

Chapter 17

Personal Selling and Sales Management



CHAPTER OUTLINE

Global Perspective: International Assignments Are Glamorous, Right?

Designing the Sales Force

Recruiting Marketing and Sales Personnel

- Expatriates
- Virtual Expatriates
- Local Nationals
- Third-Country Nationals
- Host-Country Restrictions

Selecting Sales and Marketing Personnel

Training for International Marketing

Motivating Sales Personnel

Designing Compensation Systems

- For Expatriates
- For a Global Sales Force

Evaluating and Controlling Sales Representatives

Preparing U.S. Personnel for Foreign Assignments

- Overcoming Reluctance to Accept a Foreign Assignment
- Reducing the Rate of Early Returns
- Successful Expatriate Repatriation

Developing Cultural Awareness

The Changing Profile of the Global Manager

Foreign-Language Skills

CHAPTER LEARNING OBJECTIVES

What you should learn from Chapter 17:

- LO1** The role of interpersonal selling in international marketing
- LO2** The considerations in designing an international sales force
- LO3** The steps to recruiting three types of international salespeople
- LO4** Selection criteria for international sales and marketing positions
- LO5** The special training needs of international personnel
- LO6** Motivation techniques for international sales representatives
- LO7** How to design compensation systems for an international sales force
- LO8** How to prepare Americans for foreign assignments
- LO9** The changing profile of the global sales and marketing manager

Global Perspective

INTERNATIONAL ASSIGNMENTS ARE GLAMOROUS, RIGHT?

“Glamorous” is probably not the adjective the following executives would use:

The problem as I see it with the company’s talk about international managers is that they were just paying lip service to it. When I applied for the posting to Malaysia they gave me all this stuff about the assignment being a really good career move and how I’d gain this valuable international experience and so on. And don’t get me wrong, we really enjoyed the posting. We loved the people and the culture and the lifestyle and when it came back to returning home, we weren’t really all that keen The problem was that while I had been away, the company had undergone a wholesale restructuring This meant that when I got back, my job had been effectively eliminated.

We have been in the United States for eleven months and I reckon it will be another six to twelve months before my wife and the kids are really settled here. I’m still learning new stuff every day at work and it has taken a long time to get used to American ways of doing things I mean if the company said, “Oh, we want you to move to South Africa in a year’s time,” I would really dig my heels in because it was initially very disruptive for my wife when she first came here.

And “glamorous” would not be on the tip of these expatriate spouses’ tongues either:

I found I haven’t adapted to Spanish hours. I find it a continual problem because the 2–5 p.m. siesta closure is really awkward. I always find myself where I have to remind myself that from 2–5 I have a blank period that I can’t do anything We started adjusting to the eating schedule. Whether we like it or not, we eat a lot later.

We’ve been really fortunate we haven’t had to use healthcare services here The thought of going to, needing to go to a doctor is scary because for me it would have to be someone English speaking or I wouldn’t, you know, feel comfortable.

Given these kinds of problems, is that international sales position being offered to you as attractive as it looks? Will it really help your career?

Sources: Nick Forster, “The Myth of the ‘International Manager,’” *International Journal of Resource Management* 11, no. 1 (February 2000), pp. 126–42; Mary C. Gilly, Lisa Peñaloza, and Kenneth M. Kambara, “The Role of Consumption in Expatriate Adjustment and Satisfaction,” working paper, Paul Merage School of Business, University of California, Irvine, 2010.

LO1

The role of interpersonal selling in international marketing

The salesperson is a company's most direct tie to the customer; in the eyes of most customers, the salesperson is the company. As presenter of company offerings and gatherer of customer information, the sales representative is the final link in the culmination of a company's marketing and sales efforts.

Growing global competition, coupled with the dynamic and complex nature of international business, increases both the need and the means for closer ties with both customers and suppliers. Particularly in relationship-based cultures such as China, relationship marketing, built on effective communications between the seller and buyer, focuses on building long-term alliances rather than treating each sale as a one-time event.¹ Advances in information technology are allowing for increasingly higher levels of coordination across advertising, marketing research, and personal selling efforts, yielding new roles and functions in customer relationship management (CRM).² Similarly, such advances are changing the nature of personal selling and sales management, leading some to forecast substantial reductions in field sales efforts.

In this ever-changing environment of international business, the tasks of designing, building, training, motivating, and compensating an international sales group generate unique problems at every stage of management and development. This chapter discusses the alternatives and problems of managing sales and marketing personnel in foreign countries. Indeed, these problems are among the most difficult facing international marketers. In one survey of CEOs and other top executives, the respondents identified "establishing sales and distribution networks" and "cultural differences" as major difficulties in international operations.

Designing the Sales Force

LO2

The considerations in designing an international sales force

The first step in managing a sales force is its design. Based on analyses of current and potential customers, the selling environment, competition, and the firm's resources and capabilities, decisions must be made regarding the numbers, characteristics, and assignments of sales personnel. All these design decisions are made more challenging by the wide variety of pertinent conditions and circumstances in international markets. Moreover, the globalization of markets and customers, as illustrated by the IBM–Ford story in Crossing Borders 17.1, makes the job of international sales manager quite interesting.

As described in previous chapters, distribution strategies will often vary from country to country. Some markets may require a direct sales force, whereas others may not. How customers are approached can differ as well. The hard sell that may work in some countries can be inappropriate in others. Automobiles have been sold door to door in Japan for years, and only recently have stocks been sold over the Internet in Europe. More than 100,000 of Singapore's 6 million inhabitants are involved in home product sales and other forms of multilevel marketing. The size of accounts certainly makes a difference as well—notice in Crossing Borders 17.1 that an IBM sales representative works inside Ford. Selling high-technology products may allow for the greater use of American expatriates, whereas selling consulting services will tend to require more participation by native sales representatives. Selling in information-oriented cultures such as Germany may also allow for greater use of expatriates. However, relationship-oriented countries such as Japan will require the most complete local knowledge possessed only by natives. Writing about

¹Xueming Luo, David A. Griffith, Sandra S. Liu, and Yi-Zheng Shi, "The Effects of Customer Relationships and Social Capital on Firm Performance: A Chinese Business Approach," *Journal of International Marketing* 12, no. 4 (2004), pp. 25–47; Roy Y.J. Chua, Michael W. Norris, and Paul Ingram, "Guanxi vs. Networking: Distinctive Configurations of Affect- and Cognition-Based Trust in the Networks of Chinese and American Managers," *Journal of International Business Studies* 40, no. 3 (2009), pp. 490–508; Nikala Lane and Nigel Peirce, "Strategizing the Sales Organization," *Journal of Strategic Marketing* 17, 3–4 (2009), pp. 307–322; Luis Filipe Lages, Garcia Silva, and Chris Styles, "Relationship Capabilities, Quality, and Innovation as Determinants of Export Performance," *Journal of International Marketing* 17, no. 4 (2009), pp. 47–70.

²Linda H. Shi, Shaoming Zou, J. Chris White, Regina C. McNally, and S. Tamer Cavusgil, "Global Account Management Capability: Insights from Leading Suppliers," *Journal of International Marketing* 13, no. 2 (2005), pp. 93–113.

CROSSING BORDERS 17.1

Sales Force Management and Global Customers

Did IBM really need a major overhaul to its sales compensation plan? For proof, just ask Kevin Tucker. Tucker, an IBM global account manager dedicated to Ford Motor Company, closed a \$7 million sale with the automotive giant's European operations. Ford wanted Tucker and his team of IBM representatives to install networking systems in its engineering facilities. The systems would run the applications that design the company's automobiles.

Ford's installation required help from an IBM sales executive in Germany, the project's headquarters. So Tucker, whose office sits in Ford's Dearborn, Michigan, headquarters, sent an e-mail requesting the executive's assistance. And that's when things turned ugly. Although the rep in Germany did not turn his back on the project, his initial reaction was less than enthusiastic. Ford wanted the systems installed throughout Europe, yet the compensation plan for IBM's Germany-based reps rewarded only the systems that were installed in that country. With 80 percent of the work scheduled outside of Germany, the executive was left wondering: Where's the payoff? Tucker and other IBM sales incentive managers wasted three weeks discussing ways to maximize the rep's incentive. Energy that could have been focused on the customer was wasted on a pay plan. "Ford was world-centric, we were country-centric," Tucker says. "The team in Germany was asking, 'Kevin, how can you make us whole?'"

They were not the only salespeople asking that question at IBM. Tucker's predicament represents just one of many problems that were rooted in IBM's "\$72 billion" sales incentive plan—a plan that had been obviously put on the back burner as the company giant tinkered with its vision.

Bob Wylie, manager of incentive strategies for IBM Canada, says, "There was the attitude that if it's outside my territory and outside my measurements, I don't get paid for it, and I don't get involved. What's in my pay plan defines what I do." Not the best setup for a company that operates in 165 countries.

Apparently, IBM has solved many of these problems. Ford signed contracts for more than \$300 million with IBM to create almost all of the car company's software, including Internet and e-commerce applications in Europe and North America. Details about IBM's global sales compensation program are provided later in this chapter. And IBM continues its impressive sales force coverage in burgeoning new markets like India, where it now employs more than 50,000 professionals who are generating almost \$1 billion in revenues.

Sources: Michele Marchetti, "Gamble: IBM Replaced Its Outdated Compensation Plan with a Worldwide Framework. Is It Paying Off?" *Sales & Marketing Management*, July 1996, pp. 65–69; "Ford Motor and IBM," *The Wall Street Journal Europe*, January 13, 1999, p. UK5A; "IBM Aims at \$1-b India Revenue by Year-End," *Business Line (The Hindu)*, December 9, 2007.

Japan, two international marketing experts agree: "Personal selling as a rule has to be localized for even the most global of corporations and industries."³

Once decisions have been made about how many expatriates, local nationals, or third-country nationals a particular market requires, the more intricate aspects of design can be undertaken, such as territory allocation and customer call plans. Many of the most advanced operations research tools developed in the United States can be applied in foreign markets, with appropriate adaptation of inputs, of course.⁴ For example, one company has provided tools to help international firms create balanced territories and find optimal locations for sales offices in Canada, Mexico, and Australia.⁵ However, the use of such high-tech resource allocation tools requires intricate knowledge of not only geographical details but also appropriate call routines. Many things can differ across cultures—the length of sales cycles, the kinds of customer relationships, and the types of interactions with customers. Indeed, more than one study has identified substantial differences in the importance

³Johny K. Johansson and Ikujiro Nonaka, *Relentless: The Japanese Way of Marketing* (New York: Harper Business, 1997), p. 97.

