

AN ABSTRACT OF THE THESIS OF

Sheldon Habiger for the degree of Master of Arts in Applied Anthropology
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Abstract approved: _____

John A. Young

This thesis examines the values and criteria American companies use in hiring or placing expatriate employees in China. These values and criteria affect the success or failure of expatriate employees and a company's bottom line - profitability.

Investigating this topic required an examination of the history of the political, economic, and social philosophies that have shaped contemporary China. It was also necessary to examine expatriates and their role, and to define an American company. Cultural comparisons are made between the United States and China using Hofstede's Four Dimensions, Ronen and Shenkar's Country Clusters, and Hsu's analysis of internal versus external motivation.

I explored the relationship between two primary personnel parties in an effort to define how success and failure are measured in overseas assignments. To this end, I interviewed 42 Americans working in China categorized into two groups - the Management Group and the Employee Group. All participants were located in either Shanghai or Beijing. Based on the interviews, an analytic

distinction was made between expatriates hired locally and those employees who were transferred from the United States to China.

The results of this study found that local hires tended to be younger and have linguistic and cultural skills, while the expatriates sent from the United States tended to be older and have managerial and technical skills. Challenges confronting both managers and employees will be shown to primarily stem from:

1) External motivations, such lucrative compensation packages, not guaranteeing a successful assignment in China; 2) the focus of companies when hiring or placing an expatriate employee being based on technical and management expertise; 3) cultural and linguistic skills being important for successful expatriate assignments; and, 4) cultural and linguistic training positioning an expatriate to have a successful assignment.

These findings lead to the following recommendations: 1) Top managers should be provided with cross-cultural training to understand the importance of cultural and linguistic skills; 2) companies in China should hire local expatriates who have linguistic, cultural, and adaptability skills; and, 3) an investment should be made in technical skills training for local hires rather than linguistic and cultural training for technical expatriate employees.

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**American Companies' Criteria and Values for Hiring or Placing
Expatriate Employees in China**

by

Sheldon Habiger

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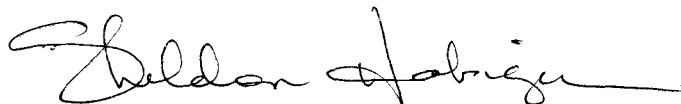
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Sheldon Habiger, Author

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AMERICAN COMPANIES' CRITERIA AND VALUES FOR HIRING OR PLACING EXPATRIATE EMPLOYEES IN CHINA

CHAPTER 1: INTRODUCTION AND STATEMENT OF PROBLEM

In 1990, I was introduced to the expanding arena of international business at the age of 21. I came to appreciate the skills people naturally possessed and those that they acquired to live and succeed in their work and personal lives in a foreign environment. During my first tenure in Taipei, Taiwan in 1990, I saw many people succeed and fail. Within one month of arriving in Taipei I witnessed an acquaintance of mine, Johan, "loose it."

As was typical in Taiwan at that time, many small vendors "set up shop" along streets (selling their wares). To attract the attention of potential customers, one vendor (who was selling alarm clocks) set his clocks' alarms so that they would arbitrarily ring (which created a cacophony of noises). While walking by the vendor and his display, Johan picked up one of the ringing alarm clocks, got a crazy look in his eyes, and starting yelling at the vendor, "Doesn't this noise just drive you f...ing crazy? How can you listen to this 24 hours a day, 7 days a week?" Two days later Johan ended his sojourn by returning to his home country.

Why did this happen? Did he not have the knowledge, experience, or skills to adapt to Taiwan? Why was he selected by his company to work in an

overseas assignment? This event underscores a fundamental principle argued in this thesis - in order to be successful in an expatriate assignment, cultural adaptability skills are necessary.

This thesis examines the values and criteria American companies' use to hire or place expatriate employees in the People's Republic of China (hereafter, China). Studies performed in the 1970's and 1990's on expatriate assignments demonstrate a change in the values or criteria by which American companies hire or place expatriate employees. Selection criteria for a successful assignment have changed from a technical and managerial skills focus to one focusing on more cultural and adaptability skills.

This research sought to answer the following questions: What skills are necessary to have a successful assignment in China? What skills do expatriate employees located in China presently possess? What skills do hiring managers determine to be necessary for their employees to succeed in their assignment in China? This thesis also examines the training strategies that American companies use for their expatriate assignments in China (and those training strategies absent for the same).

Chapter 2 presents an historical and current overview of China, including an introduction to the current history of China, and the changes it has undergone and continues to experience in the 21st Century.

Chapter 3 describes expatriates and their relationship with American multinational companies in an international environment. The criteria by which expatriates were selected for their international assignments are examined.

Chapter 4 defines an expatriate and an American company, and draws a comparison between the cultural values of China and the United States. The comparison analysis is facilitated by using Hofstede's (1983) Four Dimensions, and Ronen and Shenkar's (1985) Country Clusters. Analyzing companies in China further contextualizes cultural values and their implications for hiring expatriates, costs involved, and the efficiency of their work.

Chapter 5 explores an expatriate's expense to a company. An examination of both socialist and capitalist economies is provided. In addition, an analysis of Hsu's (1981) theories on personal security in an economic framework is offered and applied to China and the United States.

Chapter 6 provides a framework to analyze the values and criteria used in hiring expatriate employees. Technical and non-technical employees are defined and compared.

Chapter 7 focuses on values and criteria by which American companies hire or place expatriate employees in China. Skills and competencies identified as necessary by management are different than those identified as important.

Chapter 8 summarizes reasons for an expatriate's success or failure in completing their assignment in China. Recommendations are offered to assist American companies in hiring or placing their expatriate employees in a position to succeed in China.

CHAPTER 2: CHINA CONTEXTUALIZED

China has fascinated people for hundreds of years. In the twentieth century, China experienced the fall of the last dynasty in 1911, the chaos of the warlord period from the 1920's to the 1930's, and colonialism. Prior to and during World War II, China experienced both civil war and war with the Japanese, whose military invaded the entire coastline of China. After the flight of the Guomindang in 1949 (referred to as the KMT or the Nationalist Government), and the establishment of the Communist Government, China closed itself off to the rest of the world.

China's new "isolation" seemed to further fascinate the outside world which was wondering what was actually happening behind the "iron curtain" that the Chinese Communist government erected. Scholars, politicians, business people, and the world sat on the outside attempting to look in with the utmost curiosity. Not until 1979 did relations between the United States and China change to a more "open" policy.

As the two countries began to foster a political relationship, the business world saw this as an opportunity to access a country with the largest population in the world. Not only did American businesses see low labor costs and access to other resources (such as raw materials), but they also saw China as a potential market to be developed for their products. This excited American companies as well as businesses around the world.

When Deng Xiaoping came to power and implemented his “open door” policy in the 1980’s, the race was on for foreign companies to enter China or risk being left behind by entering too late. Companies from around the world began viewing China as part of their business strategy and began entering China either through Hong Kong or directly, depending on the restrictions of the Communist government at any particular time. The Chinese people, foreign companies, and governments were all entering at a time that can be characterized as a period of development (with an extreme learning curve for all involved).

Sue Savage (1998: pers. comm.), a manager of Johnson Foods, a large multi-national company located in Beijing, commented:

In the last five years (since roughly 1993) China has seen change that most countries experience in 20 or 30 years, particularly in the big coastal cities of China. Physically it is changing at such a fast rate that problems will arise in the local populace’s mental and emotional understanding of the rapid change and their ability to adapt to the change. Not only does the rapid economic change affect the people of China but also it affects the way in which foreigners understand, or lack thereof, China and its people. What once held true in the past may not necessarily be the norm today and the norm today may not be the norm tomorrow.

Changes, like those identified by Savage, can be seen as soon as one walks down a Chinese street. For example, public displays of affection were not socially accepted in the past; however, today it is seen more frequently (both the young and old find it socially acceptable). This is just one example of the changes that have occurred in all aspects of Chinese society, from business to politics to domestic life. It is important to keep in mind that as China opens and

changes, one cannot take for granted what are considered to be Chinese norms. Those visiting or moving to China must keep their eyes, ears, and minds open in order to understand the rapid and broad-reaching changes that are taking place.

Entering a period of economic change, China is remodeling its economy to include capitalism (under a Communist political ideology). Inherently, this appears to be a contradiction in ideologies. With a greater understanding and insight into the systems being changed and implemented, however, one can see and begin to understand how this is being done. For my research, I was careful not to judge or to criticize how effective the changes were/are or in drawing conclusions on what “should be” done. Rather, I examined China in its current state to bring about a greater understanding of its current situation.

Under Mao Zedong, the implementation of a Communist economy was intended to benefit the masses rather than the individual. Most aspects of the economy were controlled and directed by the state. Ownership by an individual or group was not allowed. All businesses were referred to as ‘state enterprises’ and produced only what was deemed necessary for the people by the Communist Party. This was a ‘bureaucratic’ economy with unique attributes. In China, state enterprises were not only businesses but also the social security and unemployment safety net for the Chinese people. Jobs were created to employ the masses, but many employees had no work to do.

Only after Deng Xiaoping implemented China’s Open Door policy did a capitalistic economy develop (a policy that allowed foreign companies to enter China for investment and access to the local market). Markets developed and

competition was created - ideas and practices that were never seen or experienced before. This caused major shifts in the attitudes of the Chinese people. Times were changing and China needed to adapt to the change. New technology was entering China at an unprecedented pace. The influx of new technology brought challenges not only to state enterprises, but also to Chinese society. State enterprises were not able to match the pace by which foreign companies could operate or produce. Yet, the ability of the Chinese people to understand and grasp the new ideas, products, and methods that were introduced by the Open Door Policy would take time.

In Chinese international business circles it is often said that technology can create more problems than added benefits if not introduced correctly. An example of this was the building of a 40-kilometer highway from Beijing to the city airport. Eighty-percent of the work on the highway was done by manual labor. Compared to other countries that are considered to be technologically developed, 80% is an extraordinarily high percentage. The reason for the use of such a high percentage of manpower was simply availability. Technology could easily have been used and was readily available; however, the consequences in using technology over manpower would have been the unemployment of thousands of workers. Development and change must be implemented very carefully or China could encounter very negative experiences.

Having been economically isolated for years, Chinese people were lacking knowledge of the world outside of their borders. They were accustomed

to an economy which was driven by the Communist party and therefore they possessed little, if any, knowledge of a capitalistic economy driven by market factors. This limited knowledge not only caused problems for most of China's working population and the state enterprises but also for the people who were employed by the same.

Foreign companies were also having new experiences upon their entry into China. They had little or no experience in dealing with the heavily bureaucratic system that inundated Chinese society. Foreign companies had a tendency to take things for granted and often assumed too much. Their lack of understanding or inability to grasp the methods by which the Chinese society, politics, and economy operated caused many to fail which resulted in a lot of wasted time and money.

The people directly involved in this change - the expatriate employees working in China and the Chinese employees working for foreign companies - faced particular challenges. The majority of foreign employees were recruited into management positions while Chinese employees often began their employment tenure as low-level supervisors or general employees. Regardless, both groups were experiencing a high learning curve that resulted in a variety of successes and failures. Foreign companies and managers set goals and established policy with little understanding of how to reach "success." Foreign managers were put in place with little experience and knowledge of China, its people, and its culture.

Under a Communist regime, one does not gamble by taking personal responsibility or risks because a person is more than likely to be placed in a situation for reprisal. In recent Chinese history, this was never more prevalent than during the Cultural Revolution in the late-1960's through the mid-1970's, when many people lost their lives and families. Chinese employees, whether working for the state-owned enterprises or multinational companies, are influenced by their cultural climate. They exhibit a lack of responsibility and aversion to risk as well as an inability to be creative and ingenious. These attitudes present major hurdles for managers of multi-national companies in China.

