

Review paper

DETERMINANTS OF THE INTERNATIONAL STAFFING POLICY

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Abstract. *In terms of business globalization, one of the key decisions that companies must make is related to the selection of the employees who will perform activities and tasks abroad. In this regard, three categories of employees are available to companies: members of the parent country, members of the host country and members of the third country. The decision on their choice is very important since it affects the ability of companies to establish adequate control over the functioning of entities abroad, and the ability to adequately observe local conditions. However, this decision is not simple because it is affected by numerous situational factors which often act in opposite directions. Therefore, having in mind the importance of such decision and complexity of its making the goal of this paper arises. That is the systematization and analysis of the key factors that determine the decision on the selection of personnel for activities abroad. The basic premise of this paper is that before companies make such a decision, they must analyze the effects of three groups of factors: the host country specific factors, the companies' specific factors, and the so-called hybrid factors which are specific combination of the previous groups of factors. The paper also discusses the advantages and disadvantages of particular approach in staffing policy.*

Key Words: *internationalization, staffing, human resources, management, multinational companies.*

1. INTRODUCTION

In modern business environment where globalization is one of the key dimensions, the increasing numbers of organizations are deciding to internationalize their business and are seeking business opportunity in the wider horizon. However, along with this kind of business orientation the demand for quality human resources is growing. It has been confirmed that appropriate choice and management of human resources can be the key

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factor which determines the success in the foreign markets [1], and that they may even contribute to gaining the competitive advantage in that market [2]. In addition, the phrase "war for talents" [3], which is often used in the literature from international human resource management (IHRM) field, speaks also about the importance of quality human resources for success in international business.

Because of the importance of high-quality human resources for success in the international market one of the key strategic decisions that multinational companies (MNCs) are faced with is related to the selection of the persons who will perform activities and tasks abroad [4]. The key dilemma is whether the key positions should be filled by people from the parent country (parent country nationals – PCNs), people from the host country (host country nationals - HCNs) or with people from the third countries (third country nationals - TCNs). When it comes to filling positions in the middle management level or lower positions, such dilemmas almost do not exist, because evidences show that these positions are usually filled by persons who are recruited from the local labor market.

The decision on how to fill the key positions in business entities abroad (subsidiaries, affiliates or representative offices) is usually based on how certain choices will affect the transfer of knowledge, control and coordination of the activities that will take place outside the country, as well as how to get the knowledge on local conditions and specificities of the host country [5]. Since these requirements are often conflicting, whether MNCs opt for PCNs or HCNs, each of these choices has its pros and cons. In order to find an optimal solution some of the authors in the field of IHRM offer us a seemingly simple formula: international staffing policy should strive to achieve compliance (fit) between the strategy of the firm and its specific characteristics with the characteristics of the external environment or contextual characteristics of the host country [6]. This compliance, however, is not easy to achieve because it requires identifying and analyzing numerous factors, while many of them can have the opposite effects.

Due to the fact that the policy of international staffing is influenced by a large number of factors, the aim of this paper is to identify and systematize the most important factors that influence the selection of the employees for the key positions in entities abroad, as well as to present the advantages and disadvantages of certain orientations in this regard. From this aims arises the basic assumption of this paper: in order to recruit and select the staff for the subsidiaries and affiliates abroad, MNCs must analyze the effects of three groups of factors: factors related to the specificity of the host country, factors related to the specificity of the companies and the so-called hybrid factors. Selection of the optimal alternative in the international staffing will be the resultant of the effects of all three groups of factors and their mutual causality in the case of a specific company.

In the research primarily a qualitative methodology is used, based on the study and sublimation of findings of many scholars from the field of IHRM, as well as secondary data, the results of numerous empirical studies in this field, and also the best world's practice. We believe that this research would be useful for the managers of local companies whose goals and plans are focused on the internationalization of business, since the lack of adequate human resources for international business activities for a long time have been identified as a limiting factor for larger international expansion of domestic companies.

The paper is structured in such a way that, in addition to the introduction, it contains two parts. The first part of the paper deals with the opportunities that are available to MNCs in providing the personnel for business entities abroad, as well as the arguments

that arise for and against certain alternatives. The second part analyzes factors which are identified as key ones in the policy of international staffing: factors derived from the contextual framework of the country in which the business will be performed, factors specific to the company which internationalize its business and hybrid factors. In the conclusion, the results of the research are summarized and recommendations to managers who have to make decisions in the field of international staffing are made.

