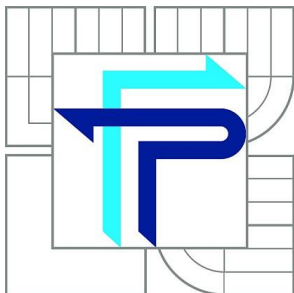


VYSOKÉ UČENÍ TECHNICKÉ V BRNĚ

BRNO UNIVERSITY OF TECHNOLOGY



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FACULTY OF BUSINESS AND MANAGEMENT  
INSTITUTE OF ECONOMICS

# CONCEPT PROPOSAL FOR EFFECTIVE PREPARATION OF EXPATRIATES FOR AN INTERNATIONAL ASSIGNMENT IN THE CZECH REPUBLIC

NÁVRH KONCEPTU ÚČINNÉ PŘÍPRAVY EXPATRIOTŮ NA JEJICH PŮSOBENÍ V ČESKÉ  
REPUBLICE

DIPLOMOVÁ PRÁCE

MASTER'S THESIS

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BRNO 2015

## MASTER'S THESIS ASSIGNMENT

**Engl Ondřej, Bc.**

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European Business and Finance (6208T150)

Pursuant to Act. No. 111/1998 Coll., on Higher Education Institutions, and in accordance with the Rules for Studies and Examinations of the Brno University of Technology and Dean's Directive on Realization of Bachelor and Master Degree Programs, the director of the Institute of Economics is submitting you a master's thesis of the following title:

**Concept Proposal for Effective Preparation of Expatriates for an International Assignment  
in the Czech Republic**

In the Czech language:

**Návrh konceptu účinné přípravy expatriotů na jejich působení v České republice**

Instruction for writing:

Introduction  
Aim of the Thesis Theoretical Background  
Problem Analysis and Current Situation  
Proposals and Contribution of Suggested Solutions  
Conclusions  
References

List of literature:

DICKMANN, M., P. SPARROW and CH. BREWSTER. International Human Resource Management: A European Perspective. 2nd ed. Routledge, 2008. ISBN 978-0415423939.  
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Deadline for submission master's thesis is given by the Schedule of the Academic year 2014/2015.

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Brno, 31.3.2015

## **Abstract**

The main objective of this master's thesis is to propose a concept for effective preparation of expatriates for an international assignment in the Czech Republic. In order to fulfil this objective, the author combines a comprehensive set of theoretical frameworks with his own empirical findings. A 35-questions long questionnaire was the primary tool to conduct a rigorous empirical research among expatriates already operating in the Czech Republic. The proposed concept is valid for both assigned expatriates and self-initiated expatriates preparation.

## **Abstrakt**

Diplomová práce má za cíl navrhnout koncept účinné přípravy expatriotů na jejich působení v České republice. K dosažení tohoto cíle byla zvolena kombinace studia relevantních teoretických rámců a provedení vlastního výzkumu v podobě dotazníkového šetření o délce 35 otázek. Dotazník byl předložen expatriotům působícím v České republice. Navržený koncept lze uplatnit na přípravu expatriotů vyslaných mezinárodními firmami a expatriotů, kteří mají záměr působit v ČR z vlastní iniciativy.

## **Key words**

Expatriates, Preparation, Cross-cultural studies, Czech culture, International human resource management, Globalization

## **Klíčová slova**

Expatriot, Příprava, Mezikulturní studia, Česká kultura, Mezinárodní řízení lidských zdrojů, Globalizace

### **Bibliographic citation of this thesis**

ENGL, O. *Concept for Effective Preparation of Expatriates for an International Assignment in the Czech Republic*. Brno: Brno University of Technology, Faculty of Management, 2015. 115 p. Master's thesis supervisor: Ing. Zdeňka Konečná, Ph.D

## **Statutory Declaration**

I declare that this master's thesis is authentic, original, and has been written independently by myself. I also declare that provided list of references in the Bibliography section is complete and copyrights are not violated (pursuant to Act. No. 121/2000 Coll., on Copyright Law and Rights Related to Copyright Act).

Brno, 31 August 2015

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Bc Ondřej Engl

## **Acknowledgments**

I hereby express sincere gratitude to Ing. Zdeňka Konečná, Ph.D. for her valuable insight and help, her willingness to cooperate amiably and offering a guiding hand to help me complete this master's thesis. Additionally, I am grateful to all the respondents who voluntarily took my questionnaire, and I thank the Brno Expat Centre specifically, for spreading the good word and distributing my questionnaire.

## TABLE OF CONTENTS

INTRODUCTION .....	11
1. Fundamental Thesis Details and Methodology .....	13
1.1 Thesis Statement .....	13
1.2 Approach to Methodology .....	13
1.3 Organization of Thesis .....	15
2. Theoretical Concepts and Background .....	17
2.1 Globalization Trends.....	17
2.1.1 KOF Index of Globalization .....	18
2.1.2 International Business Management .....	18
2.1.3 Multinational Company .....	19
2.2 International Human Resources Management .....	20
2.2.1 Strategic Role of IHRM .....	21
2.3 International Staffing Policies .....	22
2.3.1 Ethnocentric SP.....	23
2.3.2 Polycentric SP .....	24
2.3.3 Geocentric SP .....	25
2.3.4 Regiocentric SP.....	26
2.4 The Expatriates and Their Roles.....	27
2.5 Expatriate Assignment.....	29
2.5.1 Expatriation Motives.....	30
2.6 Stages of Expatriate Assignment .....	32
2.6.1 Selection.....	33
2.6.2 Training – Expatriate Preparation.....	33
2.6.3 Adjustment.....	33
2.6.4 Integration (Dual Allegiance) .....	35
2.6.5 Repatriation.....	36
2.7 Expatriate Preparation.....	37
2.7.1 Expatriate Training .....	39
2.7.2 Types of Expatriate Training .....	40
2.7.3 Phases of Expatriate Training .....	41
2.7.4 Shell Outpost – A Role Model for Expatriate Support Networks .....	42



2.8	Expatriate Failure.....	43
2.8.1	Cost of Expatriate Failure .....	44
2.8.2	Dual Career Expatriate Challenges .....	45
2.9	Summary of Chapter 2 .....	45
3.	Cultural Aspects.....	47
3.1	Geert Hofstede's Model of Cultural Dimensions .....	48
3.1.1	Power Distance Index (PDI) .....	49
3.1.2	Individualism vs. Collectivism (IDV) .....	50
3.1.3	Masculinity vs. Femininity (MAS) .....	50
3.1.4	Uncertainty Avoidance Index (UAI) .....	51
3.1.5	Long Term Orientation vs. Short Term Normative Orientation (LTO) .....	51
3.1.6	Indulgence vs. Restraint (IND) .....	52
3.2	Fons Trompenaars' Model of National Differences .....	52
3.2.1	Relationships with people .....	53
3.2.2	Attitudes to Time .....	54
3.2.3	Attitudes to Environment.....	55
3.3	Global Leadership Concept .....	55
4.	Analysis of the Culture and Business Environments in the Czech Republic .....	57
4.1	Cultural Dimensions in the Czech Republic According to Hofstede .....	57
4.1.1	Power Distance .....	58
4.1.2	Individualism vs. Collectivism .....	58
4.1.3	Masculinity vs. Femininity .....	59
4.1.4	Uncertainty Avoidance .....	60
4.1.5	Long Term Orientation vs. Short Term Orientation .....	61
4.1.6	Indulgence vs. Restraint.....	62
4.2	Brief Description of the Czech Business Environment .....	63
4.2.1	Business Etiquette.....	64
4.2.2	Societal culture and leadership prototypes in the Czech Republic .....	65
4.3	Concise Description of the Czech Culture.....	66
5.	Empirical Research: Expatriates in the Czech Republic .....	68
5.1	Research Objectives.....	68
5.2	Research Methods.....	69

5.3	Research Sample .....	71
5.4	Research Results .....	72
5.4.1	Demographic Variables .....	73
5.4.2	New Environment and Adjustment.....	75
5.4.3	Preparation Phase.....	78
5.4.4	Communication.....	82
5.4.5	Interpersonal & Personal Experience .....	84
5.5	Research Summary .....	89
6.	Effective Expatriate Preparation Concepts .....	92
6.1	General Preparation Recommendations.....	92
6.2	Preparation Concept for Expatriates in the Czech Republic.....	96
CONCLUSION.....		104
BIBLIOGRAPHY .....		106
LIST OF ABBREVIATIONS.....		113
LIST OF TABLES .....		114
LIST OF FIGURES .....		114
LIST OF APPENDICES.....		115

# INTRODUCTION

Reflecting on the context of globalization, massive competitive pressures for increased efficiency and profits (i.e. shareholder value maximization) have an inevitable impact on both improvements in strategy, operations, and processes, and adoption of complex management practices, which are universally considered the most effective. Facilitation of a worldwide convergence of these management practices in International Human Resource Management (IHRM) is a key issue (Lucas, et al., 2006), especially during the international deployment of workforce – expatriation.

According to Morgan (1986), IHRM is defined as an interplay between these three dimensions – human resource activities, types of employees and countries in operation, all of which need to be carefully considered by diligent HR managers. It is important to note that even on the domestic level, multicultural workforce has been steadily increasing on behalf of globalization, which propels smoother labour migration.

Such trends result, among others, in expatriation, a process during which individuals leave their home countries in order to relocate elsewhere. In the corporate world, parent companies usually send executives to oversee new enterprise development in other countries. However, it is imperative to consider that the way, in which expatriation is managed and approached within various national contexts, may not necessarily translate into a multinational context without some degree of modification (Dowling & Welch, 2004), and it is crucial that organizations understand the complexities and dynamic relationships arising from international staffing. In other words, expatriation leads to increased workforce diversity, or multicultural teams, which are now an inevitable and essential part of any global company. The question at hand is how companies manage such multicultural teams, how the different cultures are examined and understood, and how expatriates can effectively prepare for their international assignments.

Perspectives and capabilities of the emerging global leaders are indeed shaped by international assignments, both the single most powerful experience a global leader can wish for, and the most expensive per-person investment a company can make (Black, et al., 1999; see Brynningsen, 2009). A plethora of reasons leads to the infamous expatriate failure, and multinational enterprises sometimes devote great efforts and

resources to mitigate or completely eradicate it via a variety of cross-cultural trainings, thorough selection procedures, or even expatriate family preparation.

What benefits and threats expatriates face, what phases they encounter during their assignments, what the primary objectives of a comprehensive expatriate preparation are, and what cultural experience an expatriate can expect when deployed in the Czech Republic, are all core issues addressed in this work. In order to reveal current general trends, job satisfaction, and cultural adjustment aspects, a comprehensive, 35-question-long survey was presented to expatriates currently or recently operating in the Czech Republic.

Both the author's empirical findings obtained via rigorous data analysis, and the conceptual and theoretical frameworks explored in the first chapters are thoroughly processed and combined in order to gauge the current trends and possible areas of improvement. The main focus of this master thesis is to reconnoitre means of expatriate preparation and propose a conceptual solution to effectively prepare expatriates for international assignments in the Czech Republic.

# **1. Fundamental Thesis Details and Methodology**

## **1.1 Thesis Statement**

The main aim of this master's thesis is to propose a concept of effective expatriates' preparation for working in international companies operating in the Czech Republic. In order to fully accommodate this requirement, three distinct secondary objectives are observed:

- (1) Relevant theoretical background is presented including a broad range of topics, areas in question, definitions, policies, approaches, and concepts.
- (2) Empirical results obtained through a questionnaire presented to expatriates working in the Czech Republic are analysed and discussed, and further compared to theoretical frameworks.
- (3) Recommendations and a conceptual solution for effective expatriates' preparation are presented based on the findings derived from (1) and (2).

Presented and discussed in depth, is the theoretical background regarding International Human Resources Management concepts in order to establish a solid foundation for the practical part. The constructive objective of this master thesis reads as follows:

- (1) Suggest and recommend a conceptual solution for expatriates sent on international assignments in the Czech Republic based on both theoretical, predominantly cultural, and empirical findings.

## **1.2 Approach to Methodology**

Research methods the author utilized for a successful thesis completion are listed in this section, predominantly drawing on Collins & Hussey (2003). The importance of proper research is illustrated by the following eloquent quote by Ellerby (2009, p. available online): "Research outputs that we build around a core insight or truth compel

design teams to empathize with users, and thus, to design truly meaningful products and services.”

### **Methods used:**

#### ▪ **Critical Literature Review**

A broad range of primary, secondary, and tertiary sources was researched and analysed prior to the actual thesis commencement. A majority of sources were obtained online, and in the British Library in London. Additional literature sources come from the Boot’s Library, Nottingham Trent University. All sources and citations are listed in the Bibliography section. The author chose to draw predominantly from peer-reviewed journal articles in order to meet the requirement of unbiased and relevant points of view, and especially to eliminate outdated concepts.

#### ▪ **Logical Research Methods**

*Analysis* – process of gradual subject breakdown and consequent analysis of its elements and their individual and mutual relations in order to draw conclusions.

*Synthesis* – involves composition or combination of given parts and elements in order to form a larger whole, such as concepts and solutions. Both analysis and synthesis were largely used.

*Description* – definitions are mostly formed in a descriptive manner, providing objective and unbiased characteristics of given problems and areas. Abundant in the theoretical part.

*Comparison* – this method helps differentiate between selected concepts, areas and criteria based on an analysing differences and similarities between them.

#### ▪ **Research Methods**

*Questionnaire* – this method of qualitative research allows assessors to measure given sample of population, in this case expatriates working in the Czech Republic, with

an emphasis on the Brno area, using a variety of closed and scaling (Likert questions) questions. The author's questionnaire was structured and consisted of 35 closed and scaling questions divided into several parts:

- demographic variables,
- new environment,
- preparation phase,
- communication issues, and
- interpersonal & personal experience.

The questionnaire was designed to require mere 10 minutes to complete the whole series of questions to allow for broader acceptance rate among presumably busy expatriates. The author believes that longer questionnaires may have a repulsive, or even bothersome effect on respondents. Detailed research methodology and practices as well as the questionnaire results are presented and analysed in Chapter 5.

The number of respondents is 75, out of which 13 are assigned expatriates and 62 are self-initiated expatriates. To assure for a larger sample and immediate response rate, the questionnaire was published online via Brno Expat Centre – their Facebook page and their monthly newsletter – the Expat's Voice, and was posted across multiple other online media.

### **1.3 Organization of Thesis**

The thesis consists of four major parts, and one minor part. Following introduction, the first chapter presents theoretical concepts and backgrounds aiming to describe and explain theory in question to further support author's claims in the last section. Respective to the thesis objective, Chapter 2 explains areas such as International Human Resources Management, Expatriates, Globalization, Expatriate Assignments, International Staffing Policies, Expatriate Adjustment Process, and Expatriate Preparation to name the most significant. International expatriate failure topic, being an important problem area, is also discussed in this chapter.

Chapter 3 Cultural Aspects aims to comprehensively describe the theory behind general cultural understanding and explanation. Both Hofstede's and Trompenaars' cultural dimensions are explained in detail.

The following practical part focuses on the Czech business and cultural environment (see Chapter 4 Analysis of the Culture and Business Environments in the Czech Republic). Cultural essentials specific to the Czech Republic are discussed with respect to the theoretical backgrounds presented in the first chapter. Hofstede's Cultural Dimensions model serves as the principal cultural guideline to understanding Czech cultural habitat. Readers will also have a chance to learn about the Czech business etiquette.

In Chapter 5 Empirical research: Expatriates in the Czech Republic, research objectives including hypotheses, research methodology, and sample are presented. An analysis of the questionnaire results is offered in a descriptive manner including graphical representation of individual answers for illustration and visualization.

Finally, the most essential Chapter 6 Effective Expatriate Preparation Concept draws from all of the previous chapters to propose an effective concept of expatriate preparation in the Czech Republic. Besides the concept itself, this chapter also suggests general preparation recommendations relevant to assignments in the Czech Republic.



## 2. Theoretical Concepts and Background

The following chapter has a single primary goal: to lay theoretical foundations for this master's thesis which the author finds relevant.

### 2.1 Globalization Trends

“Companies must learn to operate as if the world were one large market ignoring superficial regional and national differences.”

— Theodore Levitt (1983, p. 92)

In his powerful essay from more than 32 years ago, Theodore Levitt shaped a new trend taking over the world: *Globalization*. Without it, there would probably be no International Human Resources Management, therefore, it is important to take it into consideration. Levitt declares that it is only the companies that decide to completely embrace global approach, will achieve sustainable track of success, as the world is powerfully driven towards a ‘single converging commonality’ due to significant technological progress accelerating all areas of international business (Levitt, 1983).

International expansion of originally domestic companies has become a very common occurrence in the contemporary business world. The past three decades represented a fundamental shift from a world where national economies posed as self-contained bodies separated from one another by a variety of barriers, tariffs, quotas, and cross-trade regulations, all of which hindered internationalization and global business.

Hill (2011) argues that we are currently moving towards a world where barriers to cross-border trade are declining, distances are diminishing thanks to advanced transportation, communication, and technology, and national economies are in the process of merging into an interdependent, integrated global economic system. Additionally, further empowering his statements, global FDIs have been on a steady rise (please, see Appendix 2-A, Appendix 2-B) providing direct evidence of globalization tendencies (with respect to global move of goods, services and investments).

Rugman (2001), on the other hand, positions his views strongly against universal globalization claiming strong governmental regulation limits free market forces. He proposes a ‘think local, act regional and forget global’ strategy for international

expansion. Thus, the core decision problem when entering new markets (this includes labour markets as well) lies between a focus distinctive regional elements strategies, and entirely global strategies.

### **2.1.1 KOF Index of Globalization**

The KOF Index of Globalization is a recognized tool to measure rate of globalization tendencies across countries in the world. Three separate dimensions form the core structure of the index – *social, political, and economic*. Current economic flows, economical restrictions, and data on cultural proximity are assessed in the surveyed countries.

For the purposes of the KOF Index creation, globalization is defined as: “the process of creating networks of connections among actors at multi-continental distances, mediated through a variety of flows including people, information and ideas, capital and goods” (Statista, 2015). The more globalized a country is, the higher the potential of successful expatriation endeavour. For example, the Czech Republic ranks high – 13<sup>th</sup> of all tested countries in the globalization index 2015 (for a chart of the first 20 countries, please, refer to the Appendix 2-C).

### **2.1.2 International Business Management**

If globalization is a worldwide trend, international business is its main facilitator. Cullen (2001; see Eden, Dai and Li, 2010, p. 57) argues that International management is a “formulation of strategies and the design of management systems that successfully take advantage of international opportunities and respond to international threats.” International business is any company, which engages in cross-border trade or investment (Hill, 2011). This does not necessarily mean that the firm needs to invest directly into operations in other countries, export and import count as well.

As multinational organizations gradually spread their sphere of influence into new markets, managers need to take a number of factors into consideration. According to Hill (2011), managing an international business differs from a pure domestic company management for at least these four reasons:

- (1) Countries are different entities.

- (2) Problems arising from an international business management are wider, more complex and require multifaceted management approaches than those in a purely domestic environment.
- (3) International business managers need to adjust their actions to work well within the limits and guidelines imposed by local governments such as taxes, laws, quotas, tariffs, investment systems, etc.
- (4) For an international transaction to take place a company needs to convert its monetary resources into different currencies, thus exposing itself to translation and transaction risks.

It is important to note that international business management systems face many other challenges such as dealing with fair labour standards and environmental concerns (Carbaugh, 2009). International business management would be only half-complete without international strategies governed by International strategic management (ISM).<sup>1</sup>

Extensive volumes have been written regarding international business management, however, the above-outlined is sufficient for the purposes of this thesis.

### **2.1.3 Multinational Company**

Multinational companies, MNCs, or multinational enterprises, MNEs, are the main integrator in the globalization of international markets. According to Hill (2011), MNE is a business with established productive activities present in two or more countries. Such corporations run offices and/or factories in multiple countries simultaneously, and usually have a centralized headquarters where they devise and co-ordinate global management. Interestingly, world's largest MNEs have budgets that exceed GDP of many small countries (Worstell, 2011).

Particularly interesting is the trend of mini-multinationals which are generally SMEs (Small and medium enterprises) generating profit worldwide with much smaller production capacities than large MNEs such as Exxon, Apple or Starbucks (Chetty, 2003).

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<sup>1</sup> Eden et al. (2010, p. 61) offer a following definition of ISM: "International strategic management is the comprehensive set of commitments, decisions, and actions by firms to gain competitiveness internationally."

## **2.2 International Human Resources Management**

For a global company to be successful in a global world, one major component of management needs to be taken into account – International Human Resources Management (Brynningsen, 2009). It is estimated that in 2009, there was about 850,000 subsidiaries of MNEs operating in the world, while in 2003 the number hovered around 700,000 (Harvey & Moeller, 2009; see Brynningsen, 2009). This indicates a rising tendency in international business, which automatically imposes a higher demand on IHRM and expatriation process. Expatriate managers remain a feasible means for executing control and overseeing organizational performance, thus, having a direct impact on foreign operations (Brynningsen, 2009).

Hill (2011) describes IHRM as a collection of activities a company enforces to use its human resources efficiently. Included within these activities are e.g. staffing, performance evaluation, employee compensation, HR strategy definition, and labour relations, all precisely managed and defined with respect to global and national contexts. Complexity of domestic Human Resources Management is brought to an entirely new level in the international environment, as firms need to consider fundamental differences between countries (culture, legal systems, labour markets, etc.).