As previously mentioned, foreign managers come to China often lacking knowledge of China and the Chinese people. One of the major faults of foreign managers is assuming that all Chinese people share a common understanding, ability, and knowledge, and failing to recognize their extreme cultural, political, historical, and economical differences. These assumptions often lead to miscommunication, which can (and often does) result in failed objectives (from a simple task such as relaying a message to a complex task such as negotiating a joint venture contract). The end result is the same - disappointment, lost opportunities, and typically, failure.

The change China is experiencing is unprecedented in recent history. Not only are Chinese people faced with great change and challenges but so are those who desire to come to China. Knowledge of China's unique history and

future goals does not guarantee “success,” but it will place a multi-national company, its expatriate employees, and its Chinese employees in a better position to succeed.

CHAPTER 2: EXPATRIATES AND THE WORLD

Doing business internationally has been practiced for hundreds of years. The rapid development of communication and transportation in the twentieth century, however, has revolutionized how international business is done and by whom. No longer is it limited to the economically and militarily elite countries of the world. Companies from smaller, less economically developed and militarily prominent countries can also participate in, benefit from, and prosper from international industry. This transformation has allowed companies from one nation to access and to penetrate countries that were once considered to be impractical for conducting business.

Since the 1970's, international business has been steadily increasing with the greatest increases occurring in the 1990's. Michael Blumenthal (1990), the Chief Executive Officer of Unisys, stated that a greater number of American, Japanese, and European business giants are willing to move parts of their business around the world without particular consideration to national borders. Another source stated that due to the increasing movement of international businesses through mergers (cross-national strategic alliances and takeovers), a world of "stateless corporations" is being created (Business Week 1990). Managers, professionals, and workers who are staffing these new "stateless corporations" have diverse cultural backgrounds - from their company's home

country or the host country, and also third party countries (Business Week: 1990)¹.

International business is not limited to national borders; however, countries with strong economic and political prowess dominate international business. During the initial rise of international business from the late 1960's to the mid 1980's, lower labor costs were the main reason for a firm's relocation overseas (Gomez–Mejia 1984). In the 1990's, lower labor costs for the manufacturing of products for a company's home market no longer dominated international business strategy. Companies have transformed their objectives to sell their products in other markets. This shift in strategy requires them to be closer to these markets, creating a competitive advantage and strategic flexibility (Boyacigiller 1991).

China became one such market after opening its doors in 1979 and after its transition from a socialist economy to a market-driven economy. In turn, this places new demands on the expatriate staff that works for multinational companies in a changing international environment (Adler 1994). Additionally, as a company's international experience increases, it will change from an ethnocentric to polycentric human resources staffing strategy (Dowling and Schuler 1990). Thus, not only are home country nationals expatriated, but the expatriate employment circle for a company is opened to third party expatriates.

¹ A third party country is defined as any country other than the company's home or host country.

During the period from the 1960's to the mid 1980's, when the focus of international business was on low labor costs, companies placed a high priority on expatriate staff having management and technical skills (see Figure 1). Only two out of thirteen skills listed as important focus on aspects of adaptability, communication, and other non-technical based skills. Companies assumed that if an employee could perform the job in the home country, then the employee could perform the job anywhere. This was an unwritten value of American business that dominated the expatriate selection process in the 1970's.

Figure 1: Selection Criteria for Highly Qualified Expatriates*

Selection Criteria for Highly Qualified Expatriates	Order of Importance
Demonstrated performance in similar job	1
Direct knowledge of this particular job	2
General perceptiveness and grasp of problems	3
Leadership skills, ability to command respect	4
Administrative skills	5
Willingness to accept overseas assignments	6
Knowledge of the company	7
Reputation	8
Willingness to accept the responsibility of the job	9
Past performance in overseas assignments	10
Potential for more responsible position	11
Spouse's attitude toward overseas assignment	12
Ability to work with foreign employees	13

* Source: Miller 1973

As international business increased and more employees were expatriated to work in overseas assignments, a high failure rate resulted. It has been estimated that between 20 and 50 percent of all expatriates sent on foreign

assignments return prematurely (Copeland and Griggs 1985; Mendenhall and Oddou 1985; Black and Mendenhall 1990; Banai and Zeira 1985). This is often due to the inability of the manager, spouse, and/or family to adapt to the local culture (Tung 1988). Generally, research has focused on the personal attributes of the expatriate (Mendenhall and Oddou 1985; Mendenhall, et. al. 1987; Tung 1988; Banai and Zeira 1985), the nature of cross-cultural training programs (Black 1988; Black and Mendenhall 1990; Tung 1984) and family or spouse issues as the cause of high turnover (Black and Stephens 1989; Harvey 1985).

Despite careful expatriate selection methods (Baker and Ivancevich 1971; Heller 1980; Miller 1973), and orientation and training (Earley 1987; Rahim 1983), between 16 and 40 percent of all American expatriates still prematurely returned from their assignment (Black 1988; Copeland and Griggs 1985; Misa and Fabricatore 1979; Tung 1981). Tung (1981) went even further to explain that an inability to adjust, personality problems, emotional immaturity, and family conflict were some of the most frequently cited reasons for failure of an expatriate assignment. Failure in this context can range from premature return home to low job performance. Given the nature of international business, however, it is difficult to determine what low job performance means, as varying standards apply to different companies and individuals.

Regardless of the cause of failure and how failure is defined in relation to the expatriate assignment, the financial burden placed on a company can be overwhelming. This is especially true where quantifiable fixed costs are concerned. It has been estimated that the direct costs associated with a failed

expatriate assignment in the late 1980's ranged from 50,000 USD to 150,000 USD per annum (Black and Mendenhall 1990). In the early to mid-1990's, the cost of an inexpensive expatriate assignment was around 300,000 USD per annum while the high-end costs of an expensive expatriate was around 850,000 USD per annum (Cornelius Grove and Associates 1998).

While the direct financial costs are high, even more important and more costly to a company are the non-quantifiable costs. Non-quantifiable costs begin not when managers perform tasks related to machines, materials, and money (Cornelius Grove and Associates 1998), but when they interact with people in a new environment. Such costs include potential lost business and co-operation (Rothwell 1992), developing new international markets (Dunbar and Katcher 1990), implementing strategic goals (Harrison 1992), management performance, productivity in the overseas operation, client relations, operations efficiency and relations with local staff (Howard 1992; Mendenhall and Oddou 1985). These non-quantifiable costs are an increasing concern for companies that have long-term strategic international goals. The costs of a failed assignment jeopardize short-term objectives and long-term strategic goals (Yan 1998).

The causal relationship between the high failure rate and selection of expatriates based on technical and management abilities is one reason for changing the hiring practices of American companies (see Figure 2). To ensure expatriates' success the focus on hiring criteria is changing from an emphasis on technical and management skills to an emphasis on cross-cultural adaptability

(Black and Mendenhall 1990). In a series of 1995 interviews with 72 human resources managers responsible for filling international assignments, Prudential Relocation Intercultural Services found that eight out of the top ten attributes thought to lead to success were not related to the job in a technical or managerial sense, but to the individual's ability to adapt, their linguistic skills, a family's adaptability, and communication skills (Personnel Journal 1995: 29) (see Figure 2).

Figure 2: Criteria Integral to Expatriates' Success in International Assignments*

<i>Criteria Integral to Expatriates Success in International Assignment</i>	<i>Order of Importance</i>
Cross-cultural adaptability	1
Job, technical, and management skills	2
Family stability and adaptability	3
Good job/role planning and support	4
Assignee enthusiasm	5
Social and interpersonal skills	6
Adequacy and compensation package	7
Language skills	8
Assignee spirit of adventure and willingness to take risks	9
Communication skills	10

* Source: Personnel Journal 1995

The shift in values for hiring or placing expatriate employees is a result of concern with high failure rates, and related financial losses and non-quantifiable costs. This value change, however, has been only recently documented and little to no research has been conducted to verify its contents in reference to specific countries. Through ethnographic interviews supported by literature

review, this thesis contextualizes the hiring and placement practices of American companies in China.

CHAPTER 4: AMERICAN COMPANIES AND THEIR EXPATRIATES

When I asked a human resource manager based in Shanghai how the company he worked for hired or placed expatriate employees in China, he responded “chaos.” Despite his sense of “chaos,” underlying values and criteria still existed. To make sense out of “chaos,” an understanding of cultural differences and similarities between America and China needs to take place.

First, an understanding of an expatriate and their role along with what defines an American company must be created. I will then summarize how China and the United States are similar and different using Hofstede’s (1983) Four Dimensions and Ronen and Shenkar’s (1985) study of Country Clusters. The similarities and differences illuminate the range of cultural adaptation skills that an expatriate needs in order to have a positive experience in their host country².

The Expatriate: Definition and Role

In the summer of 1999 I met a European woman named “Gina” who was researching the definition of an expatriate. She (1999: pers. comm.) concluded: “An expatriate is anyone who worked, in any context, outside their national borders.” This definition is very broad for the purposes of my thesis, and is still

² Hofstede’s research is a tool used to summarize differences in cultures. As debatable as the details of his analysis may be, this thesis is concerned with the overall concept of cultural differences. Hofstede’s research is used specifically for that purpose.

under debate. Here, I define the overseas employee who is working for an American company in China as meeting all of the following criteria: 1) Was not born in China; 2) is not of Chinese ethnic background or a minority group of China; and, 3) at no time were they a legal citizen of China³. In sum, an employee of an American company in China who meets all three of these requirements is considered an expatriate for the purposes of this research.

In China, the role of the expatriate has changed as China transforms its economy. Ned Peters (1998: pers. comm.), a procurement manager for a large construction company that employs more than 100 expatriates in China, stated:

I am trying to convince our country manager and human resources manager that we need to look into hiring more local hires rather than sending over employees who would be on an expatriate salary. These people (local hires) have knowledge of China and they are typically in their 20's and 30's with some fundamental business experience. This wasn't an option five years ago. . .⁴ it is difficult to convince them of this. But for our company to be more competitive and our ability to get the job done, we need to change as China is changing. Right now we are not doing that.

The expatriate employee who came to China when business strategies were focused on low labor costs is no longer in demand. That brand of expatriate employee fits the philosophy of "if you can do the job in the United States, you can do the job anywhere in the world." As China becomes a target demographic for a company's strategic plan for growth and market penetration,

³ 'is not of Chinese ethnic background' allows for a foreign citizen who was born in China to be included in this research.

⁴ A local hire is an employee hired in China who receives a compensation package greater than a Chinese national but less than an expatriate. A local hire typically does not receive stock options, or rest, recreation or hardship allowances.

the role of the expatriate will change. According to Patrick Kelly (1999: pers. comm.), a human resources manager from Smitties Manufacturing, the expatriate employee in China during the mid to late 1990's was viewed as: "[one] who is on a typical two to four year assignment with the intention of localizing the position. To do this effectively they have the task of transferring knowledge of their job and the company to their successor, subordinates, and colleagues prior to the end of their contract."

The long-term expatriate with a secure tenure in China is being eliminated. There are situations where this is not the case, such as senior-level managers, but in the words of a quality control manager from Triumph Motors (1998: pers. comm.), the general trend is for the expatriate to "transfer knowledge of their job (technical) and the company to the local staff."

Definitions of American Companies

When I began research in China and tried to identify expatriates who worked for American companies, it became clear that there were many different types of American companies. As American laws are lax regarding registration of a company, several different types of American companies exist. For example, an American company can be considered "American" if it is registered in America (even though it may not have a physical office located in America, it needs only an American mailing address). Including such a company could lessen the credibility of my research. Therefore, the criteria that defines an

American company for research purposes are as follows: 1) The company must be registered in the United States; 2) its headquarters for operations must be in the United States; and, 3) high-level decisions must come from its office(s) in the United States.