⁴Laia Ferrer, Rafael Pastor, and Alberto Garcia-Villoria, "Designing Salespeople's Routes with Multiple Visits of Customers: A Case Study," *International Journal of Production Economics* 19, no. 1 (2009), pp. 46–54.

⁵See the Web site for The TerrAlign Group, <http://www.terralign.com>, for more detailed information.

of referrals in the sales of industrial services in Japan vis-à-vis the United States.⁶ The implications are that in Japan, sales calls must be made not only on customers but also on the key people, such as bankers, in the all-important referral networks.

Recruiting Marketing and Sales Personnel

LO3

The steps to recruiting three types of international salespeople

The number of marketing management personnel from the home country assigned to foreign countries varies according to the size of the operation, the availability of qualified locals, and other firm characteristics.⁷ Increasingly, the number of U.S. home-country nationals (expatriates) assigned to foreign posts is smaller as the pool of trained, experienced locals grows.

The largest personnel requirement abroad for most companies is the sales force, recruited from three sources: expatriates, local nationals, and third-country nationals. A company's staffing pattern may include all three types in any single foreign operation, depending on qualifications, availability, and company needs. Sales and marketing executives can be recruited via the traditional media of advertising (including newspapers, magazines, job fairs, and the Internet), employment agencies or executive search firms,⁸ and the all-important personal referrals. The last source will be crucial in many foreign countries, particularly the relationship-oriented ones.

Expatriates

The number of companies relying on **expatriate** personnel is declining as the volume of world trade increases and as more companies use locals to fill marketing positions. However, when products are highly technical, or when selling requires an extensive background of information and applications, an expatriate sales force remains the best choice. The expatriate salesperson may have the advantages of greater technical training, better knowledge of the company and its product line, and proven dependability. Because they are not locals, expatriates sometimes add to the prestige of the product line in the eyes of foreign customers. And perhaps most important, expatriates usually are able to effectively communicate with and influence headquarters' personnel.

The chief disadvantages of an expatriate sales force are the high cost, cultural and legal⁹ barriers, and the limited number of high-caliber personnel willing to live abroad for extended periods. Employees are reluctant to go abroad for many reasons: Some find it difficult to uproot families for a two- or three-year assignment, increasing numbers of dual-career couples often require finding suitable jobs for spouses, and many executives believe such assignments impede their subsequent promotions at home. Recall the comments of the executives in the Global Perspective. The loss of visibility at corporate headquarters plus the belief that "out of sight is out of mind" are major reasons for the reluctance to accept a foreign assignment. Companies with well-planned career development programs have the least difficulty. Indeed, the best international companies make it crystal clear that a ticket to top management is an overseas stint. Korn/Ferry International reports in a survey of 75 senior executives from around the world that "international experience" is the attribute identified as second most important for CEOs—experience in marketing and finance positions were first and third, respectively.¹⁰

Expatriates commit to foreign assignments for varying lengths of time, from a few weeks or months to a lifetime. Some expatriates have one-time assignments (which may last for years), after which they return to the parent company; others are essentially professional expatriates, working abroad in country after country. Still another expatriate assignment

⁶R. Bruce Money, Mary C. Gilly, and John L. Graham, "National Culture and Referral Behavior in the Purchase of Industrial Services in the United States and Japan," *Journal of Marketing* 62, no. 4 (October 1998), pp. 76–87.

⁷Rene A. Belderbos and Marielle G. Heijltjes, "The Determinants of Expatriate Staffing by Japanese Multinationals in Asia: Control, Learning, and Vertical Business Groups," *Journal of International Business Studies* 36, no. 3 (2005), pp. 341–54.

⁸The largest international executive search firm is Korn/Ferry International (<http://www.kornferry.com>).

⁹Even if job permits are obtained, other legal problems can also crop up. See James T. Aredy, "China Charges Rio Tinto Employees," *The Wall Street Journal*, February 10, 2010, online.

¹⁰See "Marketing Is Fastest Route to the Executive Suite," Korn/Ferry International (<http://www.kornferry.com>).

is a career-long assignment to a given country or region; this assignment is likely to lead to assimilation of the expatriate into the foreign culture to such an extent that the person may more closely resemble a local than an expatriate. Because expatriate marketing personnel are likely to cost substantially more than locals, a company must be certain of their effectiveness.

More and more American companies are taking advantage of American employees who are fluent in languages other than English. For example, many U.S. citizens speak Spanish as their first language. The large number of Puerto Ricans working for American multinationals in places like Mexico City is well documented. Recent immigrants and their sons and daughters who learn their parents' languages and about their native cultures will continue to be invaluable assets for firms wishing to enter such markets. Certainly ethnic Chinese- and Vietnamese-Americans are serving as cultural bridges for commerce with those two nations. Indeed, throughout history patterns of commerce have always followed paths of immigration.

Virtual Expatriates

The Internet and other advances in communications technologies, along with the growing reluctance of executives to move abroad, are creating a new breed of expatriate, the virtual one. According to a PricewaterhouseCoopers survey of 270 organizations, there has been a substantial increase in shorter-term, commute, and virtual assignments in recent years. Virtual expatriates manage operations in other countries but do not move there.¹¹ They stay in hotels, make long visits, and maintain their families at home. Some spend up to 75 percent of their working time traveling. None leave home without the ubiquitous laptop and cell phone.

Close contact with subordinates and customers is, of course, tougher for virtual expatriates. Moreover, the travel can be a killer—that is, foreign bugs are often more virulent and easier to catch on long international flights (indeed, one doctor calls airplanes “germ tubes”), crime against expatriates and travelers in foreign cities is a real hazard, traffic and short-hop flights in less developed countries are dangerous,¹² and living in hotels is lonely. However, virtual expatriates' families do not have to be uprooted, and executives can stay in closer touch with the home office. Finally, from the firm's perspective, a virtual assignment may be the only option and often a good way to avoid the extra expenses of an actual executive move.

¹¹Nanette Byrnes, “Home Is Where the Airport Is,” *BusinessWeek*, August 20–27, 2007, pp. 89–92.

¹²Daniel Michaels, “In Africa, Aviation Woes Defeat a Zealous Watchdog,” *The Wall Street Journal*, December 24, 2007, pp. A1, A8.

The 2009 travel disruptions caused by the initial stages of H1N1 virus were similar to those from the 2003 SARS outbreak. A worker cleans an American Airlines plane detained at San Jose International Airport in California after a nonstop flight from Tokyo, in which several passengers complained of symptoms similar to SARS, or severe acute respiratory syndrome. Officials found no threat after isolating passengers and crew for two hours. We can expect more such disease-based problems as people on the planet continue to get closer together. International travel can be a lot of work!



Exhibit 17.1**The World's 20 Most Expensive Cities (in order)**Source: Mercer.com, 2010.

Tokyo	Milan
Osaka	Shanghai
Moscow	Paris
Geneva	Oslo
Hong Kong	Caracas
Zurich	London
Copenhagen	Tel Aviv
New York	Rome
Beijing	Helsinki
Singapore	Dubai

The cities are listed in order; Tokyo is the most expensive and Dubai the least.

Local Nationals

The historical preference for expatriate managers and salespeople from the home country is giving way to a preference for **local nationals**.¹³ At the sales level, the picture is clearly biased in favor of the locals because they transcend both cultural¹⁴ and legal barriers. More knowledgeable about a country's business structure and systems¹⁵ than an expatriate would be, local salespeople are better able to lead a company through the maze of unfamiliar distribution systems and referral networks. Furthermore, pools of qualified foreign personnel available in some places cost less to maintain than a staff of expatriates.

In Europe and Asia, many locals have earned MBA degrees in the United States; thus, a firm gets the cultural knowledge of the local meshed with an understanding of U.S. business management systems. Although expatriates' salaries may be no more than those of their national counterparts, the total cost of keeping comparable groups of expatriates in a country can be considerably higher (often three times the expense) because of special cost-of-living benefits, moving expenses, taxes, and other costs associated with keeping an expatriate abroad. As can be seen in Exhibit 17.1, only one of the most expensive cities in the world is in the United States.

The main disadvantage of hiring local nationals is the tendency of headquarters personnel to ignore their advice. Even though most foreign nationals are careful to keep relationships at the home office warm, their influence is often reduced by their limited English communication skills and lack of understanding of how home-office politics influence decision making. Another key disadvantage can be their lack of availability; one CEO of a consulting firm that specializes in recruiting managers in China reports that ten openings exist for every one qualified applicant. Moreover, whereas in the United States hiring experienced salespeople from competitors, suppliers, or vendors is common practice, the same approach in other countries may not work. In places like Japan, employees are much more loyal to their companies and therefore are difficult to lure away even for big money. College recruits can also be hard to hire in Japan because the smartest students are heavily recruited by the largest Japanese firms. Smaller firms and foreign firms are seen in Japan as much more risky employment opportunities. We do note, however, that in recent years Japan's economic growth has been stunted, giving even foreign companies a strong position in recruiting.¹⁶

¹³Kenneth S. Law, Lynda Jiwen Song, Chi-Sum Wong, and Donghua Chen, "The Antecedents and Consequences of Successful Localization," *Journal of International Business Studies* 40, no. 8 (2009), pp. 1359–73.

¹⁴Dominique Rouzies and Anne Macquin, "An Exploratory Investigation of the Impact of Culture on Sales Force Management Control Systems in Europe," *Journal of Personal Selling & Sales Management* 23, no. 3 (2002), pp. 61–72.

¹⁵Syeda Nazli Wasti and Syeda Arzu Wasti, "Trust in Buyer-Supplier Relations: The Case of the Turkish Automotive Industry," *Journal of International Business Studies* 39 (2008), pp. 118–31.

¹⁶David McNeill, "In Bleak Economy, Japanese Students Grow Frustrated with Endless Job Hunt," *Chronicle of Higher Education*, February 7, 2010, online.



Locals hit the road. Japanese salesmen save on expenses in this “capsule hotel” in Osaka. Meanwhile, the Avon Lady calls on a customer in rural Brazil.

