, motives and desires are very important factors for selecting the right manager for the foreign assignment. The best candidates to be posted abroad are those who possess a genuine interest in the country, their people and the culture. People that apply for the assignment only for extra money or a career opportunity are not likely to be successful. If a manager is familiar with a foreign language, has taken international business courses, have

travelled or even lived abroad, he or she demonstrates a genuine interest in the foreign countries and cultures.

3.2.5 Maturity and Stability

A definition of maturity is "The state or quality of being mature, ripeness, full development maturity of judgment, and the maturity of a plan." (www.dictionary.com)

Stability is defined as "Resistance to change, deterioration, or displacement, constancy of character or purpose, steadfastness, reliability, dependability." (www.dictionary.com)

A manager who is going to be posted in a foreign country faces for sure unexpected situations. Emotional and intellectually mature persons are more ready to handle in these situations. Mature persons do not overreact when they encounter unfamiliar and potentially threatening circumstances likewise bribery, conflicts etc. These characteristics enable managers to maintain emotional equilibrium even under the most demanding and difficult conditions. Today's managers should possess maturity, stability and a proven track record achieved through management techniques perfected over time (<http://www.gateshudson.com/gateshudson/commercial.html>).

3.2.6 Family Factors

"Family situation is defined as the level of adaptability and support from family members for the assignment. The family situation can have either a neutral or negative effect upon the assignment." (<http://www.highcontext.com/Articles/srp/Chapter5EffectivenessofCr.php>)

Fatehi (1996) states that, during the selection process it is not only important to evaluate the candidates, but also the manager's family. The family influences the individual's chances for success on the assignment. While the manager often is rather accustomed

to work and office routine, the family has to cope with an unfamiliar new environment. This can lead to failure of a manager's assignment.

How people balance and allow the spheres of work and family to interact should be of great personal and organisational concern. Individuals make or break an organisation and their needs should be paramount when developing organisational policies (Rahim, Golembiewski & Mackenzie, 2001).

3.2.7 Social Skills

"Social skill is friendliness with purpose, being good at finding common ground and building rapport. Individuals with this competency are good persuaders, collaborative managers and natural networkers." (Torrington, Hall & Taylor, 2002, p.335).

According to Fatehi (1996), social skill is probably the most important factor for the international manager's success. Important to point out is that social skill for international managers are not necessarily the same as those that create success at home. Fatehi states that a socially skilled person in a domestic operation is a person who has learned the rules and norms for developing relationship with people. The manager has also learned the proper way of behaving in different circumstances. Among the many social skills that international managers should have, the ability to understand why foreigners behave the way they do is most essential.

Mullins (2002, p 182) states that, "social and human skills refer to interpersonal relationship in working with and through other people, and the exercise of judgement." A distinctive feature of management should secure the effective use of the human resources of the organisation. This involves effective teamwork, the direction and leadership of staff, sensitivity to particular

situations, and flexibility in adopting the most appropriate style of management.

It is important to socialise with new people in unfamiliar situations. The manager's skills are also very important for success and effectiveness. Managers who are distant and prefer to be alone have a great disadvantage compared to those who are sincerely interested in other people and their culture (http://www.expatworld.co.za/new_page_5.html).

3.3 Supplementary criteria for Host country manager

Beyond already explained criteria, there are several more that Fatehi (1996) thinks might influence the choice of a host country manager. They are listed and explained below.

3.3.1 Communication

"Information is a prerequisite for all decision-making, and the handling of information is crucial to all personnel work: aggregated data on numbers, ages, skills, hours, rates of pay and information relating to individuals." (Torrington, Hall & Taylor, 2002, p. 57)

Communication is process where information is merged with other types of data, understanding, feeling and image to create a process through the organization functions. Communication requires an effective set of systems, procedures and drills, a valuation of organizational culture, and personal competence in members of the organization (Torrington, Hall & Taylor, 2002).

Torrington (2002) states further, that communication involves both giving and receiving the messages from one person to another. The communication has not taken place if a message has not been understood or received. The methods of communicating in organisations include speech, non-verbal communication, writing, audio-visual and electronic means. Everything that is

mentioned hereto is very essential for the manager to know in order to improve communication.