Following the IHRM evolution, associated HRM activities have developed to be much more complex and strategic to account for additional functions such as “international taxation, international relocation, administrative services to expatriates, training, and appraising home and host countries’ employees, inter-government relations, etc.” (Thoo & Kaliannan, 2013, p. 146).

Particularly unwanted situations and serious problems may arise when conflicts emerge between the culture and laws in the two given countries. In addition, MNEs must precisely define where different employees are sourced, whether it is the host country, the domestic labour market, or elsewhere in third countries. Such decision making further encompasses compensation, training and development, and other challenges.

### 2.2.1 Strategic Role of IHRM

Strategic International Human Resources Management (SIHRM) explicitly connects HRM practices with strategic management operations of the firm, and emphasizes increased congruence between different HRM practices. Therefore, one possible definition of SIHRM reads as follows: a set of HRM policies and functions stemming from strategic activities of MNEs (Brynningsen, 2009). Consequently, the process of international assignments and human resources management are a key aspect of a company's strategic orientation.

As indicated in Figure 1, HRM has a critically important impact on the organization culture and crucial system elements. Hence, HRM managers govern a strategically important role to shape a firm's organizational architecture in a way, which is congruent with the overall enterprise strategy.



**Figure 1. The Role of Human Resources in Shaping Organization Architecture (Hill, 2011, p. 634)**

Hill (2011) further argues that high productivity and competitive advantage can be achieved via superior human resource management. The inevitable conclusion is that people are the vital element, or the linchpin, of a company's road to international success.

Three different SIHRM orientations are broadly accepted: integrative, adaptive, and exportive, as described by Brynningsen (2009).

- **Integrative SIHRM**

Significant global integration allowing for partial local differentiation attempts to take the best approaches and employ them across the organization. Consistent with the *geocentric* approach, integrative SIHRM identifies unique competencies and strives to use the most qualified personnel, notwithstanding the nationality.

- **Adaptive SIHRM**

Adaptive SIHRM reflects the local environment of a subsidiary, or affiliate entities, with little internal consistency with the mother company and stronger emphasis on a higher external consistency with the locals. Use of differentiation is accentuated while local HRM systems are widely adopted. *Polycentric* approach is consistent with adaptive SIHRM.

- **Exportive SIHRM**

This approach is the exact opposite of the adaptive approach – here, the MNC engages in a wholesale transition of the mother company's HRM systems and practices having little regard for local environment. As the parent company HRM systems are enforced, the foreign affiliates are left with nearly no autonomy. Exportive SIHRM reflects the *ethnocentric* approach.

## 2.3 International Staffing Policies

Multinational companies have numerous options to choose from when it comes to staffing policies (SPs). At the basic level, staffing policy is a tool used for selection of employees with required skills for specific jobs. On another level, it can also represent a mechanism for developing and stimulating the preferred corporate culture.<sup>2</sup>

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<sup>2</sup> The concept of *culture* can be defined as a certain arrangement of inner attributes, which differentiate one organization from another. As per Shahzad, et al., (2012), culture stands for a fairly established set of beliefs, behaviours, and values generally contained in societies. Cultural aspects will be discussed further on (see Chapter 3 Cultural Aspects).

Implementation of a corporate strategy is generally easier for companies with strong corporate culture (Hill, 2011).

When implementing a staffing policy, companies need to carefully consider factors such as the MNE's structure, duration of assignments abroad, designated budgets, employee qualification, and capabilities, in order to successfully select the most suitable policy (Thoo & Kaliannan, 2013).

Perhaps the most widely accepted and recognized model of staffing policies is the model proposed by Perlmutter (1969), in which he described fundamental global workforce attitudes employed by the parent company towards its subsidiaries operating in foreign countries. His proposed EPG model recognizes *ethnocentric*, *polycentric*, and *geocentric* approaches.

Heenan & Perlmutter (1979) further enhance the staffing policy theory by adding another, fourth approach – *regiocentric* approach (Hodgetts & Luthans, 2003). Hill (2011) suggests that the most attractive SP is the geocentric approach, however there might be some hindrances adopting it. Let us now take a closer look at individual approaches.

### **2.3.1 Ethnocentric SP**

If a company decides to practice this policy, it assigns parent country nationals to all key management positions in its subsidiaries in foreign countries. Key decisions are made at headquarters and subsidiaries boast little to no autonomy. Japanese MNCs tend to be inclined to using this policy, while multinational companies headquartered in Europe often choose the other approaches (Thoo & Kaliannan, 2013).

There are three basic reasons why companies decide to pursue the ethnocentric staffing policy:

- (1) Companies view host country employees as lacking qualification to fully handle senior management roles. Establishing operations in less developed countries sometimes works in favour of this argument.
- (2) MNEs see this policy as the best way to preserve a unified corporate culture, especially when they place a high value on it.

- (3) Firms strive to generate value by a core competencies transition. Corporate know-how and practices are best transferred by extending knowledgeable management personnel from the home country, especially given the tacit character of experience (Hill, 2011).

Enforcing ethnocentric policy most certainly makes sense, however, there are some aspects proving otherwise. An unwanted phenomenon called cultural myopia might occur,<sup>3</sup> expatriates might not adapt well to the host country environment, and the resulting unpleasantness of their situation leads to expatriate failure (see Chapter 2.8 Expatriate Failure), or a lack of understanding of local marketing, communication or pricing strategies may cause severe business impediments and skyrocketing costs (Banai & Sama, 2000).

Moreover, advancement opportunities of local workforce are limited which inevitably leads to an increased staff turnover and decreased productivity. Thoo & Kaliannan (2013) further claim that releasing best employees for international assignments might not be beneficial for the parent country.

### **2.3.2 Polycentric SP**

When MNCs decide to adopt the polycentric staffing policy, they usually shift their focus to appoint host country nationals to key managerial positions in the newly established subsidiaries (Hill, 2011). This approach is best used when the host country's government imposes foreigner-hiring barriers (Thoo & Kaliannan, 2013). There are two main reasons for firms to select this approach:

- (1) Cultural myopia is reduced to minimum since managers appointed from local labour markets are much less likely to make mistakes resulting from cultural misapprehension.
- (2) This approach is theoretically less expensive than the ethnocentric SP, particularly when companies expand to less developed markets with cheaper labour.

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<sup>3</sup> Cultural myopia, or, in other words cultural short-sightedness, means being focused only one's on own culture and having little regard for values, beliefs and customs of other cultures (Ventresca, 2012).



On the other hand, a few drawbacks need to be considered. First, local nationals have restricted opportunities to acquire experience abroad, hence limiting their progress beyond senior managerial positions in their own country. Second, a potential culture gap might form between managers from the parent country and local managers, namely language barriers and cultural differences might insulate corporate HQ from its foreign subsidiaries. Transfer of core competencies and corporate know-how is then hindered potentially jeopardizing corporate strategy implementation. Polycentric approach is effective for companies pursuing a localization strategy, rather than other strategies (Hill, 2011).

### **2.3.3 Geocentric SP**

This staffing policy is adopted by multinational corporations when the best-qualified employee is selected for international assignments, irrespective of their nationality (Thoo & Kaliannan, 2013). According to Harzing & Pinnington (2014), the geocentric approach broadens the selection of candidates to third country nationals (TCNs), parent country nationals (PCNs) and host country nationals (HCNs) (see Table 1 on page 25). A number of advantages are observed:

- (1) Companies are empowered to utilise their human resources most efficiently and effectively (Hill, 2011).
- (2) A strong cadre of international executives emerges as these elite individuals use their international experience to feel comfortably in various cultures and foreign environments. Powerful corporate culture is best nurtured through this approach, while global standardization strategies are allowed to be implemented with a greater rate of success (Kobrin, 1994).
- (3) Geocentric approach allows firms to better exploit experience curve and location economies.

Conversely, several limitations obstruct the MNE's ability to use this policy. Countries often enforce employment of local citizens by imposing complex immigration legislation or even quotas. Additionally, a geocentric staffing policy might cause higher

relocation and training costs, remuneration issues, and even antipathy from local employees towards international managers since they would usually benefit from a much higher, internationally standardized salary (Hill, 2011).

A study conducted by Hansen (2005) revealed that US companies gradually increase the number of managers outsourced from overseas; in 2005 24% of top managers were originally non-American, while in Europe the number reached 40%.

#### 2.3.4 Regiocentric SP

In this staffing policy, managers are transferred on a regional, rather than global basis, in i.e. Europe. This approach is usually considered a combination of ethnocentric and polycentric approaches, and forms a mid-way station between the two (Harzing & Pinnington, 2014). Local managers from specific geographical areas handle operations only in those areas.

**Table 1. Classification of International Staff**

<b>Parent country national (PCN)</b>	Nationality of employee is the same as that of the headquarters of the multinational firm	e.g. a German employee working at the Chinese subsidiary of Volkswagen
<b>Host country national (HCN)</b>	Nationality of employee is the same as that of the local subsidiary	e.g. a Chinese employee working at the Chinese subsidiary of Volkswagen
<b>Third country national (TCN)</b>	Nationality of employee is neither that of the headquarters nor the local subsidiary	e.g. an Czech employee working at the Chinese subsidiary of Volkswagen

*Source: adapted from Harzig & Pinnington (2014)*

In conclusion, the above-mentioned staffing policies serve as a well-recognized model for both practitioners and academics of international business. However, Hill (2011) claims that this typology might seem rather simplistic, obscuring the internal differentiation of management practices in MNEs (i.e. different national subsidiaries utilise different approaches).

## 2.4 The Expatriates and Their Roles

“You're an expatriate. You've lost touch with the soil. You get precious. Fake European standards have ruined you. [...] You spend all your time talking, not working. You are an expatriate, see? You hang around cafes.”

— Ernest Hemingway, (2006, p. 115)

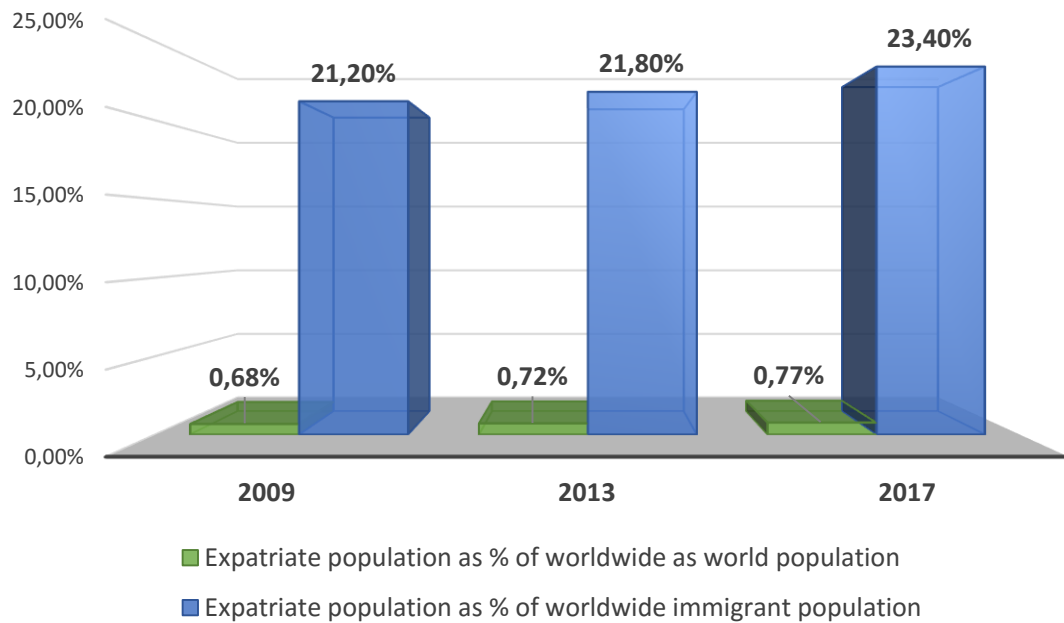
Hemingway's famous description of an American expatriate to Europe from 1926 sounds perhaps too negative or even carnivalesque. Is his the perfect description of an expatriate? This subchapter will shed light on theory revolving expatriates, their assignments and motives, stages of expatriate assignments, or expat adjustment process to name a few. Let us first define the expatriate.

### **Expatriate:**

- Expatriate, or an expat, is an individual temporarily or permanently settled in a country, which is other than the country of their citizenship. In terms of HR, expats are skilled professionals sent abroad by their home country company (Castree, et al., 2013).

There are approximately 50.5 million expatriates worldwide, and the number is expected to stretch to 56.8 million by 2017 - which would account for 0.77% of the total global population. Most expats, 73.6%, are individual workers, or so-called self-assigned expatriates. Students, retirees, corporate transferees and any other remaining expat groups complete the ranking at 8.8%, 3%, 1.0% and 12.8%, respectively (Paragon Relocation, 2014). Figure 2. shows a graphical representation of a global expatriate and immigrant percentage relative to global population (Finaccord, 2014).

Although this thesis is only focused on expatriates, two more terms will be described. The term *inpatriates* describes a subdivision of expatriates who work in the home country of their MNE employer and are citizens of a foreign country (Hill, 2011). *Repatriates* are simply expatriates returning home.



**Figure 2. Size of Worldwide Expatriate Population Relative to Total Worldwide Population and Worldwide Immigrant Population, 2009, 2013, forecasted to 2017. (Finaccord ExpatriateBASE™, UN Statistics Division)**

Having described an expatriate as an individual who moves to another country while changing their original residence in order to engage in professional activities, let us now differentiate between two expatriate subcategories, self-initiated expatriates (SIEs) and assigned expatriates (AEs).

### **Self-Initiated Expatriate**

Self-initiated expatriates are individuals who embark on their international work experience having little or no corporate sponsorship, while usually receiving less beneficial contracts than their assigned expatriate counterparts do. Their initial impulse to relocate abroad is made solely by themselves, while the host country organization deals with legal employment decisions (Andresen, et al., 2014). Carr et al. (2005; see Biemann & Andresen, 2010) claim that self-initiated expats represent a much bigger and ultimately more significant group than assigned expatriates.

Harzing & Pinnington (2014) argue that self-initiated expatriation was further facilitated by the introduction of free movement of labour in the EU and other economic

regions worldwide. A study conducted by Suutari & Brewster (2000; see Harzing & Pinnington, 2014) revealed several common characteristics of SIEs; they tend to be younger, single and female, usually relocate due to an interest in internationalism and limited employment opportunities in their home countries.

### **Assigned Expatriate**

The term assigned expatriate usually denominates employees sent to assignments abroad by the company, which they work for, usually under various, more lucrative, expatriate contracts. The first impulse to expatriate comes from the home country organization, which is also in charge of legal employment decisions (Andresen, et al., 2014).

## **2.5 Expatriate Assignment**

Based on the above-mentioned, we might argue that globalization is a somewhat new phenomenon. Selmer (1995) reminds that expatriation has been present since the ancient times, when emperors delegated their trustworthy dignitaries to remote regions.

Expatriates are a core constituent of any multinational company. These highly skilled experts are assigned various activities abroad, such as supervision of a new subsidiary establishment or mergers and acquisition in the host countries. Expatriates are held widely responsible for technological know-how transfers since they are the ones bearing corporate knowledge, and, they also help with new production and processes implementation (Caligiuri, et al., 2010).

Hofstadler & Heinrich (2010) suggest that expatriate assignments share following traits:

- Activity in a foreign country for a company in a home country.
- Pre-assignment employment in the home country.
- Both expatriates and their sending company intend to continue employment in the home country once the international assignment is over.
- Assignment duration is limited.

Expatriate assignment time spans are observed in Figure 3.



**Figure 3. Assignments Duration**

**(Hofstadler & Heinrich, 2010, p. 16)**

### **2.5.1 Expatriation Motives**

As mentioned in Chapter 2.2.1 Strategic Role of IHRM, expatriates are strategically important in multinational companies mainly due to their tacit know-how and corporate knowledge. Collings, et al. (2007, p. 199) further remark that “expatriates were used as a means of addressing agency issues as a result of the separation of ownership and management and their amplification through distance.”

What is the theoretical framework for companies to engage in expatriate endeavours? In their breakthrough study, Edström and Galbraith (1977) proposed three main motives<sup>4</sup> for using expatriates:

- (1) **As position fillers** – when suitably qualified host country citizens are unavailable. There might be a shortage of skilled managers who first need to be trained by expatriate experts in order to execute future managerial duties. This occurs especially when a certain knowledge transfer to developing countries is required (Harzing & Pinnington, 2014).
- (2) **Means of management development** – to develop and extend competencies of the individual expatriate. The transfer provides managers with valuable international experience and develops them for future assignments abroad (international experience is sometimes considered necessary for a top

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<sup>4</sup> It is imperative to note that these three motives are not mutually exclusive. In addition, there are many personal reasons why expatriates seek international assignments. Stahl et al., (2002, p. 216) suggest that “the majority of expatriates view their international assignment as an opportunity for personal and professional development and career advancement, despite perceived deficits in corporate career management systems.”

management career). This sort of transfer would be performed even if the host country had ample qualified local workforce (Collings, et al., 2007).

- (3) **Means of organizational development** – aiming to increase organizational knowledge transfer, and to sustain corporate structure and processes. Furthermore, this motive contributes to coordination, culture and policy transfers, and allows for integration of both expatriate and local executives into the corporate culture (Harzing & Pinnington, 2014).

**Table 2. Categories of Expatriate Assignment**

	<b>Technical assignments</b>	<b>Functional assignments</b>	<b>Developmental assignments</b>	<b>Strategic assignments</b>
<b>Developmental component</b>	None	Not a stated goal	The primary goal is to gain a stated set of competencies	Gaining new skills can be a secondary goal
<b>Required intercultural competence</b>	Few, if any required	Required since interaction with host nationals is necessary	Not a prerequisite, but develops while on assignment	Strongly required to be successful on the job
<b>Main responsibilities</b>	To complete a job and return home	To complete a job and return home	Sent to other countries, diverse markets, across functions to perform various jobs on a rotational basis	Fill very senior and critical international positions
<b>Typical positions</b>	Individual contributors ( <i>e.g.</i> engineers, information technology professionals)	Mid-level functional managers ( <i>e.g.</i> sales, training and marketing managers)	Mid-level or junior-level managers	Country managers

*Source Caligiuri and Colakoglu (2007, p. 395)*

Although the classification offered by Edström and Galbraith is generally accepted in the literature about international transfers, several other studies amend the theory. For example, Pausenberger (1987; see Harzing & Pinnington, 2014), suggests that the above-mentioned motives for international transfer might in reality lead to organization development defined as the overall ability to succeed internationally. Moreover, according to this theory, organization development by itself is not the main objective of international transfers; it is the result of management development, knowledge transfer, and formation of shared organizational culture.

Different types of expatriate assignments according to Caligiuri & Colakoglu (2007) are synoptically depicted in Table 2.

## **2.6 Stages of Expatriate Assignment**

Expatriation is a process, which intrinsically means that there are several successive stages within it. Reiche & Harzig (2009; see Harzing & Pinnington, 2014), introduce three basic stages:

***Selection and Preparation => Actual Assignment => Repatriation***

Hofstadler & Heinrich (2010) offer a slightly different view and segregate the Expatriation process into four distinct stages as follows:

***Selection => Preparation => Operation => Repatriation***

For purposes of this thesis, the author decided to investigate another, more complex approach proposed by (Brynningsen, 2009):

***Selection => Training => Adjustment => Integration => Repatriation***



### **2.6.1 Selection**

The initial phase, selection, takes place prior to the international assignment. Companies sometimes resort to sending candidates abroad based on their technical and managerial qualifications rather than their ability to cope with the new cultural environment. This occasionally results in expensive premature returns or poor performance (Black et al., 1999; see Brynningsen, 2009). Hence, the importance of finding the right candidate could not be emphasized more. Furthermore, developing suitable selection criteria has become a critical SIHRM concern – for organizations with a global strategy, expatriates are the centrepiece of that strategy implementation (Caligiuri & Colakoglu, 2007).

The most important factors, which should be carefully considered during the selection process, are cross-cultural suitability, strategic factors, leadership skills, communication skills, social skills, technical abilities, emotional stability, family requirements, and MNEs requirements, among others (Brynningsen, 2009). Candidate's family circumstances need to be taken into consideration as well and the role of the entire family unit must be recognized.

### **2.6.2 Training – Expatriate Preparation**

Once the candidate has been selected for an international assignment, training is considered to take place next. Training is critical and plays a crucial role in expatriate preparation for often-treacherous complexities in international assignments (Brynningsen, 2009).

Expatriate preparation is the main topic of this master thesis, hence, in order to offer a comprehensive analysis, an individual subchapter is dedicated to this matter (please, see Chapter 2.7).

### **2.6.3 Adjustment**

Brynningsen (2009) argues that the most important work to ensure the international assignment success is done after the expatriate's arrival. His research has shown that cross-cultural adjustment has not been practiced based on theory, but rather on randomly selected factors.