One other consideration makes recruiting of local nationals as sales representatives more difficult in many foreign countries. We all know about Americans’ aversion to being a salesperson. Personal selling is often derided as a career and represented in a negative light in American media—Arthur Miller’s *Death of a Salesman* is of course the best example. Despite the bad press, however, personal selling is the most common job in the United States. Indeed, the United States has been described as “a nation of salesmen.”¹⁷ But as negatively as the selling profession is viewed in the United States, in many other countries, it is viewed in even worse ways. Particularly in the more relationship-oriented cultures such as France, Mexico, and Japan, sales representatives tend to be on the bottom rung of the social ladder. Thus, recruiting the brightest people to fill sales positions in foreign operations can be very difficult indeed.

Third-Country Nationals

The internationalization of business has created a pool of **third-country nationals (TCNs)**, expatriates from their own countries working for a foreign company in a third country. The TCNs are a group whose nationality has little to do with where they work or for whom. An example would be a German working in Argentina for a U.S. company. Historically, few expatriates or TCNs spent the majority of their careers abroad, but now a truly “global executive” has begun to emerge. The recently appointed chairman of a division of a major Netherlands company is a Norwegian who gained that post after stints in the United States, where he was the U.S. subsidiary’s chairman, and in Brazil, where he held the position of general manager. At one time, Burroughs Corporation’s Italian subsidiary was run by a French national, the Swiss subsidiary by a Dane, the German subsidiary by an English person, the French subsidiary by a Swiss, the Venezuelan subsidiary by an Argentinean, and the Danish subsidiary by a Dutch person.

American companies often seek TCNs from other English-speaking countries to avoid the double taxation costs of their American managers. Americans working in Spain, for example, must pay both Spanish and U.S. income taxes, and most American firms’ compensation packages for expatriates are adjusted accordingly. So, given the same pay and benefits, it is cheaper for an American firm to post a British executive in Spain than an American.

Overall, the development of TCN executives reflects not only a growing internationalization of business but also an acknowledgment that personal skills and motivations are not the exclusive property of one nation. These TCNs often are sought because they speak several languages and know an industry or foreign country well. More and more companies feel that talent should flow to opportunity, regardless of one’s home country.

¹⁷See Earl Shorris’s excellent and still pertinent book, *A Nation of Salesmen* (New York: Norton, 1994).

CROSSING BORDERS 17.2

Avon Calling—or Not?

In a gold-mining town near an Amazon tributary, Maria de Fatima Nascimento ambles among mud shacks hawking Honesty and Care Deeply, two beauty products by Avon. She is part of a several-thousand-member Avon army that travels via foot, kayak, riverboat, and small plane through the Amazon Basin. Latin America accounts for 35 percent of Avon's total sales, with Brazil being the firm's number two market after the United States; its success can be attributed to the company's willingness to adapt to local conditions. Cash payments are not required; many Brazilian customers barter for products with fruit, eggs, flour, or wood. Two dozen eggs buys a Bart Simpson roll-on deodorant, and miners pay from 1 to 4 grams of gold powder or nuggets for fragrances like Sweet Crystal Splash. "Ladies of the evening," who regard the cosmetics as a cost of doing business, are some of Nascimento's better customers. But then, so are miners. As one commented, "It's worth 1½ grams of gold to smell nice."

Despite the success of the Bart Simpson roll-on in some parts of the world, Avon is not rolling along in the old-fashioned way in others. In 1998, at least ten people

were killed in China during antigovernment rioting in several cities. Many of the rioters were among the country's 200,000 Avon ladies. The Chinese government had banned direct selling, complaining in a directive that such practices spawn "weird cults, triads, superstitious groups, and hooliganism." Worse yet, the authorities criticized meetings of direct marketers that involved singing, chanting, and inspirational sermons. The *People's Daily* once even complained that direct sales encouraged "excessive hugging!"

The latest and perhaps most serious threat to the 2.6 million Avon ladies working worldwide in 135 countries is the Internet. Many fret that Avon.com may replace "Ding dong, it's Avon calling." But, no matter what, Avon's international sales keep rolling along. For example, the company is now building a \$225 million distribution facility in São Paulo.

Sources: "Avon Calling Near the Amazon," *U.S. News & World Report*, October 25, 1994, pp. 16–17; Andrew Higgins, "Avon Calling? Not in China," *The Guardian*, May 1, 1998, p. 18; Kate Quill, "Ding Dong, Gone . . . Farewell Avon Lady?" *Times* (London), February 7, 2000, p. 7; "Avon Plans Brazil Distribution Center," *Soap, Perfume, and Cosmetics*, October 2008, p. 11.

Host-Country Restrictions

The host government's attitudes toward foreign workers often complicate selecting expatriate U.S. nationals over locals. Concerns about foreign corporate domination, local unemployment, and other issues cause some countries to restrict the number of non-nationals allowed to work within the country. Most countries have specific rules limiting work permits for foreigners to positions that cannot be filled by a national. Furthermore, the law often limits such permits to periods just long enough to train a local for a specific position. Such restrictions mean that MNCs have fewer opportunities for sending home-country personnel to management positions abroad.

In earlier years, personnel gained foreign-country experience by being sent to lower management positions to gain the necessary training before eventually assuming top-level foreign assignments. Most countries, including the United States, control the number of foreigners allowed to work or train within their borders. Since September 11, 2001, U.S. immigration authorities have clamped down even harder on the issuance of all kinds of work visas.

Selecting Sales and Marketing Personnel

LO4

Selection criteria for international sales and marketing positions

To select personnel for international marketing positions effectively, management must define precisely what is expected of its people. A formal job description can aid management in expressing long-range as well as current needs. In addition to descriptions for each marketing position, the criteria should include special requirements indigenous to various countries.

People operating in the home country need only the attributes of effective salespersons, whereas a transnational management position can require skills and attitudes that would challenge a diplomat. International personnel requirements and preferences vary considerably. However, some basic requisites leading to effective performance should be considered

because effective executives and salespeople, regardless of what foreign country they are operating in, share certain personal characteristics, skills, and orientations.

Maturity is a prime requisite for expatriate and third-country personnel. Managers and sales personnel working abroad typically must work more independently than their domestic counterparts. The company must have confidence in their ability to make ethical¹⁸ decisions and commitments without constant recourse to the home office, or they cannot be individually effective.

International personnel require a kind of *emotional stability* not demanded in domestic sales positions.¹⁹ Regardless of location, these people are living in cultures dissimilar to their own; to some extent they are always under scrutiny and always aware that they are official representatives of the company abroad. They need sensitivity to behavioral variations in different countries, but they cannot be so hypersensitive that their behavior is adversely affected.

Managers or salespeople operating in foreign countries need considerable *breadth of knowledge* of many subjects both on and off the job. The ability to speak one or more other languages is always preferable.

The marketer who expects to be effective in the international marketplace needs to have a *positive outlook* on an international assignment. People who do not like what they are doing and where they are doing it stand little chance of success, particularly in a foreign country. Failures usually are the result of overselling the assignment, showing the bright side of the picture, and not warning about the bleak side.

An international salesperson must have a high level of *flexibility*, whether working in a foreign country or at home. Expatriates working in a foreign country must be particularly sensitive to the habits of the market; those working at home for a foreign company must adapt to the requirements and ways of the parent company.

Successful adaptation in international affairs is based on a combination of attitude and effort. A careful study of the customs of the market country should be initiated before the marketer arrives and should be continued as long as facets of the culture are not clear. One useful approach is to listen to the advice of national and foreign businesspeople operating in that country. *Cultural empathy* is clearly a part of the basic orientation, because anyone who is antagonistic or confused about the environment is unlikely to be effective.²⁰ Similar cultural values would be an asset in this area as well.²¹

Finally, international sales and marketing personnel must be *energetic* and *enjoy travel*. Many international sales representatives spend about two-thirds of their nights in hotel rooms around the world. Going through the long lines of customs and immigration after a 15-hour flight requires a certain kind of stamina not commonly encountered. Some argue that frequent long flights can damage your health. Even the seductive lights of Paris nights fade after the fifth business trip there.

Most of these traits can be assessed during interviews and perhaps during role-playing exercises. Paper-and-pencil ability tests, biographical information, and reference checks are of secondary importance. Indeed, as previously mentioned, in many countries, referrals will be the best way to recruit managers and sales representatives, making reference checks during evaluation and selection processes irrelevant.

¹⁸Kam-hon Lee, Gong-ming Qian, Julie H. Yu, and Ying Ho, "Trading Favors for Marketing Advantage: Evidence from Hong Kong, China, and the United States," *Journal of International Marketing* 13, no. 1 (2005), pp. 1–35; Sergio Roman and Salvador Ruiz, "Relationship Outcomes of Perceived Ethical Sales Behavior: The Customer's Perspective," *Journal of Business Research* 58, no. 4 (2005), pp. 439–52.

¹⁹Willem Verbeke and Richard P. Bagozzi, "Exploring the Role of Self- and Customer-Provoked Embarrassment in Personal Selling," *International Journal of Research in Marketing* 20, no. 3 (2003), pp. 233–58.

²⁰Don Y. Lee and Philip L. Dawes, "Gaunxi, Trust, and Long-Term Orientation in Chinese Business Markets," *Journal of International Marketing* 13, no. 2 (2005), pp. 28–56.

²¹Kimmy Wa Chan, Chi Kin (Bennett) Yim, and Simon S.K. Lam, "Is Customer Participation in Value Creation a Double-Edged Sword? Evidence from Professional Financial Services across Cultures," *Journal of Marketing* (2010), online.



International sales is hard work. A typical week for this Canadian executive looks like this: Leave Singapore with the flu. Arrive home in Toronto to discover that a frozen pipe has burst. Immediately board a plane for a two-day trip to Chicago. Back to Toronto. On to Detroit, battling jet lag and the flu. Back to Toronto, running through the Detroit airport “like O.J. in the Hertz commercial” and throwing his briefcase into a closing door. Take a brief break in flooded house before boarding another plane to China. Reports waking up in a plane and asking his seatmate where they were landing. Seventeen flights in two weeks left him a bit confused.

There is also evidence that some traits that make for successful sales representatives in the United States may not be important in other countries. One study compared sales representatives in the electronics industries in Japan and the United States. For the American representatives, pay and education were both found to be positively related to performance and job satisfaction. In Japan, they were not. That is, the Americans who cared more about money and were more educated tended to perform better and be more satisfied with their sales jobs. Conversely, the Japanese sales representatives tended to be more satisfied with their jobs when their values were consistent with those of their company.²² The few systematic studies in this genre suggest that selection criteria must be localized, and American management practices must be adapted to foreign markets.