Communication is important for the following reasons:

- It helps managers to understand employees' concerns
- It helps managers to keep more in touch with employees' attitudes and values
- It can alert managers to potential problems
- It can provide managers with workable solutions to problems
- It can provide managers with the information that they need for decision making
- It helps employees to feel that they are participating and contributing, and can encourage motivation and commitment to future courses of action
- It helps to provide some feedback on the effectiveness of downwards communication, and ideas on how it may improve (Torrington, Hall & Taylor, 2002, p. 100).

Communication is a very significant criterion because it includes sharing of both knowledge and information. The ability to express thoughts clearly, both orally and in writing, should be possessed by every manager. To ensure two-way communications the manager should also demonstrate effective listening skills. As a manager it is important to be able to ask the right questions at the right time, and this will offer input for positive results (www.ohr.cornell.edu/managerResource/skillsSuccess.html).

3.3.2 Language (parent company)

"In addition to the desired personal and professional expertise a host country manager should be able to speak the language spoken in the parent company's home country" (Fatehi, 1996, p 308). Fatehi also stated that managers in the host country typically have extensive contacts with home office staff. He also mentioned that home office staff, often lack the ability to speak the language of the host country. To create an effective

communication link between the home office and foreign subsidiary, the host country manager need to speak the company's home country language. The fact that Swedish language is rather limited, English is often used as a international company language.

The host country manager can be an advantage for company because of language and other barriers are eliminated. The ability to speak a second language is an aspect often linked with cross-cultural ability. The knowledge of the host country's language is important for functional head and operative jobs (Dowling, Welch & Schuler, 1999).

The diversity in languages is very valuable for internationalisation of businesses. One should not assume that English language is sufficient for top performance in the international business environment although English has been used world-wide. A language is a major part of the country's culture. It contains subtleties and nuances that can be lost in translation which can cause poor quality of communication. A manager's language skill should include:

- An ability to read relevant trade journals
 - Access to overseas social networks
 - Understanding of foreign negotiating style
 - Knowledge of how to conduct local market research
 - An ability to quickly contact suppliers, distributors and buyers
- (www.econ.usyd.edu.au/ib/DM/DiversePDF/toolkits02.pdf).

3.3.3 Adaptability

When selecting a manager for an assignment in the subsidiary "One has to take into consideration aspects such as the individual's personality, attitude to foreigners, ability to relate to people from another cultural group and so on" (Dowling, Welch & Schuler, 1999).

Adaptability skill means that a manager adapts to changing priorities, situations and demands. The manager is also flexible, open and receptive to new ideas and approaches. He should also be able to handle multiple tasks and priorities, along with modifying his way of doing things

(www.ohr.cornell.edu/managerResource/skillsSuccess.html).

The one of very important skills for the success of the assignment is adaptability. Some people find it easier to adjust to dissimilar lifestyles than others. There are some areas that need to be checked before a manager is selected in order to gain success on the assignment. These areas will vary depending on the location of the assignment.

- Ability to adapt to climate;
- Ability to learn and use a foreign language;
- Ability to tolerate other people's religious and cultural practices;
- Ability to eat non-home country food

(www.hotspotz.com.my/JOB_SPOTZ/career_advice/careerbitz_advice6.asp).

There is also possibility for a personal adaptability by doing self-assessment exercises, better adjustment to new environments, cultural awareness etc (www.insead.edu/executives/msib.cfm).

3.3.4 Flexibility

"It is ability to consider alternative ways of doing things. Flexibility is vital for a home manager who work in joint ventures, interact with multi-cultural staff and who may work as negotiators." (http://www.expatsworld.co.za/new_page_5.html)

Thought Fatehi (1996) mention flexibility as a factor that influence the choice of a host country manager it is not further explained in

his book. Because of this we had to research what other authors have written in the subject. We are fully aware that other authors may not have the same view on flexibility as Fatehi.

An effective and functional manager should be able to adjust in every situation e.g. when a manager is assigned for an abroad mission. It is very important to stress that managers' behaviour is influenced by cultural differences like norms, role expectations and traditions.

According to Hill (2003), the success or failure of a business operating abroad depends strongly on the manager's skills and flexibility. Qualification should not only be based on their technical and managerial expertise but also on their skill to respond to the social, political, and cultural situation.

3.3.5 Decision-making

According to Fatehi (1996), the decision to hire host manager is much easier than finding a local citizen who has the qualification for the job and/or who is willing to take a job within the parent company.

3.4 Additional factors

Beside the criteria that are described above we found some additional criteria that we think should be added in the model. These criteria are necessary for the selection process for both home and host country manager.