2. ALTERNATIVES IN CHOOSING THE INTERNATIONAL STAFF: PROS AND CONS

International staffing is usually defined as a set of activities in the recruitment and selection process aimed at attracting a sufficient number of qualified candidates to apply for the positions in entities abroad, as well as the selection of those who are considered to be the best. International staffing in general is a very important part of IHRM since the persons who are selected for international activities influence to a large extent the performance that the companies will achieve. In addition, the policy of international staffing affects other activities in the field of IHRM, such as training of the staff, reward system, policy of retention of key personnel, etc.

There is no doubt that international staffing is more complex than when it comes to staffing in national firms: HR professionals in MNCs often have to apply different procedures for recruitment and selection in comparison to those that are common in the home country due to the diversity of legal regulations in the countries where the MNCs have entities, and due to the diversity of the cultural environment and unwritten rules of behavior in these countries. Consequently, good performing of those tasks requires a high level of competence of HR professionals and their appropriate education.

As we said earlier, when it comes to filling positions in the entities abroad, MNCs have three options, i.e. they can opt for three solutions: persons from the parent country, persons from the host country and persons from the third-country (Table 1). These three options are considering when MNCs have to fill the key positions in their entities but when they need to fill the lower positions more often candidates from the local labor market are recruited and hired.

Table 1 Classification of the international staff

Parent country nationals	Nationality of employees is the same as that of the headquarters of the MNC
Host country nationals	Nationality of employees is the same as that of the local subsidiary
Third country nationals	Nationality of employees is neither that of the headquarters nor the local subsidiary

Source: adapted according to Reiche, S., Harzing, A. W. (version 2009), International assignments, <http://www.harzing.com/download/ihrmchapter.pdf>

If MNCs' managers decide to employ PCNs (which in literature are commonly called *expatriates*) for key positions in entities abroad, their transfer to the subsidiaries abroad can be basically motivated by various reasons. According to Edström and Galbraith [7] the reasons for their transfer can be: (a) filling positions in the subsidiaries abroad because the local staff is not qualified enough, (b) development of *expatriate* managers who will gain international experience and be prepared for future important tasks in subsidiaries abroad or in the parent company, and (c) organizational development, where transfers enable development of strategic coordination and control, as well as the development of communication channels in the MNCs.

Simultaneously with the transfer of PCNs in subsidiaries abroad, proper knowledge is transferring too. However, what kind of knowledge is transferring depends on the above described reasons of sending *expatriates*. Thus, Edström and Galbraith [ibid] suggest that if the goal of sending *expatriates* is to fill technical positions or positions in different business functions, then the transfer of technical knowledge, functional expertise and the like will occurred. However, if the purpose of sending *expatriates* is to prepare them for future leadership positions in MNCs, then it is more important that the cultural values of MNCs and managerial know-how are transferring along with the *expatriates* to the subsidiaries abroad. Finally, if the goal of sending *expatriates* is to establish a coordination and control of the foreign entities, then along with their transfer, specific tacit knowledge of the MNCs, such as core competencies and strategic values that the company stands for, is transferring [7].

The selection of PCNs for the key positions in the entities abroad is associated with a number of advantages. First of all, such people are typically familiar with the objectives, policies and procedures of the parent company and there is an assumption that this fact will positively affect the subsidiaries to be in the course of strategic goals of the company. Also, sending PCNs facilitates communication with the top managers of the MNCs. On the contrary, communication with the members of other nationalities and cultures can be difficult because of the different styles of verbal and nonverbal communication. Besides that, the problem with different language may also arise. Having that in mind, managers from the headquarters of MNCs usually prefer to have some managers from the home country in the entities abroad [8].