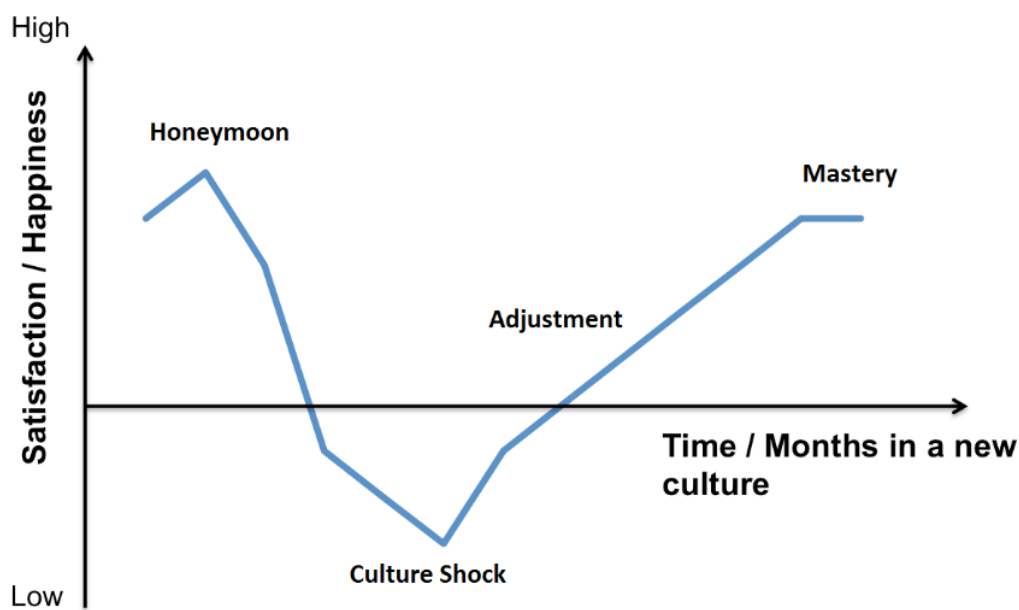
When an expatriate works cross-culturally, a period of learning about the given culture is necessary before productivity takes place. Since expatriates adjusting to new cultures can be considered as being involved in a learning process, companies should embed cross-cultural social learning theories into the adjustment phase. One such theory, first introduced by a Norwegian sociologist Sverre Lysgaard in 1955, and later reviewed by Black & Mendenhall (1991), proposes a U-curve pattern of adjustment (see Figure 4 on p.35). This theory has been the most commonly used so far. The diagram shows adjustment process stages for individuals moving abroad and how their feeling evolve over time. Four different stages are observed as follows (Hofstadler & Heinrich, 2010):

- (1) **Honeymoon** – this is the initial phase during which expatriates moving aboard usually experience euphoria and excitement. Expats are fascinated by the new culture and environment, and superficial relationships are formed with local residents. It is usually not before long when expats start sliding downwards to the next phase.
- (2) **Culture shock**<sup>5</sup> – as the expats face daily life challenges in the new surroundings, they realize that their incumbent sets of behaviour and norms are incongruent with the host country's norms. Cultural differences such as language, values, and symbols intensify as well as the need to increase contact with fellow citizens. Feelings of anxiety and alienation might occur. Troubles managing communication and basic daily activities such as shopping or transportation, intensify the feelings of frustration, hostility, and stress.
- (3) **Adjustment** – once expatriates start reevaluating their behaviour and adapting to the new environment, increased satisfaction with their ability to cope with the new culture is observed. Language abilities and attitudes towards the new culture and HCNs improve. The local culture starts to make more sense, and negative responses to the cultural aspects decline in numbers.

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<sup>5</sup> The term "culture shock" was presented by an anthropologist Kalervo Oberg to define a situation during the process of cultural adjustment when complications and difficulties occur after relocation to another culture. As per Oberg's analysis, culture shock can be defined as a "psychological disorientation experienced by people who suddenly enter radically different cultural environments to live and work" (Xia, 2009, p. 97).

- (4) **Mastery** – this is when expatriates regain their stable minds and additional requirements for learning and adaptation gradually diminish. Various aspects of the host country culture are accepted and successfully handled. Anxiety levels drop to their minimum. During this stage, individuals gain ability to partake fully and contentedly in the host country culture. However, mastery does not represent a complete transformation as expatriates tend to keep many traits from their original culture, such as accents and languages (Thoo & Kaliannan, 2013).



**Figure 4. The U-Curve of Cross-Cultural Adjustment**  
(Adapted from Black & Mendenhall, 1991)

#### **2.6.4 Integration (Dual Allegiance)**

Today's MNEs are in need of expatriate managers who are able to integrate demands and objectives of both the parent company and its subsidiary (Brynningsen, 2009). However, such dual allegiance is a very rare phenomenon. According to Black et al., (1999; see Brynningsen, 2009), there are several different allegiance patterns, namely:

- (1) *Hearts at Home* – expatriates who have too much commitment to parent company.
- (2) *Go Native* – expats overly committed to the local subsidiary.
- (3) *Dual Citizens* – individuals on expatriate assignments committed highly to both home and local operations.
- (4) *Free Agents* – these expatriates are not very committed to either of the organizations.

Not surprisingly, Dual Citizens are the most desirable group of expatriates and companies should increase their effort to foster this pattern of allegiance. This type of expatriates has the highest probability to succeed and stay for the expected length of time. This is best achieved via a role discretion, i.e. the expatriate managers' ability to govern their own decision-making process, and role conflict, represented by the conflicting expectations and objectives between the parent firm and foreign subsidiary (Brynningsen, 2009).

Therefore, companies sending expatriates on international assignments must concentrate their effort not only on adjustment but on proper integration as well.

### **2.6.5 Repatriation**

Somewhat overlooked but absolutely equally as important as the previous stages is the training of expatriates to prepare them for a successful return to their home country company (Hill, 2011). Failure to do so might have some significant impact on managerial and executive performance (Brynningsen, 2009).

Instead of employees returning home to share their newly acquired knowledge, they often meet with misunderstanding and deal with a situation when their accomplishments abroad are neither recognized nor further followed on. Several job-related factors influence repatriation, such as career anxiety, coping with new demands and status loss, as well as social factors related to the expatriate's family readjustment. In the unfortunate occasion that the expatriate fails and returns prematurely, the above-mentioned factors multiply in severity.

Hill (2011) suggests that the key to solving this issue is well-executed HRM planning. Indeed, much can be done to ensure a successful repatriation of managers. For

instance, strategic repatriation functions definition, a repatriation team assembly, home country environment preparation, support groups provision and thorough re-integration process management.

## **2.7 Expatriate Preparation**

It might be considered a general rule that international assignments, whether in business, technology, education, or diplomacy, usually involve journeys abroad, to different lands and cultures, all of which have their own cultural idiosyncrasies for the expatriate neophytes. It is the degree to which expatriates are able to cope with the unexpected challenges, which define expatriate success or failure. Therefore, effective and thorough preparation is of paramount importance (Fontaine, 1997).

During the *preparation* stage the company allocates resources to help the future expat prepare for cultural and business challenges that lie ahead (Hofstadler & Heinrich, 2010). The employee's ability to comprehend, appreciate, and adjust to diverse cultures, as well as having a "global mind-set" is a fundamental criterion for an MNE's success (Scullion & Collings, 2006; see Brynningsen, 2009).

What do expatriates require from their employers? Julie Britt (2002) suggests the following:

- Employers should better communicate regarding the health and safety concerns arising in the host countries.
- MNEs should provide a helping hand when it comes to balancing professional and personal matters during international assignments.
- Cross-cultural and lingual training should be provided in the package as well as any assistance regarding cultural adjustment.
- Salary and benefits should be nothing short of generous and custom tailored.

According to Minter (2008), 1970s through 1990s, MNCs were rather ineffective in developing training models to prepare expats for assignments abroad, claiming that "Less than 30% of employees sent on 1 to 5 year expatriate assignments received some type of training/orientation before assuming international responsibilities. Top

management generally did not underwrite training as necessary in contributing to an expatriate's successful performance" (Minter, 2008, p. 38). Furthermore, customized training in the host country was barely advocated, and expatriates were not encouraged to learn the host country language except for the very elementary language skills.

Decades later, major improvements have been observed. In the Global mobility report, Brookfield (2015) gathered following results to the question of whether or not the company offers formal intercultural preparation:

- No – **16%**.
- Yes, some assignments – **45%**.
- Yes, all assignments – **38%**.

Moreover, multinational companies started taking advantage of the so-called relocation agencies providing service in the host country. On many occasions, there is a massive difference in performance between a situation when expatriate managers feel completely deserted by their sending company, and a situation when the relocation service helps with immigration permits, insurance issues, health services registration, school selection, etc., and they can fully focus on their managerial duties. Another great way companies can help expatriates is to connect them with other expatriate families within the region of deployment.

Hofstadler & Heinrich (2010) identified main factors influencing the intensity and duration of the necessary preparation as:

- Distance in terms of culture between host country and expats' home country.
- The new role level and category in company hierarchy.
- HCN contact intensity.

The larger the cultural gap, the more extensive and intensive the preparation stage should be.

In order to help expatriates prepare more effectively for international assignments, taking following steps is recommended (Hofstadler & Heinrich, 2010; Briscoe, et al., 2012; Minter, 2008):

- (1) Expats and their families should have full access to an international employee assistance scheme.
- (2) One dominating goal should be defined – situation needs to be analysed precisely and realistically to clearly define what needs to be achieved.
- (3) Goals need to be written down and agreed in order to avoid misinterpretation and conflicts.
- (4) In case assignment conditions and objectives change, a comprehensive process of goal-adaptation should be outlined prior to the assignment so that the expatriate is not left without perspective.
- (5) A mutually agreed job description must be agreed on including clear description of the reporting structure, main tasks, job title abroad, main tasks and responsibilities, competencies, budgets, among others.

### **2.7.1 Expatriate Training**

Hodgetts & Luthans (2003) describe training as a process of modifying individual's behaviour and attitudes so that probability of goal accomplishment is increased. Logically, international training plays a significant role in preparing employees for their international assignments. Intensive training programmes increase the chances that expatriate managers attain the skills necessary for their overseas roles (Hill, 2011).

Cross-cultural training is a vital component of the preparation phase since it aims to provide accurate expectations to future expats, thus creating a higher possibility that their expectations are met. Brynningsen (2009) claims that “having accurate expectations (...) positively affects cross-cultural adjustment, and that accurate expectations can be formed by tailored and relevant pre-departure cross-cultural training.”

Contrariwise, some studies (Gertsen, 1990) show that companies pay little attention to cross-cultural training and that training has little if any effect. Gertsen (1990) further argues that only about 20% of surveyed companies provide any kind of training for the following reasons:

- inappropriateness of training,

- cost of investment, and
- time constraints.

Additionally, companies usually tend to send employees to international assignments only if they already have such experience, and as such, they do not require additional cross-cultural training.

According to Hodgetts & Luthans (2003), there are two principal reasons for expatriate training:

- (1) **Organizational reasons** – these refer to the company efforts to manage international operations more efficiently and to increase profitability.
- (2) **Personal reasons** – to improve the expatriate's ability to interact and communicate effectively with HCNs, and to improve overall management style including leadership, decision-making and group work.

### 2.7.2 Types of Expatriate Training

Expatriate training classification is offered by Hill (2011) who describes three different types of training to reduce expatriate failure:

- (1) **Cultural training** – seeks to cultivate appreciation for the host country culture. If the expatriate managers are able to understand, and perhaps, identify themselves with the receiving country culture, they are likely to be more efficient in dealing with HCNs. Trips to destination countries along with a careful study of the host country's history, politics, society, culture and business practices is recommended.
- (2) **Language training** – although English is widely considered the business language, exclusive reliance solely on English might have a diminishing effect on communication with some HCNs. Even if the expatriate is anything but fluent, inclination to communicate in the host country language is what counts towards rapport establishment. Companies offering language training for expats argue that such action enables expatriates to better connect with the foreign culture.



- (3) **Practical training** – allows expatriates and their families to better indulge in the everyday life in their host countries. Networks of friends or fellow expatriates accelerate this process greatly. Firms often seek expatriate communities to integrate expats and their families as soon as possible. These communities offer valuable sources of support and information.

### 2.7.3 Phases of Expatriate Training

MNCs, other outsourced parties, or expatriates themselves have the power to design their own expat training, however, in order to present a unified solution, Goodman (2014) defines six critical steps in expatriate training, which are intended to substantially enhance the likelihood of a successful international assignment:

- (1) **Pre-programme based assessment and exploration** – potential expatriates and their family members are critically examined in terms of their previous international experience, host country culture recognition and understanding, and personal tendencies including career goals and aspirations in order to create a customized training plan.
- (2) **Expatriate and family training programme** – this is the actual training stage during which assignees are educated and trained to increase their knowledge base about host country society, culture, business ethics and every-day living. Upon completion, expats and their families should be able to avoid most cultural misapprehensions.
- (3) **Host manager and team cultural briefing** – training the expat and his/her family is not enough. Expats' host country direct supervisor should be properly briefed on the future expatriate's cultural values and norms as well. Various expectations and differences in terms of communication and management styles should be defined and thoroughly discussed.
- (4) **Project alignment meeting** – following the training of both the expatriate and the receiving organization, the actual information exchange should take place either in person or via telephone. During the alignment meeting, both parties discuss cultural differences, tools, and techniques to avoid misunderstanding, mutual expectations, reporting strategies, timelines, etc.

- (5) **In-country coaching** – it is inevitable that fresh expatriates will face new and unfamiliar situations after their arrival, so they should be assigned a personal coach to guide them through the first few weeks via face-to-face or telephone meetings. The coach will then monitor expatriates' progress, capture experience, and best practices. If necessary, coaches can overview assignee's activities, meeting, and other interactions with HCNs.
- (6) **Knowledge management process** – throughout the entire assignment, relevant documentation, and observations should be captured utilizing a knowledge management system<sup>6</sup> for future expatriates to learn from. This will allow for repetitive issues reduction.

In the early 1990s, Dunbar and Bird (1992) proposed a creation of a computer programme, which would facilitate intercultural training using a set of pre-programmed scenarios to better enhance expatriate preparation process.

#### **2.7.4 Shell Outpost – A Role Model for Expatriate Support Networks**

Shell Outpost is a brilliant example of an expatriate support network designed and orchestrated by Royal Dutch Shell (Global Outpost Services , 2015). Boasting 45 – 55 local offices spread around the world, the purpose of Shell Outpost is to provide expatriate employees, and their families with comprehensive information about their new living environment, help making decisions about expatriation, help expats to settle in and learn about the new culture, and support returning expatriates with repatriation and preparation for further postings.

Outpost achieves that by publishing practical information about given locations via various communication channels including websites and newsletters. In addition, ongoing support is provided throughout the assignment by hosting various networking

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<sup>6</sup> Davenport and Prusak (1998) defined knowledge management as a process where knowledge is captured, distributed, and effectively used. This definition was further elaborated by Gartner Group: "Knowledge management is a discipline that promotes an integrated approach to identifying, capturing, evaluating, retrieving, and sharing all of an enterprise's information assets. These assets may include databases, documents, policies, procedures, and previously un-captured expertise and experience in individual workers" (Duhon, Gartner Group, 1998, online).

and social events or even employing expatriates' spouses in Outpost's ranks (Global Outpost Services , 2015).

## **2.8 Expatriate Failure**

The primary goal of this master thesis is to propose a concept, which expatriates will find helpful when relocating to the Czech Republic. A concept, which would reduce the infamous expatriate failure to finish international assignments. In order to do that, theoretical background regarding expatriate failure will be presented in the following subchapter.

Hill (2011) claims that expatriate failure is not a failure of an individual but rather a failure of the company and its selection policies to successfully identify potential candidates who will prosper and flourish abroad. As a consequence, expatriates return prematurely from their international postings and potentially leave the home company as well one to four years later. The numbers are staggering, hovering in the region of 16 – 50% failure rate in for assignments in developed countries and up to 70% in developing countries (Harzing & Pinnington, 2014; Hill, 2011; Minter, 2008). One of the main reasons highlighted for the assumed high failure rate is the defective selection criteria – if the right people are selected, they are much more likely to adapt to the foreign culture and thus accomplish their mission. Minter (2008, p. 37) goes as far as calling the MNE's selection process unproductive: "Selection and preparation of expatriates for long term international assignments during this period in history are reported to be relatively unproductive." How can multinational enterprises expect expatriates to succeed when they fail to select suitable candidates in the first place?

Hill (2011) and Minter (2008) offer following factors attributed to performance issues.

- Inadequate selection criteria or poor training.
- Inability of spouse or family to adjust.
- Expatriate's inability to adjust.
- Insufficient training in terms of culture, work values and host country ethics.
- Marital difficulties and high divorce rates.

- Inability to cope with increased responsibilities or insufficient compensation.
- Personal and emotional problems, or substance abuse.
- Inadequate communication support with the sending country institution.

Thoo & Kaliannan (2013, p. 146), conclude that “in order to carefully study and effectively execute a successful international recruitment and selection criteria, it is of paramount importance for MNCs and IHRM practitioners to understand some of the documented failures of international assignment.” Among the main reasons for expat failures are family, spousal, and personal reasons – not the manager’s inability to accommodate the technical demands of the assignment (Hill, 2011).

Another possible conclusion is that companies should spend much more time and resources on the family preparation and training (Ali, et al., 2003). Job hunting assistance for a spouse in the host country, spouse’ work permit assistance, organizing social events and identification of appropriate HCN networks all work in favour of lessening the expatriate failure rate. More positively, a recent report conducted by Brookfield (2015) suggests a major improvement in reducing the expatriate failure rate to as little as 5%.

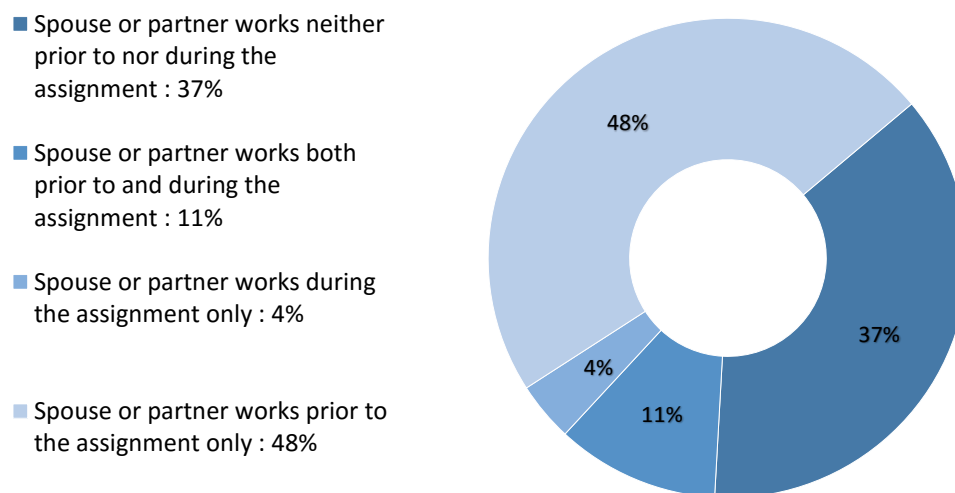
### **2.8.1 Cost of Expatriate Failure**

Costs of expat failure can be divided into two categories (Thoo & Kaliannan, 2013):

- **Direct costs** – these are associated with relocation costs, airfares, training and preparation costs, living adjustment costs to enable expatriates to maintain their standard of living, hardship costs, taxes allowance, medical allowance, etc., in addition to the expatriates’ salary, which is usually higher than in their home country (Waggoner, 2015).
- **Indirect costs** – somewhat hardly quantifiable but most definitely present. Indirect costs might include market share loss, complications with host country government officials, potential loss of customers, rapport with HCNs, decreased morale and productivity and damaged business relationships with customers and suppliers (Thoo & Kaliannan, 2013).

### 2.8.2 Dual Career Expatriate Challenges

Thoo & Kaliannan (2013) describe dual career couples as relationships in which both partners in a given couple place high emphasis and commitment on their respective careers. Since the number of such couples is on a steady increase globally, the issue could pose a threat to expatriates' success. The Brookfield (2015) survey shows that spouses follow international assignees abroad in 80% of cases, a number that has been steady for the past 5 years. Such high percentage amplifies the expat failure rate since the number one reason for a premature return are family adjustment issues as described above. In order to safeguard a successful international mission, the expatriate's spouse must seek a meaningful endeavour abroad. Figure 55 shows expatriate's spouse employment ratios.



**Figure 5. Spouse / Partner Employment  
(Brookfield 2015)**

## 2.9 Summary of Chapter 2

To summarize the first chapter, it was found that International Human Resource Management exists thanks to globalization, therefore, a global approach to expatriate preparation must be executed. On the other hand, Rugman (2001) positions his views strongly against a universal globalization approach. He proposes a 'think local, act regional and forget global' strategy for international expansion. Strategic function

of IHRM has been identified, and its importance emphasized in the context of a multinational enterprise.

Consequently, expatriate managers became a reasonable means of executing control over foreign subsidiaries, and have a direct impact on the company. In addition, it was assessed that high productivity and competitive advantage can be achieved via superior human resource management, and as such, it should not be neglected in any way. IHRM activities have evolved to be much more multifaceted and strategic to allow for additional functions such as international taxation, international relocation, and administrative services to expatriates including expatriate training.

It has been assessed, that when companies implement staffing policies, they must carefully consider factors such as the firm's structure, duration of assignments abroad, designated budgets, employee qualification, and capabilities, in order to successfully select the most suitable policy. The ethnocentric staffing policy is the most relevant for the purposes of this master's thesis.

Furthermore, expatriates have been identified as individuals temporarily or permanently based in a country, which is other than the country of their citizenship. In terms of IHRM, expats are professionals sent abroad, i.e. to the Czech Republic by their home country company, based in i.e. Japan. About 74% of all expatriates are the so-called self-initiated expats, i.e. those, who leave on their own account.