3.4.1 Friction

According to Black and Mendanhall, between 16 and 40 percent of all home country managers who are given foreign assignments, end these assignments early because of their poor performance or their inability to adjust to the foreign environment, and as high as 50 per cent of those who do not return early function at a low level of effectiveness (Hawley, 1995).

A company should, while selecting, recognise if applicants can bring potential friction into their business relation, e.g. if they have experience "baggage" that can affect the friction. A new home country manager faces a range of different causes that may affect his behaviour and contribute to friction. These could be culture shock, new value systems, social readjustment, problems related to communication differences, inferior levels of training, the interpretation of unfamiliar body language and, eventually possible early return to the home country (Hawley, 1995).

The friction could, however, be avoided if companies employ people who already are familiar with foreign cultures or have experience working abroad. Hawley (1995) describes the major factors for friction as a poor understanding of culture and language, the devastating effect of ethnocentrism, a lack of commitment to training the host nationals, a lack of adequate preparation and counselling of the expatriate and his family.

Out of the above presented theory, we can submit a proposition that is going to be tested in chapter 5.

The selection of managers is influenced by the criterion friction

3.4.2 Reward system

The explanation of reward system can be defined separately.

A reward can be, "A satisfying return or result; profit. The return for performance of a desired behaviour; positive reinforcement" Another explanation is that "compensation or remuneration for services; a sum of money paid or taken for doing, or forbearing to do, some act" (www.dictionary.com).

System means that "a group of interacting, interrelated, or interdependent elements forming a complex whole. A set of

objects or phenomena grouped together for classification or analysis" (www.dictionary.com).

Reward System is based on merits and it is designed to improve motivation, give pupils positive feedback and recognise their efforts. Reward system also injects some fun and an element of healthy competition into business life

(http://www.bootle.sefton.sch.uk/reward_system.htm).

The reward system should attract applicants for the offered position. Management's most powerful implementation tool is reward system. There are different kinds of incentives that offer desired behaviour and performance, execute strategy effectively and achieve objectives in strategic plan

(www.csuchico.edu/mgmt/strategy/module10/sld030.htm).

According to Peter Ducker (1974) "there is not one shred of evidence for the alleged turning away from material rewards... Anti-materialism is a myth, no matter how much it is extolled." The absence of reward system can be comprehended as a demotivator. Economic incentives have also become rights rather than rewards in some companies. People do strike for better salary and rewards to improve their living standards or just want more money. There is a limit how far the self-motivation can reach and it needs to be constantly reinforced by rewards (www.accel-team.com/motivation/financial_motivation_01.html)

There are five kinds of reward systems to encourage managers and these are (McKenna & Beech, 1995, p 134):

- Time rates
- Payment by result
- Individual/group performance-related pay (inc profit related pay)
- Skill/competency-based pay

- Cafeteria or flexible benefit system

A proposition can be submitted to above mentioned theories.

The selection of managers is influenced by the criterion rewarding system

3.4.3 Education

The education might take time to make significant impacts on average skills in the labour force, especially in ageing populations. The improvement in human capital is a common factor behind growth in recent decades. Human capital is estimated on the basis of completed levels of education and average years of schooling at each level in the working age population. According to OECD (2002), the age at which people enter the labour market after completing initial education has consequences for employment (OECD indicators 2002).

This means that applicants for the offered position abroad should achieve an appropriate level of education to ensure the success of the assignment. Also, the age of a manager plays a role in a selection process.

The education becomes integrated with the economy in growth areas. A company has a little chance of development unless it has the backing of well educated employees. In this case a company can quickly upgrade the general capacity of its entire workforce to enable its employees to be easily deployed in those occupations which ensures success in the new international economic conditions (Beare & Slaughter, 2003).

The proposition to above presented theories can be added.

The selection of managers is influenced by the criterion education

3.5 Summary

The main difference between home and host country manager is distinguished in this chapter. The advantages and disadvantages with the selection alternatives are described and presented.

Furthermore, the different criteria that influence the choice of those two alternatives are based on Fatehi's (1996) theories on selection process. All criteria are described and presented in a model, made by authors.

The additional criteria, which we consider of great importance when selecting a manager for a foreign assignment, are also described. These criteria are going to be further researched and analysed in chapter five.