On the other hand, selection of PCNs for companies' activities abroad also has a negative side. First of all, there may be difficulties for PCNs in adapting to a foreign socio-economic, political and cultural environment, as well as to the spoken language of the host country. Then, the costs of employees' selection, as well as staying abroad together with their families can be extremely high. In addition, bearing in mind that a particular problem in the process of adapting to foreign environment is cultural adaptation [9], the training of the staff to meet the different cultural values and demands of the new working environment may significantly increase the cost of MNCs. However, if the efforts on preparing the *expatriates* to work abroad do not lead to appropriate outcomes, or if there are insurmountable obstacles in the process of their adaptation, it might lead to their premature returning to the parent company [10] or to their unsatisfactory performance [11]. In both cases, the company will face high and unnecessary costs, which according to some researches can reach up to millions of dollars per employee [14]. As the costs of wrong choices of the *expatriates* can be very high, this implies that special attention should be paid to their selection. Regarding this, Tung indicates that the right person can usually be

found on the basis of a comprehensive analysis of the tasks, the foreign market and one's personal characteristics [13].

Finally, a potential disadvantage of the PCNs' engagement is that it limits the opportunity for career development of HCNs and TCNs, which can have a negative impact on their motivation and commitment.

On the other hand, hiring HCNs also has its good and bad sides. First, by their engagement the problem of adapting to the new socio-economic, political and cultural environment is avoided, as well as the necessity of learning the business practices of the host country. Second, the costs of their employment usually are lower comparing to the costs of the *expatriates*. In addition, opportunities for promotion and advancement of local staff can have a positive effect on their motivation. Finally, it has been found that the fluctuation of TCNs managers is lower than the fluctuation of PCNs.

However, the decision on the employment of HCNs for the key positions in entities abroad may lead to serious problems. In fact, some MNCs that are deployed persons from the host country and persons from the third-country in key positions in the subsidiaries abroad, have faced the problem of losing control of such subsidiaries. Also, they have increased their dependence on managers who do not come from the company's headquarters and its managers have limited opportunity to gain global experience [14].

A third possibility is that MNCs engage persons from the third-countries (TCNs) for the key positions in entities abroad. In this way a special kind of compromise between the need of providing technical and managerial expertise and the ability to adapt to foreign socio-economic and cultural environment should be made. This is possible since the third-country nationals usually have some experience in the process of adapting to foreign environment. Also, studies indicate that TCNs typically cost less than the members of the home country. In addition, in some cases it is confirmed that TCNs are more familiar with the situation in the host country than the PCNs.

From the abovementioned follows that any decision on the selection of international staff has both good and bad sides, which indicates that the problem of international staffing is very complex and that in the process of deciding on this issue companies should take into account numerous variables.

Without being bound by theory, it is always important to see what practice really shows us. If we are speaking about the empirical data, a comprehensive study conducted by Anne-Wil Harzing [8], which included nearly 2689 subsidiaries in 250 different MNCs, is very important. It showed that on average 40.8% subsidiaries are headed by managers from the parent country, i.e. PCNs. This study also found that previous data significantly differ if we look at the data of particular countries, particular clusters of the countries, as well as particular industries in which subsidiaries operate. Table 2 shows the percentage of PCNs in subsidiaries abroad according to the countries in which headquarters of the MNCs are located.

From the data in Table 2 we can conclude that MNCs whose headquarters are placed in Scandinavian region have the lowest percentage of PCNs at the key positions in the subsidiaries abroad, while the largest percentage of PCNs have Japanese MNCs, 76.5%. This can be explained by the fact that a HRM in Japan has some specifics comparing to the Western countries. Characteristics of Japanese HRM system that have an impact on the choice of PCNs are: lifetime employment, extensive use of the practices such as transfer of employees, salary based on seniority, total quality control, JIT procedures, etc. [15].

Table 2 Size and percentage of sample subsidiaries which are headed by PCNs

Country of origin of HQ	N	% PCNs
Denmark	88	18.2
UK	381	23.1
Norway	49	24.5
Switzerland	207	25.6
France	247	30.0
Finland	200	30.0
Netherlands	196	32.7
Sweedden	386	34.2
Germany	279	40.9
Italy	52	48.1
Japan	601	76.5
Total	2689	40.8

Source: Harzing, A. W. (2001). Who's in charge? An empirical study of executive staffing practices in foreign subsidiaries, *Human Resource Management*, 40 (2): 139–158.

Depending on who are persons in the key positions in the subsidiaries abroad, i.e. from where their transfer has occurred, four different orientations in the policy of international staffing can be identified. These are: ethnocentric, polycentric, geocentric and regiocentric orientation [16]. In ethnocentric approach dominate PCNs, in polycentric approach dominate HCNS, and in regiocentric and geocentric dominate TCNs. According to this classification, Permuter classified MNCs too. In this regard he classified MNCs as being ethnocentric, polycentric, geocentric and regiocentric MNCs.