Using of these criteria limited the potential list of American companies to those where selection of expatriate employees typically comes from company headquarters in the United States or regional headquarters outside of the United States. Some companies included in this study have regional headquarters in Asia. Depending on the company, expatriate selection may take place either in a company's home country headquarters, regional headquarters, or host country offices. If the selection comes from the regional headquarters or home country headquarters, most often the selection process involves a myriad of people and is usually not isolated to a single decision-maker. This makes it difficult to locate the responsible manager and to trace a direct link between the employee and the manager.

Cultural Differences Between China and America

When considering America and China, it is easy to say that the two are different. When asked about specific differences, however, many people have trouble delineating them. One fundamental difference is the value of self-reliance and mutual dependence. American characteristics stem from an

individual-centered way of life that emphasizes self-reliance. Chinese characteristics, on the other hand, stem from a situation-centered way of life based on mutual dependence (Hsu 1981).

Focused on the values of independence and self-reliance, Americans resent distinctions based on birth, wealth, status, manners and speech . Americans experience greater levels of unrestricted equality from the time of birth. Rooted in American culture, independence and self-reliance can be seen in the beginning stages of child rearing when children are often encouraged to be independent, subsequently leading to self-reliance. Self-reliance is further developed in the child's young adult life when they are often left unattended, act independently of parents and guardians, and are taught 'to go it alone' (Hsu 1981).

Conversely, in Chinese culture, the parent-child relationship is one of mutual-dependence. The child is dependent on their parents, and later in life their parents are dependent on them. This bond of mutual dependency is never broken and changes focus when the child is old enough to provide for their family. Being first taught in the home, these values are then reflected in the society (Hsu 1981).

In the American business world, independence and self-reliance are pervasive. Relationships can be cordial and mutually beneficial, but the business comes first and foremost. Imagine a sales call or a general meeting in a typical American business. First, greetings and shallow questions and answers are exchanged. Quickly, both parties delve into discussing business,

focusing on their objectives or goals. This is normal protocol, and anything out of the ordinary would make the other party feel uncomfortable, possibly jeopardizing the outcome. Business in America comes before personal relationships.

In China, mutual dependence is cultivated outside the business environment. Outside of the workplace, creating personal relationships to conduct business is a necessity. Many meetings, dinners, and nights of drinking and singing take place before any decisions are made and finalized. Often, foreign business representatives become disgruntled and confused with what they interpret to be a lack of progress in business negotiations. A decision, however, will often be made on an agreement at the end of a social event, surprising the foreign business representatives. If such practices took place in America, eyebrows would be raised and questions of bribery would likely emerge (Hsu 1981).

In America, laws, company policies, and business ethics limit fraternization amongst co-workers for fear of sexual harassment and reprisal against the company for not providing a comfortable or appropriate work environment. In China, personal relationships exist not only between colleagues, but also between managers and subordinates. Such fraternization may not be allowed in many American companies, but it is a necessity in Chinese companies.

Company events and gatherings foster this type of spirit among the entire staff - from the general manager to the lowest ranking employee. Often, managers are viewed as "father figures" and the employees expect them to not only be a decision-maker, but also to be a friend and parent figure. This allows trust, strong communication, and a sense of honesty to develop. Without this bond, company spirit, loyalty, communication, co-operation, and teamwork are jeopardized.

Other comparisons between America and China can be made. One important comparison comes from Hofstede (1983), who conducted research on 116,000 employees in 50 countries to produce a synthesis of four main categories: 1) power distance; 2) individualism; 3) uncertainty avoidance; and 4) masculinity/femininity. His data were scored on each of the four dimensions with a value of high, medium, or low. Each country was then given a rating of high, medium, or low depending on analysis of the data collected from the research.

For the purpose of my research, I used Hofstede's (1983) data to further demonstrate the need to consider cultural factors when selecting expatriates in a foreign environment. According to the current paradigm shift in company values and criteria for the selection of a potentially successful expatriate employee, the cultural dimension of adaptability is viewed as the most important for success to be realized.⁵ Cultural understanding and adaptability, communication, and language are factors that relate directly to the success of an expatriate. When

⁵ Each company can view success differently. For the sake of simplicity, success here is defined as a completed expatriate assignment while performing the basic responsibilities of their job.

combined with the management and technical skills that the expatriate possessed in their home country or previous expatriate assignment (see Figure 2), these nontechnical skills place the expatriate in a stronger position to succeed. Hofstede's four categories need further explanation for a greater understanding of cultural differences.

The Four Dimensions of Hofstede

Hofstede's (1983) first dimension is "power distance." Power distance refers to the extent to which people accept power structures or hierarchical systems in organizations. The greater the extent of power distance the greater the status difference between subordinates and superiors. Individuals living in a society with high power distance are more likely to tolerate hierarchies. People living in societies characterized by low power distance are less likely to tolerate the differences between the ranks or job levels.

The second dimension is "individualism." Individualism reflects the degree to which people value group membership or association versus individualism. Low individualism and high collectivism places a high level of importance on group associations such as clans, families or group membership. Loyalty to the group, commitment to its norms, respect for the individual as part of a group, and social cohesiveness are typical values. Societies with high levels of individualism place a high value on personal goals, autonomy, and privacy.

Individuals in this kind of society can still be part of a collective and participate in groups where there is a high level of regard for the individual.

The third dimension is “uncertainty avoidance.” Uncertainty avoidance refers to peoples’ attitude toward risk. A categorization of low reflects high acceptance of ambiguity and tolerance for risk. The ability to face the unknown results in lower levels of personal stress. On the opposite side, societies with a categorization of high uncertainty avoidance reflect a constant attempt to control ambiguity and uncertainty through understanding. This inability to accept the unknown results in tension, stress, and the need to provide a sense of security for individuals and groups.

The final dimension is “masculinity/femininity.” Masculinity/femininity refers to the degree to which masculine, assertive behavior is promoted by a society and the stereotyped roles played by men and women. Societies rated high on the masculinity dimension are those where masculine values dominate social interaction and business. Masculine values include the desire to acquire additional wealth, material possessions, and high income. Low levels of masculinity, or feminine values, refer to caring and nurturing behavior. Societies with feminine values regard quality of life as more important than the gain of material wealth or income.

Hofstede’s four categories can be used to compare the cultural similarities and differences between China and the United States⁶. First, I will compare

⁶ This comparison only analyzes American expatriates, not third party expatriates.

“power distance” in China and the United States. Inherent in the ideology of the communists who came to power in China in 1949 was the desire to eradicate class and social hierarchies. Once this was accomplished, acceptance of new power structures within the communist framework was one of the cornerstones of Maoist ideology. Therefore, the respect for power and hierarchies still existed during the time of communism. In American society power differences exist, but are viewed as fluid. Boundaries are defined but society encourages breaking down the barriers, which are constantly rebuilt and are thus cyclical in nature.

The two countries are on opposite ends of the “individual/collective continuum.” China rates low because of the value placed on the clan, family, and group, and commitment to group norms. America, on the other hand, scores high for “individualism” because of the value placed on personal traits (such as autonomy, privacy, and achieving individual goals). In China there are no secrets and everything is known. It is interesting that Mandarin, the common language in China, does not have a word for privacy. The creation of expressions for this concept are new.

With regard to “uncertainty avoidance,” China and the United States again are different. China scores low with a high acceptance of ambiguity and the unknown, while the United States scores high because people try to control ambiguity and uncertainty with understanding. For example, business projects in the United States must be thoroughly thought out, with all variables considered and accounted for before commencement. In China, however, a project is

conceptualized with a specific goal in mind, knowing that all variables cannot be accounted for or understood and that they will be dealt with when they arise. In business, this causes communication problems, stress, misunderstanding, delays, and sometimes the dissolving of joint ventures.

Finally, determining the “masculinity/femininity” of China and the United States is difficult. Hofstede views societies as either having masculine or feminine characteristics. As previously discussed, societies categorized as feminine have nurturing non-materialistic tendencies, and those categorized as masculine have materialistic tendencies as well as the desire to amass wealth. When analyzing [a] Communist China, it is clear that wealth is controlled by the state, or the masses, and not by individuals. This approximates the feminine characteristic of caring and nurturing. When analyzing China’s cultural traditions, however, we see masculine tendencies re-emerging as China changes from a controlled socialist economy to that of a market economy which allows the individual to amass wealth.

Americans also desire access to greater amounts of wealth. A feminine value, however, is emerging in America where the quality of life rather than amassing wealth is becoming more important. Therefore, masculinity and femininity are not clearly defined in either country. This brings into question the viability of the category.

Hsu (1981) uses different terminology, “materialism” and “humanism,” rather than masculine and feminine. Gender-based distinctions have no culturally universal definitions. It is not appropriate to apply western concepts of

gender, with their inherent cultural biases, to compare societies around the world. Hsu (1981) makes the same distinctions between Chinese values, which focus on the nurturing and caring of relationships, and American values, which focus on material wealth and possessions. Yet he avoids using terms that describe individual differences within a culture to describe differences between whole cultures.

Hofstede's (1983) four categories underscore the cultural differences that exist between the United States and China. These differences are reflected as critical areas of understanding, both for the adaptation of expatriates and their families, and for success in their assignments. Failure rates for expatriate hires were between 20% and 40% among American companies. Ignoring cultural differences was not the only reason for the high failure rates, but it did play a major role.

Country Clusters

In contrast to Hofstede's focus on broad cultural differences, Ronen and Shenkar (1985) proposed classifying countries into nine clusters based on similar workplace factors. "Country clusters" were created based on four factors: 1) The importance of work goals in a country; 2) need deficiency, fulfillment, and job satisfaction; 3) managerial and organizational issues; and, 4) work roles and interpersonal orientation. To understand the country cluster concept, three

dimensions must be described: geography, language, and religion. First, countries tend to cluster together based on geography. Second, most countries in a cluster share a common language or languages; however, this is not always the case. Third, religion tends to be uniform within a cluster, since religion is a reflection of the values and beliefs of that country. As all three dimensions are closely related, Ronen and Shenkar argue that geography precedes the two. When culture spreads, it first expands to those areas nearest its birthplace.

Integration of Hofstede's (1983) model (see Figure 3) and the nine country clusters proposed by Ronen and Shenkar (1985) allows for a direct analysis of cultural differences and workplace factors in a unified model of national culture.

Figure 3: A Unified Model of National Culture *†

Country Cluster	Power Distance	Uncertainty Avoidance	Individualism	Masculinity / Femininity
Anglo	low to med.	med.	High	high
Far Eastern	low to med.	low to med.	Low	med.

* Source: Kantz and Seifer 1996

† Note: med. is an abbreviation for medium

The United States was identified in the Anglo cluster. China was not identified in a country cluster, but Taiwan, Hong Kong, and Singapore were identified and placed in the Far Eastern Country cluster. Because the majority of Taiwan's inhabitants come from mainland China and the fact that Hong Kong has been returned to China it is appropriate to consider China as part of the Far Eastern country cluster.

Through this model, similarities and differences in a broader context can be examined. Figure 4 looks at motivation and leadership in relationship to country clusters. Managers in the Anglo country cluster tend to have a risk and reward orientation and are expected to give direction to subordinates when needed. Delegation and empowerment are common managerial attributes in these cultures (Kantz and Seifer 1996). A major difference exists in the business characteristics of the Far Eastern country cluster: managers tend to be group-reward oriented (Kantz and Seifer 1996). I have observed that China's management style is top down and that the opinion of the subordinates is generally not welcomed.

Figure 4: Motivation and Leadership by Country Clusters*

Country Cluster	Leader Motivation	Leadership Expectations of Subordinates
Anglo	Risk—and reward—oriented	Expected to give direction to subordinates only as needed
Far Eastern	Group reward-oriented	Not expected to seek opinions of subordinates

* Source: Kantz and Seifer 1996

In comparing the United States and China, it is apparent that strong cultural tendencies exist in both the general society and in the business environment.