Chapter 4 - Empirical Method

In this phase, methods used to finish the empirical method are presented. This chapter is built as a continuum on chapter 2 where methodology was presented. The research procedure includes the sample selection, the questionnaire design, the data collection, and the research strategy.

4.1 The choice of empirical method

The choice of empirical method is presented in the table below

Research philosophy	Research approach	Research strategy	Time horizons	Data collection methods
Positivism	Deductive	Survey	Cross sectional	Questionnaires

Table 1: Empirical method

4.2 The research strategy

The chosen research strategy for this dissertation is survey. The survey is usually associated with deductive approach. According to Saunders (2003), this strategy is very economical and it allows collection of the data from a sizable population.

The data that is perceived by a questionnaire are standardised, which allows uncomplicated comparison. Survey strategy gives more control over the research process but a lot of time will be spent in designing and plotting the questionnaire. The disadvantage with the survey research is that it is not very wide-ranging (Saunders, 2003). Bearing in mind that the aim of this dissertation is to find out to which extent the Swedish companies are familiar with the two selection alternatives, i.e. home and host managers, and criteria that distinguish those alternatives a survey research would be most appropriate.

4.3 Time horizon

The fact that the paper is about detecting the existing knowledge about two selection alternatives and the criteria that influence those alternatives, a cross sectional study is used. A cross sectional study is when a particular phenomenon is studied at a particular time. This study is usually done when there is a shortage of time in the working process. It is also associated with the survey strategy where qualitative methods might be used. Interviews carried out over the short period of time are used as a base for the study (Saunders, 2003). The two alternatives and the criteria that influence the selection of a certain alternative is only a snap shot of the reality. That is why we think that this kind of study is most suitable for this dissertation.

4.4 Type of study

There are three different types of study classification when writing a paper. It can be exploratory, descriptive, and explanatory (Saunders, 2003, p. 96-97). This paper uses explicitly exploratory study. According to Saunders (2003), exploratory study is to find out what happens, to ask questions, to measure phenomena in new ways, to look for new insights. This kind of study is helpful for easing understanding of a problem. It is also flexible and adaptable to change.

The exploratory study seems to be most suitable for our dissertation. It describes current situation, allows asking questions and assessing phenomena in a new light, and on top of everything it is very flexible.

4.5 Data collection method

The research has been done by using both primary and secondary data. Collections of primary information have been done with an Internet based research. The questionnaire was published online and linked to an e-mail address, dedicated to the dissertation. The participators received an e-mail containing a link to the homepage there they could answer the questionnaire.

Secondary information has been based on literature on the topic and different articles found on the Internet. This will provide the reader with a better understanding of the subject and present the existing theories about home and host selection alternatives.

4.6 The sample selection

This research covered 80 selected companies. The selection of the companies has been made due to the fact that they have subsidiaries outside of Sweden. The choice of the companies has been random selected from the larger population found on Exportrådets homepage. This means that neither the size nor the business that companies operate within has been taken into consideration. There is a list of Swedish subsidiaries abroad presented on that homepage (www.exportradet.se). It is pretty useful homepage with a lot of general information about subsidiaries. One thing that was missing was the direct e-mail address, which contributed to the fact that we had to spend a lot of time searching for contact addresses.

The chosen sampling was self-selection sampling. This means that researches allow participants to identify their desire to take part

in the research (Saunders (2003)). The questionnaire was administered by using the internet and the presentation of the research was presented via personal e-mails. In this way we could ask volunteers to fill in our internet based questionnaire. This was the most appropriate sampling method because of the fact that the selection was based on the answers from companies that have subsidiaries abroad.

The human resource managers were the target population of this research. To find the e-mail address for the human resources managers was very time consuming. Once we found the addresses, the contact has been made by e-mails and the question about their wish to participate in the research was asked. In the e-mail we even offered the possibility to be anonymous. This method enables the participants to give more straightforward answers. If participators wished to be anonymous, they will not receive the final results of the paper.

We have assured our participants that the information received from them will be handle confidential, which we hope, may help us to get as straightforward answers as possible.

4.7 The questionnaire

The questionnaire was sent to the companies that have foreign subsidiaries, and that were presented on the exportrådets homepage.

The content of the questionnaire was short and concise so that participants do not comprehend it very time consuming.

The questionnaire was designed only in Swedish cause all questioned companies were Swedish. We have, however, designed a corresponding English version because the dissertation was written on English. The first page on the internet based questionnaire gave the general information about the research

and explained the way of answering on the questions. This page was directly linked to the questionnaire.