Selection mistakes are costly. When an expatriate assignment does not work out, hundreds of thousands of dollars are wasted in expenses and lost time. Getting the right person to handle the job is also important in the selection of locals to work for foreign companies within their home country. Most developing countries and many European countries have stringent laws protecting workers’ rights. These laws are specific as to penalties for the dismissal of employees. Perhaps Venezuela has the most stringent dismissal legislation: With more than three months of service in the same firm, a worker gets severance pay amounting to one month’s pay at severance notice plus 15 days’ pay for every month of service exceeding eight months plus an additional 15 days’ pay for each year employed. Furthermore, after an employee is dismissed, the law requires that person be replaced within 30 days at the same salary. Colombia and Brazil have similar laws that make employee dismissal a high-cost proposition.

Finally, evidence indicates that a manager’s culture affects personnel decisions. One study reports “that managers given an identical [personnel selection] problem do not make

²²R. Bruce Money and John L. Graham, “Salesperson Performance, Pay, and Job Satisfaction: Tests of a Model Using Data Collected in the U.S. and Japan,” *Journal of International Business Studies* 30, no. 1 (1999), pp. 149–72.

the same decisions nor do they value the criteria often used in recruitment and promotion decisions equally. For example, they found that Austrian and German managers are more likely to hire compatriots than Italian managers.”²³ Thus, we are just scratching the surface of a variety of issues in the area of international sales management research.

Training for International Marketing The nature of a training program depends largely on both the home culture of the salesperson²⁴ and the culture of the business system in the foreign market (see Exhibit 17.2).²⁵ Also important is whether expatriate or local personnel will be representing the firm. Training for expatriates focuses on the customs and the

LO5

The special training needs of international personnel

²³Dominique Rouzies, Michael Segalla, and Barton A. Weitz, “Cultural Impact on European Staffing Decisions in Sales Management,” *International Journal of Research in Marketing* 20, no. 1 (2003), pp. 425–36.

²⁴Richard P. Bagozzi, Willem Verbeke, and Jacinto C. Gavino Jr., “Culture Moderates the Self-Regulation of Shame and Its Effects on Performance: The Case of Salespersons in the Netherlands and the Philippines,” *Journal of Applied Psychology* 88, no. 2 (2003), pp. 219–33.

²⁵Sergio Roman and Salvador Ruiz, “A Comparative Analysis of Sales Training in Europe: Implications for International Sales Negotiations,” *International Marketing Review* 20, no. 3 (2003), pp. 304–26; Guijun Zhuang and Alex Tsang, “A Study on Ethically Problematic Selling Methods in China with a Broader Concept of Gray Marketing,” *Journal of Business Ethics* 79, no. 1–2 (2008), pp. 85–101.

Exhibit 17.2

Personal Selling Tips, from Brussels to Bangkok

The best training programs are much more than just a list of tips. But a quick read of such tips provides a glimpse of the cultural variation facing sales representatives around the globe.

Belgium—Be able to identify the decision makers. In Flanders (Dutch-speaking region) group decisions are common, but in Wallonia (French-speaking region) the highest-level execs have the final say.

China—Expect to continue negotiations after a deal is inked. To Chinese, signing a contract is just the beginning of the business relationship; therefore, they expect both sides to continue working together to fix problems that arise.

Colombia—Business counterparts want to get to know you personally and form a strong friendship with you. Be sure not to change reps in midstream, because often a switch puts an end to negotiations.

Germany—Be prepared with data and empirical evidence that supports your sales proposition. German businesspeople are unimpressed by flashy advertising and brochures, so keep them serious and detailed, with unexaggerated information.

India—Make sure your schedule remains flexible. Indians are more casual about time and punctuality. Because of India’s rigid hierarchy, decisions are made only by the highest-level boss.

Mexico—When planning a meeting, breakfast and lunch are preferable. Take your time and cultivate relationships with business contacts. Those relationships are generally considered more important than professional experience.

Peru—Peruvians relate to individuals and not corporate entities. Establish personal rapport and don’t switch your representative in the middle of negotiations.

Russia—Your first meeting will be just a formality. Your Russian counterparts will take this time to judge your credibility, so it’s best to be warm and approachable.

Scotland—Scottish people tend to be soft-spoken and private. It takes time to build relationships, but business counterparts seem friendlier after bonds are established. (By the way, Scotch is a drink, not a nationality—it’s Scottish.)

South Korea—Status is important. Make sure your business card clearly indicates your title. Don’t send a rep to meet with a Korean executive of higher status—it could be viewed as disrespectful.

Thailand—The Thai culture emphasizes nonconflict, so don’t make assertive demands when making sales pitches.

special foreign sales problems that will be encountered, whereas local personnel require greater emphasis on the company, its products, technical information, and selling methods. In training either type of personnel, the sales training activity is burdened with problems stemming from long-established behavior and attitudes. Local personnel, for instance, cling to habits continually reinforced by local culture. Nowhere is the problem greater than in China or Russia, where the legacy of the communist tradition lingers. The attitude that whether you work hard or not, you get the same rewards, has to be changed if training is going to stick. Expatriates are also captives of their own habits and patterns. Before any training can be effective, open-minded attitudes must be established.

Continual training may be more important in foreign markets than in domestic ones because of the lack of routine contact with the parent company and its marketing personnel. In addition, training of foreign employees must be tailored to the recipients' ways of learning and communicating. For example, the Dilbert cartoon characters theme that worked so well in ethics training courses with a company's American employees did not translate well in many of its foreign offices.

One aspect of training is frequently overlooked: Home-office personnel dealing with international marketing operations need training designed to make them responsive to the needs of the foreign operations. The best companies provide home-office personnel with cross-cultural training and send them abroad periodically to increase their awareness of the problems of the foreign operations.

The Internet now makes some kinds of sales training much more efficient. Users can study text onscreen and participate in interactive assessment tests. Sun Microsystems estimates that its use of the Internet can shorten training cycles by as much as 75 percent. And in some parts of the world where telecommunications facilities are more limited, CD-ROM approaches have proven quite successful. Lockheed Martin has used an interactive CD-ROM-based system to train its employees worldwide on the nuances of the Foreign Corrupt Practices Act and associated corporate policies and ethics.

Motivating Sales Personnel

LO6

Motivation techniques for international sales representatives

Motivation is especially complicated because the firm is dealing with different cultures, different sources, and different philosophies. Marketing is a business function requiring high motivation regardless of the location of the practitioner. Marketing managers and sales managers typically work hard, travel extensively, and have day-to-day challenges. Selling is hard, competitive work wherever undertaken, and a constant flow of inspiration is needed to keep personnel functioning at an optimal level. National differences must always be considered in motivating the marketing force.²⁶ In one study, sales representatives in comparable Japanese and American sales organizations were asked to allocate 100 points across an array of potential rewards from work.²⁷ As shown in Exhibit 17.3, the results were surprisingly similar. The only real difference between the two groups was in social recognition, which, predictably, the Japanese rated as more important. However, the authors of the study concluded that though individual values for rewards may be similar, the social and competitive contexts still require different motivational systems.

Because the cultural differences reviewed in this and previous chapters affect the motivational patterns of a sales force, a manager must be extremely sensitive to the personal behavior patterns of employees. Individual incentives that work effectively in the

²⁶Thomas E. DeCarlo, Raymond C. Rody, and James E. DeCarlo, "A Cross National Example of Supervisory Management Practices in the Sales Force," *Journal of Personal Selling & Sales Management* 19 (1999), pp. 1–14; Ping Ping Fu, Jeff Kennedy, Jasmine Tata, Gary Yukl, Michael Harris Bond, Tai-Kuang Peng, Ekkirala S. Srinivas, John P. Howell, Leonel Prieto, Paul Koopman, Jaap J. Boonstra, Selda Pasa, Marie-Francoise Lacassagne, Hiro Higashide, and Adith Cheosakul, "The Impact of Societal Cultural Values and Individual Social Beliefs on the Perceived Effectiveness of Managerial Influence Strategies: A Meso Approach," *Journal of International Business Studies* 35 (2004), pp. 284–305.

²⁷Money and Graham, "Salesperson Performance, Pay, and Job Satisfaction."

CROSSING BORDERS 17.3

How Important Are Those Meetings?

In Japan, they're really important. A former American sales manager tells this story:

I worked as general manager of the Japanese subsidiary of an American medical equipment company. Our office was in downtown Tokyo, which made for a two-hour commute for most of our salesmen. Rather than have them come into the office before beginning sales calls every day, I instructed them to go to their appointments directly from home and to come to the office only for a weekly sales meeting. Although this was a common way for a U.S. sales force to operate, it was a disaster in Japan. Sales fell, as did morale. I quickly changed the policy and had everyone come to the office every day. Sales immediately climbed as the salesmen reinforced their group identity.

Now contrast that with how sales representatives are managed at Hewlett-Packard in the United States, as

described by one of its sales executives: "We're really looking at this issue of work/family balance. If someone wants to work at home, they can, and we'll outfit their home offices at our expense, provided they have a good reason to want to work at home. If you want to drive productivity, getting people's work lives and home lives in balance is key."

Sam Palmisano, IBM's new CEO, puts it even more strongly: "To win, our players have to be on the field. We can't win the game in the locker room. . . . We want our people on the field in front of the customers, not in conference rooms talking to their managers or other staff organizations." At IBM, a new corporate policy limits sales meetings to one per week.

Sources: Clyde V. Prestowitz, *Trading Places—How We Are Giving Away Our Future to Japan and How to Reclaim It* (New York: Basic Books, 1989); Geoffrey Brewer et al., "The Top (25 Best Sales Forces in the U.S.)," *Sales & Marketing Management*, November 1, 1996, p. 38; Erin Strout, "Blue Skies Ahead?" *Sales & Marketing Management*, March 1, 2003, pp. 24–26; <http://ibm.com>, 2010.

United States can fail completely in other cultures. For example, with Japan's emphasis on paternalism and collectivism and its system of lifetime employment and seniority, motivation through individual incentives does not work well because Japanese employees seem to derive the greatest satisfaction from being comfortable members of a group. Thus, an offer of an individual financial reward for outstanding individual effort could be turned down because an employee would prefer not to appear different from peers and possibly attract their resentment. Japanese bonus systems are therefore based on group effort, and individual commission systems are rare. Japanese sales representatives are motivated more by the social pressure of their peers than by the prospect of making more money based on individual effort. Likewise, compensation packages in eastern European countries typically involve a substantially greater emphasis on base pay than in the United States, and performance-based incentives have been found to be less effective. Although some point out that motivational practices are changing even in Japan, such patterns do not change very quickly or without substantial efforts.