3. THE KEY FACTORS OF INTERNATIONAL STAFFING POLICY

A useful starting point for classification of the factors of international staffing policy can be found in the work of Shen [6], who classified all factors of international staffing policy into three groups: (a) contextual factors of the host country (b) company's specific factors, and (c) other factors. In our classification, the third group of factors is called *hybrid* factors since their impact is a combination of the previous groups of factors.

3.1 Contextual factors of the host country

The most important contextual factors of the host country that have an impact on the international staffing policy include: institutional characteristics of the host country, level of economic development, level of country's political risk, etc.

Institutional characteristics of the host country. Countries primarily differ by their institutional environment. In this regard the institutional distance between them might be smaller or bigger and it is related to the differences in regulations, normative and cultural-cognitive aspects [17]. Regulatory aspects are related to the formal rules and regulations that are sanctioned by the state, while the normative and cultural-cognitive dimensions are informal aspects of institutional environment as they are related to the system of values and beliefs of the members of a society [ibid]. Basically, one can say that the bigger the institutional distance is, the greater the likelihood that the orientation

in international staffing policy will be toward PCNs. This can be most easily explained by the influence of culture. Namely, if the level of cultural distance between the countries in which headquarters of MNCs operates and the host countries is high [5], then in providing key management personnel ethnocentric orientation will dominate. This is because the fact that in the condition of high cultural distance less trust in managers who come from the host country usually exists, and there is a caution in terms of their commitment to the objectives of the company. Thus, in the case of MNCs originating from countries whose national culture is characterized by a high degree of risk aversion [18], they will almost invariably opt for the ethnocentric orientation. They will choose this approach in order to achieve greater control over international activities and reduce business risks [19]. In such circumstances, in the process of selection, as a rule, older and more experienced managers from headquarters, i.e. person of trust will have priority in selection.

Differences in national culture can lead to difficulties in the communication process because of the different styles of verbal or non-verbal communications, which can cause various misunderstandings. Large institutional distance, on the other hand, affects the PCNs adjustment which in such circumstances becomes very complex, and good preparation is almost an imperative.

Economic factors. The level of the economic development of the country, the purchasing power of its citizens, as well as the prospects for its future prosperity, are also important issues for MNCs when they decide about filling management positions in entities abroad. This is because the choices that are made to a large extent influence the costs of the MNCs. Experience shows that if *expatriates* go to developed countries, where the costs of living are high, they will have high wages in order to compensate these costs. This fact leads the growing number of MNCs to consider replacement of the *expatriates* with local managers [20]. This orientation is confirmed by the results of the study which found that American and Western European companies usually decide to send PCNs in less developed countries, while in the case of undeveloped countries they prefer HCNs, in order that the company would have lower costs [21].

Political risk. Political risk in the host country may also influence the decision on the composition of the staff in the subsidiaries. Generally speaking, political risk can have different causes. So, there are *firms specific risks*, which is also known as micro risk, *country-specific risks*, also known as macro risk, and *global specific risks* (global risks) [22]. The most common cause of micro risk arises from a conflict between the goals and objectives of certain MNC and those of the host government. This type of risk does not reflect on all foreign companies, but only on some. Therefore, this type of risk is called micro risk. The macro risk is associated with a risk of the specific country. The two most common macro risks are cultural and regulatory risks, and they come from the ownership structure, religious norms, nepotism, protectionism, intellectual property rights in a particular country, etc. Global risk is the one that affects MNCs in a specific country but its origin is on the global level. It can be, for example, terrorism, anti-globalization movement, concerns for environmental protection, etc. If the company estimates that any kind of risk is high, it is more likely to opt for ethnocentric orientation in the staffing policy.

3.2 Company's specific features

Specific features of the MNCs could be concerned as factors of international staffing policy, too. These factors include the business strategy of MNC, the phase of the company's life cycle in which it internationalized its business, industry to which it belongs, the characteristics of subsidiaries abroad, etc.