A letter, introducing us and the subject we wrote about, was sent to 80 Swedish companies that have subsidiaries abroad. In that letter we asked if they could participate in our research by answering on the questionnaire. We have not received much response, which was understandable because we knew that human resource managers have large responsibilities in the companies. Consequently, a reminder letter was sent twice which increased the response rate a little.

4.8 The plot-test of the questionnaire

The questionnaire was plot-tested by sending it to our tutors and some neutral persons outside the school. We could not receive any answers from our schools servers due to the technical problems while persons outside the school could send in their answers. After the plot-testing some questions were modified.

4.9 Response rate

The response rate on questionnaire was 27.5%. The e-mail was sent to 80 different companies there only 22 responses were valid. There were several companies that did not wish to participate in our research mostly due to the fact that they were preoccupied with the work. To the companies that did not send any answers on the questionnaire, two reminder letters have been sent.

4.10 Operationalisation

As already mentioned before, the deductive approach has been chosen. According to Saunders (2003), an important characteristic of deduction is that it needs to be operationalised so the facts can be measured quantitatively. To be able to operationalise the concept a questionnaire has been used as a tool.

The questionnaire included a part where respondents could present themselves and the company they work for. The question part included questions with alternatives, yes or no questions and open questions.

The types of data that can be collected through questionnaire are, according to Saunders (2003), opinion, behaviour and attribute. Those variables are influencing the wording of the questionnaire. The opinion variable record how participants of a research think and believe is true or false. The behaviour variable records what participants do, while attribute variables record things that participators possess. The first part of the questionnaire includes attributes while the second part includes both opinions and behaviour variable.

4.11 Analysis of the data

The results from the questionnaire are very important in order to get a closure for our discussions, presented theories but also to be able to make an analysis.

The modest response rate will make the analysis unable to be proved statistically even though there are questions of quantitative nature. However, some of the questions will be presented in charts to increase the understanding for the asked questions.

As stated before, both quantitative and qualitative data are used. Quantitative data in this paper is only used to estimate various percentages, without any statistical significance. Qualitative data is presented in form of open ended questions, which stimulate respondents to answer straight forward.

4.12 Validity

One of the essential criteria for suitability of the data is validity. Validity is concerned with whether the findings are really about what they appear to be. Secondary data can fail to provide the information needed to answer the research questions and will result in invalid results. A common way of evaluating the extent of data's validity is to examine how other researchers have coped with the problem (Saunders, 2003).

The formulation of the questionnaire is based on the theories, research questions and discussions. This, however, does not mean that all used theories and discussions are correctly interpreted. We are also aware that different people might comprehend the questions differently. Another thing that would question validity was, if the asked respondents did not reply for themselves.

We are conscious that longer time period would be necessary as well as the larger response rate, in order to get a clear picture of how Swedish companies chose between home and host managers for foreign subsidiaries.

4.13 Reliability

According to Saunders (2003), the reliability should be assessed if the measures generate the same result on the other occurrences and if other observers reach the similar observations. We have discovered that there can be some bias and errors in our questionnaire. Saunders distinguishes between participant errors, subject and participant bias, and observer error and bias.

We tried to reduce the participant error by sending our questionnaire long before Christmas holidays started. We felt that closer the holidays are approaching people getting more stressful with their assignments.

Subject bias means that participants might answer on questions in the way that their superiors want them to do. This is something that we could not influence.

4.14 Summary

The chosen research strategy was a survey and the time horizon is a cross sectional. The type of study used in this paper is explicitly exploratory. The collection of data is made by using questionnaire. The sample gathered was self-selection sampling, which allows participants to identify their desire to take part in the research. The response rate was 27.5%.

Chapter 5 – Analysis

This chapter contains analyses and results of the questions replied, from 22 different companies. Some of the answers are presented in figures, which creates greater comprehension of the research. Several hypotheses will be presented and answered with support of our findings.

5.1 The research

Our beliefs are that there are *additional criteria*, besides Fatehi's (1996) theories, that might influence the selection of managers in Swedish companies. Those additional factors are going to be presented in a remade version of the model (Figure 1) that was presented in the theory part.

This paper is explicitly about finding the answers to the propositions that have been presented in chapter 3 as well as presenting the major differences between home and host country managers.