Communications are also important in maintaining high levels of motivation; foreign managers need to know that the home office is interested in their operations, and in turn, they want to know what is happening in the parent country. Everyone performs better

Exhibit 17.3

Salespeople's Distribution of 100 Points among Rewards in Terms of Their Importance

Source: R. Bruce Money and John L. Graham, "Salesperson Performance, Pay, and Job Satisfaction: Tests of a Model Using Data Collected in the U.S. and Japan," *Journal of International Business Studies* 30, no. 1 (1999), pp. 149–72. Reproduced with permission of Palgrave Macmillan.

Rewards	Relative Importance (mean)	
	Japanese	Americans
Job security	18.5	17.6
Promotion	13.7	14.9
Merit increase in pay	24.7	26.2
Feeling of worthwhile accomplishment	18.5	18.2
Social recognition (sales club awards)	8.1	5.2
Personal growth and development	16.6	17.8



Part of the corporate culture (some say peer pressure) that motivates Japanese sales representatives is the morning calisthenics.

aware that many of the techniques used to motivate U.S. personnel and their responses to these techniques are based on the seven basic cultural premises discussed in Chapter 5. Therefore, each method used to motivate a foreigner should be examined for cultural compatibility.

when well informed. However, differences in languages, culture, and communication styles can make mutual understanding between managers and sales representatives more difficult.

Because promotion and the opportunity to improve status are important motivators, a company needs to make clear the opportunities for growth within the firm. In truly global firms, foreign nationals can aspire to the highest positions in the firm. Likewise, one of the greatest fears of expatriate managers, which can be easily allayed, is that they will be forgotten by the home office. Blending company sales objectives and the personal objectives of the salespeople and other employees is a task worthy of the most skilled manager. The U.S. manager must be constantly

Designing Compensation Systems

For Expatriates

LO7

How to design compensation systems for an international sales force

Developing an equitable and functional compensation plan that combines balance, consistent motivation, and flexibility is extremely challenging in international operations. This challenge is especially acute when a company operates in a number of countries, when it has individuals who work in a number of countries, or when the sales force is composed of expatriate and local personnel. Fringe benefits play a major role in many countries. Those working in high-tax countries prefer liberal expense accounts and fringe benefits that are nontaxable (such as company cars) instead of direct income subject to high taxes. Fringe-benefit costs are high in Europe, ranging from 35 to 60 percent of salary.

Pay can be a significant factor in making it difficult for a person to be repatriated. Often those returning home realize they have been making considerably more money with a lower cost of living in the overseas market; returning to the home country means a cut in pay and a cut in standard of living. In many countries expats can afford full-time domestic help due to the low wages abroad that they cannot afford back at home.

Conglomerate operations that include domestic and foreign personnel cause the greatest problems in compensation planning. Expatriates tend to compare their compensation with what they would have received at the home office during the same time, and local personnel and expatriate personnel are likely to compare notes on salary. Although any differences in the compensation level may be easily and logically explained, the group receiving the lower amount almost always feels aggrieved and mistreated.

Short-term assignments for expatriates further complicate the compensation issue, particularly when the short-term assignments extend into a longer time. In general, short-term assignments involve payments of overseas premiums (sometimes called **separation allowances** if the family does not go along), all excess expenses, and allowances for tax differentials. Longer assignments can include home-leave benefits or travel allowances for the spouse. International compensation programs also provide additional payments for hardship locations and special inducements to reluctant personnel to accept overseas employment and to remain in the position.

For a Global Sales Force

Compensation plans of American companies vary substantially around the globe, reflecting the economic, legal, and cultural differences²⁸ in the diverse markets served. Asia and Western Europe require the most localization, while practices in the emerging markets are more

²⁸Marta M. Elvira and Anabella Davila, *Managing Human Resources in Latin America* (London: Routledge, 2005)

Exhibit 17.4

Global Similarity to U.S. Compensation Plans

Countries/Regions		Degree of Plan Similarity with the United States					
		Eligibility	Performance Measures	Weighting	Plan Mechanics	Mix/ Leverage	Payout Frequency
Europe	United Kingdom	Similar	Similar	Similar	Similar	Similar	Similar
	Scandinavia	Similar	Similar	Similar	Similar	Dissimilar	Similar
	France	Similar	Similar	Similar	Similar	Similar	Similar
	Germany	Similar	Similar	Similar	Similar	Similar	Similar
	Spain/Italy	Similar	Varies	Similar	Similar	Similar	Similar
Southeast Asia	Hong Kong	Similar	Similar	Similar	Similar	Similar	Similar
	Korea	Similar	Similar	Similar	Similar	Dissimilar	Dissimilar
	Taiwan	Similar	Similar	Similar	Similar	Similar	Similar
	Malaysia	Similar	Similar	Similar	Similar	Similar	Similar
	Indonesia (Singapore)	Similar	Similar	Similar	Similar	Similar	Similar
	Australia	Similar	Similar	Similar	Similar	Similar	Similar
Japan		Similar	Dissimilar	Dissimilar	Dissimilar	Dissimilar	Dissimilar
Canada		Similar	Similar	Similar	Similar	Similar	Similar
South America		Similar	Similar	Similar	Similar	Similar	Similar

Similar Varies Dissimilar

Data represent multiple client projects conducted by the Alexander Group Inc. for primarily high-technology industry sales organizations.

Source: David G. Schick and David J. Cichelli, "Developing Incentive Compensation Strategies in a Global Sales Environment," *ACA Journal*, Autumn 1996; updated based on interview with David J. Cichelli, Vice President of the Alexander Group, March 2010.

pliable. For example, one study reports that European managers tend to use larger incentive components in countries with high personal income taxes, as the higher taxes negate the incentive to perform.²⁹ We note that personal income tax rates are relatively low in the United States and Japan (less than 30%) and relatively high in Western Europe where the study was conducted (above 35%). Also, in Europe, **work councils** (that is, internal labor union committees) are very much involved in setting rules about compensation companywide, even for sales people. In Austria and Germany, for example, work councils not only codetermine compensation plans, but also must approve them before implementation. Meanwhile in Japan cultural differences play a key role. One study reports, "The teaming environment, all about team rewards, not individual attainment, and a sales cycle highly influenced by relationship building generally require a higher reliance on base pay."³⁰

As reflected in Exhibit 17.4, some experts feel compensation plans in Japan and southern Europe are most different from the standard U.S. approach. Those same experts believe that generally compensation schemes around the world are becoming more similar to the U.S. system with its emphasis on commissions based on individual performance.³¹ However, the data in Exhibit 17.4 still reflect the locations of the larger differences.³²

²⁹Dominique Rouzies, Anne T. Coughlan, Erin Anderson, and Dawn Iacobucci, "Determinants of Pay Levels and Structures in Sales Organizations," *Journal of Marketing* 73, no. 3 (2009), pp. 92–104.

³⁰David J. Cichelli (editor), 2010 *Sales Compensation Trends Survey Results* (Scottsdale, AZ: The Alexander Group, Inc., 2010).

³¹David J. Cichelli, *Global Sales Compensation Practices Survey* (Scottsdale, AZ: The Alexander Group, Inc., 2006).

³²Personal interview with David J. Cichelli, Vice President, Alexander Group, March 2010.

Exhibit 17.5

Global versus Local Compensation Practices

	Program Element	Percent of Total				
		Global	Country	World Region	Combination	Net Applicable
More Global	Program Design Principles	53.93	21.35	13.48	2.25	8.99
	Program Approval	52.33	19.77	16.28	3.49	8.14
	Formula Mechanics	42.05	27.27	17.05	4.55	9.09
	Pay Competitiveness Philosophy	41.11	31.11	14.44	3.33	10.00
	Performance Measures	37.65	25.88	20.00	5.88	10.59
	Job Grades	36.05	25.58	17.44	3.49	17.44
	Technical Automation Support	32.56	25.58	17.44	5.81	18.60
	Quota Setting Method	24.71	31.75	21.18	11.76	10.59
	Pay Mix	22.99	33.33	25.29	9.20	9.20
	Payout Administration Calculations	26.74	37.21	20.93	6.98	8.14
	Survey Benchmark Companies	21.35	39.33	20.22	6.74	12.36
More Local	Quotas—Sales Personnel	12.94	43.53	15.29	15.29	12.94

Source: David J. Cichelli (editor), 2010 *Sales Compensation Trends Survey Results* (Scottsdale, AZ: The Alexander Group, Inc., 2010).

Among multinational companies about half describe their sales compensation plans as global in nature and the other half as local. The results of one survey³³ of 85 such companies provide some detail with respect to sales compensation program elements. The participating companies represented a wide variety of industrial sectors, high-tech to entertainment to consumer services, and many are Fortune 500 companies, predominantly from the United States, Japan, and Europe. As can be seen in Exhibit 17.5, most companies establish sales compensation practices locally (either at the country or regional levels). The only program elements more often determined at the global level were Program Design Principles (53.9%) and Program Approval (52.3%).

One company has gone to great lengths to homogenize its worldwide compensation scheme. Beginning in the late 1990s, IBM rolled out what is perhaps the most global approach to compensating a worldwide sales force.³⁴ The main features of that plan, which applies to 140,000 sales executives in 165 countries, are presented in Exhibit 17.6. The plan was developed in response to “global” complaints from sales representatives that the old plan was confusing and did not provide for work done outside one’s territory (such as in the scenario presented in Crossing Borders 17.1) and that it therefore did not promote cross-border teamwork. IBM sales incentive managers from North America, Latin America, Asia Pacific, and Europe worked together with consultants on the design for some nine months. At first glance it may appear that IBM is making the cardinal error of trying to force a plan developed centrally onto sales offices literally spread around the world and across diverse cultures; however, the compensation plan still allows substantial latitude for local managers. Compensation managers in each country determine the frequency of incentive payouts and the split between base and incentive pay, while following a global scheme of performance measures. Thus, the system allows for a high incentive component in countries like the United States and high base-salary components in countries like Japan.

³³David J. Cichelli, 2010 as above.