At times, companies create their hiring or placement criteria by evaluating the company's needs and the expatriates' competencies in relation to the destination country. Recent surveys have revealed that the most important

reasons for a manager's failure to function effectively in a foreign environment are: 1) their inability to adapt rapidly to a different culture; 2) personality or emotional characteristics; and, 3) their inability to cope with the complexity of work responsibilities posed by their overseas assignment (McClenahen 1987; Banai and Zeira 1985). As a result of poor selection, "sending managers on foreign assignment without adequate understanding of host culture" or the inability to adapt to a host culture "may result in significant inefficiency" (Kantz and Seifer 1996).

Cultural differences affect the ability of the expatriate employee to adapt to their new environment, to live in the host country, to work effectively and efficiently, and to understand local colleagues. Criteria focusing on adaptability as well as language and cultural knowledge should be regarded as important in the selection process. The ethnographic research conducted for this thesis examines the criteria and priorities American companies use in their selection of expatriate employees for assignment in China.

CHAPTER 5: COMPANIES IN CHINA AND THE EXPATRIATE

The definitions, roles, and responsibilities of companies vary as much as the products and services that they produce. One common value exists, however, in companies in market driven economies - making a profit. Despite also having social and environmental responsibilities, the bottom line is that they all need to make a profit to exist. As previously discussed, the initial reason for global expansion of a company's operations into China was low labor costs. Because labor costs are directly related to operational and manufacturing costs, companies viewed this as a way to increase their profit margin in an ever-changing and demanding global context. When China opened its doors to the world, the strategic goals of American companies changed. Now, they viewed China as a potential market for their products as well as an opportunity to take advantage of lower labor costs.

Various operational costs are influential in determining whether or not a company makes a profit. One daunting cost is personnel: local and expatriate. In the case of international business, expatriate compensation packages are a major element in overall costs. As previously noted, expatriate personnel costs can range from 300,000 USD per annum to over 1 million USD per annum. Paul Simon (1998: pers. comm.), a general manager for Techno Inc., stated:

Companies view expatriates as necessary to the success of their international operations and as a result they must be willing to incorporate the costs. Therefore, companies in general need to do a better job of ensuring an expatriate's success. Whether it is through who they hire or select for the expatriate position, how they train them, or how long they will be overseas, the expatriate needs to match the strategic goals of the company and the reason (the expatriate's role) they are sent overseas.

Not only do expatriate costs affect a company's profitability in China, but other factors are important.

A study on profitability of companies in China by A.T. Kearny (1998) revealed that the number one factor for improving profitability in China was localization of management. Localization of management requires that the expatriate manager not only hire qualified employees, but also train, develop, and coach them so that they can perform the requirements of their forthcoming position (which is usually a mid-level or senior-level management position). Localization requirements place different expectations on the expatriate, and as a result the skill base of the expatriate needs to match those expectations. No longer are the technical and managerial skills of the expatriate the only skills that they need to perform their jobs. Sue Davenport (1998: pers. comm.), a B & B manufacturing employee, stated: "If I cannot transfer the knowledge I have, both technical and functional [general management and administrative] to my employees and a potential successor ...basically I will have failed."

For localization, the transfer of necessary knowledge requires specific skills such as communication, social (interpersonal), language, adaptability, and

knowledge of the host country. John Starks (1998: pers. comm.), an Ag Consulting Incorporated Limited employee, stated:

I can have all the knowledge in the world but if I cannot share that with my employees and communicate it so they understand that knowledge it is useless both for the employee and for the organization. One major aspect of my job role is to get the office running and the people in the office working effectively. I was hired because of my language ability, experience in China, and understanding of how things work in this country. Without this I would not have been hired.

Expatriate positions in China, and throughout Asia, were once viewed as long term and lucrative. This was especially true during the time of prosperity for many Asian countries in the early 1990s. With the Asian economic crisis that hit between 1996 and 1997, however, the role and expectations of the expatriate changed. Fred Constance (1998: pers. comm.), a Triumph Motors employee, explained:

I am here on a short-term contract of 3 years. I have specific goals that were outlined for me when I took this position noting that they will change and need to be adapted. I am here to transfer the knowledge I have to the local employees, find a successor(s), make sure that person can perform the job and continue to develop while building the business – market share, turnover, profitability etc... and then leave.

Change in the expatriate's role is occurring in many American companies in China. The Economist Group seminars, internal company strategies, newsletter articles, talk on the street and in restaurants and bars by all levels of employees (including management) reflects the need to re-examine priorities when hiring or placing expatriate personnel. In a presentation at an Economist Group seminar, a representative from Korn/Ferry International (1999) stated:

Expatriate costs are high and must be reduced to increase profitability. The role of the expatriate is changing, but expatriates are still needed. No longer are they in high demand at medium and low-level positions. The majority of companies target these positions as the ones to be localized. Those expatriates who are already here (in China), newly sent over or will be sent over will have the objective of localizing their position.

Performing the task requires specific skills necessary for the expatriate to fulfill their role. This role also demands an understanding by the expatriate of the Chinese employee's experience and understanding.

Most Chinese employees have limited, if any, experience with or knowledge of a capitalistic economy (i.e., the principles of competition) because of their years of operating in a socialist economy. On the opposite side, the expatriate employee has limited understanding of a socialist economy and how communism controls competition (if competition exists at all). In many cases companies are state-owned. Transformation to a more free market economy is now underway, particularly in privatizing state industry. Yet, gaps exist between the expatriate employee and the local employee in understanding how a foreign business operates.

Research conducted by Hewitt Associates (1998), a human resources consulting firm, revealed:

Business success in China is in part a consequence of successfully creating common understandings of key international business values – quality, customer focus, value for cost, teamwork, and professionalism for example. One of the key roles of expatriates in China is to ensure those common understandings and a commitment to them.

Because “[ensuring] . . . common understandings and [committing] to them” is so crucial and because of the goal of localization, specific competencies are needed.

Hewitt Associates (1998) identified the following kinds of expatriates who will be effective in China:

1. Those who understand that there are cultural differences:

Although knowledge of why and how cultures differ is important, it is less important for expatriates than an awareness of their own state of mind, how others perceive them, and sensitivity to the feelings of others. These qualities enhance judgement, also a necessary characteristic.

2. Those who go out of their way to build trust and relationships:

Expatriates in China must demonstrate that they care about people. One way of doing so is by being honest, especially when giving corrective feedback. Another is by giving something of yourself by mixing with local employees out of the workplace. Working effectively with the Chinese depends upon the existence of positive relationships. If an expatriate's Chinese colleagues and subordinates dislike him or her, effective-working relationships will be difficult, if not impossible.

3. Those who use authority benevolently:

Traditionally, the best leaders in China are 'father figures', who care for their subordinates, and show that they care by treating everyone, from the lowliest employee up, as important. They do not show disappointment, but give reassurance and guidance. The best expatriates do the same. Additionally, these expatriates do not abuse the privileges of expatriate's life...by constantly asking people to do menial chores, for example, or by keeping people waiting.

4. Those who pay close attention to relationships – among subordinates, and between subordinates and leaders:

Effective expatriates recognize that creating teamwork in China is relatively less straightforward than it might be in a Western organization...because the state of relations and the nature of relationships within the team are just as, if not more important than the team's task objectives.

5. Technical, product or managerial knowledge:

In China there is a talent shortage. Business knowledge and understanding is less developed. While technical knowledge and skills are frequently very high, an ability to apply those in ways that contribute to business goals is less marked. Expatriates are expected to have more developed skills and more knowledge...but boasting and showing off are heavily frowned-upon. Chinese people value modesty.

6. Those who coach:

Chinese employees are hungry for learning and development. They look to expatriates to share their knowledge...and not just their technical knowledge. Style and ways of thinking and behaving are important, too, so that expatriates are role models. The effective coach sets clear expectations, leaves the local employee to do the job them self (thus demonstrating trust in their ability), and gives regular guidance and feedback (thus demonstrating interest).

7. Problem solver:

Expatriates are expected to solve problems others cannot. They should be courageous. They should be aware of the issues. They should have opinions, but not express them too stridently. Effective expatriates do not cause loss of face by constantly criticizing China, or irritate and alienate their Chinese subordinates by insisting that there is only one way to do something. Nor are they over-eager to make a decision.

8. Good listeners:

Because this is China, and things are different, the expatriate is dependent upon the advice and knowledge of the Chinese colleagues and subordinates. Expatriates who are good listeners will develop more trusting relationships...and trust is an essential precondition for Chinese to share their opinions.

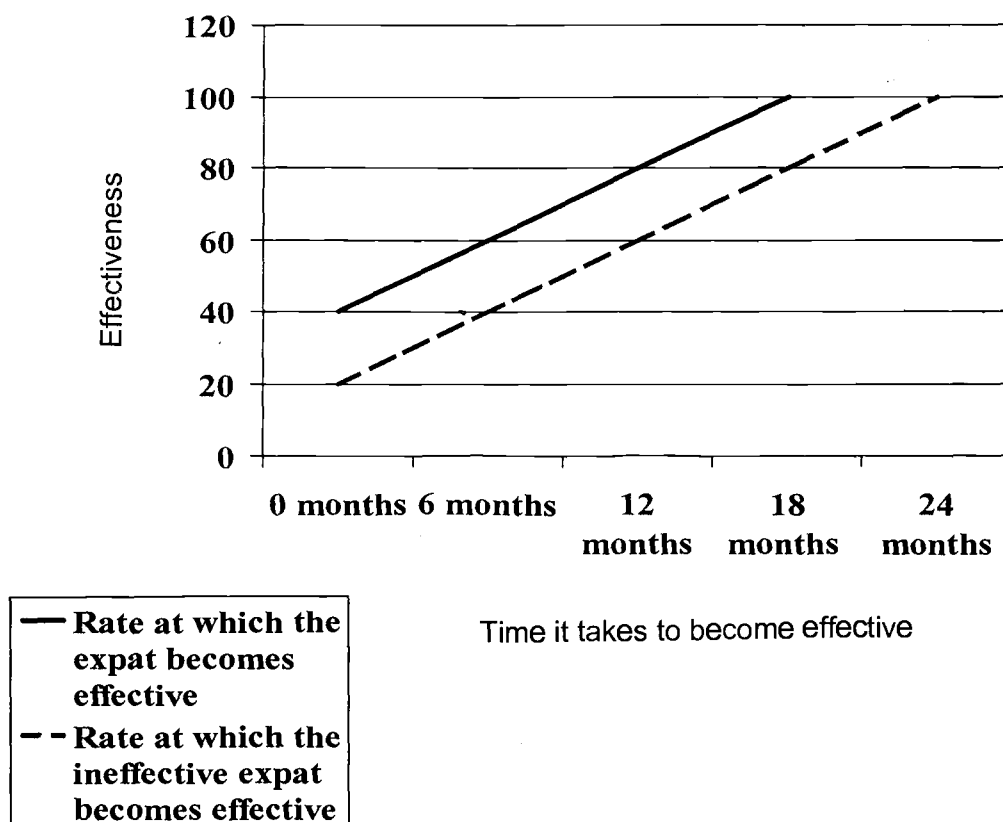
9. Those who are realistic about what is possible:

China is difficult. Things take longer. People have different ways of working. The infrastructure is less reliable. Quality materials are not always readily available. Without compromising standards, or becoming less persistent, effective expatriates accept these things as

a fact of life, adjust their goals accordingly, and pace themselves to ensure they always have energy.

Based on both Hofstede's (1983) four groups analysis and Ronen and Shenkar's (1985) country clusters, it is clear that cultural differences exist between China and the United States. Such differences were contextualized by Hewitt and Associates (1998) who identified specific skills expatriates need to be effective in their assignments in China. Hewitt and Associates then went a step further and quantified the costs and efficiency of time expatriates with and without China-specific competencies needed (see Figure 5).