Expatriates are mostly held accountable for technological know-how transfers since they are the ones bearing corporate knowledge, and, they also help establish new overseas operations. Expatriate assignments consist of up to five phases: Selection, Training, Adjustment, Integration, and Repatriation.

Effective and thorough preparation is of vital importance, since it defines the degree to which expatriates are able to cope with the unexpected challenges, and ultimately succeed or fail. The critical phase comes after expatriates transition from a "honeymoon" phase to experience a cultural shock – expats realize that their incumbent sets of behaviour and norms are incongruent with the host country's norms. This is when they usually decide to leave their international assignments. Other reasons include inability of spouse or family to adjust, poor training and inadequate selection criteria, personal and emotional problems, and insufficient communication support.

### 3. Cultural Aspects

“In the U.S., the squeaky wheel gets the grease. In Japan, the nail that sticks up gets pounded down.”

— David Matsumoto (1999, p. 289)

The perfectly eloquent anecdote stated above reflects a striking difference between various globally present cultures such as the American and Japanese in this particular case. Cultural differences operating across cultural dimensions, such as language, beliefs, values, customs, habits, religion, etc., greatly influence models people assign to organizations and the meaning behind them. Organizational culture is not defined only by markets and technologies, but also by cultural preferences of the organizations' leaders. Subsidiaries of international companies often nurture fundamentally different cultures and structures (Trompenaars & Hampden-Turner, 1997).

International firms might also face potential problems stemming from cultural diversity and different management guidelines applied in various nations where these firms conduct operations. Sparrow and Hiltrop (1994) suggest that MNEs differ in the degree to which they recognize cultural diversity. So-called parochial (broadly representing the polycentric approach) organizations perceive the impact of national culture as minimal, and consequently ignore differences in employee values, norms, and preferences.

On the other hand, in ethnocentric organizations, the usual policy is to minimize the impact of cultural diversity by, for example, recruiting homogenous workforce. Also, this might be sometimes reinforced by national stereotypes, assumptions, and prejudices. Finally, if cultural diversity and its potential positive impacts are recognized, as in the case of a synergistic organization, the IHRM strategy will be to create and foster a truly international workforce and use the similarities and differences to its benefit. Therefore, the most efficient approach is to select is the synergistic organization in order to exploit possible positive cultural aspects of both countries.

Contrariwise, differences in national culture are also important in terms of IHRM because they can represent a prospectively positive impact on organizational culture. Edwards and Rees (2006) found that managers frequently point to the importance

of organizational culture as a source of competitive advantage, and the crucial role of HRM divisions in creating and maintaining such culture. It is also speculated that “diverse teams actually perform better than non-diverse teams because they have a greater range of knowledge and cognitive skills” (Daniels & MacDonald, 2005, p. 31).

Furthermore, Hicks-Clarke & Iles (2003) claim that promoting cultural diversity within organisations is positively connected with career and job satisfaction and how individuals feel about their employer and how they perform. Shahzad, et al. (2012, p. 982) add that “organizational culture has a deep impact on performance of employees that can cause to [sic] improve in the productivity and enhance the organizational performance.”

Culture in its complexity is rather difficult to comprehend. For instance, Trompenaars & Hampden-Turner notably exclaimed that “culture comes in layers, like an onion” (1997, p. 6). It needs to be unveiled, unpeeled, and carefully examined. Therefore, the two most widely recognized and cited cultural models will be briefly described in the following subchapters – none other than Fons Trompenaar & Hampden-Turner’s Seven Dimensions of Culture and Geert Hofstede’s Cultural Dimensions Theory.

### **3.1 Geert Hofstede’s Model of Cultural Dimensions**

In Hofstede’s world, culture is “a collective programming of the mind that distinguishes the members of one group or category of people from others” (Hofstede, et al., 2010, p. 6). Culture is learned, not inherited which has a direct implication in the business world – if companies invest enough resources, they can benefit from cultural diversity, or at least adapt to it. Failure to do so might have a detrimental effect. Let us consider a brief example. American beer producer Coors introduced a catchy slogan “Turn it loose” to market their product. However, when this was translated to Spanish, the language interpretation became “Suffer from diarrhoea” (Ogbuigwe, 2013). An inevitable conclusion is that in order to navigate the treacherous seas of international business MNEs need to have a practical and sensitive understanding of cross-cultural aspects.



Geert Hofstede first published his model in the early 1980s after conducting a research on the grounds of IBM<sup>7</sup> and its subsidiaries from over 50 countries. By this research, Hofstede aimed to describe elements of cultural systems, which influence work behaviour. His research further introduced two types of culture:

- (1) **National culture** – defined above in more details, national culture is a part of the mental software acquired during the first ten years of our lives. It consists of six dimensions representing preferences for one state of affair over another that distinguish countries rather than individuals (The Hofstede Centre, 2015).
- (2) **Organizational culture** – consists of six autonomous and two semi-autonomous dimensions.<sup>8</sup> This type of culture is defined as the manner in which organization members relate to one another, or in Hofstede's (2010, p. 344) words: "the collective programming of the mind that distinguishes the members of one organization from others."

The original model had four dimensions – Power Distance, Masculinity vs. Femininity, Uncertainty Avoidance, and Individualism vs. Collectivism. In the following decades, two additional dimensions were added – Long-term orientation vs. Short-term orientation, and Indulgence vs. Restraint. Let us now concisely describe the individual dimensions of national culture.

### **3.1.1 Power Distance Index (PDI)**

The PDI measures how inequality in society is accepted, and how power is distributed in different national cultures (Hofstede, et al., 2010); or in other words, it is the degree to which less powerful members of a given society expect the power to be distributed. According to Ogbuigwe (2013), inequality is present in all societies, and it is usually a result of differences in legal rights, wealth, and social status.

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<sup>7</sup> IBM (International Business Machines) is an American multinational technology and consulting corporation with operations in over 170 countries (IBM, 2015).

<sup>8</sup> These dimensions are namely: Means-oriented vs. Goal-oriented; Internally driven vs. Externally driven; Easy-going work discipline vs. Strict work discipline; Local vs. Professional; Open system vs. Closed system; Employee-oriented vs. Work-oriented; Degree of acceptance of leadership style; Degree of identification with your organization. (The Hofstede Centre, 2015)

Power distance is measured from low to high, and the lower the power distance, the more likely are individuals in a society to accept power relations that are democratic or decentralized. In organizations with low PD, employees are more involved in the decision-making processes and have tendencies to increase their contribution. On the other hand, in societies with high power distance, inequity is generally better accepted and overall relations incline more towards autocracy and paternalism (Hofstede, et al., 2010). Here, individuals are rather dependent on superiors and less likely to oppose them.

### **3.1.2 Individualism vs. Collectivism (IDV)**

This particular dimension distinguishes between societies where emphasis is placed either on the interest of a group or those of an individual (Hofstede, et al., 2010). It measures the degree to which members of a society prefer to act as individuals, or groups.

Collectivistic cultures place group interests over the individual's interests. This is demonstrated by a strong relationship between the group members, and individuals can rely on their relatives to take care of them in exchange for loyalty. Power of the group is the defining centrepiece. Self-perception of collectivistic cultures is defined in terms of "we" (The Hofstede Centre, 2015). Whereas in individualistic societies, social framework is significantly less tight, individuals prefer their own interests rather than those of a group, and they choose their own affiliations. Individual accomplishment and accountability have much higher weight (Hofstede, et al., 2010). Members of individualistic societies tend to refer to themselves as "I" (Ogbuigwe, 2013).

### **3.1.3 Masculinity vs. Femininity (MAS)**

Heroism, sense of achievement, materiality, and confidence are all traits commonly observed in masculine societies (Hofstede, et al., 2010). Such cultures value high performance and strong sense of competition among individuals, and their members are more oriented towards building their careers. Ogbuigwe (2013) adds that masculine cultures usually employ fewer women in management, and, to emphasize the masculine domination, women workers receive lower salaries.

Cultures inclined towards femininity, on the other hand, prefer modesty, cooperation, tenderness, and caring for the weak. Feminine societies rely on intuition and personal relationship building, and rather spend time with their families than working long hours (The Hofstede Centre, 2015).

#### **3.1.4 Uncertainty Avoidance Index (UAI)**

The future is undisclosed to humans, which necessarily leads to uncertainty and anxiety. The UAI measures how members of various national cultures embrace uncertainty and handle unknown situations (Hofstede, et al., 2010), or the scope of society's tolerance for uncertainty and ambiguity. In order to fight unpleasant realities of the unknown, humans devised several instruments such as establishment of rules and regulations, longer-term career contracts, or rejection of different ideas (Ogbuigwe, 2013).

Societies suffering from high uncertainty avoidance usually attempt to eliminate future threats by creating careful rules, laws, and plans to eliminate unwanted scenarios. These societies maintain rigid codes of belief and demonstrate intolerance towards unorthodox behaviour. In addition, members of cultures with high uncertainty avoidance have a tendency to be more emotional. (The Hofstede Centre, 2015).

On the contrary, low uncertainty avoidance cultures have a more relaxed attitude, and principles, rules, and codes weigh less than practices. Member of such cultures are less hesitant to agree to changes, and they most certainly feel better in unstructured environments (Ogbuigwe, 2013). Pragmatism and higher change tolerance are among key characteristics of low AC cultures.

#### **3.1.5 Long Term Orientation vs. Short Term Normative Orientation (LTO)**

This dimension describes societies in terms of time horizons, and examines the degree to which society members have either short-term oriented, or long-term oriented attitudes in life. Societies prioritize between the two diversely (Hofstede, et al., 2010).

Long-term oriented cultures emphasize the importance of future and its potential rewards, and should the situation worsen, they tend to prevail through persistence and perseverance (Ogbuigwe, 2013). In addition, these societies prefer to hold traditions and

are less likely to approach societal change with acceptance. Contrariwise, short-term oriented cultures members focus on immediate results and outcomes of their actions, especially in business, the bottom line plays an important role every year. Short-term societies place values on the past and the present, as well as reciprocation and fulfilling social obligations (Hofstede, et al., 2010).

### **3.1.6 Indulgence vs. Restraint (IND)**

This final, fairly new, dimension measured the extent to which society members control their desires and impulses. This dimension is a key to solving the paradox of relatively poor citizen of the Philippines experiencing more happiness in life than the rich citizens of Hong Kong.

Hofstede (2010, p. 281) described indulgence as "a tendency to allow relatively free gratification of basic and natural human desires related to enjoying life and having fun," and restraint as a reflection of "a conviction that such gratification needs to be curbed and regulated by strict social norms."

## **3.2 Fons Trompenaars' Model of National Differences<sup>9</sup>**

This thesis' theoretical part would not be complete if the Fons Trmpenaars and Charles Hampden-Turner's model of National Culture Differences, presented in their 1997 book, *Riding the Waves of Culture: Understanding Diversity in Global Business*, was not mentioned (although in a lesser degree of detail than the above-mentioned Hofstede's model).

Trompenaars and Hampden-Turner spent 10 years researching preferences and values of members of multiple cultures worldwide. Their survey was completed by more than 8,000 managers in 40 countries (Smith, et al., 1996). These dimensions primarily concern time, and relationships with others, nature and rules. The main issue Trompenaars and Hampden-Turner address is that various cultural differences, such as language or values, cannot be simply grasped or quantified by objective criteria

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<sup>9</sup> The theoretical background of Fons Trompenaars and Hampden-Turner's model is discussed on the following pages in order to accommodate theoretical versatility and comprehensiveness needs of this master thesis. However, it is NOT used as a tool to assess the Czech culture or any of its components in the practical part. Only Hofstede's 6-D model and GLOBE Leadership model were used.

(Trompenaars & Hampden-Turner, 1997). In order to solve this, they defined culture as a set of categories, presuppositions and values, which serves as a basis point people use to solve problems in both life and business. Ultimately, they look at three problem areas, namely “those which arise from our relationships with other people; those, which come from the passage of time; and those, which relate to the environment” (Trompenaars & Hampden-Turner, 1997, p. 8). Trompenaars and Hampden-Turner concluded that the key distinguishing element in terms of different cultures is where cultural preferences fall on their seven dimensions described below. The following division draws directly from their book cited above.

### 3.1.1 Relationships with people

This section covers interpersonal behaviour patterns, which are based on Talcott Parsons<sup>10</sup> five relational orientations.

- **Universalism vs. Particularism** – *universalism* is demonstrated by a conviction that ideas and practices can be universally applied without any modification. Cultures with higher *universalism* rates follow formal rules, and conduct business rationally with professionalism (Balan & Vreja, 2013). People in such cultures value laws, rules, and obligations. Its opposite, *particularism*, is the belief that circumstances command application of ideas and practices. In cultures inclined towards *particularism*, emphasis is placed on relationships, not laws, and codes. In business, it is crucial to learn about the other party and to establish personal grounds (Trompenaars & Hampden-Turner, 1997).
- **Individualism vs. Communitarianism** – this dimension is quite similar to the Hofstede’s dimension, Individualism vs. Collectivism described above, hence, no further description is required. However, contrary to Hofstede, Trompenaars and Hampden-Turner (1997) suggest that cultures might shift between *individualistic* *communitarian* tendencies based on their involvement in global economy (Balan & Vreja, 2013).

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<sup>10</sup> Talcott Parsons (1902 – 1979) was an American sociologist who introduced a general theory for the study of society called action theory, based on the methodological principle of voluntarism and the epistemological principle of analytical realism (Sociology Guide, 2015).

- **Neutral vs. Emotional** – somewhat self-explanatory, this dimension describes cultures with either neutral manner in which they handle emotions, or an emotional one, when emotions are expressed fully and openly. Members of *neutral* cultures live under the impression that they must control their emotions, follow reason, and avoid sentiment. People are expected to separate their personal and professional lives, use neutral body language, and carefully watch other people's emotional reactions. In *emotional* cultures, individuals express their feelings spontaneously both at work and home, and partially use emotions to make their decisions. Such cultures use expressive means to communicate, and employ vivid body language (Trompenaars & Hampden-Turner, 1997).
- **Specific vs. Diffuse** – this dichotomy describes the degree to which responsibility is diffusely accepted or specifically assigned (Balan & Vreja, 2013). In a *specific* oriented culture, people tend to separate their readily shareable public space, and a smaller private space which they carefully guard and share only with the closest. In a *diffuse* culture, private and public space are usually similar and, or, overlap. Members of *diffuse* cultures believe personal relationship is vital to meeting business objectives (Trompenaars & Hampden-Turner, 1997).
- **Achievement vs. Ascription** – in cultures with *ascribed* status orientation, it is the people's place of birth, wealth, gender, or particular university they attended, which has a definite impact on their status. Such cultures value people for who they are rather than what they have achieved (Trompenaars & Hampden-Turner, 1997). Conversely, in an *achievement*-oriented culture, people attain their status based on how they perform. Performance and achievement are the most valued elements, with little regard to who the person is. People tend to recognize and reward successful performance (Balan & Vreja, 2013).

### 3.1.2 Attitudes to Time

Trompenaars and Hampden-Turner (1997) claim that societies perceive time periods differently. Their dimension reflecting time attitudes is called **Sequential vs. Synchronic**. For *sequential* cultures it is not critically important, what an individual achieved in the past, it is the future plans that are looked upon. People view the structure of time as inflexible and happening in logical sequences. High value is placed

on punctuality, planning, and following a given schedule. Here, time is money (Balan & Vreja, 2013).

*Synchronic* cultures, on the other hand, see the past, present, and future as intertwined periods. They have a tendency to get involved in multiple projects at the same time since time itself is perceived as flexible. For *synchronic* cultures plans and commitments are movable (Trompenaars & Hampden-Turner, 1997).

### **3.1.3 Attitudes to Environment**

The degree to which society members believe they control their environment, or are controlled by it is observed in **Internal vs. External control** dimension (Trompenaars & Hampden-Turner, 1997). In *internally* directed cultures, humans are believed to have the right to dominate nature and the environment they live in. The same thinking patterns also dominate in both their social and business behaviour (Balan & Vreja, 2013).

Holistic perspectives where humans are considered a part of nature, which should be lived in harmony with, preponderate in *externally* directed cultures. Nature is viewed organically, not mechanically, and people believe they must adapt to, rather than alter the environment. At work and in relationships, actions are focused on others and conflict is avoided where possible (Trompenaars & Hampden-Turner, 1997).

## **3.3 Global Leadership Concept**

Originally intended to measure organizational leadership perceptions and attitudes, the GLOBE project is now used to monitor cross-cultural differences (Brunet-Thorton & Bureš, 2012). The GLOBE (Global Leadership and Organizational Behaviour Effectiveness Research) project builds on Hofstede's original 1980 research results. Established in 1991 by Robert J. House, the GLOBE Project involved 170 co-investigators from other countries, and examined 62 of the world's cultures.

The international research team assembled data from 17,300 middle managers in 951 organizations. Following the data collation, recommendations were made about how dimensions of culture and leadership could distinguish behaviour in one countries and cultures (Boundless Management, 2015). GLOBE inspects nine attributes of culture: Power Distance, Uncertainty Avoidance, Humane Orientation, Collectivism I,

Collectivism II, Gender Egalitarianism, Future Orientation, and Performance Orientation (see Table 3), many of which are closely related to the Hofstede's 6-D Model.

**Table 3 GLOBE Attributes of Culture**

<b>Attribute</b>	<b>The degree that...</b>
<b>Power Distance</b>	Society shares power
<b>Uncertainty Avoidance</b>	Society tolerates the unknown.
<b>Humane Orientation</b>	Society rewards fairness, altruism and generosity.
<b>Collectivism I</b>	Society encourages and rewards group distribution of resources and action.
<b>Collectivism II</b>	Individuals express pride, and loyalty to family and/or institutions.
<b>Gender Egalitarianism</b>	Society minimises gender inequality
<b>Future Orientation</b>	Society invests for the future.
<b>Performance Orientation</b>	Society encourages and rewards performance improvement and quality.

*Source: Adapted from Brunet-Thorton & Bureš (2012, p. 48)*

The GLOBE research project results support the idea that societal cultural norms influence leadership behaviour. Additionally, cross-cultural leadership research suggests that individuals from different cultures have implicit beliefs about what good leadership is, i.e. perception of good leadership is universal, and partially culture-specific. (Čater & Lang, 2011).



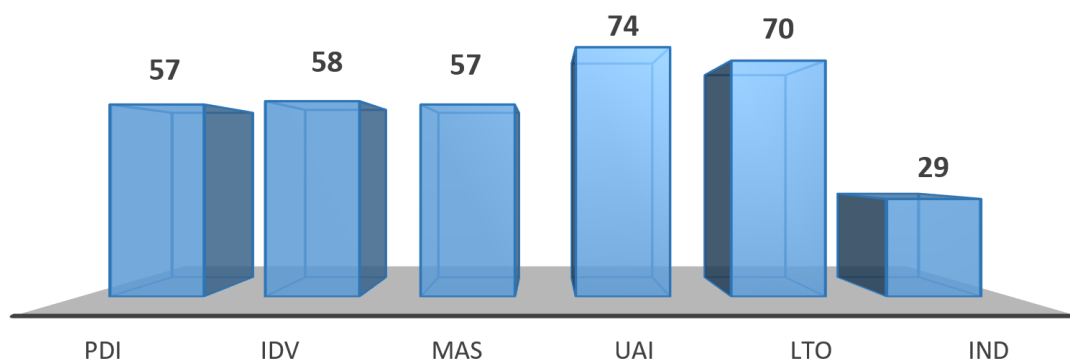
## 4. Analysis of the Culture and Business Environments in the Czech Republic

After thoroughly presenting the relevant theoretical background to International Human Resources Management, Expatriation, and Cultural Aspects in the previous two chapters, let us now shift our focus on the Czech Republic. In the following chapter, cultural specifics and business environment will be discussed briefly, in order to comprehend the destination country's environments. This chapter may be further used as a source of cultural research.

Complexities of cultural standards for countries around the world have been mapped and described in enormous volumes over the past decades. Therefore, for purposes of this master's thesis, only a concise description of selected cultural aspects in the Czech Republic will be outlined for the sake of brevity. Importantly, the country's economic and political trivia will not be mentioned.

### 4.1 Cultural Dimensions in the Czech Republic According to Hofstede

The renowned and critically acclaimed Hofstede's 6-D Model has been selected as means to evaluating cultural specifics of the Czech Republic. A graphical representation of individual dimensions is visualized in Figure 6.



**Figure 6. Hofstede's Cultural Dimensions in the Czech Republic**  
(The Hofstede Centre, 2015)

As mentioned previously, not even Hofstede's landmark dimensions can fully describe the world of differences existing between national cultures, let alone perfectly gauge the Czech culture. However, empirical value and considerable face-validity of management and organization provide sufficient grounds for a comprehensive analysis (Kolman, et al., 2003). Thus, the author will assume the Hofstede's dimensions reflect real cultural differences.

#### **4.1.1 Power Distance**

A comparatively high score of **57** means that the Czech Republic represents a hierarchical society. The Czechs willingly accept hierarchical society structure in which people and their specific roles are generally accepted without further questioning. Inherent qualities are reflected in organizational hierarchies, and subordinates rely heavily on their supervisors for guidance and orders (The Hofstede Centre, 2015).

It is unlikely that Czech subordinates would contradict their bosses directly, while moderation and following the middle way are observable. Bosses are usually respected, or, if they are not, dissatisfaction is hardly ever expressed directly (Hofstede, et al., 2010).