³⁴Michele Marchetti, “Gamble: IBM Replaces Its Outdated Compensation Plan with a World Wide Framework. Will It Pay Off?” *Sales & Marketing Management*, July 1996, pp. 65–69. IBM continues to globalize its sales management practices—see Erin Strout, “Blue Skies Ahead? IBM Is Transforming the Way Its Sales Force Does Business,” *Sales & Marketing Management*, March 1, 2003, pp. 24–27.

Exhibit 17.6**A Compensation Blueprint: How IBM Pays 140,000 Sales Executives Worldwide**

Source: Adapted from Michele Marchetti, "Gamble: IBM Replaces Its Outdated Compensation Plan with a World Wide Framework. Will It Pay Off?" *Sales & Marketing Management*, July 1996, pp. 65–69.

Total Compensation		Plan Components	Payout Frequency	Pay Measurements	Number of Measurements Used to Calculate
Variable Pay	→	Corporate Objectives	Annually	Bonus payment (based on) <ul style="list-style-type: none"> • Profit • Customer satisfaction 	2
		Teamwork	Monthly	20% of incentive compensation <ul style="list-style-type: none"> • Work team performance • Industry performance 	2
		Personal Contribution	Quarterly	60% of incentive compensation <ul style="list-style-type: none"> • Growth • Solutions • Channels/partners • Profit contribution 	1–2
Incentive Compensation	→	Challenges/Contests	As earned	20% of incentive compensation <ul style="list-style-type: none"> • National • Local 	1–4
Recognition					
Base Salary					

Perhaps the most valuable information gained during IBM's process of revamping its sales compensation scheme was the following list of the "do's and don'ts" of global compensation:³⁵

1. Do involve representatives from key countries.
2. Do allow local managers to decide the mix between base and incentive pay.
3. Do use consistent performance measures (results paid for) and emphasis on each measure.
4. Do allow local countries flexibility in implementations.
5. Do use consistent communication and training themes worldwide.
6. Don't design the plan centrally and dictate to local offices.
7. Don't create a similar framework for jobs with different responsibilities.
8. Don't require consistency on every performance measure within the incentive plan.
9. Don't assume cultural differences can be managed through the incentive plan.
10. Don't proceed without the support of senior sales executives worldwide.

Evaluating and Controlling Sales Representatives Evaluation and control of sales representatives in the United States is a relatively simple task. In many sales jobs, emphasis is placed on individual performance, which can easily be measured by sales revenues generated (often compared with past performance, forecasts, or quotas). In short, a good sales representative produces big numbers. However, in many countries the evaluation problem is more complex, particularly in relationship-oriented cultures, where teamwork is favored over individual effort and closer supervision is expected, and may even be appreciated.³⁶ Performance measures require closer observation and may include the opinions of customers, peers, and supervisors. Of course, managers of sales forces operating in relationship-oriented cultures may see measures of individual performance as relatively unimportant.

³⁵Ibid.

³⁶William A. Weeks, Terry W. Loe, Lawrence B. Chonko, Carlos Ruy Martinez, and Kirk Wakefield, "Cognitive Moral Development and the Impact of Perceived Organizational Ethical Climate on the Search for Sales Force Excellence: A Cross-Cultural Study," *Journal of Personal Selling & Sales Management* 26 (2006), pp. 205–17.

One study comparing American and Japanese sales representatives' performance illustrates such differences.³⁷ Supervisors' ratings of the representatives on identical performance scales were used in both countries. The distribution of performance of the Japanese was statistically normal—a few high performers, a few low, but most in the middle. The American distribution was different—a few high, most in the middle, but almost no low performers. In the United States, poor performers either quit (because they are not making any money), or they are fired. In Japan the poor performers stay with the company and are seldom fired. Thus, sales managers in Japan have a problem their American counterparts do not: how to motivate poor performers. Indeed, sales management textbooks in the United States usually include material on how to deal with “plateaued” salespeople but say little about poor performers because the latter are not a problem.

The primary control tool used by American sales managers is the incentive system. Because of the Internet and fax machines, more and more American sales representatives operate out of offices in their homes and see supervisors infrequently. Organizations have become quite flat and spans of control increasingly broad in recent years. However, in many other countries spans of control can be quite narrow by American standards—even in Australia and particularly in Japan. In the latter country, supervisors spend much more time with fewer subordinates. Corporate culture and frequent interactions with peers and supervisors are the means of motivation and control of sales representatives in relationship-oriented cultures like Japan.

Preparing U.S. Personnel for Foreign Assignments

LO8

How to prepare Americans for foreign assignments

Estimates of the annual cost of sending and supporting a manager and his or her family in a foreign assignment range from 150 to 400 percent of base salary. The costs in money (some estimates are in the \$300,000 to \$600,000 range) and morale increase substantially if the expatriate requests a return home before completing the normal tour of duty (a normal stay is two to four years). In addition, if **repatriation** into domestic operations is not successful and the employee leaves the company, an indeterminately high cost in low morale and loss of experienced personnel results. To reduce these problems, international personnel management has increased planning for expatriate personnel to move abroad, remain abroad, and then return to the home country.³⁸ The planning process must begin prior to the selection of those who go abroad and extend to their specific assignments after returning home. Selection, training, compensation, and career development policies (including repatriation) should reflect the unique problems of managing the expatriate.

Besides the job-related criteria for a specific position,³⁹ the typical candidate for an international assignment is married, has two school-aged children, is expected to stay overseas three years, and has the potential for promotion into higher management levels. These characteristics of the typical expatriate are the basis of most of the difficulties associated with getting the best qualified personnel to go overseas, keeping them there, and assimilating them on their return.

Overcoming Reluctance to Accept a Foreign Assignment

Despite the strong evidence that international service serves both the employee and the firm well in the long run, many excellent prospects choose to avoid such assignments.⁴⁰ Concerns for career and family are the most frequently mentioned reasons for a manager to refuse a foreign assignment. The most important career-related reservation is the fear that a two- or

³⁷Money and Graham, “Salesperson Performance, Pay, and Job Satisfaction.”

³⁸Jeffrey P. Shay and Sally A. Baack, “Expatriate Assignment, Adjustment and Effectiveness: An Empirical Examination of the Big Picture,” *Journal of International Business Studies* 35, no. 3 (2004), pp. 216–32.

³⁹Shung J. Shin, Frederick P. Morgeson, and Michael A. Campion, “What You Do Depends on Where You Are: Understanding How Domestic and Expatriate Work Requirements Depend upon the Cultural Context,” *Journal of International Business Studies* 38 (2007), pp. 64–83.

⁴⁰William W. Maddux and Adam D. Galinsky, “Cultural Borders and Mental Barriers: The Relationship between Living abroad and Creativity,” *Journal of Personality and Social Psychology* 96, no. 5 (2009), pp. 1047–61.

three-year absence will adversely affect opportunities for advancement.⁴¹ This “out of sight, out of mind” fear (as exemplified in the opening Global Perspective) is closely linked to the problems of repatriation. Without evidence of advance planning to protect career development, better qualified and ambitious personnel may decline offers to go abroad. However, if candidates for expatriate assignments are picked thoughtfully, returned to the home office at the right moment, and rewarded for good performance with subsequent promotions at home, companies find recruiting of executives for international assignments eased.

Even though the career development question may be adequately answered with proper planning, concern for family may interfere with many accepting an assignment abroad. Initially, most potential candidates are worried about uprooting a family and settling into a strange environment. Questions about the education of the children (especially those with specific needs), isolation from family and friends, proper healthcare, and, in some countries, the potential for violence reflect the misgivings a family faces when relocating to a foreign country.⁴² Special compensation packages have been the typical way to deal with this problem. A hardship allowance, allowances to cover special educational requirements that frequently include private schools, housing allowances, and extended all-expense-paid vacations are part of compensation packages designed to overcome family-related problems with an overseas assignment. Ironically, the solution to one problem creates a later problem when that family returns to the United States and must give up those extra compensation benefits used to induce them to accept the position.

Reducing the Rate of Early Returns

Once the employee and family accept the assignment abroad, the next problem is keeping them there for the assigned time. But the attrition rate of those selected for overseas positions can be very high, though some studies have suggested it is declining overall. One firm with a hospital management contract experienced an annualized failure rate of 20 percent—not high when compared with the construction contractor who started out in Saudi Arabia with 155 Americans and was down to 65 after only two months.

A number of management development approaches generally work for keeping executives motivated,⁴³ though cultural distance is an important consideration.⁴⁴ The most important reasons a growing number of companies are including an evaluation of an employee’s family among selection criteria are the high cost of sending an expatriate abroad and increasing evidence that unsuccessful family adjustment⁴⁵ is the single most important reason for expatriate dissatisfaction and the resultant request for return home. In fact, a study of personnel directors of over 300 international firms found that the inability of the manager’s spouse to adjust to a different physical or cultural environment was the primary reason for an expatriate’s failure to function effectively in a foreign assignment. One researcher estimated that 75 percent of families sent to a foreign post experience adjustment problems with children or have marital discord. One executive suggests that there is so much pressure on the family that if there are any cracks in the marriage and you want to save it, think long and hard about taking a foreign assignment.

⁴¹Mark C. Bolino, “Expatriate Assignments and Intra-Organizational Career Success: Implications for Individuals and Organizations,” *Journal of International Business Studies* 38 (2007), pp. 819–35.

⁴²Alan Paul, “It’s China, or the Job,” *The Wall Street Journal*, April 9, 2009, online.

⁴³David M. Brock, Oded Shenkar, Amir Shoham, and Ilene C. Siscovick, “Nature Culture and Expatriate Deployment,” *Journal of International Business Studies* 39, no. 8 (2008), pp. 1293–309; Shawn M. Carraher, Sherry E. Sullivan, and Madeline M. Crocitto, “Mentoring across Global Boundaries: An Empirical Examination of Home- and Host-Country Mentors on Expatriate Career Outcomes,” *Journal of International Business Studies* 39, no. 8 (2008), pp. 1310–26; Christopher Mabey, “Management Development and Firm Performance in Germany, Norway, Spain, and the UK,” *Journal of International Business Studies* 39, no. 8 (2008), pp. 1327–42.

⁴⁴Carl P. Maertz Jr., Ahmad Hassan, and Peter Magnusson, “When Learning Is Not Enough: A Process Model of Expatriate Adjustment as Cultural Cognitive Dissonance Reduction,” *Organizational Behavior and Human Decision Processes* 108 (2009), pp. 66–78.