Figure 5: The Cost of Expatriate Ineffectiveness: Those with China Competencies versus Those without



Hewitt and Associates (1998) estimate that an expatriate assigned to China with China competencies will initially be 40% effective, taking 18 months to become 100% effective, while the expatriate with no China competencies will initially be 20% effective, with the potential to reach 100 percent effectiveness in 24 months (but who may never reach 100% effectiveness at all). I have heard many expatriate employees in China comment that a typical three-year assignment is an assignment where the expatriate employee spends their first year adjusting, their second year working, and their third year preparing to leave. Even though many say this with a grin on their faces, it reflects the reality of a typical expatriate assignment.

When an expatriate is sent overseas there is an adjustment period that usually lasts through their first year. It is during this adjustment period when the expatriate is not fully effective for reasons such as culture shock, learning how to communicate (different communication patterns, multiple meanings, and different sets of shared meaning), and “settling in.” During their second year, the expatriate’s performance is at its highest. During their final year, the expatriate is anticipating their next assignment and loses effectiveness.

Hewitt and Associates (1998) quantify the costs of an effective versus an ineffective expatriate employee in China. The first scenario presented below focuses on the “Value of the Right Expatriate Model”:

Assumptions:

- 1) Expatriate is selected for the technical or managerial competencies, not their China competencies
- 2) Salary – 100,000 USD
Additional Costs – 200,000 USD
Total Costs – 300,000 USD
- 3) Initially the expatriate is only 20% effective, but will become 100% effective.
- 4) Full effectiveness is expected to take two years
- 5) When fully effective, the expatriate's value to the firm is 250% of the total placement costs – a leverage of 2.5%
- 6) Overall, the area of a triangle represents the costs of ineffectiveness (0.5 x base x height).

$$\begin{aligned}
 \text{Ineffectiveness} &= 0.5[1-0.2]*[\text{salary} + \text{costs}]*\text{leverage}*2 \text{ years} \\
 &= 0.5[0.8]*300,000*2.5*2 \\
 &= \$600,000 \text{ [over a two year period]}
 \end{aligned}$$

The second scenario focuses on an effective expatriate with China competencies.

$$\begin{aligned}
 \text{Ineffectiveness} &= 0.5[1-0.4]*[\text{salary} + \text{costs}]*\text{leverage}*2 \text{ years} \\
 &= 0.5[0.6]*300,000*2.5*2 \\
 &= \$337,500 \text{ [over an eighteen month period]}
 \end{aligned}$$

The result of this analysis demonstrates a savings of at least 262,500 USD (600,000 - 337,500 USD). The probability that those without China-specific competencies will never become fully effective suggests that their costs may be even greater than 600,000 USD over a two-year period thus making the savings even greater. For an expatriate who is not well suited for China, the costs will

continue to increase over the duration of their assignment. Disagreement might arise with the assumed dollar values and the content of the formula; however, the assumptions are off the main point that substantial savings can be achieved by the selection of a suitable expatriate (Hewitt and Associates 1998).

Expatriate contracts in China usually range from two to three years. If the expatriate employee does not have cultural or linguistic competencies prior to their assignment in China, the time and ability to acquire those skills while in China is limited. Expatriates are sent to China by their employer to do a job that often entails working long days and on weekends. In these situations the linguistic and cultural knowledge gained is passive, not active. Expatriates are not in China to learn the language or the culture, even if that is one of the added benefits. They are there to perform a job for the company that hired them. According to Hewitt and Associates (1998), the expatriate often does not become effective until the end of their assignment.

Francis Hsu (1981) compares China and the United States based on differences in their economy. One of the fundamental differences is the means by which people find security, whether it is internal or external. Internal security is focused on relationship building and maintenance of social ties while external security is focused on the acquisition of material possessions to find, create, and maintain personal security.

The Chinese are more internally focused - depending on human relationships for security. This dependence on one another both for material and non-material benefits is a core value. The absence of mutual dependence

creates insecurity which can disrupt stability in their life, family, and community. They have life-long relationships with people that they know from their childhood. Because of these lasting relationships, the Chinese feel little compulsion to extend their control over the physical world, instead deriving a sense of importance and belonging from human relationships.

Not only does the security found in intimate relationships exist in the immediate and extended family, but it also thrives in the business community and bureaucracy. Businesses in China display this value both internally with their workforce and externally with their customers. Internally, relationships are established directly by the owner all the way down to the common laborer. This is accomplished through different means, from more traditional methods of having meals together and living in the same house or factory to more modern methods of having social events for the entire staff on a weekly, bi-weekly, or monthly basis. In a Chinese business, a transaction comes only after many hours, days, or weeks of building a relationship. Once the relationship is created, the time invested diminishes considerably, but maintenance needs to be performed and an investment of time is crucial.

Americans are more externally focused with regard to creating a sense of security and comfort. From a young age Americans are taught to be independent, commonly severing ties with their family at the age of 18 when they graduate from high school. At this time it is normal and even expected that they move away from their family home. Relationships can be and are severed

quickly, usually without any or little tribulation. Short and shallow relationships among Americans create a need for security from external sources.

Francis Hsu (1981) notes that the need for security among Americans may be fulfilled in two ways. One is through a non-living inanimate object desired as material wealth, which can range from commodities and consumer goods to currencies. The other is religion - security is found in "God." Only when an individual possesses an overwhelming amount of material wealth or a belief in God does security exist. Because security is externally derived, Americans create superficial relationships in their personal and business lives.

Having found satisfaction in human relationships, the Chinese are more satisfied concentrating on creating and maintaining relationships than devoting time to amassing wealth through business. Chinese people participate in a less competitive expansionist business environment than their American counterparts. Americans, on the other hand, strive to expand, take over, and amass as much wealth as possible. This mentality permeates every business activity. The importance of these fundamental differences - where people seek security and how it is obtained - illustrates the need for deeper cross-cultural understanding. Hsu (1981) goes beyond Hofstede (1983), Ronen and Shenkar (1985), and Hewitt and Associates (1998) in explaining essential cultural differences between China and America.

CHAPTER 6: METHODS

In performing the research for this thesis, various methods were used to gather information about American companies' criteria for hiring or placing expatriate employees in China. The target groups for the study were selected according to the following requirements: 1) My access to the individuals who made up the target group(s); 2) the feasibility of carrying out the interviews; and, 3) the relevance of the background of the interviewee. Using these three criteria, two target groups were identified and interviewed - managers and employees.

Interviews were conducted in the cities of Shanghai and Beijing, China during 1998 and 1999. A total of 42 people were interviewed from 15 companies. They included 27 employees and 15 managers. Throughout this thesis, names of individuals and organizations have been omitted and/or changed for the purpose of maintaining their anonymity. Many managers and employees were not willing to participate in this study unless their name and the name of their company was changed. Some mentioned specific clauses in their employment contracts that restricted an employee's ability to make any statements, participate in studies, or give interviews unless company authorization was obtained.

The Management Group Sample

Not all managers were physically located in China. Some were located in sister companies, subsidiary companies, and Asian headquarters. In general, most participants in the managers' group were located in Shanghai or Beijing. Those interviewed often described the hiring or placement process involving a team rather than an individual (such as themselves). On a few occasions, however, the manager responsible for operations in China, and ultimately responsible for the expatriate employee, was not involved in the hiring or placement process and was simply assigned the employee.

The Management Group consists of individuals who are involved in the hiring or decision-making process of an expatriate employee working in China. Some managers who hire expatriates may be located outside China. This study, however, includes only managers who are based in China.

The Employee Group Sample

The Employee Group sample consists of expatriate employees who are located in China on a permanent basis and who work for an American company. To be located in China on a permanent basis means that their contract either stipulates that they must live in China or that they have an agreement with their company to be based in China for a defined period of time (greater than one year). This sample does not include employees whose home base is outside of

China and who may visit China for an extended period of time or travel to China frequently.

The possibility of cross-interviewing participants from each group was considered. Cross interviewing is using a participant from one group in another group. For example, a manager or decision-maker from the Manager Group could also be considered an expatriate employee and interviewed in the context of the Employee Group. I did not, however, cross-interview participants to avoid compromising the integrity or perspective of either group.

Interviewing Methods

One of the most difficult tasks in conducting this research was arranging interviews with the participants. Every person selected for the two groups was willing to participate but logistics was a problem. Expatriates living in China often work long hours and their employer's expectations are very high. Even when an interview was scheduled, last minute cancellations were common, causing delays and added difficulties. For example, one participant canceled eight times before we were able to meet and conduct the interview.

The primary interviewing methods were structured and semi-structured interviews. Each group had specific open-ended questions designed for them. Depending on the flow of the interview, some questions were not asked (see Appendix A for the "Management Group Questions," and Appendix B for the

“Employee Group Questions”). Some interviewees were very talkative and forthcoming, while others were not so talkative. Even the open ended questions did not always evoke insightful information.

In one case, I was asked if the spouse of the interviewee could sit in and listen. I foresaw no problem initially, but the spouse had just as much, if not more, to say than the employee being interviewed. This resulted in a debate between the spouse and the participant over what the participant experienced and what the spouse thought the participant experienced. In the end, the data collected did not add value to the research and a one-on-one interview was rescheduled away from the participant's home.

All of the participants in the management and employee groups were included in the first round of interviews. As the interviews progressed, analysis of the information gathered from earlier interviews determined whether a second or third interview was necessary for further inquiry and clarification. Approximately 60% of those who participated in the first interview were interviewed a second time. Of those, approximately 45% were interviewed a third time.

In eliciting criteria used by the Management Group in hiring or placement of expatriate employees in China, one-on-one interviews embellished some responses received from the questionnaires. The interviews produced a wide range of responses that at times differed from responses provided by the same individual in their questionnaire. Other times, interview responses supported the responses provided in the questionnaire.

All expatriate employees in the Employee Group were found to be American citizens. It is common for companies in China to have expatriate employees who are citizens of the company's country of origin. As noted earlier, however, general communication and transportation developments in recent years (e.g., travel, telecommunications, and computers) have provided a vehicle for the employment of third country expatriate employees.

Initially, I planned to conduct two different types of interviews: one-on-one interviews and small group interviews. Given the difficulty in scheduling interviews, however, all but one interview was one-on-one. The single interview that was conducted in a small group format consisted of three participants from the Employee Group. The group interview resulted in only limited success. Conducting the small group interview early in the interview process, however, was a valuable experience - I learned that this type of interview was not effective or efficient. A system of checks and balances was used during the interview process to compare answers and to help resolve inconsistencies. Due to the emergence of many inconsistencies, identifying the underlying values held by managers and their criteria for hiring proved to be a difficult task.

My own biases are unavoidably reflected in this document. I have more than ten years of experience living, working, and traveling in Asia. I am fluent in Chinese and have lived for over four years in Taiwan and mainland China. Currently employed in China, I have personal experience as a foreign employee. While living in Taiwan and mainland China, I have been hired as an expatriate

employee. My personal views and experiences will influence the research results and the outcome of this thesis. Knowing that complete objectivity will never be reached, it remains the intent of this thesis to represent the research and content with the least possible bias.

Sample Description

During the interviews, each participant from the employee group was asked a variety of questions about their skills, experience, and knowledge of China (see Appendix B). From the questions, some group and individual characteristics emerged. The average age of participants was 30.5 (with a range of 22 to 51 years old). The younger participants, under 35 years of age, generally possess cultural knowledge and linguistic abilities. Most of the younger participants have lived and studied Mandarin and Chinese culture in China, Taiwan, or their home country prior to pursuing their careers in China. Those over the age of 35 typically have limited or no linguistic or cultural understanding of China, and tend to have been sent to China by their company as an internal placement.

Participants' work experience over their lifetime versus their work international work experience was distinct. The average years worked in a participant's lifetime was 9.5 (with a range of 1 to 29 years). The average years of international work experience was 3.5 (with a range of .5 to 29 years).