In terms of politics, Brunet-Thorton & Bureš (2012) offer following observations. Czechs have become worrisome of their elected political elites, and have lost any remnants of respect for them. After the widespread corruption had been internationally recognized in the 90s, Czechs became extremely critical of their political leadership. Upon questioning, Czechs readily confirm that corruption runs rampant in the government, and the politicians deserve little or no respect.

Additionally, Kolman et al. (2003) suggest that Czech families are usually smaller in size (compared to e.g. Slovakia), and that the father's position is weaker, and, that an egalitarian attitude is one of the most typical for the Czech society. Larger power distance can also be explained by the fact that Czech managers have a tendency to view themselves as predetermined to lead.

#### **4.1.2 Individualism vs. Collectivism**

With a score of **58**, the Czech Republic ranks among the individualist countries. Average Czech would rather take care of him/herself and their immediate family than spend effort on building relationships in larger groups. Loose social frameworks are

preferred in both social and business life (The Hofstede Centre, 2015). Employment is contract-based, and promotion procedures are derived from meritocracy (or, occasionally nepotism).

Drnáková (2006; see Brunet-Thorton & Bureš, 2012) used the Schwatz human values scale in the early 2000s only to report that the Czechs have a tendency towards self-direction, hedonism, and universalism. Individualism is still hindered by fragments of past collective ideologies, however, the once prevalent ‘pretending to work while pretending to be paid’ no longer applies to those who gained a sense of goal-achievement, and possess the knowledge required to progress (Brunet-Thorton & Bureš, 2012).

Czechs now prefer to coexist, rather than get married, with the Czech Republic boasting the fourth highest divorce rate among OECD countries (OECD, 2015) with divorce numbers rising steadily. Such tendency implies little willingness to commit and nurture larger families. Previously ubiquitous *we* has been replaced by *me*; this is especially apparent amongst the younger generations, influenced by realities of a democratic society, and the Czech adhesion to the EU, viewing the communist past as a hideous example of what is in some circles referred to as collectivist disposition (Brunet-Thorton & Bureš, 2012).

According to Hofstede (2010), there is a strong relationship between a country’s national wealth and the amount of individualism present in their culture. In addition, richness of a nation measured by Human Development Index (HDI) and human rights ratings may also determine degrees of individualism of that nation. Czech HDI is currently at 0.861, 28<sup>th</sup> in the world (United Nations Development Programme, 2014), which also contributes to the relatively high degree of individualism.

Furthermore, regarding the historic development, Kruzela (1995; see Kolman, et al., 2003) claims that the Czech culture links back to the Hussite movement in the 15<sup>th</sup> century, when Jan Hus strongly emphasized the individual rights, hence underlining the individualistic nature of the Czech culture.

#### **4.1.3 Masculinity vs. Femininity**

Again, scoring relatively high at **57**, the Czech Republic represents a masculine society. Czech society is thus to a large degree driven by competition, desire to achieve and succeed. More people in the Czech Republic live in order to work than those who

dwell on traditional family values (The Hofstede Centre, 2015). The Czech managers see themselves as strong male individuals, which also emphasizes the masculine character of the Czech society (Kolman, et al., 2003).

However, Brunet-Thorton & Bureš, (2012) suggest that traditional gender roles are more liberal in the workplace, and individuals seek a balance in both household upkeep and parental obligations. Furthermore, Hofstede, et al. (2010) suggest that following tendencies are observed in the masculine society – recognition is usually granted after doing a good job, employees have an opportunity for career advancement to higher-level jobs, challenging work will give the worker a personal sense of accomplishment.

Contrasting individualism, masculinity is not related to a country's level of economic development, both rich and poor masculine countries and feminine countries have their place in the global world.

High tolerance of vulgar language, smoking, and extensive use of technology is vastly tolerated among the Czech people (including politicians) signalling a more masculine image. Additionally, a certain element of vanity is indicated when one displays their material wealth, for example, in form of recent high-tech acquisition (Brunet-Thorton & Bureš, 2012).

#### **4.1.4 Uncertainty Avoidance**

With a whopping score of **74**, the Czechs are most definitely doing their best to avoid uncertainty. Change is not a welcome aspect of their lives (except for younger generations among ages up to 24, whereupon decreasing with older age groups (Řeháková, 2005; see Brunet-Thorton & Bureš, 2012)), and they are likely to stick to codes of belief and behaviour. Unorthodox ideas are usually not welcome, rules are to be followed, and guidance is sought when available (The Hofstede Centre, 2015). A striking example of this culture is how students approach writing assignments at school. Czech student puts large efforts to obtain anything, be it previous assignments, forms, other students' work, etc., which would help them fill their creative void.

Majority of Czechs prefer structure and organization, while a minor part of the population indulges in a spontaneous way of living. Risk management gains its popular place in the Czech business environment, however, its logical reasoning is

sometimes supplemented by ‘what feels best at the moment’ attitude (Brunet-Thorton & Bureš, 2012).

High uncertainty avoidance observed in the Czech culture may in part be a heritage of the communist era (Kolman, et al., 2003). The past isolationist fear of unknown resulting from decades of communist oppression is now gradually diminishing among the young demographic groups. Students happily enrol to programmes allowing them to study abroad, while taking advantage of vast travel opportunities. On the other hand, immigration is not a welcome phenomenon in the Czech Republic. Although being foreigner-friendly, only 13% of Czechs viewed immigration positively (Brunet-Thorton & Bureš, 2012), expressing concerns over the future well-being of the country. This stance probably originates from the Czech sense of avoidance to repeat the unwanted past. To conclude, the younger the social group, the more likely they are to accept, or even seek change, predominantly due to not having lived in the socialist past.

#### **4.1.5 Long Term Orientation vs. Short Term Orientation**

Based on the Hofstede’s benchmark, the Czech Republic scores **70** which paints the Czech culture as pragmatic. Czech society is, therefore, likely to believe that truth be governed by situation, context, and time (The Hofstede Centre, 2015). According to Hofstede, the Czechs should show an ability to adapt to changing conditions, have a strong predisposition to handle their financial means via savings and investments, and persevere in achieving results. But are they really long term oriented?

Let us consider the above-mentioned divorce rates, which are painstakingly high in the Czech Republic. Hofstede (Hofstede, et al., 2010, p. 241) himself claims that “marriage in high-LTO countries is a pragmatic, goal-oriented arrangement,” and, that “high-LTO countries agreed with the statement ‘If love has completely disappeared from a marriage, it is best for the couple to make a clean break, and start new lives,’” which is contradictory to the fact that high-LTO countries show lower divorce rates. Additionally, Chadabra (1994; see Kolman, et al., 2003) notes that many Czech managers choose short-term profits as opposed to future planning.

Czechs are innovation-driven, and sophisticated enough to rank 37<sup>th</sup> in the Global Competitiveness Index (World Economic Forum, 2014), but there is a strong generational

divide. The younger generations are much better prepared to acclimate themselves to novel societal circumstances and varying conditions, while being ‘Euro-Americanised’ (Brunet-Thorton & Bureš, 2012). Hence, we might argue that a gradual shift towards short-term orientation will occur in the future.

Other aspects aligned with long-term orientation present in the Czech society are thriftiness, sustained efforts towards slower results, and rewarding children with gifts for their results in education and development (Hofstede, et al., 2010).

#### **4.1.1 Indulgence vs. Restraint**

In the last Hofstede’s dimension observed in this section, indulgence vs. restraint, the Czechs score rather low – **29**, labelling the Czech society as not indulgent. Cultures with a low score in this dimension tend to be cynical and pessimist (The Hofstede Centre, 2015), a description that fits many Czechs.

Societies, which score low on indulgence usually, have higher scores on moral discipline, and their members are more likely to value moderation and to have few desires. Speaking of moral discipline, according to Transparency International’s Corruption Perceptions Index (2014), the Czech Republic ranks 53<sup>rd</sup> out of 69 investigated countries in the EU and Western Europe, a miserable result inarguably stemming from the disgraceful communist past, which had a detrimental effect on the nation’s moral standards.

The low indulgence pattern also applies to optimism, overall happiness, and subjective health, all of which pertain to higher indulgence scores: the Czechs experience fewer of these. Among other observable phenomena related to this dimension in the Czech society is lower percentage of happy people, lower importance of having friends, more neurotic personalities, and lower likelihood of remembering positive emotions (Hofstede, et al., 2010).

In conclusion, it is important to pinpoint that political and economic integration into international bodies such as the EU will inevitably have an impact on the post-soviet countries, including the Czech Republic, and their values. The fall of communism might re-establish the more traditional, historical perspective and trajectory. However, 40 years

of communist rule had a critical impact on Central European countries and it is likely to take decades before the original, pre-communist, state is restored. Relatively strong shifts in value orientation might be anticipated in the near future as the Czech Republic adopts global views (Kolman, et al., 2003).

## **4.2 Brief Description of the Czech Business Environment**

This subchapter provides a concise descriptive analysis of the Czech business environment.

Adámek et al. (2006) argue that the Czech Republic is currently in a process of developing a strong-performance national economy based on high value creation, knowledge, and a competitive business environment. Following joining the European Union in 2004, the Czech Republic has become one of the most attractive countries for foreign investors (Konečná & Skálová; see Čátek & Lang, 2011). Increasing influx of foreign direct investment (FDI) has been responsible for roughly two decades of a relatively good performance of the Czech economy. Increasing FDI goes hand in hand with observed expatriate inflow, both of which contribute to modernization and higher competitiveness of the national economy. Adámek et al. (2006) conclude that knowledge and skills will be the main driving factor for future prosperity of the Czech Republic. Furthermore, the Czechs have been experiencing decreasing competitive strengths in labour intensive industries, and their focus should now shift towards increasing competitiveness in secondary and tertiary sectors.

Let us consider the key competitive advantages of the Czech Republic as described by the Association for Foreign Investment (2013):

- Location in the centre of Europe makes it a crossroads between both eastern and western markets. In addition, most European destinations can be reached within a 2-hour flight.
- Creative, skilled, and internationalized workforce available at lower costs.
- Strong sense for entrepreneurship and overall decent conditions for doing business (above average within EU27).
- Regulation and patent enforcement as per the European Union standards.
- One of the world's most attractive places to live.

- Highest GDP per capita by PPP in Central and Eastern Europe.
- Well-developed infrastructure.

#### **4.2.1 Business Etiquette**

For expatriates embarking on international assignments in the Czech Republic, nothing is perhaps more important than business etiquette when they get involved in doing business with their Czech counterparts. It is crucially important to recognize attitudes and values concealed behind behaviour patterns, as it could be the difference between closing the deal or walking away empty-handed.

BusinessCulture.org (2014), InterNations (2015) and Mészáros (2012) identify several rules of etiquette to follow when involved in business activities in the Czech Republic.

- While most greetings include a handshake, it is especially important to perform a firm handshake while looking directly in the eye (a feeble handshake represents one's weakness, and no eye contact suggests one is hiding something). Eye contact should be maintained for the duration of conversation.
- One should remain standing until invited to take a seat as there might be a specifically reserved seat.
- Business appointments are obligatory and should be made well in advance.
- Promptness for business meetings is taken very seriously, one must apologize for being late in advance.
- Business has a hierarchical structure and decision-making comes from the top.
- Preliminary meetings serve as an introduction to build rapport and trust.
- Scheduling meetings on Friday afternoon is not recommended, as many Czechs leave for their country cottages (especially people from larger cities).
- Czechs are generally non-confrontational and frequently take an indirect approach to business communications. When negotiating, Czechs normally offer what they expect to receive and do not often give counter-offers.
- Patience is recommended in business dealing as Czechs tend to adhere to protocols.
- One should wait for the highest-ranking Czech to remove his suit first.



- Presentations should be concise, precise, and meticulous; charts, and figures should be used to support one's claims.
- Letters are best addressed directly to the firm rather than to a specific person to ensure prompt reception in case the person was out of the office.
- Addressing someone by first name is considered offensive without permission.

#### **4.2.2 Societal culture and leadership prototypes in the Czech Republic**

Using the GLOBE project to identify cross-cultural differences, the underlying theory suggests that members of different cultures have implicit beliefs about what good leadership is.

In their remarkable country report, Konečná & Skálová (see Čátek & Lang, 2011) conducted an empirical research among university students in order to identify leadership prototypes in the Czech Republic. They based their leadership comprehension on culturally endorsed leadership theory dimensions, which also means that some belief systems will be shared between individuals in similar cultures.

The research revealed that the Czech societal culture is characteristic for its high power distance and high uncertainty avoidance, which corresponds with findings in Chapter 4.1 on Hofstede's cultural dimensions in the Czech Republic. Furthermore, it has been found that high in-group and institutional collectivism is observed in the Czech society, and that Czechs are assertive, future and humane oriented.

The perfect leader in the Czech Republic as seen by university students has the following traits: efficiency in bargaining, intelligence, inspirational personality, motivating, diplomatic, decision-making skills, and strong communication skills. On the contrary, hostility, dishonesty, cynicism, and arrogance prevent an individual from becoming an outstanding leader. Regarding leadership styles, team-oriented, value-based, and human-oriented styles are amongst the most efficient observed in the Czech Republic.

Consequently, expatriates deployed in leadership roles should be prepared to encounter the above-mentioned characteristics on their international assignments in the Czech Republic, and the leadership theory should be incorporated into their effective preparation.

### 4.3 Concise Description of the Czech Culture

For purposes of the following subchapter, a cultural analysis conducted by a Canadian government body Foreign Affairs, Trade and Development Canada (2009) was used as a primary source, especially for its precision, conciseness, and a non-European point of view. Additional sources for this section include Passport to Trade 2.0 (2014), Kwintessential (2014) and Countries And Their Cultures (2015).

What are Czechs like? Czechs have been identified as rather cautious and impersonal at first, but by utilising a tactful approach, they might become engaged. For a foreigner to overcome the language barrier, it is recommended to learn some basics of the Czech language as not many Czechs are able to communicate effectively in English. Small talk regarding banal topics such as weather or one's country of origin is an advisable place to start a conversation. Since the Czech culture is characteristic for its strong sense of *masculinity*, other popular topics include beer, sports, and politics.

Foreigners should refrain from criticizing the Czech political present or *communist* past as there is a 1 in 5 chance that the person they are talking to is a supporter of the communist party. On the other hand, Czech humour often lacks political correctness and might even contain racial slurs.

Czechs have a strong sense for *etiquette* – coughing with an uncovered mouth, public spitting, or chewing gum while talking is considered impolite. One is also expected to offer a seat to senior citizens or women on public transport.

Similar to business etiquette, handshakes are obligatory and eye contact should be maintained the entire time in order to preserve one's trustworthiness. Personal distance to other people is usually greater when dealing with unfamiliar people. Czechs do not use many gestures to articulate with, and pointing at someone with their index finger is generally considered rude. Additionally, public displays of anger or affection might be often encountered in the Czech Republic.

In terms of *punctuality* and *dress codes*, it is imperative that one is punctual, orderly, and well-dressed based on the occasion. As a general rule of thumb, being 5 minutes late is acceptable, 10 minutes require a call, and it is recommended to reschedule the meeting if one is 20+ minutes late. Different dress codes apply for different

workplaces, and the higher up the corporate level, and the bigger the organization, the more formal the dress codes are recommended.

In most Czech workplaces, *deadlines* come with a general expectation that they will be met. In the unfortunate event that meeting a deadline might be in danger, one should rationally explain, apologize, and renegotiate the deadline. The overall approach to overtimes, productivity awareness, and absenteeism varies across workplaces. Attitudes inherited from the former communist regime might be prevalent in some workplaces. In such, little regard is held for the time factor, and low levels of morale occur.

*Superiors* are usually respected, and their level of experience and expertise gives them authority. Expatriate managers who neither struggle with a language barrier, nor are not seen as arrogant, might be in a particularly good position when compared to their Czech managerial counterparts as the possession of Western experience counts as a major advantage.

Regarding *gender* issues, women are still viewed as the feeble gender and usually treated with respect. Unfortunately, they are not paid equally which is considered a sad remnant of the former regime. Traditionally, women are expected to impersonate the role of a mother and a wife, however, this trend is disappearing in the younger generations.

*Religion* has nearly disappeared from the Czech society, and Czechs are considered one of the most unreligious nations on Earth, with 40% openly declaring they are either atheist or non-religious. Religious denomination plays a negligible role in the workplace.

Czechs generally respect *foreigners* in business, and are particularly responsive if they see they can benefit and learn from their foreign associates. Being approached by individuals of unequal status might result in decreased responsiveness. Historically, Czechs showed a special appreciation for foreign, or Western, products, however, this trend is on the decline, and products and services are evaluated on their quality rather than place of manufacture.

Lastly, several *cultural taboos* need to be taken into consideration when expatriating to the Czech Republic. Expatriates travelling to the Czech Republic should avoid mixing business with pleasure. Explicitly, subject such as intimate personal matters, people's age, or finances should not be a part of a casual conversation.

## **5. Empirical Research: Expatriates in the Czech Republic**

This chapter's main purpose is to present the questionnaire methodology and results. Research aims, method, and samples are found in the first part of the chapter, followed by the research results, which are interpreted in a concise and descriptive manner, predominantly as graphs. Incremental conclusions are drawn in the results section, and a brief conclusion is offered lastly.

The author identified two main limitations. It was beyond author's control to select individual respondents and to prevent them from giving false, or incomplete answers since the questionnaire was filled anonymously. Additionally, the research sample of 75 is sufficient, however, the larger the sample, the more accurate the results.

### **5.1 Research Objectives**

The primary objectives of this research are: to generally explore current state of expatriate preparedness in the Czech Republic, to assess expatriate level of adjustment to the new environment, and to measure expatriate communication abilities and interpersonal experience, in order to identify problematic areas and trends necessary for the expatriate preparation concept proposal.

The following hypotheses will be tested by the research:

- H<sub>1</sub> – Larger percentage of expatriates sent on assignments in the Czech Republic do not spent enough time on preparation.
- H<sub>2</sub> – Expatriate families and spouses receive less cross-cultural training than the expatriates themselves do.
- H<sub>3</sub> – Most expatriates travel to the expatriate assignments with their families.
- H<sub>4</sub> – Expatriates are satisfied with their deployment in the Czech Republic.
- H<sub>5</sub> – Expatriates consider the Czech Republic an easy country to adjust.
- H<sub>6</sub> – Host country language (the Czech language) level of proficiency has an impact on the expatriates' ability to perform well.
- H<sub>7</sub> – Majority of expatriates were not encouraged to learn the Czech language.

## 5.2 Research Methods

A questionnaire method was selected as a principal method of research for the purposes stated in the objective section. The author considers this method an ideal tool to explore the above-mentioned issues for its ability to capture large samples and general brevity.

The questionnaire originally consisted of 38 closed and scaling questions, out of which 35 were used in the results analysis, and 3 were omitted. For the full questionnaire, please, refer to the Appendix 5-A.

The author's questionnaire is divided into five main parts covering the dominant areas:

- *Demographic variables* – this area is examined by questions number **1 – 7** and identifies demographic data of the expatriate sample, along with the length of stay and self-initiated or assigned expatriation types.
- *New environment* – questions number **8 – 14** observe the expatriate adjustment mode and length, and several other generic questions regarding the selection process and expatriate compensation packages.
- *Preparation phase* – questions number **15 – 21** are dedicated to this particular area which measures the expatriate preparation period length, amount of training received, family and spousal cultural orientation, as well as overall information possession and a hypothetical question regarding preparation changes.
- *Communication issues* – questions number **22 – 27** gauge the expatriates experience communication issues with host country nationals, their overall relationship to the Czech language as well as their ability to command it.
- *Interpersonal & personal experience* – finally, questions number **28 – 35** aim to assess expatriates' interpersonal experience and their motives for accepting the international assignment in the Czech Republic.

A major portion of questions was derived from research papers written by Robert L. Minter (2008) and Richard B. Peterson (2003). In addition to these two primary sources used for question construction, the author prepared a series of questions based

on theoretical concepts presented in Chapter 2, and trends highlighted thereof. Questions were modified in order to accommodate requirements for this survey, and a Czech localization was added to a massive degree.

The questionnaire was designed to necessitate no more than 10 minutes to complete so that its overall acceptance increases: it was, of course, filled on a voluntary basis. The author assumes that lengthier questionnaires may dissuade respondents from completing them, or encourage respondents to provide inaccurate responses.

The author decided to publish the questionnaire exclusively online in order to capture a larger sample, and to receive an immediate response rate. The questionnaire was published online via Brno Expat Centre – their Facebook page and their monthly newsletter – the Expat’s Voice, and was posted across multiple other online media, namely:

- LinkedIn,
- Facebook page: Multilingual Jobs in Brno,
- Facebook page: English in Brno,
- Expats.cz discussion forum, and
- Facebook page: expats.cz.

Expatriates had a chance to fill the questionnaire for the duration of 3 weeks from August 1<sup>st</sup> until August 21<sup>st</sup> 2015. The paper form distribution was avoided whatsoever since the author prefers modern means of communication – via electronic channels, and has environmental concern in mind.

Online questionnaire distribution also decreased the costs of production and increased speed of data collection. GoogleDocs was used as a tool to design, create, and govern the questionnaire, and to collect responses, which were later analysed using MS Excel. Roughly 30% of expatriates opted in for the questionnaire results by submitting their email addresses, and about the same percentage left feedback in form of a commentary at the end. Prior to distribution, the questionnaire was beta tested by 3 independent testers, including Brno Expat Centre employee who provided valuable feedback.