Orientation in the business strategy. Orientations in business strategy concerning internationalization can be ethnocentric, polycentric, regiocentric or geocentric. The ethnocentric approach in business strategy characterizes focus on the domestic market, while redundancies of goods are exported overseas. Consequently, the elements of the marketing mix abroad are almost identical to those in the home country [23], i.e. they are not adapted to a foreign environment. According to such business orientation, when it comes to filling the key managerial positions in entities abroad, preference is given to the parent country managers, which refers to ethnocentric approach in staffing policy. The polycentric approach in business strategy is generally considered to be more flexible because it takes local specificity more into consideration. This is because subsidiaries are seen as separate national organizational entities. Therefore, this approach requires managers to possess knowledge of the local context specifics. Consequently, the preference in filling the key positions is given to local managers, which leads to polycentric approach in staffing policy. Regiocentric-oriented business is organized by regions in which each regional center has considerable autonomy and directs all subsidiaries within it. When it comes to human resource issues, the empirical data show that each region is managed by the pool of managers who come from parent country, but also from countries within the region, or even from countries outside the region. Such orientation in staffing policy represents the regiocentric approach. Within the geocentric approach of internationalization strategy the entire world is seen as a potential market for companies which develop and make standardized product lines. In staffing policy such companies also take global approach, and the whole world is the arena where quality human resources are looked for. In addition to the policy of staffing which is a global, company also have global approach when it comes to pricing, marketing and distribution. From the previous text follows that the orientation in business strategy usually corresponds to the approach in staffing policy.

Stage in the life cycle of the company. Some authors point out that the choices in the international staffing policy could be affected by the *phase* of the life cycle in which the company decided to enter the international market. Thus, companies that implement a phased approach in internationalization of the business and international activities usually apply the so-called EPRG orientation [24] in staffing policy i.e. they first opt for ethnocentric approach, then the polycentric, regiocentric and finally, the geocentric approach.

It is pointed out that in the early stages of internationalization, a company applies the ethnocentric orientation which implies that the business of exporting and management of the offices abroad is conducted by domestic managers/owners of the company [25]. They have a task to transmit the organizational culture, organizational and financial procedures of its domestic firms to the entities abroad. After some time they adopt a polycentric orientation by promoting the local human resources for senior positions although the managers from host countries rarely reach the highest managerial positions. As the business becomes more internationalized, companies adopt the regiocentric and geocentric orientation, appointing the best people for the job to be performed abroad, regardless of their nationality. Kelly, therefore, concludes that the ways in business orientation and orienta-

tion in the provision of human resources for the international activities are the same and they start with the ethnocentric or polycentric orientation and end with the regiocentric or geocentric orientation [ibid].

However, some moderator factors might affect that some companies, which gradually internationalize their business, after all do not follow this path. These moderator factors, according to the Isidor et al., can include pre-international experience of the founders or owners of the company, development of the technology owned by the company, as well as the size of the international social capital which the leaders of the company possess [24]. An explanation of how previous international experience influences the choices of personnel for key managerial positions is that leaders of the company who have certain international experience are more aware of the limitations that ethnocentric approach brings. Those limitations are primarily related to the high cost of training of the employees who will perform tasks abroad. These costs are caused by the need that appointees should gain knowledge of the local culture, economy, political environment etc., due to a lack of knowledge of the local market. Therefore, the leaders of those companies, even if they are in the early stages of the life cycle, however, do not choose ethnocentric approach. Instead, the key factor in the selection of managerial personnel is their qualifications, regardless of the country of origin.

When it comes to the impact of technology on the approach in selecting people for key positions in entities abroad, it is considered that technologically intensive organizations are more exposed to the danger of "taking over" or transfer of knowledge from foreign competition. Therefore, in order to protect that knowledge these companies take an ethnocentric approach, too. On the other hand, when it comes to the personnel on lower positions, companies apply a polycentric orientation where key criterion for selection of the staff is their technical competence and knowledge.

International contacts of the companies' leaders also have an impact on the approach in international staffing for key managerial positions in subsidiaries abroad. If they have wider network of international contacts, then those leaders can more easily get the knowledge about specific factors influencing particular country or market. Such situation consequently diminishes the role of the *expatriates* (and thus ethnocentric orientation) since their task, among others, is to transfer such knowledge to the company's headquarters. In addition, a broad network of international contacts facilitates the selection of local managers who possess the necessary competence. In addition, this reduces the need for sending the employees from headquarter of the MNC to be appointed to key positions in entities abroad.