Compared to the total amount of work experience, the international exposure is relatively short and limited. Finally, the average years of Chinese work experience was 2.2 (with a range of .5 to 6 years). Because China is a new market for almost all companies, it is expected that the majority of expatriates have limited experience working in China.

An expatriate employee's language competency is important to my research. The following competency levels emerged amongst the participants. Six participants had "no" language skills (defined as only being able to say a few phrases). Four participants had "low" language skills (defined as being able to speak several phrases but still having a limited vocabulary; demonstrating one year of college-level language training). Seven participants had "medium" language skills (defined as a language ability equivalent to the end of a second year of college Chinese; therefore, can communicate meaning). Finally, ten participants had "high" language skills (defined as an ability equivalent to a third year of college Chinese; can be considered "fluent"). Of the 17 participants with "medium" to "high" language competency levels, all but one was a local hire while another was considered an expatriate.

With respect to employment status, 11 participants were expatriates and 16 were local hires. Twelve participants worked in technical positions (e.g., possessed managerial and technical skills) while 15 worked in non-technical positions (e.g., possessed cultural, linguistic, and adaptability skills). Thirteen of the fifteen non-technical participants were local hires.

It is important to delineate the characteristics of both technical and non-technical employees. The characteristics of "Technical Employees" include: 1) Technical and managerial skills; 2) little, if any, focus on culture, language, and adaptability; 3) a limited pool of candidates to choose from; 4) already an employee of the company; and, 5) they are older. The characteristics of "Non-Technical Employees" include: 1) They exhibit cultural, language, and some general technical skills; 2) they often have previous experience in China; 3) they lack a full range of relevant technical and managerial skills; 4) they demonstrate the ability to learn; 5) there is an increasing pool of candidates to choose from; and, 6) they are younger.

Methods: Stumbling Blocks

Establishing a link between the hiring manager and the employee by interviewing the employee (either expatriate or local status) and their hiring manager was considered. Ideally, this would provide a measure of consistency. This, however, proved to be an impossible task due to the fact that many of the people involved in the hiring or placement of an expatriate employee were either no longer working for the same company, not in China, or could not be found. Conducting a mail survey of American companies in China who did not participate in the interviews was also considered, but the response rate was expected to be extremely low. This is due to the fact that the target group of managers would be located mainly in the United States, scattered throughout

Asia, or difficult to locate in China. Again, time and expense were my primary constraints. I concluded that the value added by including additional target groups would have been minimal.

CHAPTER 7: THE MANAGEMENT AND EMPLOYEE GROUP: WHAT ABILITIES/SKILLS ARE MOST VITAL TO THE SUCCESS OF AN EXPATRIATE EMPLOYEE IN CHINA

Definitions: The Interview Sample

The “Management Group” is defined as those people who are involved in the decision making process of hiring and/or placing and expatriate employee.

The “Employee Group” is defined as those people who are working in an international environment and not in the management group. The unique characteristics of these groups are identified in the following figures.

Figure 6 summarizes information gathered from the questionnaire. It illustrates differences between technical and non-technical groups of employees, including years of work experience in China, language level, average age, employment status, and years of work experience. These differences made it apparent that different criteria were being used in hiring and/or placing employees for an assignment in China.

Figure 6: The Employee Group Overview

Job status	Years of Work Experience in China	Language Level	Average Age	Employment Status	Years of Work Experience
Technical	1.5	None – Low	38	Expatriate*	12
Non-Technical	2.5	Med. – High	29	Local Hire†	4

* Two participants were expatriate status

† One person was a local hire status

Figure 7 shows that the non-technical group experienced greater success in their assignments. In general, the technical group lacks the cultural and linguistic skills desired by companies in the late-1990's, while the non-technical group has those skills. This begs the question: "Why are companies not paying attention to previous research showing the need for non-technical skills when hiring for technical based positions?"

Figure 7: *The Employee Group*

<i>Classification</i>	<i>Number of Participants</i>	<i>Successful Assignments</i>	<i>Failed Assignments</i>
Technical	12	2	10
Non-Technical	15	15	0

Focusing on linguistic and cultural adaptability skills, Figure 8 shows that individuals who already possessed the linguistic and cultural adaptability skills or received training prior to their assignment experienced high levels of success in their assignments. In contrast, those who received training during their assignment or no training at all experienced high levels of failure in their assignments.

Figure 8 ⁷: The Employee Group's Assignments

	Number of Participants	Successful Assignments*	Failed Assignments†
Technical Group: No Cross-Cultural Training	3	1	2
Cross-Cultural Training during their Assignment	8	1	7
Cross-Cultural Training prior to their Assignment	1	1	0
Non-Technical Group: Already possess the cultural adaptability and linguistic skills	15	15	0

* *Successful Assignment: A completed expatriate assignment (contract length) while performing the basic responsibilities of their job.*

† *Failed Assignment: Not completing the contract and not performing the basic responsibilities of the job.*

The Management Group : Those who are involved in the Decision-Making Process of Hiring and/or Placing an Expatriate Employee

The values and criteria exhibited by American companies in China are presented in Figure 9. The highest ranked criteria identified by the Management Group are technical and managerial skills. Eighty-percent of the managers identified management and technical skills as the number one priority for the success of an expatriate employee in China. Sue Savage (1998: pers. comm.) supported this finding, stating that technical skills are the "cornerstone when

⁷ Because the interviews took place during 1998-1999, the information on successful and failed expatriate assignments was gathered during the beginning of 2000. Four of the participants from the non-technical group have not yet completed their expatriate assignment. The two successful participants from the technical group also have not completed their assignment. The rest of the participants have completed their assignment successfully or failed.

hiring an expatriate employee in China.” Results show that non-technical and non-managerial abilities such as communication ranked second, and cross-cultural skills ranked third (see Figure 9).

Figure 9: Group Rating for The Management Group

Technical and managerial knowledge	1*
Ability to create a common understanding, regardless of language	2
Job and role planning with support	3
Adaptability to the host culture	3
Adequacy of compensation package	3
Assignees sense of enthusiasm for the foreign assignment	6
Foreign language ability	7
Family stability and adaptability	8
Assignees spirit of adventure	9
Social and interpersonal skills	10

* 1 = Highest priority; 10 = Lowest priority

One hundred percent of the managers stated that they believe managerial and technical skills are very important for an expatriate to succeed in China. Even the managers who maintained cross-cultural adaptability, communication skills, job role and support from headquarters during the interviews identified technical and managerial skills as the “cornerstone” of a successful assignment.

When asked the question “How does your company hire or place an expatriate employee in China,” Paul Davies (1999: pers. comm.) from Norbel Inc. responded: “First, there are two different types of expatriate employees. Those hired from China, referred to as local hires, and those who are transferred into

China, usually from headquarters or sister companies outside of China. From these two groups certain aspects are considered a 'given'."

It is important to delineate the basis for identifying what "core competencies" are a "given" for local hires and transfer expatriate employees. "Core competencies" for local hires include enthusiasm, a sense of adventure, linguistic skills, an ability to exist in the local environment, and they are single. Without these qualities the potential local hire would not even be considered. Furthermore, the second level of criteria would not be evaluated which includes basic intelligence, an inquiring mind, and an ability to present information in a logical form - or, they are persuasive communicators.

"Core competencies" for transfer expatriate employees include technical knowledge, product knowledge, and company knowledge. In addition to the three "core competencies" the transfer expatriate employee must also have the ability to adapt to life in China like their "local hire" competitors. They must have resilience, an ability to survive in the environment when life closes one door and slams another in their face, cultural sensitivity, an awareness of peoples' differences, and the ability to act on that awareness without being overwhelmed. Crucial to all of these "core competencies," the employee must have technical and managerial skills.

Eighty-percent of the managers stated that they believe linguistic and cultural skills are important for an expatriate to succeed in China. Yet, managerial and technical skills always emerged as a fundamental criterion when considering hiring or placement of an expatriate employee in China (regardless

of their other skills). Three of the managers (1998: pers. comm.) believed that “without the core competencies [technical and managerial] the expatriate will fail at their assignment.” Conversely, another manager (1998: pers. comm.) stated: “In some ways, it might be a good idea to put someone in a foreign assignment who does not know a lot about the [host] country. That way the expatriate employee can focus on the issues at hand [their job].” Others took a broader view, stating that “both must exist [technical and managerial along with non-technical and non-managerial skills] for the expatriate to succeed in their assignment.” The desire to mix skill sets was underscored by 80% of the managers.

New Trends for Different Types of Expatriates

Earlier in this chapter, Sue Savage (1998: pers. comm.) of Johnson Foods and Ned Peters (1998: pers. comm.) of Peters Construction Company distinguished between an “expatriate employee” who comes from within the company (usually headquarters or the company’s origin country) and the “local hire” (a person hired locally). Following are formal descriptions of both.

The “expatriate” can be of any nationality, and usually comes from headquarters, a subsidiary or a sister company. They can receive a full compensation package that includes a base salary, general benefits, bonuses,

hardship allowances, rest and recreation, two paid trips home, and additional leave (usually 30 days).

The “local hire” is new to China (relocating within the last three to five years). Local hires usually consist of young foreigners, ranging from 25 to 35 years of age, and who possess cultural and linguistic knowledge relevant to China. They are hired in China and their compensation package is markedly different than the expatriate’s. Their’s includes a much lower salary, bonuses, and general benefits, and only 15 to 30 days of leave. Technical and managerial skill levels vary, but they possess strong linguistic and cultural skills.

The managers also expressed the desire for the expatriate employee to have previous international experience. Previous international experience demonstrates a person’s ability to be flexible and to adapt in a foreign environment. As one respondent (1998: pers. comm.) from the management group stated: “you [the expatriate] need to be a social chameleon. A person who can change depending on the environment you are in.” Not only is this important, it is particularly relevant to China. A human resources manager for a manufacturing company regarded previous international experience as a “high mark of one’s ability to succeed in an assignment in China.”

Culturally, China is very different from Western countries and some Asia Pacific countries. Experience in other Asia Pacific countries might not be comparable to China. This can partially be attributed to its long and challenging history and its closed borders for the second half of the 20th Century.

When working internationally each person develops a so-called “database” of what is needed to survive in each assignment (either consciously or subconsciously). This database is different for each person but has a core that is shared from one individual to the next. Mr. Skiles (1999: pers. comm.), who has over 25 years of experience in Asia Pacific, observed:

China destroyed that database. The survival skills and knowledge needed for China are different than what I acquired for other countries in Asia. As time goes by, companies and hiring managers, such as myself, have gained a better understanding of what is needed to work in China and that is a combination of managerial/technical skills and skills for the local environment [adaptability, communication, and language].

Mr. Skiles further stated: “They [the expatriate employees] need to have the skills [technical and managerial] and without these they would not even be considered. But, particularly for China the cultural and linguistic skills are also necessary. That is why I have hired several local hires, five to be exact, and I see all of them as being successful.”

Since China opened its doors to the rest of the world, expatriate personnel have been afforded the opportunity to have a myriad of experiences within its borders. Even though a high number of the managers in the Management Group still focus on technical and managerial skills as a priority when hiring and/or placing an expatriate employee, the non-managerial and non-technical skills (e.g., adaptability and cultural knowledge) have gained greater importance in their eyes. The local hire, who has the linguistic and cultural skills, has emerged to meet this need.

The Employee Group: The Expatriate Employee Located in China

Using the same questionnaire for both the Management Group and the Employee Group, a minor shift in instructions was given when the participants from the Employee Group were asked to fill out the questionnaire. They were instructed to evaluate skills pertinent to their success in their expatriate assignment in China. The top five responses targeted by the Employee Group as most important for success focused on non-managerial and non-technical competencies (see Figure 10). Cross-cultural adaptability was considered a top priority, followed by the assignee's enthusiasm, spirit of adventure, communication skills, and social and interpersonal skills. Technical and managerial skills ranked in the middle (number 6). As one interview participant (1998: pers. comm.) stated:

Having lived in China for over six years, my linguistic ability and cultural understanding has allowed me to not only be successful at my job, but develop within the company. Yes I am lacking corporate culture knowledge, and various managerial and technical skills, but if you have the capacity to learn you can pick those things up. It takes far less time to learn the technical and managerial skills than it does to gain the cultural and linguistic competencies.