### 5.3 Research Sample

The research sample contained **75 respondents**, 13 were assigned expatriates and 62 expatriated on their own accord. The majority of traffic came from Facebook subscribers to major expatriate sites in Prague and in Brno, which suggests the sample consisted of a representative portion of expatriate population in the Czech Republic. Tables 4, 5, 6, 7, and 8 show basic demographic structure of respondents.

**Table 4 Gender**

	Frequency	Percentage
<b>Male</b>	48	64%
<b>Female</b>	27	36%
<b>Total</b>	75	100%

*Source: Author's own research*

**Table 5 Age**

	Frequency	Percentage
<b>&lt;30 years</b>	19	25%
<b>30-40 years</b>	43	58%
<b>&gt;40 years</b>	13	17%
<b>Total</b>	75	100%

*Source: Author's own research*

**Table 6 Marital Status**

	Frequency	Percentage
<b>Married</b>	43	57%
<b>Not Married</b>	27	36%
<b>Legal Partnership</b>	5	7%
<b>Total</b>	75	100%

*Source: Author's own research*

**Table 7 Profession**

	Frequency	Percentage
<b>Professional or technical</b>	34	46%
<b>Middle of lower management</b>	16	22%
<b>Senior management</b>	9	12%
<b>Other</b>	16	20%
<b>Total</b>	75	100%

*Source: Author's own research*

**Table 8 Region of Origin**

	Frequency	Percentage
<b>North America</b>	17	23%
<b>South or Latin America</b>	1	1%
<b>Western Europe</b>	29	39%
<b>Africa and Middle East</b>	4	5%
<b>Eastern Europe</b>	19	25%
<b>South East Asia</b>	5	7%
<b>Total</b>	75	100%

*Source: Author's own research*

Demographic data shown in Tables 4 – 8 serve as a basic description of demographic data observed in the research sample. Interpretation of the above-mentioned follows in the next chapter along with graphical representation.

## **5.4 Research Results**

This chapter presents the core empirical data collated and analysed during research. All 35 questions are labelled, graphically visualized, and enriched by a commentary/interpretation. Graphs differ in sizes in order to conserve space and reflect importance.

**NOTE: Figure 7 – 41 are author's own work, hence no sources are cited.**



### 5.4.1 Demographic Variables

Demographic data is gathered in this part in order to gauge demographic groups.

#### *Question No 1. Gender*

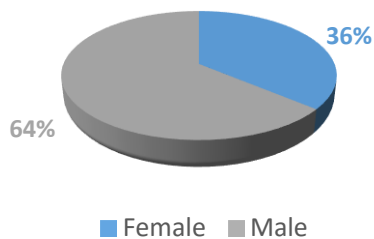
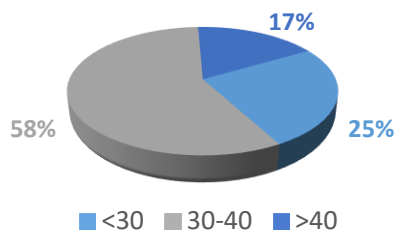


Figure 7 shows that a majority of expatriates is male, at 64%, outnumbering the female expat group 2 to 1. Based on the author's research, this reflects the overall trend observed globally for assigned expatriates. Contradictory, self-initiated expats tend to be females according to the author's research.

**Figure 7. Question No 1**

#### *Question No 2. Age*



The most dominant age group is 30 to 40 years (58%), and the second largest group is <30 (25%) proving that expatriates prefer to take international assignments in their early, most productive age.

**Figure 8. Question No 2.**

#### *Question No 3. Martial status*

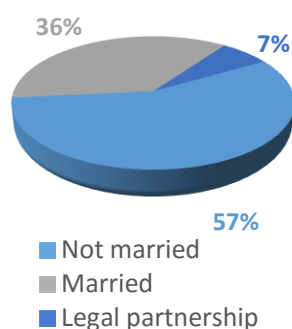
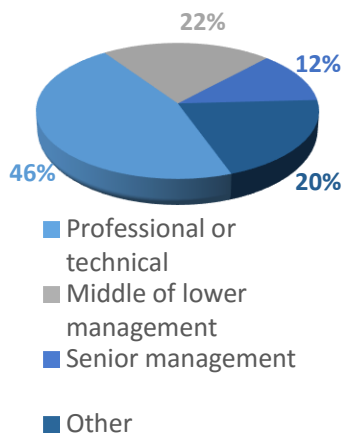


Figure 9 indicates that more than a half of all respondents (57%) travelled for their assignments not married. This fact works very much in favour of eliminating the number one reason for expatriate failure – family/spousal reasons. Several respondents claim to have married while on the assignment, contributing to the longevity of their stay.

**Figure 9. Question No 3.**

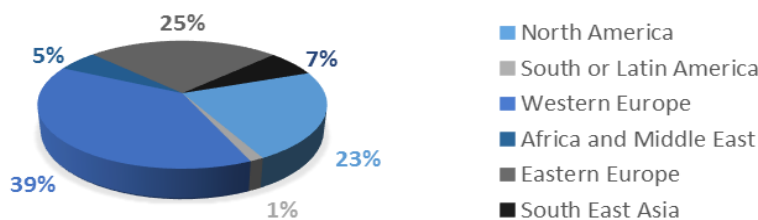
#### Question No 4. Occupation



Research indicates that 46% of respondents accepted or took assignments based on their professional and technical knowledge, showing that the labour markets require such skilled workforce. 36% occupy management positions, either middle or lower (22%), or senior management (12%) roles. Furthermore, 69% of assigned expatriates are employed in the management positions.

Figure 10. Question No 4.

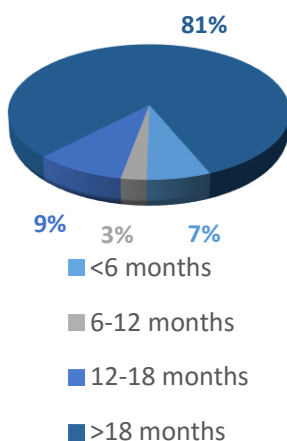
#### Question No 5. Region of origin



64% of examined expats originate from Europe making it the single largest source region.

Figure 11. Question No 5.

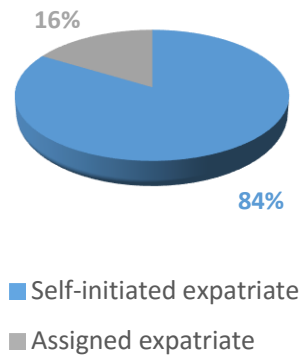
#### Question No 6. Length of stay



A staggering 81% chose a rather extended assignment length of more than year and a half. This phenomenon clearly shows that examined expatriates have been able to adapt to the Czech conditions without any significant issues. This is probably caused by the cultural proximity of Eastern and Western Europeans taking international assignments in the Czech Republic (see Figure 11 Region of origin).

Figure 12. Question No 6.

***Question No 7. Are you a self-initiated or assigned expatriate?***



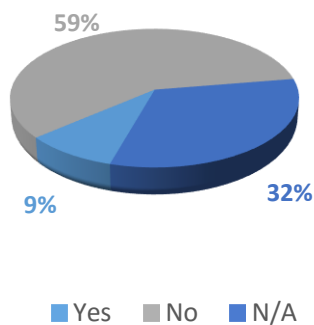
This particular question brings a lot of perspective into the research as it reveals that a vast majority of examined expatriates are self-initiated expatriates, i.e. they chose to relocate on their own accord. As described in the theoretical part (see Chapter 2.4.1) self-initiated expatriates represent a much bigger, and ultimately more significant group than assigned expatriates. This trend is perfectly confirmed here – with 84% claiming to be self-initiated expats.

**Figure 13. Question No 7.**

**5.4.2 New Environment and Adjustment**

This area principally observes the expatriate adjustment mode and length, and a few general questions regarding the selection process as well as expatriate compensation in the new country.

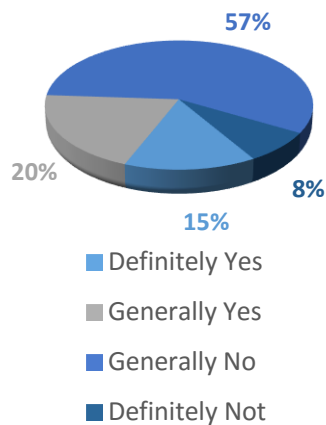
***Question No 8. Were you subject to an expatriate selection process at your home country?***



Quite expectedly, the percentage of expatriates who did not undergo a selection process in their home country, or answered not applicable, is high – 91%. These individuals belong to the self-initiated expatriate group, and they logically would not participate any selection processes.

**Figure 14. Question No 8.**

***Question No 9. Have you experienced difficulties adjusting to the new environment?***



15% of unlucky expatriates experienced unpleasant times while adjusting to their new life in the Czech Republic, a reality that could have been avoided if enough preparation has been done on their side. On the other hand, 65% claim otherwise which indicates that the majority adjusted without problems. Further research needs to be done in order to establish trends.

**Figure 15. Question No 9.**

***Question No 10. How long was your adjustment mode?***

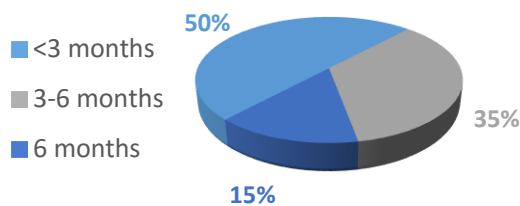
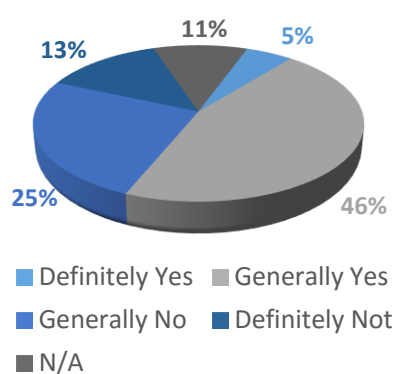


Figure 16 proves that 50% of expatriates adjusted to the new environment in under 3 months, while 15% took full 6 months to come to terms with the Czech Republic.

**Figure 16. Question No 10.**

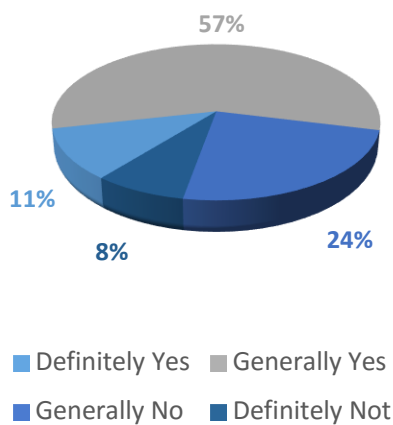
***Question No 11. Did you receive enough information about your international assignment prior to your departure?***



Regarding information preparedness, the research indicates that 51% of expatriates were well informed about their future international endeavours, while roughly 38% of respondents struggled with an information deficit of whom 13% were completely caught in the void. 62% of assigned expatriates came equipped with enough information.

**Figure 17. Question No. 11**

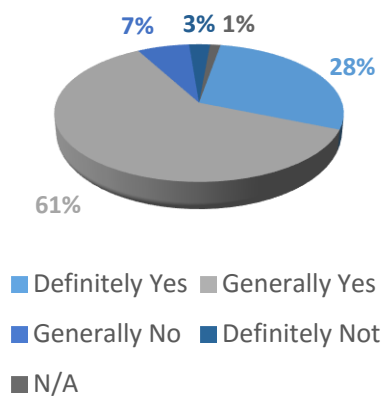
**Question No 12. Are you content with your current compensation package?**



Overall satisfaction with remuneration schemes for expatriates represents a positive discovery. A total of 68% expats are content with what they earn, and only 8% are seriously concerned (50% of those come from Western Europe, 33% from Eastern Europe and 17% from North America). Respondents often remarked that their base salary is sufficient to live comfortably in the Czech Republic but their purchasing power parity is much lower compared to other countries.

**Figure 18. Question No 12.**

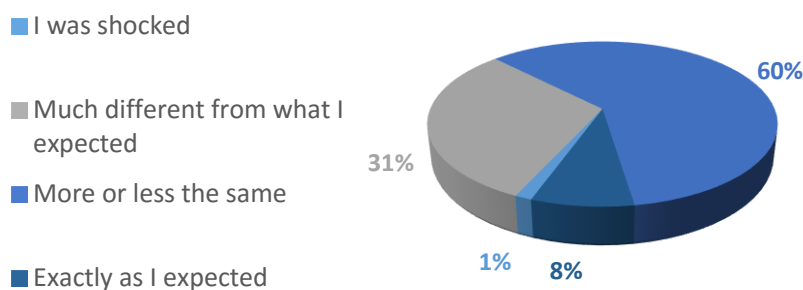
**Question No 13. Are you satisfied with your job in the Czech Republic?**



89% show satisfaction with their job in the Czech Republic, which represents a positive finding for any future potential expatriates aiming to relocate there. This result is applicable to the entire spectrum of analysed expatriate sample, mostly including respondents staying for 18+ months. Apparently, if the satisfaction levels dropped severely, expatriates would most likely relocate elsewhere.

**Figure 19. Question No 13.**

**Question No 14. How much different were your expectations from actual conditions?**



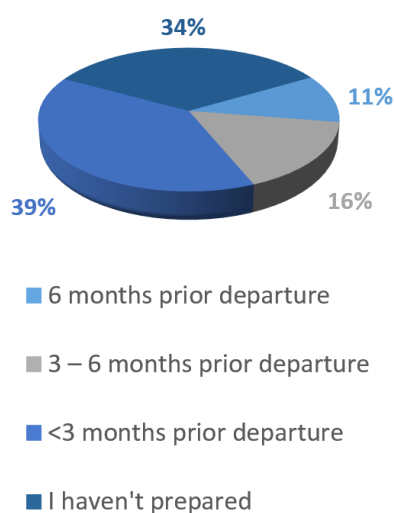
**Figure 20. Question No 14.**

Figure 20 sheds light on a particularly interesting fact. Only one percent of all respondents experience a shockingly different reality, which means that all expatriates were either very well prepared, or came from significantly similar cultures. However, 31% experienced much different conditions than what they originally imagined, but as research suggests, were able to adjust relatively quickly. Conversely, 60% encountered more or less the same conditions, and 8% met with precisely what they expected. These results imply that expatriates taking assignments in the Czech Republic do not risk moving to countries with completely different cultures, where the adjustment would potentially be much more complicated.

### 5.4.3 Preparation Phase

To propose a concept for effective expatriate preparation in the Czech Republic, it is important to assess general trends prevailing among expatriates deployed in the country. Let us now take a closer look at the area covering preparation of expats.

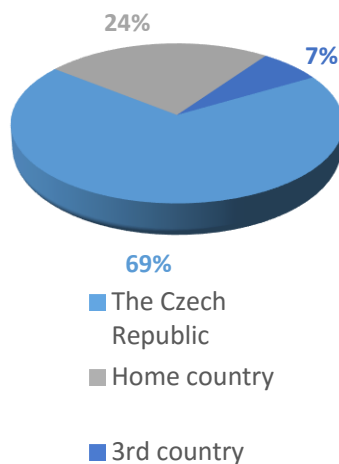
#### *Question No 15. When did your preparation period start?*



As indicated in Figure 21, 34% of expats did not conduct any form of preparation, perhaps due to their cultural proximity. In addition, those who prepared did so less than 3 months prior departure (39%), 3 – 6 months prior (16%), and up to 6 months before they departed (11%). On the positive note, 66% of all respondents have done some sort of preparation.

**Figure 21. Question No 15.**

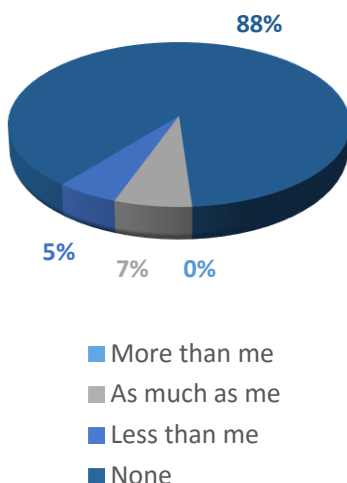
***Question No 16. If you received training, was it in your home country, elsewhere or in the Czech Republic?***



In terms of the location for expatriate preparation, stunning 69% chose to conduct their training in the Czech Republic, the host country. This is arguably the most preferred option as it allows for a total cultural immersion, thus allowing for increased efficiency and preparation phase acceleration. 62% of assigned expatriates underwent their preparation phase in home country on behalf of their sending organizations, whereas the vast majority (72%) of self-initiated expats headed directly to the Czech Republic for their preparation.

**Figure 22. Question No 16.**

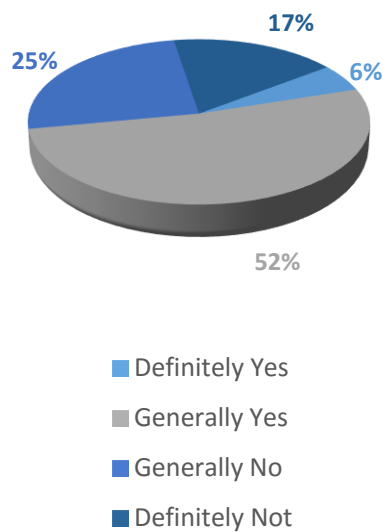
***Question No 17. What is the amount of pre-training and orientation your family received prior to your international assignment?***



Astounding discovery has been made in the family preparation and pre-training orientation. Critically high percentage, 88%, of respondents claims that their families received no such training whatsoever. Such finding confirms the above-observed trends of insufficient family training leading to high rates of expatriate failure. Only 12% of the examined sample confirmed some sort of family preparation. 92% of assigned expatriates claim to have received no family training.

**Figure 23. Question No 17.**

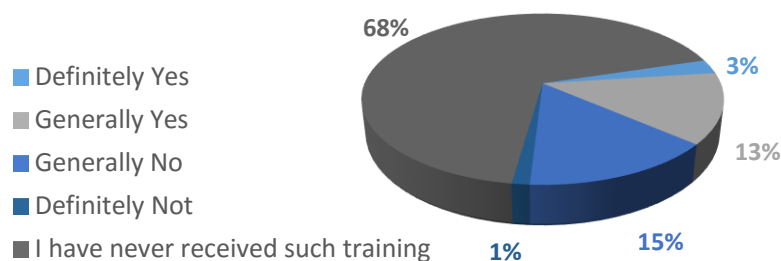
***Question No 18. Did you receive enough information about your international assignment prior to your departure?***



Findings in Figure 24 indicate that 58% of respondents were sufficiently informed prior to their departure to the Czech Republic. The remaining 42% lacked adequate information regarding their international assignments. Full 46% of assigned expats claim that they did not receive sufficient information for which the sending organization should be held accountable. As per the examination in the Chapter 2.8, insufficient information has not been identified as a main reason for expatriate failure.

**Figure 24. Question No 18.**

***Question No 19. Do you consider your pre-assignment cross-cultural training sufficient?***

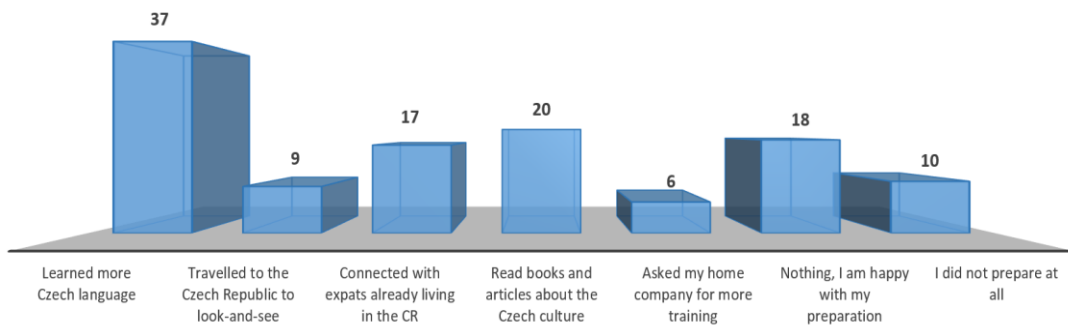


**Figure 25. Question No 19.**

Figure 25 designates that a particularly large number, 68%, of expatriates have never received any cross-cultural training. This would represent a significant structural error but given the fact that a vast majority (64% of examined expats) originate from Europe, the possibility of a similar culture is high, and such training would not be critically important to a successful expatriation process (the results would most likely differ if the examined Europeans had moved to e.g. Saudi Arabia). 16% consider their cross-cultural training insufficient.