⁴⁵Riki Takeuchi, David P. Lepak, Sophia V. Marinova, and Seokhwa Yun, “Nonlinear Influences of Stressors on General Adjustment: The Case of Japanese Expatriates and Their Spouses,” *Journal of International Business Studies* 38 (2007), pp. 928–43.



American expatriates flock to stores like this one in Warsaw. Inside you'll find not only books in English, but also Kraft macaroni and cheese, Bisquick, and other hard-to-find-in-Europe staples of the American diet.

Dissatisfaction is caused by the stress and trauma of adjusting to new and often strange cultures. The employee has less trouble adjusting than family members; a company's expatriate moves in a familiar environment even abroad and is often isolated from the cultural differences that create problems for the rest of the family. And about half of American expatriate employees receive cross-cultural training before the trip—much more often than their families do.⁴⁶ Family members have far greater daily exposure to the new culture but are often not given assistance in adjusting. New consumption patterns must be learned, from grocery shopping to seeking healthcare services.⁴⁷ Family members frequently cannot be employed, and in many cultures, female members of the family face severe social restrictions. In Saudi Arabia, for example, the woman's role is strictly dictated. In one situation, a woman's hemline offended a religious official who, in protest, sprayed black paint on her legs. In short, the greater problems of culture shock befall the family. Certainly any recruiting and selection procedure should include an evaluation of the family's ability to adjust.

Families that have the potential and the personality traits that would enable them to adjust to a different environment may still become dissatisfied with living abroad if they are not properly prepared for the new assignment. More and more companies realize the need for cross-cultural training to prepare families for their new homes. One- or two-day briefings to two- or three-week intensive programs that include all members of the family are provided to assist assimilation into new cultures. Language training, films, discussions, and lectures on cultural differences, potential problems, and stress areas in adjusting to a new way of life are provided to minimize the frustration of the initial cultural shock. This cultural training helps a family anticipate problems and eases adjustment. Once the family is abroad, some companies even provide a local ombudsman (someone experienced in the country) to whom members can take their problems and get immediate assistance. Although the cost of preparing a family for an overseas assignment may appear high, it must be weighed against estimates that the measurable cost of prematurely returned families could cover cross-cultural training for 300 to 500 families. Additionally, we also appreciate that single people may also run into completely different values and rituals when it comes to dating, etc. Companies that do not prepare employees and their families for culture shock have the highest incidence of premature return to the United States.

Successful Expatriate Repatriation

A Conference Board study reported that many firms have sophisticated plans for executives going overseas but few have comprehensive programs to deal with the return home. Many have noted that too often repatriated workers are a valuable resource neglected or wasted by inexperienced U.S. management.

Low morale and a growing amount of attrition among returning expatriates have many causes. Some complaints and problems are family related, whereas others are career related. The family-related problems generally pertain to financial and lifestyle readjustments. Some expatriates find that in spite of higher compensation programs, their net worths have not increased, and the inflation of intervening years makes it impossible to buy a home comparable to the one they sold on leaving. The hardship compensation programs used to induce the executive to go abroad also create readjustment problems on the return home. Such compensation benefits frequently permitted the family to live at a much higher level abroad than at home (employing yard boys, chauffeurs, domestic help, and so forth). Because most compensation benefits are withdrawn when employees return to the home country, their standard of living decreases, and they must readjust. Unfortunately, little can be done to ameliorate these kinds of problems, short of transferring the managers to other foreign locations. Current thinking suggests that the problem of dissatisfaction with compensation and benefits upon return can be lessened by reducing benefits when overseas. Rather than provide the family abroad with hardship payments, some companies

⁴⁶Visit <http://www.natwestoffshore.com> for a quick overview of the kinds of services provided by expatriate preparation companies.

⁴⁷Mary C. Gilly, Lisa Peñaloza, and Kenneth M. Kambara, "The Role of Consumption in Expatriate Adjustment and Satisfaction," working paper, Paul Merage School of Business, University of California, Irvine, 2010.

are reducing payments and other benefits⁴⁸ on the premise that the assignment abroad is an integral requirement for growth, development, and advancement within the firm.

Family dissatisfaction, which causes stress within the family on returning home, is not as severe a problem as career-related complaints. A returning expatriate's dissatisfaction with the perceived future is usually the reason many resign their positions after returning to the United States. The problem is not unique to U.S. citizens; Japanese companies have similar difficulties with their personnel. The most frequently heard complaint involves the lack of a detailed plan for the expatriate's career when returning home. New home-country assignments are frequently mundane and do not reflect the experience gained or the challenges met during foreign assignment. Some feel their time out of the mainstream of corporate affairs has made them technically obsolete and thus ineffective in competing immediately on return. Finally, there is some loss of status, requiring an ego adjustment when an executive returns home.

Companies with the least amount of returnee attrition differ from those with the highest attrition in one significant way: personal career planning for the expatriate. This planning begins with the decision to send the person abroad. The initial transfer abroad should be made in the context of a long-term company career plan. Under these circumstances, the individual knows not only the importance of the foreign assignment but also when to expect to return and at what level. Near the end of the foreign assignment, the process for repatriation begins. The critical aspect of the return home is to keep the executive completely informed regarding such matters as the proposed return time, new assignment and an indication of whether it is interim or permanent, new responsibilities, and future prospects. In short, returnees should know where they are going and what they will be doing next month and several years ahead.

A report on what MNCs are doing to improve the reentry process suggests five steps:

1. Commit to reassigning expatriates to meaningful positions.
2. Create a mentor program.⁴⁹ Mentors are typically senior executives who monitor company activities, keep the expatriate informed on company activities, and act as a liaison between the expatriate and various headquarters departments.
3. Offer a written job guarantee stating what the company is obligated to do for the expatriate on return.
4. Keep the expatriate in touch with headquarters through periodic briefings and headquarters visits.
5. Prepare the expatriate and family for repatriation once a return date is set.⁵⁰

Some believe the importance of preparing the employee and family for culture shock upon return is on a par with preparation for going abroad.

Developing Cultural Awareness Many businesses focus on the functional skills needed in international marketing, overlooking the importance of cultural intelligence.⁵¹ Just as the idea that “if a product sells well in Dallas, it will sell well in Hong Kong” is risky,

⁴⁸Katherine Rosman, “Expat Life Gets Less Cushy,” *The Wall Street Journal*, October 26, 2007, pp. W1, W10.

⁴⁹John M. Mezas and Terri A. Scandura, “A Needs-Driven Approach to Expatriate Adjustment and Career Development: A Multiple Mentoring Perspective,” *Journal of International Business Studies* 36 (2005), pp. 519–38.

⁵⁰Mila B. Lazarova and Jean-Luc Cerdin, “Revisiting Repatriation Concerns: Organizational Support versus Career and Contextual Influences,” *Journal of International Business Studies* 38 (2007), pp. 404–29.

⁵¹This is a topic of much discussion; see P. Christopher Earley and Elaine Mosakowski, “Cultural Intelligence,” *Harvard Business Review*, October 2004, pp. 139–46; James P. Johnson, Tomasz Lenartowicz, and Salvador Apud, “Cross-Cultural Competence in International Business: Toward a Definition and Model,” *Journal of International Business Studies* 37 (2006), pp. 231–58; Orly Levy, Schon Beechler, Sully Taylor, and Nakiye A. Boyacigiller, “What We Talk about When We Talk about ‘Global Mindset’: Managerial Cognition in Multinational Corporations,” *Journal of International Business Studies* 38 (2007), pp. 231–58; William Neberry, Liuba Y. Belkin, and Paradis Ansari, “Perceived Career Opportunities from Globalization: Globalization Capabilities and Attitudes toward Women in Iran and the U.S.,” *Journal of International Business Studies* 39 (2008), pp. 814–32; Gary Knight and Daekwan Kim, “International Business Competence and the Contemporary Firm,” *Journal of International Business Studies* 40, no. 2 (2009), pp. 255–73.

so is the idea that “a manager who excels in Dallas will excel in Hong Kong.” Most expatriate failures are not caused by lack of management or technical skills but rather by lack of an understanding of cultural differences and their effect on management skills. As the world becomes more interdependent and as companies depend more on foreign earnings, there is a growing need for companies to develop cultural awareness among those posted abroad.

Just as we might remark that someone has learned good social skills (i.e., an ability to remain poised and be in control under all social situations), so too good cultural skills can be developed.⁵² These skills serve a similar function in varying cultural situations; they provide the individual with the ability to relate to a different culture even when the individual is unfamiliar with the details of that particular culture. Cultural skills can be learned just as social skills can be learned. People with cultural skills can:

- Communicate respect and convey verbally and nonverbally a positive regard and sincere interest in people and their culture.
- Tolerate ambiguity and cope with cultural differences and the frustration that frequently develops when things are different and circumstances change.
- Display empathy by understanding other people’s needs and differences from their point of view.
- Remain nonjudgmental about the behavior of others, particularly with reference to their own value standards.
- Recognize and control the SRC, that is, recognize their own culture and values as an influence on their perceptions, evaluations, and judgment in a situation.
- Laugh things off—a good sense of humor helps when frustration levels rise and things do not work as planned.

The Changing Profile of the Global Manager

LO9

The changing profile of the global sales and marketing manager

Until recently the road to the top was well marked. Surveys of chief executives consistently reported that more than three-quarters had finance, manufacturing, or marketing backgrounds. As the post–World War II period of growing markets and domestic-only competition has faded, however, so too has the narrow one-company, one-industry chief executive. In the new millennium, increasing international competition, the globalization of companies, technology, demographic shifts, and the speed of overall change will govern the choice of company leaders. It will be difficult for a single-discipline individual to reach the top in the future.

The executive recently picked to head Procter & Gamble’s U.S. operations is a good example of the effect globalization is having on businesses and the importance of experience, whether in Japan, Europe, or elsewhere. The head of all P&G’s U.S. business was born in the Netherlands, received an MBA⁵³ from Rotterdam’s Erasmus University, then rose through P&G’s marketing ranks in Holland, the United States, and Austria. After proving his mettle in Japan, he moved to P&G’s Cincinnati, Ohio, headquarters to direct its push into East Asia, and then to his new position. Speculation suggests that if he succeeds in the United States, as he did in Japan, he will be a major contender for the top position at P&G.