Figure 10: Group Rating for The Employee Group

Adaptability to the host culture	1*
Assignees sense of enthusiasm for the foreign assignment	2
Assignees spirit of adventure	3
Ability to create a common understanding, regardless of language	4
Social and interpersonal skills	5
Technical and managerial knowledge	6
Adequacy of compensation package	7
Foreign language ability	8
Job and role planning with support	9
Family stability and adaptability	9

* 1 = Highest priority; 10 = Lowest priority

Technical Employees

During the interview process, it became apparent that all but one of the technical employees with expatriate status had been previously employed by the company and then sent to China. Technical employees typically experience a high rate of failed assignments (see Figure 7). They typically possess no linguistic abilities and have little, if any, cultural knowledge of China. In fact, three of them possessed no real interest in China, the language or the culture prior to their assignment in China. During their assignment, they developed an interest in China but they could not understand what they were experiencing during work or outside of work and they began to resent their time and life in China.

Fred (1998: pers. comm.), who is a technical employee in the construction industry, stated: "I have no desire to learn Chinese. In fact, my love and interest

is for Mexico and I wish my company would pay for me to learn Spanish while I am here [in China]." When asked why he decided to come to China with his wife, he stated that he wanted the experience and said it would "put me in a financial situation to realize my dreams of buying a boat in Mexico." His response represents the majority of responses of those interviewed. He is a technical expatriate who has the job skills but not the cultural interest in and little knowledge of China. Later his marriage failed while in China resulting in a failed assignment and the company sending him back to the United States.

Several of the employees were sent to China by their company with no alternative placement options offered to them. This left them with the choice of either going to China or finding a job with another company. With limited options available to them, these employees decided to take the employment offer and move to China. Their average contract length was two to three years. During their assignment in China, several expressed no interest in extending or renewing their contract, while many wondered if they would even be able to complete their assignment. When asked why they came to China, the most frequent response was that they wanted international experience and a higher income, and ultimately, they felt forced into the situation by the company (1998: pers. comm.).

As previously discussed, the technical employees experienced a high rate of failures (over 80%) for a variety of reasons (see Figure 7). The common variables in all of the failed assignments for this group and those identified by managers include: 1) little to no Chinese cultural and linguistic skills; 2) no keen

interest in China resulting in no internal motivation; and, 3) no cultural training prior to their assignment in China. Sending an expatriate employee to China based only on their managerial or technical skills does not place that employee in a good position. There is no guarantee of success in any situation; however, the ability to adapt combined with linguistic and cultural skills can place the expatriate in a better position to succeed (see Figure 7).

Case Study: A Successful Technical Expatriate Employee

The following case study describes one technical expatriate employee's successful assignment. Mr. Constance works for Triumph motors and was originally sent to Shanghai on a three-year contract as a quality control engineer responsible for the production facility. Mr. Constance is married and lives with his wife and their infant.

Prior to Mr. Constance's assignment in China he had no international experience. He lacked cultural and linguistic knowledge of China but possessed a willingness to move and some adaptability skills which would help with his and his family's transition to a new environment. During our interview, Mr. Constance (1998: pers. comm.) commented: "Without our willingness to be here my family and I would be having a very hard time living in this environment. It is not easy living here and if you don't want to be here, this place will chew you up and spit you out."

His manager in Shanghai took the initiative to implement a program for him which is not part of the company policy or culture. Initially, Mr. Constance and his wife were flown to China for a one-week visit. During this visit they were able to see and to experience first hand their new environment. It was at this point that the General Manager asked Mr. Constance if he was interested in working and living in Shanghai. Once he accepted the position, the General Manager sent Mr. Constance and his wife to a six-week intensive cultural and language training course sponsored by a highly regarded training facility in Marin County, California.

Prior to Mr. Constance's assignment he had the following characteristics: 1) Technical and management skills; 2) a willingness to live and work abroad; 3) a lack of international experience; 4) no cultural knowledge of China; and, 5) no Chinese language skills. After Mr. Constance's visit to China and training, he had the following characteristics: 1) Technical and management skills; 2) a willingness to live and work abroad; 3) an understanding of Shanghai and the environment; 4) cultural knowledge of China; and, 5) limited Chinese language skills.

As a result of cultural and language training, Mr. Constance had a successful assignment in China. He stated (1998: pers. comm.):

Without the visit and the training I believe my wife and I would have had a very difficult time in China. The visit allowed us to see first hand what we were getting ourselves into. I am very happy that my GM [General Manager] took this into his own hands and insisted on the visit and the training. It has paid off for my family, the company, and me.

When asked how he felt about the necessity of cultural training for newly appointed expatriate employees, he stated (1998: pers. comm.):

I don't know why more companies don't do this. When I talk to people I meet in the business community and we speak of this issue I see the problems they have, which my wife and I do as well, but we have a better understanding of how to deal with them and where the problems are coming from. The training prior to my assignment, I believe, has been integral to my ability to stay and do my job. Without that.....oh my.....it would be much more difficult than it already is.

By providing Mr. Constance and his family with the necessary cultural and language skills relevant to his new situation, the General Manager placed him in a position to have a successful assignment. Mr. Constance believes his experience would have been different if he had not been given advance training.

Non-Technical Employees

The non-technical employees possess different competencies and interests than those of their technical counterparts. They are typically local hires who experienced minimum failed assignments (see Figure 7). Many lived in China and studied the Chinese language (Mandarin) or taught English in China prior to beginning their careers. Their interest in China was high and self-initiated - their motivation was internal and did not have to be externally created or developed through material incentives or pressure. They made a personal choice to stay in China and pursue their career, or to return to China soon after graduation from college. These non-technical employees possess Chinese

linguistic and cultural skills, and the ability to adapt so that they can succeed despite their lack of knowledge of the company, management, and technical skills.

Pete (1998: pers. comm.), who is a procurement manager for a construction management company, was adamant in explaining:

Companies are making mistakes by hiring people who are not integrated into the company by giving them an understanding of the company culture. This is one problem with local hires. They don't have an opportunity to involve themselves in the company culture. Our company is reluctant to hire local hires for this reason. Last year we hired a young man who is a local hire and he has made many mistakes due to his lack of understanding how our company operates (company culture). I make a concerted effort to involve him in aspects of the business that will expose the company culture to him. But let me tell you, his understanding of China and his language abilities cannot be replaced. He knows how to get things done in this culture, which I would not be able to have any success. There has to be an understanding of what the local hire brings to the table and what we need to provide that person with (technical skills and company knowledge) for them to be successful in China.

When I asked him if he considered this first local hire a success, Pete quickly and confidently agreed. In reflecting upon whether his company would hire another local employee, he stated (1998: pers. comm.):

Given the economic situation of Asia and the needs of a company to reduce the costs through localization of management, local hires are an alternative that is becoming a viable solution to help the company meet their strategic goals. The competencies of local employees are not at the high-level management positions yet. The local hire has certain abilities: they can learn rather quickly and they are often times a bridge linguistically and culturally for our company. They bring in a new dimension that was not there before. They are stable in China and we don't have to worry about them having difficulties adapting to China. When sending an employee over from the US there is always a risk factor that they cannot handle the differences and will fail at their assignment.

The Human Resources Manager (1998: pers. comm.) of the same company informed me that between 1998 and 1999 the company was

experiencing a high level of expatriate failures. This problem was related to several failed marriages, including that of the Human Resources Manager. The success his company has experienced with their single local hire, and their failure with several technical expatriates' assignments has made many managers "sit-up and take notice." This company saw a drastic decrease in business in 1999. This can be attributed directly to the failed assignments of their expatriate staff or possibly to an economic downturn in the company. It is difficult to pinpoint what went wrong, but the failed assignments definitely had an adverse impact on their business in China.

S & T Flooring, which sells industrial flooring products, experienced a similar situation - underscored to further support my analysis. This company's first employee in China possessed a non-technical background, linguistic and cultural competencies, and an educational background focused on China. When one employee was interviewed, he was part of the Employee Group; however, as of July 1999, he was promoted to General Manager of the company's Chinese operations with the responsibility of recruiting expatriate and local personnel.

His promotion demonstrates success despite having a non-technical background. He commented (1999: pers. comm.):

The company took a risk when hiring me. They gambled that I was capable of learning the technical aspect of their product. I do not understand everything and I do not need to, that is why we have product managers who have that technical capability, but I have to understand it at a minimal level to do my job. That does require a lot of learning which

only took about three to four months to create the base. Try to learn the language or culture in that amount of time. Good luck.

When asked about other employees in his company, he responded (1999: pers. comm.):

We recently hired a person who was pretty much opposite to myself. He possessed the technical skills but lacked what I brought to the table, keen interest in and understanding of China. I would not consider him a failed assignment, but it has taken him longer to be effective and he is not at a level where we would like. From this experience we have seen both what a technically competent employee versus a culturally and linguistically competent employee who has the capacity to learn can do. Our strategy for future recruitment of foreign employees is to focus on the non-technical skills with the ability to learn the technical aspects. This is not only my strategy but also the strategy of my managers back in headquarters in America.

His comments underscore the need for employees to have the ability to learn managerial and technical skills. Most of the employees and the managers that I interviewed felt that this question should be addressed during the hiring or placement process.

The Local Hire

The local hiring of expatriates started in Taiwan in the 1970's when many foreigners went to Taiwan to learn Chinese. At that time China was still closed to the rest of the world. Subsequently, some members of this group moved to China and were hired as non-technical employees. When China opened in the 1980's, many young foreigners began to move to China to learn Chinese and to gain cultural knowledge.

Most local hires are under the age of 35, and possess cultural understanding and linguistic competencies. They have internal motivation to live in China and are more prone to succeed in their assignment because of these factors. No non-technical employees who participated in this study had a failed assignment, whereas most participants from the technical group experienced failed assignments.

Case Study: A Successful Non-Technical Local Hire Employee

The following case study describes one non-technical expatriates successful assignment. Mr. Johnson (1998: pers. comm.) was employed in the construction industry and had lived in China for approximately 6 years, both in Beijing and Shanghai. He came to China of his own will and studied Mandarin prior to beginning his career in China. He was made a local hire by a company that was cutting costs (to meet their earning expectations). The company felt that local hires were a less expensive option than expatriates.

Mr. Johnson was primarily hired for his cultural and language abilities; his work experience ranked second in importance. His prior work experience was relevant to his current employer's industry, but he lacked the knowledge of the company and the technical managerial skills deemed necessary by the company. His manager had to fight to hire him. His manager said (1998: pers.

comm.): "It was difficult to get him in here. The company allowed me to take a risk and it has paid off."

Prior to Mr. Johnson's assignment, he had the following characteristics: 1) Limited technical and managerial skills; 2) a lack of company knowledge; 3) demonstrated adaptability skills; 4) relevant China-based international experience, 5) cultural knowledge of China; and, 6) Chinese language skills. After Mr. Johnson joined his current employer, he had the following characteristics: 1) Increased technical and management skills through training and hands-on experience; 2) an expanded knowledge of the company; 3) demonstrated adaptability skills; 4) international experience relevant to China; 5) cultural knowledge of China; and, 6) Chinese language skills. Mr. Johnson is still employed by this company and he is adding value to their business in China. His manager is attempting to convince upper-management to adapt their staffing strategy to include more local hires.

Cross-cultural and Language Training for China-based Expatriates

Only a few of the companies included in this study used cross-cultural and language training as a strategic tool to assist in placing an expatriate employee in a position to succeed. Johnson Foods had five local hires and no expatriate hires, and had no need to provide cross-cultural or language training. The five local hires already knew the Chinese language, and possessed cultural and adaptability skills relevant to the China.