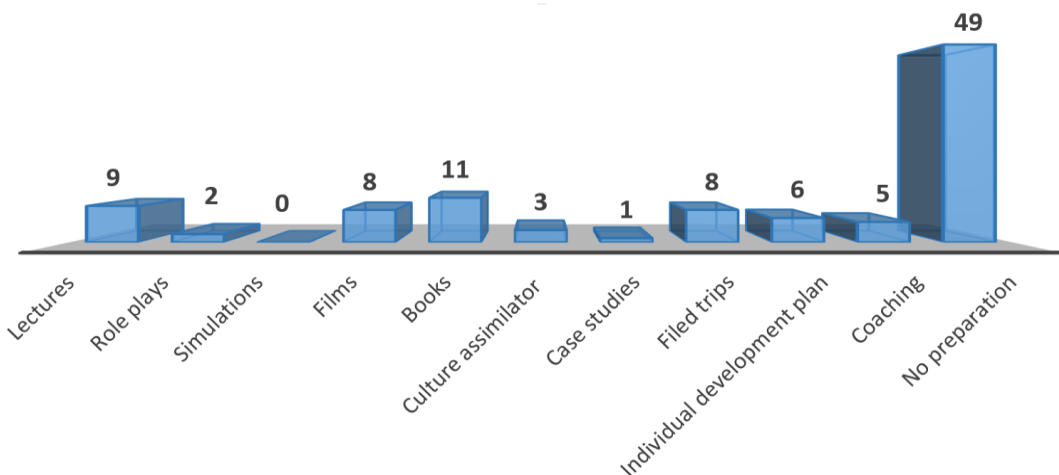
***Question No 20. What would you have done differently in your preparation?***



**Figure 26. Question No 20.**

Upon being asked to identify what areas the expatriates would improve in their preparation, the single most frequent answer was to learn more Czech language. Chapter 2.6.2 emphasizes the importance of language training, and the results of this survey prove the theory. Expatriates indeed wish they had a better command of the host country language as it would enable them to coexist in their new environment better. Networking and book reading also count towards popular choices.

***Question No 21. Please, choose what was included in your preparation.***



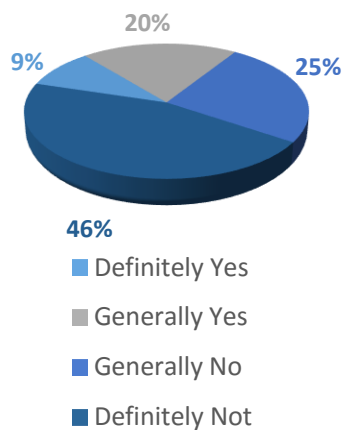
**Figure 27. Question No 21.**

Figure 27 confirms that a decisive majority of expatriates conducted no preparation. For those who decided to partake in preparation, books, films, and lectures were the primary source of information.

#### 5.4.4 Communication

This subchapter addresses one of the discussed, and, perhaps key areas to a successful expatriate assignment, the communication skills. Efficient communication is facilitated by a good command of the HCN language, the Czech language in this case. Let us interpret the results of this section.

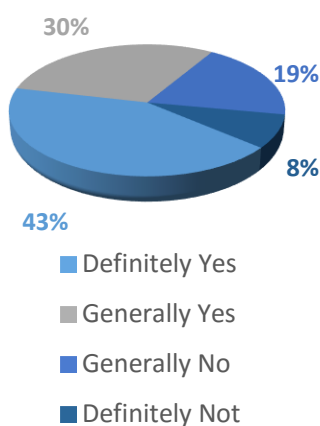
**Question No 22. Were you encouraged to learn the Czech language prior to your departure?**



As indicated, no one incentivized the examined expatriate sample to get involved in the Czech language studies. 71% of them report that they were either definitely or generally not encouraged to study Czech. As mentioned above, learning more of the HCN language is the most desired item on the list. 29% of respondents claim to have been encouraged to learn Czech.

**Figure 28. Question No 22.**

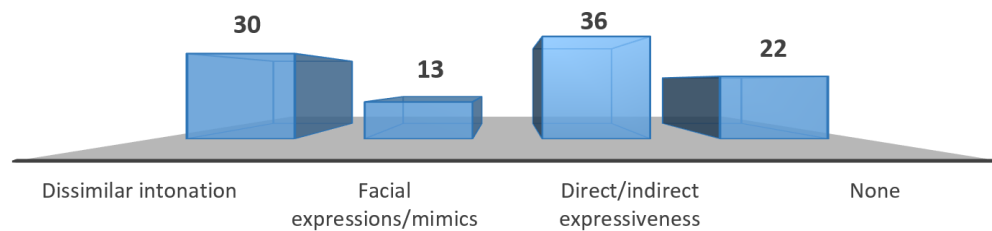
**Question No 23. Do you think that your assignment would be easier if you had a good command of the Czech language?**



Results presented in Figure 29 perfectly confirm that the ability to speak the HCN language is a powerful vehicle to success. 73% of respondents claim their assignment would be easier if they were able to communicate in Czech. Again, this confirms the theory presented earlier in this thesis. Only 27% of total respondents, and 30% of assigned expatriates think that good operation of the Czech language would not ease their deployment. English being the business language might be the reason.

**Figure 29. Question No 23.**

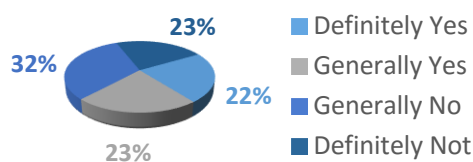
**Question No 24. What communication differences do you find the most difficult to cope with?**



**Figure 30. Question No 24.**

Figure 30 suggests that Czechs express themselves indirectly (the other option ‘direct expressiveness’ has been discarded based on the analysis in subchapter 4.2.1), and that their dissimilar intonation causes difficulties to expatriates.

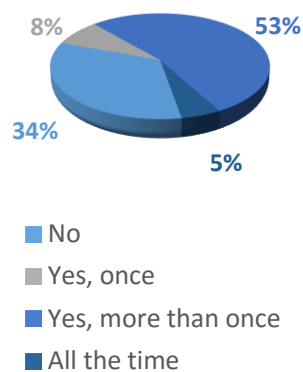
**Question No 25. Do you consider learning the Czech language a necessity for your deployment/work in the Czech Republic?**



This question directly relates to Figure 29; same interpretation applies.

**Figure 31. Question No 25.**

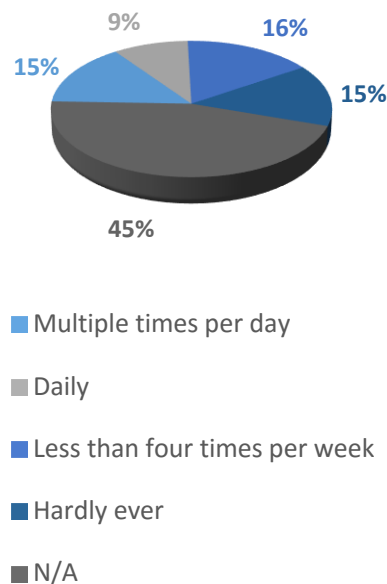
**Question No 26. Have you ever engaged in an erroneous conduct due to a language barrier?**



Another proof of language importance is presented in Figure 32. 53% of expatriates employed in the Czech Republic have engaged in a flawed demeanour due to their Czech language (or any other applicable languages) insufficiencies. This discovery underlines the overall observation that expatriates should dedicate much more effort to their language preparation and training. Increased language competencies would most likely lead to a significant error reduction.

**Figure 32. Question No 26.**

**Question No 27. What is the degree of communication you engage in with the sending institution?**



A result of 45% of examined expatriates basically claiming that they do not communicate with their sending institution because they do not have any, was expected due to the high volume of self-initiated expatriates who are likely to have no such institution, being fully employed in Czech companies. The remaining 55% of respondents divide their answers similarly from communicating multiple times per day to hardly ever. These results underline the global trend of expatriates leaving on their own accord.

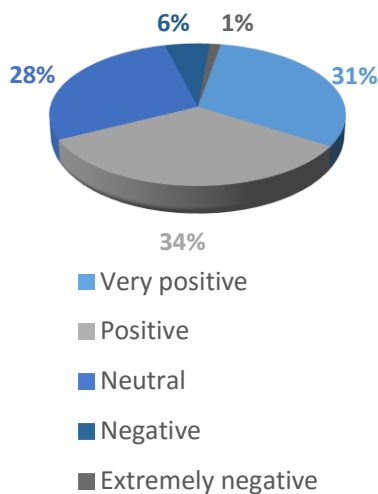
**Figure 33. Question No 27.**

#### **5.4.5 Interpersonal & Personal Experience**

The last batch of questions was aimed to assess expatriates' interpersonal experience, and to explore their personal motives to accepting the assignment. The results presented in this section are best linked to general assumptions about the Czech culture, and the ability of expatriates to adjust. Personal or even professional relationships are usually formed upon mutual understanding, on which national/ethnic cultures have a major impact.

The importance of personal experience and relationships is best underlined by the expatriate failure phenomenon. As described in Chapter 2.8, personal and emotional problems might directly cause expats to fail and the ability to establish, or even sustain interpersonal relationships is critically important. The same applies for the expatriate's spouse and family. Thus, understanding the personal and interpersonal realm opens the gates of enlightenment for HR professionals sending their expatriates on international assignments.

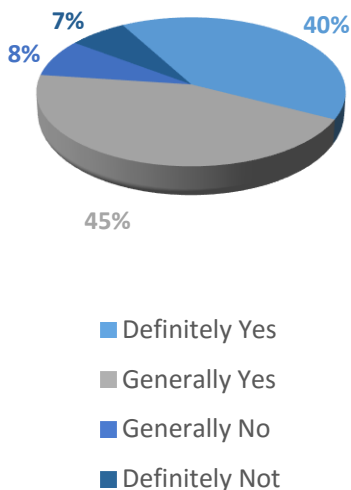
**Question No 28. How would you describe your relationship with your Czech co-workers?**



Full 31% and 34% of expatriates report that their relationship with Czech colleagues is very positive and positive, respectively. A result such as this one suggests that expatriates were either careful enough to expatriate to a country with similar culture, or they have developed good relationships with the Czechs over time, or, lastly, that the Czechs are a welcoming nation, thus rendering good relationships with incoming expatriates (who actually engage in employment). Mere 7% confessed to having negative relationships.

**Figure 34. Question No 28.**

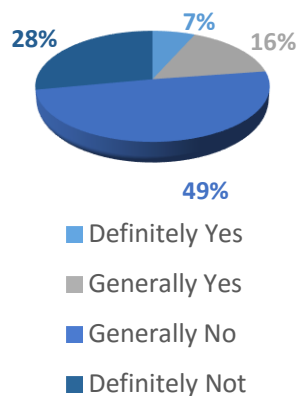
**Question No 29. Would you recommend working in the Czech Republic to other potential candidates based on your expatriate experience?**



Extraordinarily pleasant results are presented in Figure 35. Positive expatriate assignment experience has been reported by 85% of respondents. The number is even higher among the assigned expatriates – 92%, arguably making the Czech Republic one of the most popular destinations for expatriate assignments. Czech culture and people prove to be welcoming, possibly triggering additional expatriate inflow. The Czech Republic has seen an accelerated influx of foreign workforce after the borders opened in 2004, and principles of free movement of labour swept across the European Union.

**Figure 35. Question No 29.**

**Question No 30. Have you experienced any manifestations of conflicts between you and other employees at your workplace?**



According to the research, 23% of examined expatriates witnessed, or were involved in manifestations of conflicts in their workplace. Additionally, 15% of assigned expatriates report such experience. On the contrary, 77% of all respondents report not having experienced manifestations of conflicts, with 28% saying ‘definitely not’, and 49% testifying ‘generally no’.

**Figure 36. Question No 30.**

**Question No 31. Do you enjoy working in an international/multicultural team?**

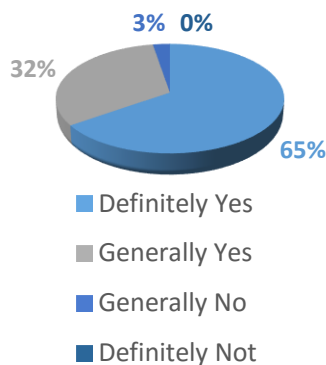
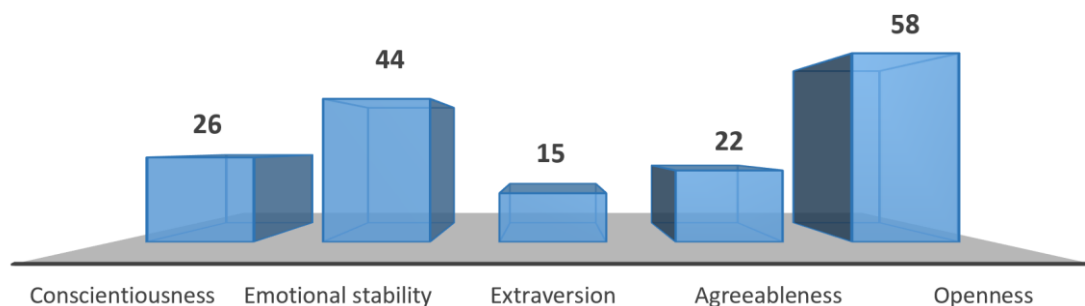


Figure 37 proves that expatriates enjoy working in multicultural teams with ultimate 97% of respondents giving a positive answer, possibly since they account for the multicultural element themselves. Further surveys would need to be conducted to reveal how the Czechs feel about multicultural teams, however, careful observations might suggest that the percentage would drop significantly.

**Figure 37. Question No 31.**

**Question No 32. What personality dimensions do you consider the most important for expatriate success?**

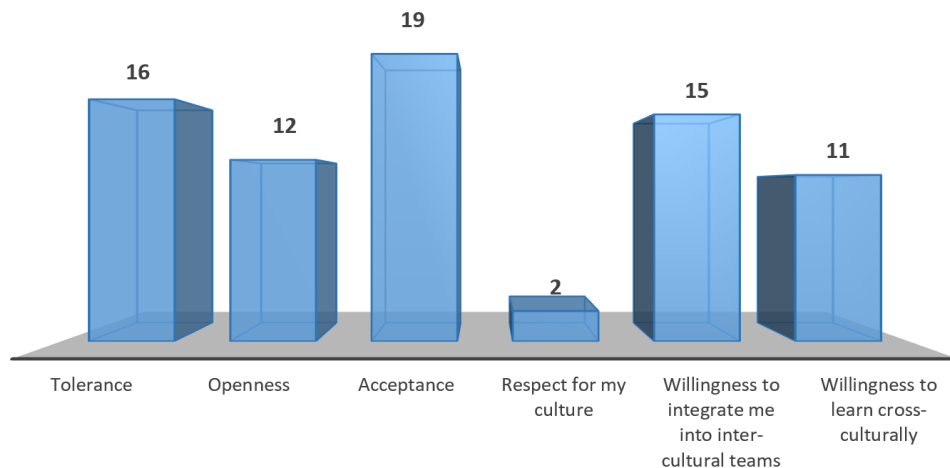


**Figure 38. Question No 32.**

Upon inquiring about what personality dimensions expatriates consider the most important for their international success, openness dominates the ranking with emotional stability a close second. Theory presented in earlier chapters substantiates that expatriates must be open to new cultures in order to succeed on international assignments. Therefore, the above-presented ranking works in favour of the theoretical framework.

As stated above, emotional stability is yet another area of interest. In Chapter 2.8, personal and emotional problems were stated as one of the key reasons for expatriate failure. Consequently, it is absolutely crucial that the expatriate is able to handle personal and emotional problems in order to succeed.

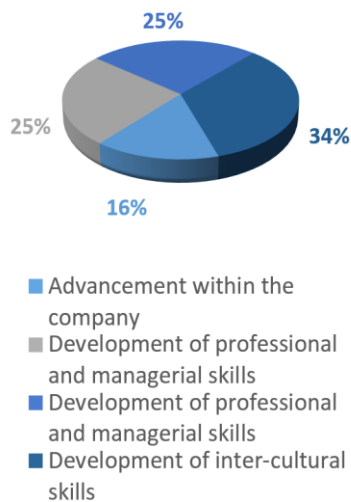
***Question No 33. What attitude do you appreciate the most in your host country, the Czech Republic?***



**Figure 39. Question No 33.**

Presumably, for expatriates to feel welcomed by the new society, the society must accept, tolerate, and integrate them (in this order – based on the author’s research). Figure 39 presents another interesting fact, respect for the expatriates’ culture ranks the lowest with only two votes (respondents could only choose one option). Seemingly, majority of expatriates do not try to force their cultures upon others which is perhaps the reason why the Czech society accepts them with grace and tolerance.

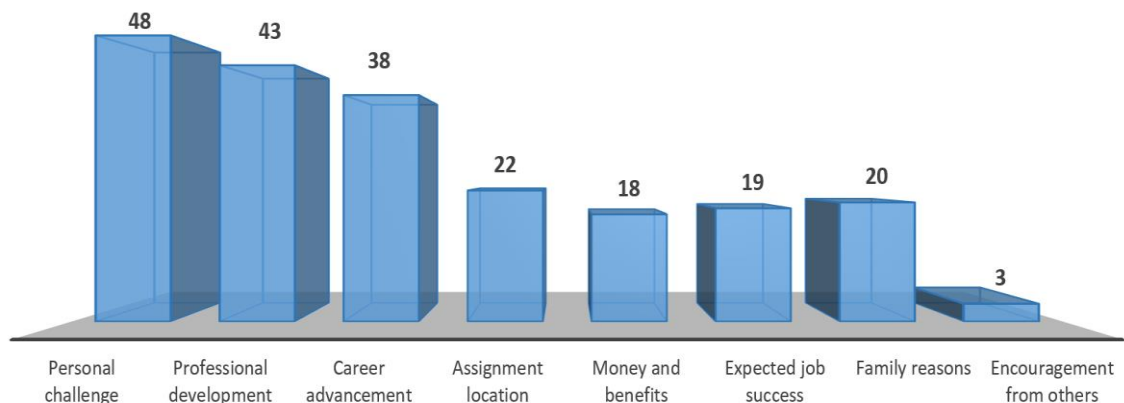
**Question No 34. What impact do you think your international assignment will have on your career?**



Penultimately, inquiries were made regarding the perceived international assignment impacts on expatriates' careers. Only one option was allowed which resulted in a relatively even distribution of answers. Moreover, assigned expatriates gave perfectly even answers. The most frequent answer among the entire sample, however, was the development of inter-cultural skills at 34%. Reasons unknown.

**Figure 40. Question No 34.**

**Question No 35. What were your motives for accepting an international assignment?**



**Figure 41. Question No 35.**

Finally, Figure 41 visualizes the primary motives for accepting an international assignment. Tested expatriates prefer to challenge themselves to step outside of their comfort zones and navigate the treacherous seas of international waters. Professional development ranks second, close to career advancement, which both relate to each other. The Czech Republic as the assignment location was the fourth most popular motive.



## 5.5 Research Summary

The aim of the empirical research was to generally explore current state of expatriate preparedness in the Czech Republic, to assess expatriate level of adjustment to the new environment, and to measure expatriate communication abilities and interpersonal experience. General areas of interest regarding expatriation in the Czech Republic were also gauged.

Research indicates that 64% of expatriates examined were male and 57% were not married which to a large degree eliminates the primary reason for expatriate failure – family/spousal reasons. The leading group of expatriates, 64%, originate in the Eastern or Western Europe, an occurrence most likely accelerated by the free movement of labour well established in the EU, and by cultural proximity observed among European countries. Full 69% of assigned expatriates are employed in management positions underlining the overall trend that AEs are assigned abroad to hold managerial positions. Conversely, full 84% were self-initiated expatriates – confirming the theoretical framework discussed in Chapter 2.4.1.

81% of examined expatriates selected extended assignment length, of more than year and a half. This finding visibly shows that examined expatriates have been able to adapt to the Czech conditions without any significant issues. Again, this is probably caused by the cultural proximity of Eastern and Western Europeans taking international assignments in the Czech Republic.

Moreover, 65% of respondents claim that they adjusted to the new culture and conditions without any problems, while 50% of expatriates adjusted to the new environment in under 3 months.

Hypotheses tested by the research:

- **H<sub>1</sub>** – Larger percentage of expatriates sent on assignments in the Czech Republic do not spent enough time on preparation.

*H<sub>1</sub> NOT CONFIRMED* – Theory suggests that not all expatriates prepare for their international assignments (1980s – less than 30% prepared, 2015 – 16% did not prepare,

45% prepared some). Research confirms that only 34% of expatriates did not prepare, and 66% conducted some form of preparation.

- **H<sub>2</sub>** – Expatriate families and spouses receive less cross-cultural training than the expatriates themselves do.

*H<sub>2</sub> CONFIRMED* – Theoretical findings claim spouses and families lack cross-cultural training and preparation. Research results confirm that a critically high percentage, 88%, of respondents claims that their families received no such training whatsoever. Only 12% of the examined sample confirmed some sort of family preparation.

- **H<sub>3</sub>** – Most expatriates travel to the expatriate assignments with their families.

*H<sub>3</sub> NOT CONFIRMED* – While theory shows that spouses follow international assignees abroad in 80% of cases, our results prove otherwise. 57% travelled unmarried, and 43% were either married or in a legal partnership. High percentage of single expats reduces the likelihood of failure rates since family adjustment issues are the primary reason for premature returns.

- **H<sub>4</sub>** – Expatriates are satisfied with their deployment in the Czech Republic.

*H<sub>4</sub> CONFIRMED* – Theoretical findings imply that the Czech Republic is one of the most attractive places to live, and the research confirms this claim. Positive expatriate assignment experience has been reported by 85% of examined expats. The percentage is even higher among the assigned expatriates – 92%, labelling the Czech Republic an ideal destination for expatriate assignments.

- **H<sub>5</sub>** – Expatriates consider the Czech Republic an easy country to adjust.

*H<sub>5</sub> CONFIRMED* - 65% of expatriate respondents claim that they did not experience problems adjusting to the new environment in the Czech Republic, which indicates that the majority adjusted without problems. 15% of expatriates report unpleasant times while

adjusting to their new life in the Czech Republic, which could have probably been avoided if enough preparation had been done on their side.

- **H<sub>6</sub>** – Host country language (the Czech language) level of proficiency has an impact on the expatriates' ability to perform well.