We also decided to focus on some important factors which Fatehi had in his theory, to be sure that these also apply for the Swedish staffing management. We are aware that all the factors listed by Fatehi are not covered in our research, but after discussing, we decided to glance at factors which we thought could be important and differ between Swedish and national staffing management (Figure 1).

This analysis is based on 22 replies that we received from the 80 selected companies. 58 companies did not participate in our research. The reply frequency rate was 27.5%, which disenables us to do any statistical conclusions.

5.2 Home vs. Host

In the questionnaire (Questions 4, 4.2 & 4.3), we asked which kind of staffing alternative companies use, and why did they decide to use this alternatives. The answers are described as followed.

5.2.1 Home country manager (Questions 4, 4.2 & 4.3)

Most of the companies agreed that the choice of a home country manager gives the possibility to better control of the subsidiary. However, they also argued that control was not the only reason to choose a home country manager. Several of the questioned companies answered that the communication flow between Parent Company and the subsidiary gets better, due to the common language.

Swedish companies that demand strong control and tight follow up from their subsidiaries, tend to select the home country manager. Our research shows that the transfer of knowledge seems to be better and more important when the company selects a home country manager. Common language and culture are mainly reasons for choosing a home country manager.

The advantage of selecting a home country manager is that they have same background as the parent company but also that misunderstandings are few. This will in return create a better information flow between the subsidiary and the parent company.

However, only a handful of the questioned companies would choose to have a home country manager in the host country. Those companies which have answered in this manner also tend to reply that their follow up was important and that the manager was not allowed to take crucial decision on their own.

5.2.2 Host country manager (Question 4, 4.2 & 4.3)

Domestic managers seem to be the best choice for the managerial position at the subsidiaries abroad. According to our research, more than 60 percent of the replies indicate that the companies rather choose staff from the host country than home country recruitment. This is done mainly in order to minimise the failure rate. During the selection process most of the companies see foreign education as an advantage for the host country manager.

The choice of host country managers is mainly made because of their knowledge in the local business customs along side with the language. The main factors like knowledge of language and culture are most valued by the companies.

The manager's common background with the employees makes it easier to communicate, which means that the information flow within the subsidiary will increase. Psychologically, common culture and language create fellowship. This in return will create a greater credibility. The work in the subsidiary will be more effective and harmonized.

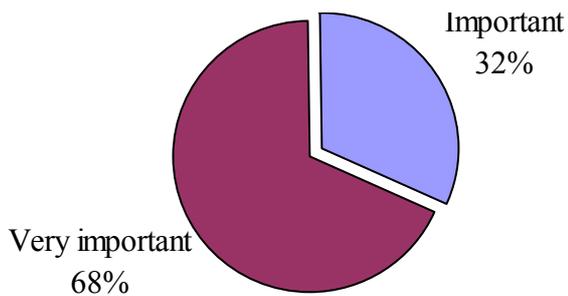
5.3 Criteria

When asked which skills (Questions 13 & 14a) were important for a manager in the host country, the questioned companies replied in the following order. These criteria, among others, are also mentioned by Fatehi (1996).

5.3.1 Social skill (Question 13.c)

The most essential skill for the manager according to our research is a well-developed social skill. This confirms Fatehi's (1996) theory. In our research 68% finds social skill is a very important criterion that influences the selection of the new manager. The rest, 32%, finds that social skill is only a important criterion.

Question 13.c



As shown in the chart, social competence is one of the most important skills that a manager should possess. This skill is even more important for a home country manager who is positioned in a host country there social and cultural structure is different.

Social competence is essential when settling down in a foreign country with ones family. In order to bound new relationship with the host country's employees, ones social competence plays a major part. Lack of social skill creates a greater risk for failure, which in return will burden the company financially. Social skill is important in order to co-operate, to adjust and to communicate with other people.

5.3.2 Flexibility (Questions 13, 14a, 25 & 28)

The most suitable manager at the foreign subsidiary, according to the research, would be a host manager that already has good knowledge about the local market. However, home managers in some cases are preferable because they are already familiar with the management and policy at the parent company. One thing that participants in our research pointed out was that the civil status of the manager might have an effect on the flexibility (Question 28).

The companies in our research pointed out that a manager should have administrative as well as technical skills (Question, 13). The majority of the questioned companies agreed that the suitability of a manager depends more on flexibility than on control (Question, 25). Fatehi (1996) also mentions that flexibility is one of the criteria that influence the selection process.