Two companies, who provided training for their expatriate technical employees, used different strategies with varying results. Peters Construction Company trained their employees and family members for two days after they arrived in China with minimal follow-up training. Triumph Motors trained their employees and family members prior to their move to China, devoting six weeks to language and culture training in addition to having the family visit China for one week. Peters Construction Company has had high rates of expatriate failed assignments, whereas Triumph Motors has experienced success with their single expatriate assignment (see Figure 7).

Cross-cultural and language training prior to an assignment may not be the sole reason for the success or failure of an expatriate assignment, but it does play an important role in positioning an expatriate for success. One technical employee who did not know the Chinese language and who did not possess cultural competencies represents an exception. What this employee exhibited was a sense of adventure and enthusiasm (noted in Figure 6 as one of the main criteria for an expatriate employee's success).

Only one of nine technical employees was given cross-cultural training prior to his assignment in China. The eight technical employees received cross-cultural training during their assignment in China. Only one of these eight experienced a successful expatriate assignment. The other seven failed their expatriate assignments and were either released by the company or returned to their home country for a domestic assignment.

CHAPTER 8: CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Hewitt and Associate's (1998) research demonstrates that expatriate employees in China who possess cultural knowledge, inclusive of linguistic competencies and adaptability skills, will have a higher rate of productivity in a shorter period of time compared to their counterparts who do not have those skills. My findings go a step further. Not only are expatriates with cultural knowledge and adaptability skills more productive, but their technical counterparts are more prone to have a failed assignment. Therefore, a limited amount of value is brought to a business in China and a large amount of quantifiable and non-quantifiable costs are absorbed by the company.

My research illustrates that a lack of cultural and linguistic training made available to expatriates is a cause for failure. The results demonstrate that the sixteen expatriates with cultural and linguistic knowledge (including the one expatriate who received cultural and language training prior to his assignment), all had successful assignments. Conversely, the expatriates who did not receive cultural and linguistic training or who received their training during their assignment experienced high levels of failed assignments (9 out of 11) (see Figure 7).

Previous research that has focused on values and criteria has underestimated the value that cross-cultural and linguistic training can add to an

expatriate's assignment in China. By focusing entirely on technical and management skills when selecting a candidate and only offering cross-cultural and linguistic training after their arrival in China, a high amount of financial waste for companies and their shareholders results.

Another interesting point raised by my research is the practice of providing hardship pay to overcome employee reluctance to accept an overseas assignment. The high rate of failed assignments among technical employees demonstrates that money or salary alone has not proven to be the answer for insuring a successful assignment in China.

Francis Hsu (1981) and his external/internal contrast further supports this point. The Chinese value relationships; therefore, relationship building is integral to doing business in China and to helping expatriate employees who work in China adapt. We have already seen that money or salary (which is used as an external motivator) does not ensure a successful expatriate assignment. Employees who have cultural and linguistic knowledge will be able to build relationships and to use their skills to their company's advantage. In doing so, their personal adaptation to the Chinese social environment is linked to their success in business.

Many American companies and managers in China still regard technical expertise and knowledge of the company and its products as primary selection criteria. Although the managers in this study identified cultural knowledge,

adaptability, and language skills as important for an expatriate to succeed, they all stated that without technical and managerial skills the expatriate would fail.

My findings demonstrate that this is not the case. American companies are burdened by out-dated philosophies that purport "if you can do the job here you can do the job anywhere." Why are American companies reluctant to change their hiring criteria from a technical and managerial focus to one of cultural knowledge, adaptability, and language skills? It appears that American cultural values - which place a priority on technical education - are undermining the "bottom line."

My research also demonstrates that employees have a better understanding of the skills needed to have a successful assignment in China than their managers (see Figure 10). This suggests that a communication problem exists between employees and managers. It is clear that dialogue needs to be initiated between both parties.

My findings offer evidence that suggests that substantial cultural training in advance can prepare an expatriate employee to have a successful assignment in China. The technical expatriate who participated in a six-week language and culture course prior to his assignment, combined with a visit to the host country, experienced a successful assignment. In contrast, the expatriates who participated in a few days of training after they arrived in their host country did not succeed in their assignments.

Recommendations

My recommendations begin with focusing on upper-management's commitment to an expatriate's success. Finances, short-term successes, and long term strategies are important to a company and their goals in China. Decision-makers, who will implement a business plan in China, need to have knowledge of the host country. High-level managers need to have an understanding of the values that exist in a foreign country to understand the challenges that their business and their expatriate employees will face. Cross-cultural training for upper-management personnel would help to dislodge the misconceived notion that "if you can do it here, you can do it anywhere," and bring to light the nontechnical skills relevant to the success of an expatriate employee in China.

The amount of training that is needed to understand a company's business or product is less (in time) than it would be for an employee to become proficient in a foreign language and to gain adequate cultural knowledge. This means that it would be more cost-effective to train local hires in managerial and technical skills than it would be to train technical employees in language and cultural skills. Not only is the time shorter but the time spent can also be more cost-effective (both in quantifiable training costs and non-quantifiable costs). In doing so, business can devote more of their capital and personnel to promoting brand image, strategy implementation, and managing their local staff.

Training should also be implemented for local hire employees based in China. Employees who are hired in China often lack specific knowledge of the company and company culture, and lack high-level managerial and technical skills. Companies should see this as an opportunity to provide them with proper training to increase their knowledge of the company and its culture. Depending on the company's operating systems, a mentor can be assigned to help instill this knowledge. Either through training or by assigning a mentor, the local hire then acquires the necessary managerial and technical skills necessary to perform their job.

In cases where it is difficult or too costly to hire a culturally and linguistically competent employee, prior training can be implemented. The training should be lengthy, at least six weeks, and should occur prior to their assignment. Follow-up sessions while working in the host country are highly recommended (and usually necessary) because training provided only after their arrival in the host country (that which occurs during their assignment) is not likely to be effective.

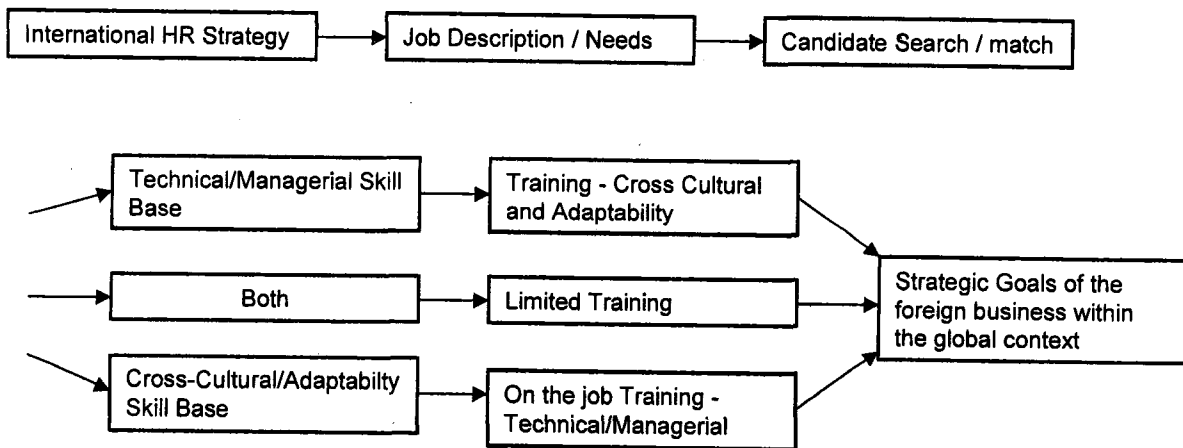
An employee who displays external motivation should not be sent to China, as in the case of the employee who stated that he accepted his assignment in China so that he could earn more money, buy a boat, and live in Mexico. External motivational factors are in direct contradiction to the cultural values of the Chinese. Hsu (1981) has demonstrated that internal motivational factors, such as relationships and relationship building, are an integral part of

business in China. This cultural value requires that the expatriate in China should also possess internal motivation to interact with Chinese people.

I also recommend that an inventory of explicit capabilities related to cultural and language expertise be developed. One method would entail asking existing expatriate employees to identify specific accomplishments that resulted from skills that they used during their assignment. The skill inventory could help managers to better identify and to understand what skills have proven beneficial - what attributes they should look for when hiring a local expatriate.

Finally, I recommend a simple process flow which will assist a company in the hiring/placement process of an expatriate employee (see Figure 11). First, the company must consider its overall strategic goals in China. Then the company can create and implement an international human resource strategy (which will necessarily incorporate the previous recommendations). A strategy incorporating both the need for cultural and linguistic competencies as well as technical and managerial competencies will increase the chances of a successful assignment. The process flow allows for flexibility in implementing hiring and training strategies that will help the expatriate to have a successful assignment. Implementation of this type of process flow will help companies reduce their quantifiable and non-quantifiable costs and help the company meet its ultimate goal - profitability.

Figure 11. Recommended Process Flow



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APPENDICES

Appendix A: Management Group Questions

- 1) How does your company hire/place an expatriate employee?
- 2) What have been your experiences in hiring/placing people for expatriate positions in the last four to five years? Please narrate them. The intent is to match these expressed experiences directly with their employees and include them in the Employee Group.
- 3) Please describe the company's criteria for hiring/placing expatriate employees.
- 4) Does the company's criteria for #2 differ from your criteria? If so, how?
- 5) What criteria does the company focus on when hiring/placing an expatriate employee?
- 6) How are the criteria actually reflected in the actual expatriates hires/placed in Shanghai, China?
- 7) How does the employee's abilities, job, management, skill focus or cultural, adaptability, linguistic focus, affect the company's or the employee's ability in retention, success, or development of the employee?
- 8) What factors do you believe to have an effect on the employee's ability to work effectively in their expatriate position?

Appendix B: Employee Group Questions

- 1) Citizenship:_____ 2) Place of Birth:_____ 3) Nationality _____
- 4) Age:_____ 5) Sex:_____ 6) Level of Education:_____
- 7) Years of Work Experience:_____
- 8) Years of International Work Experience:_____
- 9) Where:_____
- 10) Years of work experience in your current field:_____
- 11) Years of work experience in China:_____
- 12) Prior to your current company:_____
- 13) With your current company:_____
- 14) Language ability: a) Mandarin:_____

b) Other Dialect:_____

 - 1) None: defined as only being able to say a few words
 - 2) Low: defined as language ability of one year of college. Several phrases.
 - 3) Medium: defined as language ability equivalent to the end of the second year of college.
 - 4) High: defined as language ability equivalent to the end of the third year of college.
- 15) What were your experiences in looking for an expatriate position with an American company?
- 16) What criteria do you feel is necessary for you to perform your work in an expatriate position? Why?
- 17) What effect do these criteria have in your ability to develop in the company, adjustment, retention by the company, etc...?
- 18) What do you feel are the important criteria for working in an expatriate position?
- 19) What criteria did your company in your expatriate position express to you when you were hired/placed?
- 20) What criteria was expressed by other American companies when you were looking for an expatriate position?

Appendix C: Questionnaire for the Management and Employee Group

Criteria Integral to Expatriates' Success in an International Assignment in China:

If you had a choice of any of the items of what you would you would like to possess or a manager possess for you or their international assignment, in order of importance (1 being the highest and 10 being the lowest) how would you rank the following. If there are some items not listed, please add them.

<i>Item/Criteria</i>	<i>Order of Importance</i>
Good job, role planning, and support	
Communication skills	
Family (yourself) stability and adaptability	
Job, technical and management skills	
Cross-cultural adaptability	
Assignee spirit of adventure and willingness to take risks	
Adequacy and compensation package	
Social and interpersonal skills	
Assignee enthusiasm	
Language (foreign) skills	