Industry. Some studies have shown that a proportionately higher percentage of ethnocentric orientation in the provision of managerial staff is identified in the financial sector, while a smaller percentage is identified in the advertising industry, food production, computer industry, etc. (Table 3). This can be explained by the fact that in the banking sector the issue of control is very important, which causes that in this sector an ethnocentric orientation is dominant, while in others, such as services sector, possessing knowledge of the local market is more important. Therefore, in such sectors of the economy, the polycentric or regiocentric orientations are prevalent.

Table 3 Sample size and percentage of PCNs in different industries

Industry	N	% PCNs
Business & management services	71	12.7
Rubber & miscellaneous plastics	30	20.0
Pharmaceutical	156	25.0
Food & related products	132	25.8
Advertising agencies	109	26.6
Computers & office machines	128	34.4
Industrial Chemicals	175	37.7
Engineering services	41	39.0
Metal products	83	42.2
Oil & Gas	25	48.0
Telecommunications equipment	62	53.2
Motor vehicles and parts	82	62.2
Banks & banking services	481	76.1
Security & commodity brokers	80	84.8

Source: Harzing, A. W. (2001). Who's in charge? An empirical study of executive staffing practices in foreign subsidiaries, *Human Resource Management*, 40 (2): 139–158.

Characteristics of the subsidiaries. Characteristics of the subsidiaries influence the approach in staffing policy in a way that when it is about a newly formed subsidiary, ethnocentric orientation is more likely. On the other hand, if the subsidiary has a longer history of operations, a polycentric or regiocentric orientations are more likely to be implemented. In addition, when the subsidiary is relatively new, difficulty in recruiting staff from the local labor market goes in favour of the ethnocentric orientation [19]. These problems, however, almost do not exist if the subsidiary has a long history of successful business. A polycentric approach is more likely in a situation when the knowledge of local market is very important and the subsidiary is new.

Besides that, other features of the subsidiaries can also influence the orientation in international staffing policy. For example, when it is about the big and important subsidiaries regardless of their age, it is important to maintain control over them, and therefore the ethnocentric approach in staffing policy is a natural choice. On the other hand, in case of small entities that are low in the hierarchy of MNC, direct control is not of great importance, and the MNC can opt for a polycentric or regiocentric orientation. The ethnocentric approach, i.e. striving to achieve greater control over the entities abroad is necessary when they perform low performance also.

3.3 Hybrid factors

This group of factors comprehends transaction costs related to employing staff. Namely, when it comes to making such decisions, these costs should be compared in terms of what is their amount in the host country and what is their amount in the home country. Consequently, these costs in our paper are considered as hybrid factors since the choice of staff is made on the characteristics of the parent country and the host country.

Transaction costs that affect the policy of international staffing consist of two main categories, namely: (a) the amount of salary for personnel performing tasks in entities

abroad, and (b) staffing costs [26]. Staffing costs, however, include the costs of recruitment, selection, and costs caused by the need for controlling and monitoring the employees' behavior [27]. In literature, staffing costs are classified into two categories such as *ex ante* transaction costs and *ex post* transaction costs [28].

Researches generally confirm that the level of the *expatriates'* salary is usually higher than the salary of local population [29], as well as that their salary is not lower than the earnings they would have in the home country. In some countries, it is found that *expatriates* earn between 20 and 50 times higher salary than the local population [30]. Bearing that in mind, it would be logical to expect that if the earnings of the expatriates in subsidiaries abroad were substantial (much higher than the earning of the locals), it would lead to MNCs' decision to engage the personnel from the host country. However, Benito et al. [26] stress that the total costs related to the employees are affected by the staffing costs, too. These costs, both *ex-ante* costs and *ex post* costs, by the opinion of the mentioned authors, could be very high when MNCs engage the personnel from local population. Thus, the costs of recruiting (which are included in the *ex-ante* costs), in the case of recruitment of the locals, might be very high because the local labor market is usually known insufficiently. Consequently, bearing in mind asymmetric information in the selection process, there would be a risk of making inappropriate decisions. Also, the *ex post* transaction costs might be higher when it comes to engagement of local population instead of the *expatriates*. This is because the fact that cultural differences between countries might cause unexpected costs since people from different countries need not to have the same expectations about output in terms of its quality, size and other relevant dimensions. In addition, since the culture in the host country usually differs from the culture of MNCs, the leaders of the company cannot rely on some unwritten rules and norms of behaviour, when it comes to controlling behaviour or the local staff. Accordingly, this can cause very high monitoring costs when MNCs hire local staff [ibid].