Administrative, technical and social competences are all very important for formation of flexibility in a company. Technical and administrative competences are both educational factors that can be learned. Technical competence is important to know in order to produce right things and with an acceptable quality. Administrative competence is even more essential; in order to keep the financial expenses within the budget and to use the minimal expense on the most effective solutions. These competencies can contribute effectiveness in the company, based on how well the new managers integrate knowledge.

The flexibility in the social area is combined with component skills or procedures that are applied conditionally. In the research, companies stressed that they required or desired that the new manager should be familiar to these different components skills, e.g. technical, administrative and social (Question 13). The major reason why it is essential is because flexibility depends on how

well a manager adapts foreign culture and integrates the knowledge (Question 14a).

5.4 Additional criteria

Some additional factors, that we find important, might be essential when choosing a new manager. Below, we will show our results of these additional factors in the form of answers to our propositions.

5.4.1 Proposition 1:

The selection of managers is influenced by the criterion friction (Questions 28 & 29)

The manager has obligations both to the parent company and employees. Friction between parties especially between manager and the parent company can arise. This can cause a failure of the abroad assignment which would result in additional costs for the firm. To reduce the costs that a wrong selected person might bring, e.g. when a new manager have to be reselected and sent abroad, a company should know in advance what manager criteria is preferable.

Our research shows that managers sometimes have to return home earlier, although it is very rare. Different friction factors, like family, knowledge in business culture etc, seems to contribute to the failure (Question 28 & 29)

The family situation seems to be crucial during the selection-process. Companies think that it is very important that managers have a good and stable relationship with their family to avoid disturbance in the obligations towards their company (Question 28).

Managers, according to our research (Question 29), tend to fail on their assignments when there is lack of knowledge in business

culture. This, however, seems to occur very seldom in Swedish companies.

The major part of the companies in our research uses external recruitment of host country manager to avoid unnecessary friction and displeasure with the host country. The mentioned reasons for such actions are mainly cost related. In the short run, a host country manager implies less transfer cost than a relocation of a home country manager. In the long run, a host country manager may have fewer problems with family situations and other friction that might have its influence from the country's culture.

The friction caused by family situation, less-developed social skills, and displeasure of working conditions would then be avoided. A selected manager should be skilled and capable of meeting current and future work requirements. If a manager's attitudes, values and behaviour complaint with the business culture in a company, it can be critical to the success of the business. A company should be able to avoid the risk of failure in selection interviewing process by defining competence and designing roles. By examining the collected information the selection would narrow the applications to those better suited to the position. This would make it easier for the company in forming a structured interview that covers all key points but also additional information.

The proposition that selection of the manager is influenced by friction is correct. However, in Swedish companies the impact on selection caused by friction seems to be already taken into consideration and managed. (Question 29)

**5.4.2 Proposition 2:
The selection of managers is influenced by the criterion rewarding system (Questions 17, 18, 19, 20 & 24)**

The rewarding system should encourage applicants for the foreign position to accept the assignment abroad. The company should consider rewarding system as an attraction tool for the offered position.

Companies give different perquisites for the managers who are sent abroad. The range of perquisites, however, differs from case to case. 50% of our replies have some kind of rewarding system and the rest chose not to use it (Question 17 & 19). Some companies use a systematic bonus system while others use it only in special cases. The perquisites include *housing, bonus, company car and medical care*. Almost no company applies any extra bonus for managers, which they send abroad (Question 18).

Host managers get some perquisites as well, but it is often negotiated between the manager and the employer. Perquisites that might be included are *company car, bonus and extra holiday*. Housing is rarely applied for local managers (Question 20).

Perquisites	Home country M	Host country M
Company Car	Yes	Yes
Bonus	Yes	Yes
Extra Holiday	No	Yes
Medical Care	Yes	No
Housing	Yes	No

Table 2: Perquisites

Benefits increase and stimulate manager's motivation toward work. Firms that provide health or retirement benefits and a higher paid time off, motivate employees into a more productive work (Question 24). Training programs are also offered in order to teach or develop employees. This is considered as benefits but in form of knowledge. To attract right managers, benefits would be recommended.

Companies that do not offer any benefits are likely to find it hard to attract good managers and employees. Most job applicants today ask prospective employers if they provide paid vacations, retirement health benefits, and opportunities to improve skills. If the companies do not provide these benefits, qualified managers are likely to walk away. This will be a barrier for the company to hire appropriate managers with the right skills, considering the limit number of applicants (Question 24).