Fewer companies today limit their search for senior-level executive talent to their home countries. Coca-Cola’s former CEO, who began his ascent to the top in his native Cuba, and the former IBM vice chairman, a Swiss national who rose through the ranks in Europe, are two prominent examples of individuals who achieved the top positions of firms outside their home countries. Indeed, 14 *Fortune* 100 companies were headed by immigrant CEOs

⁵²Jon M. Shapiro, Julie L. Ozanne, and Bige Saatcioglu, “An Interpretive Examination of the Development of Cultural Sensitivity in International Business,” *Journal of International Business Studies* 39 (2008), pp. 71–87.

⁵³Laurie Goering, “Foreign Business Schools Fill a Huge Gap,” *Los Angeles Times*, January 14, 2008, p. C4.

CROSSING BORDERS 17.4

A Look into the Future: Tomorrow's International Leaders? An Education for the 21st Century

A school supported by the European Union teaches Britons, French, Germans, Dutch, and others to be future Europeans. The European School in a suburb of Brussels has students from 12 nations who come to be educated for life and work, not as products of motherland or fatherland but as Europeans. The European Union runs 10 European Schools in western Europe, enrolling 17,000 students from kindergarten to twelfth grade. Graduates emerge superbly educated, usually trilingual, and very, very European.

The schools are a linguistic and cultural melange. Native speakers of 36 different languages are represented in one school alone. Each year students take fewer and fewer classes in their native tongue. Early on, usually in first grade, they begin a second language, known as the "working language," which must be English, French, or German. A third language is introduced in the seventh year, and a fourth may be started in the ninth.

By the time students reach their eleventh year, they are taking history, geography, economics, advanced math, music, art, and gym in the working language. When the students are in groups talking, they are constantly switching languages to "whatever works."

Besides language, students learn history, politics, literature, and music from the perspective of all the

European countries—in short, European cultures. The curriculum is designed to teach the French, German, Briton, and those of other nationalities to be future Europeans.

This same approach is being taken at the MBA level as well. The well-respected European School of Management has campuses in several cities—Berlin, Paris, Oxford, and Madrid. Students spend part of their time at each of the campuses. American MBA programs are beginning to imitate such programs. The University of Chicago School of Business now has campuses in Barcelona and Singapore. The Fuqua School at Duke offers a unique executive MBA program involving travel to several foreign countries and a substantial percentage of teaching delivered interactively over the Internet. This last program attracts students from all over the world who are willing to pay a six-figure tuition.

Sources: Glynn Mapes, "Polyglot Students Are Weaned Early Off Mother Tongue," *The Wall Street Journal*, March 6, 1990, p. A1. Reprinted by permission of *The Wall Street Journal*, © 1990 Dow Jones & Company, Inc. All Rights Reserved Worldwide. See also Kevin Cape, "Tips on Choosing the Right One, International Schools," *International Herald Tribune*, January 25, 2003, p. 7; <http://fuqua.duke.edu/mba/executive/global/>, 2010.

in one study. Alternatively, American-style diversity⁵⁴ is not shared by companies in competitive countries in Asia, for example.⁵⁵

Some companies, such as Colgate-Palmolive, believe that it is important to have international assignments early in a person's career, and international training is an integral part of its entry-level development programs. Colgate recruits its future managers from the world's best colleges and business schools. Acceptance is highly competitive, and successful applicants have a BA or MBA with proven leadership skills, fluency in at least one language besides English, and some experience living abroad. A typical recruit might be a U.S. citizen who has spent a year studying in another country or a national of another country who was educated in the United States.⁵⁶

Trainees begin their careers in a two-year, entry-level, total-immersion program that consists of stints in various Colgate departments. A typical rotation includes time in the finance, manufacturing, and marketing departments and an in-depth exposure to the company's marketing system. During that phase, trainees are rotated through the firm's ad agency, marketing research, and product management departments and then work seven months as field salespeople. At least once during the two years, trainees accompany their mentors on business trips to a foreign subsidiary. The company's goal is to develop in their trainees the skills they need to become effective marketing managers, domestically or globally.

⁵⁴David Wassel, "U.S. Keeps Foreign PhDs," *The Wall Street Journal*, January 26, 2010, online.

⁵⁵Joel Kotkin, "The Kids Will Be Alright," *The Wall Street Journal*, January 23–24, 2010, p. W9.

⁵⁶Mary Beth Marklein, "Record Number of U.S. Students Study Abroad," *USA Today*, November 17, 2008, online.

On the completion of the program, trainees can expect a foreign posting, either immediately after graduation or soon after an assignment in the United States. The first positions are not in London or Paris, as many might hope, but in developing countries such as Brazil, the Philippines, or maybe Zambia. Because international sales are so important to Colgate (60 percent of its total revenues are generated abroad), a manager might not return to the United States after the first foreign assignment but rather move from one overseas post to another, developing into a career internationalist, which could lead to a CEO position.

Companies whose foreign receipts make up a substantial portion of their earnings and that see themselves as global companies rather than as domestic companies doing business in foreign markets are the most active in making the foreign experience an integrated part of a successful corporate career. Indeed for many companies, a key threshold seems to be that when overseas revenues surpass domestic revenues, then the best people in the company want to work on international accounts. Such a global orientation then begins to permeate the entire organization—from personnel policies to marketing and business strategies. This shift was the case with Gillette, which in the 1990s made a significant recruitment and management-development decision when it decided to develop managers internally. Gillette's international human resources department implemented its international-trainee program, designed to supply a steady stream of managerial talent from within its own ranks. Trainees are recruited from all over the world, and when their training is complete, they return to their home countries to become part of Gillette's global management team.

Foreign-Language Skills Opinions are mixed on the importance of a second language for a career in international business. There are those whose attitude about another language is summed up in the statement that “the language of international business is English.” Indeed, one journalist quipped, “Modern English is the Wal-Mart of languages: convenient, huge, hard to avoid, superficially friendly, and devouring all rivals in its eagerness to expand.”⁵⁷

Proponents of language skills argue that learning a language improves cultural understanding and business relationships.⁵⁸ Others point out that to be taken seriously in the business community, the expatriate must be at least conversational in the host language. Particularly when it comes to selling in foreign countries, languages are important. Says a Dutch sales training expert, “People expect to buy from sales reps they can relate to, and who understand their language and culture. They're often cold towards Americans trying to sell them products.”

Some recruiters want candidates who speak at least one foreign language, even if the language will not be needed in a particular job. Having learned a second language is a strong signal to the recruiter that the candidate is willing to get involved in someone else's culture.

Although most companies offer short, intensive language-training courses for managers being sent abroad, many are making stronger efforts to recruit people who are bilingual or multilingual. According to the director of personnel at Coca-Cola, when his department searches its database for people to fill overseas posts, the first choice is often someone who speaks more than one language. We note that Chinese has now become a popular language in America's schools⁵⁹ and English in Chinese schools. Indeed, Disney is opening English languages schools in China with Mickey as part of the faculty!⁶⁰

⁵⁷Mark Abley, journalist.

⁵⁸Ellen Gamerman, “Just One Word: (That's Chinese for ‘Plastics’),” *The Wall Street Journal*, March 17–18, 2007, pp. P1, P5.

⁵⁹Sam Dillon, “Foreign Languages Fade in Class—Except Chinese,” *The New York Times*, January 10, 2010, online.

⁶⁰James T. Areddy and Peter Sanders, “Chinese Learn English the Disney Way,” *The Wall Street Journal*, April 20, 2009, pp. B1, B5.

We the authors feel strongly that language skills are of great importance; if you want to be a major player in international business in the future, learn to speak other languages, or you might not make it—your competition will be those European students described in Crossing Borders 17.4. A joke that foreigners tell about language skills goes something like this: What do you call a person who speaks three or more languages? Multilingual. What do you call a person who speaks two languages? Bilingual. What do you call a person who speaks only one language? An American! Maybe the rest of the world knows something we don't.

Summary

An effective international sales force constitutes one of the international marketer's greatest concerns. The company's sales force represents the major alternative method of organizing a company for foreign distribution and, as such, is on the front line of a marketing organization.

The role of marketers in both domestic and foreign markets is rapidly changing, along with the composition of international managerial and sales forces. Such forces have many unique requirements that are being filled by expatriates, locals, third-country nationals, or a combination of the three. In recent years, the pattern of development has been to place more emphasis on local

personnel operating in their own lands. This emphasis, in turn, has highlighted the importance of adapting U.S. managerial techniques to local needs.

The development of an effective marketing organization calls for careful recruiting, selecting, training, motivating, and compensating of expatriate personnel and their families to ensure the maximization of a company's return on its personnel expenditures. The most practical method of maintaining an efficient international sales and marketing force is careful, concerted planning at all stages of career development.

Key Terms

Expatriate
Local nationals

Third-country nationals
(TCNs)

Separation allowances
Work councils

Repatriation

Questions

1. Define the key terms listed above.
2. Why may it be difficult to adhere to set job criteria in selecting foreign personnel? What compensating actions might be necessary?
3. Why does a global sales force cause special compensation problems? Suggest some alternative solutions.
4. Under which circumstances should expatriate salespeople be utilized?
5. Discuss the problems that might be encountered in having an expatriate sales manager supervising foreign salespeople.
6. "To some extent, the exigencies of the personnel situation will dictate the approach to the overseas sales organization." Discuss.
7. How do legal factors affect international sales management?
8. How does the sales force relate to company organization? To channels of distribution?
9. "It is costly to maintain an international sales force." Comment.
10. Adaptability and maturity are traits needed by all salespeople. Why should they be singled out as especially important for international salespeople?
11. Can a person develop good cultural skills? Discuss.
12. Describe the attributes of a person with good cultural skills.
13. Interview a local company that has a foreign sales operation. Draw an organizational chart for the sales function and explain why that particular structure was used by that company.
14. Evaluate the three major sources of multinational personnel.
15. Which factors complicate the task of motivating the foreign sales force?
16. Why do companies include an evaluation of an employee's family among selection criteria for an expatriate assignment?
17. "Concerns for career and family are the most frequently mentioned reasons for a manager to refuse a foreign assignment." Why?
18. Discuss and give examples of why returning U.S. expatriates are often dissatisfied. How can these problems be overcome?
19. If "the language of international business is English," why is it important to develop a skill in a foreign language? Discuss.
20. The global manager of 2020 will have to meet many new challenges. Draw up a sample résumé for someone who could be considered for a top-level executive position in a global firm.