Having in mind the previously mentioned facts, it arises that the final decision on the selection of the candidates for performing activities abroad will depend on the *ratio of costs* caused by the amount of salary and the staffing costs, both in the home country and the host country.

CONCLUSION

It is shown in the papers that companies which have internationalized their operations (or they plan to do so) are faced with an important strategic decision: who to select for key managerial positions in entities abroad. Since these positions provide significant impacts on the control and coordination of the activities in entities abroad, as well as on their success, it is important to make appropriate choices for these positions. Any wrong decision in this regard can be very costly for the company since it can cause not only the costs of replacing such employees, but also the so-called hidden costs that arise due to disturbed reputation of the entities abroad or deteriorated business relations with partners.

Three categories of staff are available to multinational companies in terms of filling the key positions in entities abroad: candidates from the home country, the host country candidates and candidates from third countries. Each choice has its pros and cons, which are analyzed in detail in the paper. Also, the systematization and analysis of the key factors that influence the international staffing policy were done in the paper. In order to

facilitate study all factors were first grouped into three categories and then they were analyzed in terms of their particular impact on that policy.

From the analysis of the international staffing policy factors some practical implications arise that could be useful for the management of the companies that plan to internationalize their business. For example, if it is of great importance for company to achieve control over the operations of the entities abroad, either because there is a significant cultural and regulatory distance in relation to the home country, either because the subsidiary is important for the company, or if there is a high degree of political risks, the optimal solution is to choose the people from the parent country, i.e. PCNs. On the other hand, if local knowledge is very important to a company, and in addition if there is available high-quality staff in the host country, companies can opt for HCNs. This is especially because in this way the risk that *expatriates* cannot adapt to different socio-cultural environment can be avoided. Another important factor that might determine the decision on the selection of staff is the costs of their employment, and the amount of salaries to be paid. Thus, in the situation where there is no significant institutional distance in relation to the home country, and where companies are familiar with local conditions, these costs might be the most important factor in the staffing policy.

Finally, we may agree with Shen's opinion that the basic principle of the international staffing policy should be to establish an optimal balance between the need for coordination and control over the activities of the entities abroad along with possessing good local knowledge. But, as an important moderator factor staffing costs should be considered, especially in the case when there is low institutional distance between the parent and host country. This factor is especially important nowadays when the whole world is still faced with the consequences of the world economic crises.

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DETERMINANTE MEĐUNARODNE KADROVSKE POLITIKE

U uslovima globalizacije poslovanja jedna od ključnih odluka koje kompanije moraju doneti vezana je za izbor osoblja koje će radne zadatke obavljati u inostranstvu. Kompanijama se na raspolaganju nalaze tri kategorije zaposlenih: pripadnici matične zemlje, pripadnici zemlje domaćina i pripadnici trećih zemalja. Odluka o njihovom izboru je veoma važna jer utiče na sposobnost kompanija da uspostave adekvatnu kontrolu nad funkcionisanjem entiteta u inostranstvu, kao i na sposobnost da se adekvatno sagledaju lokalne prilike. Međutim, takva odluka nije nimalo jednostavna jer na nju utiče čitav niz situacionih faktora koji često deluju u suprotnim smerovima. Stoga, imajući u vidu važnost ovakve odluke, kao i složenost njenog donošenja, proizašao je i cilj ovog rada a to je sistematizacija i analiza ključnih faktora koji utiču na izbor osoblja koje će radne zadatke obavljati u inostranstvu. Polazna pretpostavka rada je da kompanije pre nego donesu takvu odluku moraju da analiziraju efekte tri grupe faktora: faktore vezane za specifičnost zemlje domaćina, faktore vezane za specifičnost kompanije i tzv. hibridne faktore koji su svojevrsna kombinacija prethodnih grupa faktora. U radu se, takođe, govori i o prednostima i nedostacima pojedinih orijentacija u politici internacionalnog staffinga.

Ključne reči: *internacionalizacija, kadriranje, ljudski resursi, menadžment, multinacionalne kompanije.*