We can establish that the proposition is correct, although is not proven statistically. There seems to be a link between the selection of the managers and the cost of the rewarding system. If the choice between two equal applicants is cost related the company seems to choose a host country manager, to avoid payment of additional perquisites. The rewarding system is used to attract the appropriate applicants to offered position.

5.4.3 Proposition 3: The selection of managers is influenced by the criterion education (Questions 5 & 6)

Foreign education is one of the things that might be seen as an advantage when selecting a manager. The foreign education enables the manager for easier adjustment in a foreign culture.

Our research shows that most of the companies see foreign education as an advantage for the new country manager. Close to 80 % thought that foreign education is an essential factor for tolerance between cultures (Question 5 & 6).

However, Swedish companies seem to prefer managers educated within the Europe while managers educated in US comes on second place (Question 6).

1. European
2. American
3. Other (native English spoken country)

We find that hypothesis can be correct although it can not be proven statistically. Education contributes an advantage for the manager throughout selection process.

5.5 The model

5.6 Reflections

As already mentioned, this paper is founded on the general criteria necessary for the choice of either home or host country manager presented by Fatehi (1996). The description of those different criteria is verbally and figuratively presented in the theory chapter.

Supplementary criteria that, according to Fatehi (1996), are important in the selection of host country managers are also explained. We found after some discussing that these criteria are also important when selecting a home country manager, although in less extension. There can, however, some changes be distinguished. In the case of host country manager the criterion "home country language" is added. We believe that in order to improve the communication between the parent company and the subsidiary home country managers should be familiar with the subsidiary country language.

The criteria like communication, flexibility and adaptability is something that every manager should possess no matter where they come from. That is why those criteria have been added as additional criteria to home country manager as well.

Other criteria that has been added both to the home and host country manager are friction, rewards and foreign education. The friction is linked to the costs of recruitment. A company should always have in mind how to avoid unnecessary costs. That is why a company should be aware of factors that can cause the friction (Section 5.4.1).

Rewards are also linked to cost thinking. We found out that the rewarding system should encourage the applicants for accepting the offered position abroad (Section 5.4.2).

The last criterion that we added to the model is foreign education. This seems to have an effect when selecting a manager for the foreign subsidiary. Foreign education gives better understanding of foreign cultures and tolerance between manager and employees increases (Section 5.4.3).

5.7 Summary

Through the performed analysis in this chapter we could distinguish the differences that characterises the choice of the home and host country managers in Swedish companies. We also looked at some criteria that we found rather important, e.g. social skills and flexibility, which also can be found in Kamal Fatehi's (1996) theories about selection methods. Finally, propositions have been analysed and results presented. The results from propositions have been concluded into the old model as additional criteria that influence the selection of both home and host country managers.

Chapter 6 – Conclusion

The final conclusion of this paper is presented in this chapter. The purpose of the dissertation is followed by a section where suggestions for improvements are submitted. Finally, the indication for further studies is presented.

6.1 Purpose

The purpose of this paper was to distinguish main differences in the selection alternatives between home and host country manager. Another thing was to find out what criteria are adoptable in the choice between the alternatives and if there are additional criteria especially adaptable in Swedish companies.

6.2 Improvements

The operationalisation of this research was very time-consuming at the beginning of this project. The practical things like finding the right addresses and companies, creating the questionnaire etc took a lot of time. There should be more concentration on the existing theories in the beginning stage and in the final stage of the research, concentrate on the operationalisation part.

The personnel interviews were difficult to arrange because of geographical distances that would bring major cost for us. That is why we decide to use a questionnaire based research.

Another thing that should be added is that questionnaire should need some modifying. A lot of questions were not used in this research because of weak connection to the theories. More time should be settled for creating a questionnaire.

6.3 Future studies

As already clarified the difference between two selection alternatives and the criteria that influence the selection process is the main purpose of this paper. The thing that would be interesting to look at is the third selection alternative as well, i.e.

third country manager, and see if there are same criteria as for home and host country manager influencing the choice of this alternative.

There can also be other criteria that can be added in the model and that can be important for the selection of the managers. However, we could not distinguish any other criteria but it does not mean that there are none.

6.4 Final conclusions

It should be stated that the research was very interesting and challenging to do. There is a great potential for companies to gain from the researched area but we realise that this has not been researched in detail.

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