*H<sub>6</sub> CONFIRMED* – Theoretical frameworks presented in Chapter 2.7.2 propose that language capabilities of expatriates positively affect their performance and efficiency. Research revealed that the ability to speak the HCN language greatly contributes to the expatriate success. 73% of respondents claim their assignment would be easier if they were able to communicate in Czech, 45% consider the Czech language a necessity for their deployment in the Czech Republic. In addition, 53% of expatriates employed in the Czech Republic have engaged in an erroneous conduct due to their Czech language incapability.

- **H<sub>7</sub>** – Majority of expatriates were not encouraged to learn the Czech language.

*H<sub>7</sub> CONFIRMED* – Lastly, the presented theory implies that companies sending expatriates abroad rarely encourage expats to learn the HCN language. According to the research, the examined expatriates were not incentivized to study the Czech language. 71% of them report that they were either definitely or generally not encouraged to study Czech. Only 29% of respondents report to have been encouraged to learn Czech. Further to the author's research, learning more of the HCN language prior to departure is the most desired item on the list.

## 6. Effective Expatriate Preparation Concepts

In this final part, the above presented theoretical frameworks and empirical findings are combined in order to derive a concept for an effective preparation of expatriates for international assignments in the Czech Republic. Consequently, this part offers proposals – the expatriate preparation concept, and recommendations – general rules derived from both theoretical and empirical results.

The concluding chapter consists of two main parts:

- (1) **General Preparation Recommendations** – this subchapter combines generalized results obtained through research into a concise set of rules and observations, which can be used as guidelines, or supplementary material for companies sending expatriates to the Czech Republic, and expatriate individuals starting a preparation period for their assignments thereof. This subchapter primarily draws from the research findings and does not represent an expatriate preparation concept by itself.
- (2) **Preparation Concept for Expatriates in the Czech Republic** – a concept for effective preparation of expatriates in the Czech Republic is offered in this subchapter. Based on the previously discussed frameworks for effective preparation and empirical findings, the author presents a concept applicable to both assigned and self-initiated expatriates.<sup>11</sup>

### 6.1 General Preparation Recommendations

Global forces encourage MNEs to expand across national borders to new locations and countries. However, although globalization calls for a global approach to IHRM and expatriate preparation, a balance needs to be established between “local” and “global.” Culture has a very specific local, or regional character, and thus cannot be globalized per se. However, countries are affected differently by globalization, and according to the KOF index, Czech Republic is highly globalized (13<sup>th</sup> place) and should be viewed as such. Let us form the first recommendation:

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<sup>11</sup> It is noteworthy that self-initiated expatriates have significantly less resources at their disposal so they need to carefully consider their purchasing power in terms of specialized training suggested below.

***(1) Globalization trends social, political, and economic dimensions occur in the Czech Republic, and expatriate preparation should be approached with globalization in mind.***

One of the greatest causes of expatriate failure is the expatriate's inability to adapt to the new culture. The further the host country culture is from the expatriate own culture, the higher the likelihood of assignment failure. Distance in terms of culture between host country and expats' home country plays a vital role. The research confirms that 64% of respondents come from Western and Eastern Europe, and 85% report positive experience, indicating that the cultural proximity is close. Logically, Germans who are transferred to the Czech Republic are much less likely to return prematurely than those transferred from Saudi Arabia. If MNEs consider their candidates so valuable that they desire to transfer those on assignments to the Czech Republic, it is recommended that:

***(2) Candidates should be selected on their "global-mindedness" and international experience, or should be assigned to the Czech Republic from countries with similar cultures. The more distant the culture, the more cross-cultural training is required.***

***(3) Companies should select candidates who show higher tendencies towards individualism (Czech Republic is an individualist country). Candidates inclined towards collectivism might experience limited acceptance.***

Research results confirm the utmost importance of language training suggested by theoretical frameworks. 73% of respondents claim their assignment would be easier if they were able to communicate in Czech. Even limited fluency or general inclination to communicate in the host country language is what directly helps establish rapport. Language training enables expatriates to better connect with the foreign culture, and as a result deliver better performance while dealing with HCNs. Recommendation is proposed that companies should:

***(4) Enrol expatriates staying for >18 months (81% of respondents according to the research) to immersive and comprehensive Czech language courses prior to their departure, and even more intensively after arrival – in the adjustment phase.<sup>12</sup>***

Cultural training research results indicate that 68% of examined expatriates did not receive any cultural training prior to their departure. Theory suggests that cultural training is crucial as it seeks to cultivate appreciation for the host country culture. If the expatriates are able to understand, or even identify themselves with the receiving country's culture, the likelihood of better performance and efficiency in dealing with HCNs increases significantly. Furthermore, 69% of the respondents who conducted cultural training claim they have done so in the Czech Republic, which is a much more efficient option. The author recommends that:

***(5) MNEs allocate enough resources to culturally prepare expatriates both before and after their arrival to the Czech Republic, thus allowing for a total cultural immersion and adjustment acceleration.***

Presented theory substantiates that expatriates must be open to new cultures in order to succeed on assignments abroad. Examined expatriates consider openness and emotional stability the most important personality dimensions for their international success. Additionally, personal and emotional problems are one of the key reasons for expatriate failure. According to the research, The Czech Republic represents a masculine society, and 64% of examined respondents are male. Therefore, it is recommended that:

***(6) It is of paramount importance that MNEs select expatriates who are able to handle personal and emotional problems. Emotional robustness and stability should be assessed via psychometric testing during the selection phase with an emphasis on masculine traits such as desire to succeed and achieve.***

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<sup>12</sup> It is assumed that expatriates will need to communicate on a daily basis with HCNs, and they are staying long term. It is also assumed that their intellectual capacity allows them to comprehend language training in a shorter period of time, and that they have a genuine interest in doing so.

Field trips and host country travelling were the 4<sup>th</sup> most popular preparation activity among the examined expatriate sample. Theoretical research suggests that practical training results increase if the expatriates and their family members visit the host country for a field orientation at the MNE's expense and initiative. This allows the expatriates to closer match their expectations with reality, and diminish the cultural shock effect, which might lead the assignment cancellation. The author proposes a following recommendation:

***(7) Before expatriate managers accept their assignment to the Czech Republic, their sending company should arrange for a 2 – 3 week look-and-see visit for expatriates and their families. Self-initiated expats should follow the same pattern.***

Research revealed that 34% of examined expats did not perform preparation, perhaps due to their cultural proximity. Expatriates who did prepare did so less than 3 months prior departure (39%), 3 – 6 months prior (16%), and up to 6 months before they departed (11%). Roughly 50% report that their preparation and cross-cultural training was insufficient. These results indicate that preparation done less than 3 months prior departure was inefficient and/or incomplete, which necessitates the following recommendation:

***(8) MNEs should start intercultural preparation at least 6 months prior departure including language, cultural, and practical training types. Self-initiated expats should follow the same pattern.***

The author's research indicates that 46% of expatriates deployed in the Czech Republic hold technical or professional jobs, which means they either were sent there on technical assignments, or chose to utilize their technical and professional skills as main means of generating income abroad. This corresponds with the suggestion that firms sometimes resort to sending candidates abroad based on their technical or managerial skills rather than their ability to cope with the new cultural environment. However, 85%

of respondents report positive expatriate experience, so clearly, they are able to better cope with the cultural differences. It is, therefore, recommended that:

*(9) Companies take advantage of this unique phenomenon and assign expatriates based on their technical or managerial skills rather than their implicit ability to cope with new cultural environments, since the Czech culture is relatively easy to cope with.*

## **6.2 Preparation Concept for Expatriates in the Czech Republic**

The penultimate chapter of this master's thesis is dedicated to a concept proposal, which is aimed to help guide multinational enterprises while assigning expatriates in the Czech Republic. The concept proposes an ideal sequence of steps to be taken in order to successfully prepare assigned expatriates and their families.

It is important to note that this concept builds on theoretical frameworks examined in this master's thesis, and draws directly from the author's research findings, which are subject to the above-mentioned limitations.

The concept also represents an ideal state where substantial amounts of resources can be allocated to the expatriate preparation. In order to effectively prepare assigned expatriates to their postings in the Czech Republic, the following steps are proposed.

### **(1) PRE-ASSIGNMENT ASSESSMENT EVALUATION**

Once a suitable pool of candidates has been selected (after a series of competency based, cultural awareness, and psychometric tests), candidates and their families are exposed to an assessment centre where their understanding of the host culture, personal tendencies, and previous international experience is tested. Personal aspirations are a measure to create a bespoke training plan for the expatriates and their families. The employee's ability to comprehend, appreciate, and adjust to diverse cultures as well as having a "global mind-set" is a fundamental criterion for the assessment (and selection) phase.

Companies should review and consider the following factors:



- credentials and references,
- expatriate international experience (ideally in the Czech Republic, or countries with similar cultures),
- competences and skills,
- individual learning potential,
- cultural perception,
- personality traits, and
- mentoring capabilities.

It is imperative that the assessment also includes the expatriate family and/or spouse, if they accompany their expatriate partner to the Czech Republic. Candidate's family circumstances need to be taken into serious consideration as well and the role of the entire family unit must be recognized. Given the fact that personal and family reasons are the primary cause of expatriate failure, the expat's family must be ready and willing to take the assignment as much as the expat him/herself in order to minimize the risk of expatriate failure. The assessment should commence 6 months prior to the planned departure and four separate sessions should take place for the expatriate, and two sessions for the expat's family.

The entire process is logged in a Knowledge management system designed to capture the expatriate experience and learning curves. Computer programme and a mobile application should be created for these purposes.

## **(2) EXPATRIATE AND FAMILY TRAINING PROGRAMME**

This is the critical part during which expatriates and their families enrol to their custom-tailored training plans, which are executed in three phases/areas relative to individual training objectives. These phases interlock in time, i.e. all three phases happen on the same timeline.

### **A) Cross-cultural training**

Cross-cultural training has been identified as a vital component of the preparation phase without which no expatriate should leave for an assignment in the Czech Republic.

The cultural training aims to provide accurate expectations to future expats, thus creating a higher possibility that their expectations are met. During this phase, expatriates are trained to develop appreciation for the Czech culture, and, more importantly, the training is designed to reduce or eliminate the cultural shock.

The first 3 – 5 months should take place in the home country, and the remaining 1 – 3 months are spent in the Czech Republic. The different ranges represent cultural distance, i.e. candidates from Germany or United Kingdom will be required to spend less time conducting training in the Czech Republic, than their counterparts from China, or Saudi Arabia will.

Following subjects should be included in the cultural training (based on the researched expatriate preferences).

- **Books** – company HR department should collate and prepare literature information for expatriates. A large variety of expatriate literature is readily available on internet; areas such as socio-economic issues, cultural standards, values, customs, history, religion, etc. have been covered. An example of a guide to the Czech culture according to Hofstede is offered in Chapter 4.1 of this master's thesis, and serves as a helpful tool to understanding the Czech cultural dimensions.
- **Lectures** – over the period of 6 months, several lectures about the above-mentioned areas Czech Republic should be hosted in order to educate future expatriates.
- **Films** – documentaries and highly rated local production films should be delivered to the expatriate for personal use and visualization purposes.
- **Individual coaching sessions** – role-playing and simulations with HCNs are recommended as means to imprint Czech business and social etiquette rules (a general layout is presented in Chapters 4.2 and 4.3).
- **Tax and insurance orientation** – expatriates must be properly briefed on any legislation norms regarding their salaries, and tax and insurance obligations.

SMEs and companies lacking means or resources to provide their expatriates with the above-mentioned, are advised to take advantage of relocation agencies, which provide a comprehensive package of services in the Czech Republic, such as:

- ReloCare – [www.relocare.cz](http://www.relocare.cz),
- Team Relocations – [www.teamrelocations.com](http://www.teamrelocations.com),
- Global Mobility Solutions – [www.msmbility.com](http://www.msmbility.com).

Recently, large multinational companies started taking advantage of the relocation agencies as they can significantly reduce costs and offer a wide range of services. The relocation services help with transfer bonuses or allowances, cultural training, immigration permits, insurance issues, language lessons, home finding, health services registration, spousal assistance, tax preparation, school selection, etc., and expatriate managers can fully focus on their managerial duties if they do not need to spend time ordering i.e. utilities services or health insurance.

Medium to high intensity training should have a duration of at least 3 months, depending on the circumstances such as level of experience of the expatriate or cultural distance. It is perfectly possible to apply a low-intensity training for candidates who:

- have already been on an expatriate assignment, or
- are familiar with the Czech culture.

## **B) Language training**

The author's research results confirmed that inability to communicate effectively in the Czech language leads to errors. In addition, a decisive majority of expatriates active in the Czech Republic claims that they would have learned Czech during their preparation stage if they could alter it.

Based on the results presented, companies should enrol expatriates who are going to stay >18 months to language courses. These courses should initiate in the home country and should consist of at least 6 hours of thought lectures and 4 hours of self-study per week, totalling 10 hours weekly in the initial phase, and up to 20 hours weekly in the final stage in the Czech Republic. Included in the starting phase should be:

- 2 hours of grammar lectures,
- 3 hours of conversation competencies lectures,
- 1 hour of vocabulary-based training, and
- 4 hours of self-study and revision.

Teaching lessons should be designed by a combination of aural (using one's hearing) and immersive (student is fully involved in learning the language on an everyday basis, trips are required) methods, which are considered relatively modern, and result in increased language learning abilities. In addition, the immersive approach is one of the best ways to learn the language for older students who are able to travel for their education (it is assumed that expatriates will partake the second half of their training in the Czech Republic).

Moreover, interactive language classes for both the expatriates and their spouses also encourage further socialization and eliminate isolation. Expatriate families are encouraged to take the Czech language courses to any degree considered relevant. However, companies have a right to decide the level of financial involvement in the family and spouse's language training. Theoretical research revealed that expatriates who are unable to speak the Czech language are very likely to never fully integrate in the Czech society.

Companies should provide both individual and group sessions in equal portions. Individual session should take place in the office or at the expatriate's home, however, group sessions should be held elsewhere, so that the expatriates get accustomed with broader interaction with others in the Czech language.

It is especially important to consider idiosyncrasies of the native Czech language speakers identified by the research, and prepare candidates for them. The most frequently labelled are *dissimilar intonation*, and *indirect expressiveness*.

### **C) Practical training**

This part of training is designed to allow expatriates and their families to better submerge in the everyday life in their host country, the Czech Republic. Joining networks of friends or fellow expatriates accelerates this process greatly. MNEs expanding to the Czech Republic should seek expatriate communities to integrate expats and their families

as soon as possible, or better yet – they should take advantage of their existing networks. Again, relocation agencies can help greatly in this matter. Practical training shall predominantly comprise of the following parts.

- **Filed trips** – a 2 – 3 weeks look-an-see orientation trip should take place in the first 3 months of the preparation phase. Expenses shall be covered by the company and expatriates should bring their families. Expatriates shall be introduced to the local expatriate networks and initial relationships should be established to be further followed on after the expatriate is fully deployed.
- **Individual development plans** – these plans must be specified prior to the departure on an individual basis. Expatriates need to know precisely what trajectory of personal and professional development awaits them during their assignments, and how the repatriation process will be executed upon their arrival. The MNE should stipulate expatriate's career plans it has for the expatriate after returning to their home country.
- **Networking and communities involvement** – this is a perfect way for companies to connect expatriates with other expatriate families in the Czech Republic, while especially utilizing modern means of communication – Skype, social networks, email, etc. These communities offer valuable sources of support and information.

### **(3) HOST COUNTRY MANAGER AND TEAM BRIEFING AND PROJECT ALIGNMENT**

Although described in a lesser detail than the previous one, this step is also critically important for a successful expatriate assignment.

#### **A) Host country manager and team briefing**

The manager and team employed in the subsidiary located in the Czech Republic should be informed about various aspects regarding the expatriate candidate, since such briefing plays an important role for the overall expatriate success.

Cultural values and norms should be thoroughly communicated to the Czech manager and teams of colleagues with whom the international assignee will be in direct

contact. The more intensive the contact between the two parties, the more informative the briefing should be. Ideally, following parts are communicated:

- cultural background of an assignee,
- anticipated differences regarding communication and management styles,
- clear statement of both the assignee's and the manager's expectations, and
- mutual and individual goals.

The expatriate and their managers should meet in person as a part of their training programme, however, if the distance or time do not allow, online communication tools such as virtual conferences should be called into action.

### **B) Project alignment**

In order to safeguard a smooth expatriate transition and project implementation, it is necessary to identify possible discrepancies, which might directly affect both the assignment and project success. Critical information regarding the project must be exchanged to avoid possible future misapprehensions. A project alignment meeting should be held to describe tools and techniques, to preclude misunderstandings, and to express mutual expectations. Discussions about following subjects should take place:

- timelines,
- reporting strategies, and
- milestones setting.

## **OTHER GENERAL RECOMMENDATIONS**

The ability to capture the entire expatriate preparation process is significant for the future expatriates embarking on the same career path or assignments, as well as the incumbent expatriates themselves, since the progress can be tracked in a much better, structured way. Creation of a Knowledge management system, which has capacities to accommodately capture the process, and to provide a computer-aided situation analysis system is highly recommended. A model designed by such system based on previous

experience should then be integrated into the preparation process. The assumption is that by using this model, expatriates can greatly improve their familiarity and awareness to such a degree that the situations they face on their assignments become more expectable and manageable. Similar programmes are widely available via specialized agencies.

Companies with larger resources and internationalization intentions might consider establishment of a network of expatriate offices around the globe in order to improve assistance to their multinational workforce. A representative example was given in Chapter 2.7.4 Shell Outpost, which offers a tested system, which has been proven efficient. Establishment of an analogous structure in the Czech Republic would greatly benefit any larger multinationals operating there, since it would provide all relocation services required (costs would be saved on relocation agencies), and would also allow for spousal employment.

The dimension of cultural toughness also plays a major role. Based on the research, the Czech Republic has not been identified as a culturally tough country for the examined expatriates, however, it is important to note that the respondents were predominantly from areas culturally adjacent. Cultural toughness influences the way in which expatriates experience various adjustment phases. It is recommended that MNEs strive greatly to extend the “honeymoon” phase, as this phase nurtures expatriates’ excitement and they generally cope with difficulties much better than during the next phase – culture shock, which should be mitigated as much as possible.

The preparation phase is only one of many. Although precise preparation is key, the assignment success is jeopardized if the following phase, adjustment phase, is not executed correctly, therefore, the two phases should slightly overlap and be tightly interconnected.

The above-described preparation concept is perfectly valid for self-initiated expatriates as well as assigned expats, however, SIEs generally operate with incomparably smaller budgets so they are likely to be unable to purchase expensive individual coaching and custom-tailored language lessons. Nevertheless, wide-ranging preparation and cross-cultural training is absolutely recommended.

## CONCLUSION

In order to fulfil the main objective of this master's thesis, to propose a concept for effective preparation for expatriates with an intention to accept international assignments in the Czech Republic, the author executed the following.

Initially, theoretical backgrounds regarding international human resource management were carefully examined by a literature review and summarized in Chapter 2 Theoretical Concepts and Background. Key findings suggest that globalization is the main driver behind global expatriation, however, cultures have a local character, and expatriates generally fail to perform a sufficient cross-cultural preparation. As a result, they hinder or even fail their international assignments. Effective and thorough preparation was identified to be of utmost importance, since it defines the degree to which expatriates are able to cope with the unexpected challenges, and ultimately succeed or fail.

The definite conclusion is that successful expatriation efforts and superior human resource management lead to high productivity, or even competitive advantage, and that people are the vital element of a company's road to international success, therefore, companies must allocate enough monetary resources and time to sponsor proper expatriate training.

Hofstede's cultural dimensions in the Czech Republic (analysed in Chapter 4.1) and business and social environments (presented in Chapters 4.2 and 4.3, respectively), offer a suggestion of a possible starting point for cross-cultural expatriate preparation.

Furthermore, the author created and distributed a 35-question long questionnaire based on explored theoretical frameworks, and conducted an empirical research to gather results necessary for the concept proposal from predominantly these areas:

- (1) expatriate preparedness in the Czech Republic,
- (2) expatriate level of adjustment to the new environment, and
- (3) expatriate communication abilities and interpersonal experience.

Data and results collected from the research were collated and analysed, and relevant conclusions were drawn in order to propose the conceptual solution for expatriate



preparation in the Czech Republic. The research revealed the following facts (among others): 64% of expatriates examined were male and 57% were not married, 84% were self-initiated expatriates, 69% of assigned expatriates are employed in management positions, 64%, originate in the Eastern or Western Europe, 85% report positive assignment experience, 65% consider the Czech Republic an easy country to adjust, 73% claim their assignment would be easier if they were able to communicate in Czech, and that 66% conducted preparation.

Lastly, the examined theoretical frameworks and empirical discoveries were combined together, and a concept for an effective preparation of expatriates for international assignments in the Czech Republic was proposed, inclusive of two main parts:

- (1) General Preparation Recommendations, and
- (2) Preparation Concept for Expatriates in the Czech Republic.

The expatriate preparation concept contains three critical steps, the author considers necessary for a successful preparation process. These are:

- (1) pre-assignment assessment evaluation,
- (2) expatriate and family training programme,
  - a. cross-cultural training,
  - b. language training,
  - c. practical training, and
- (3) host country manager and team briefing, and project alignment.

It is important to note that the concept offers a general guide for both MNEs assigning their own expatriate managers, and expatriates transferring by themselves. However, the concept is designed to provide a general framework, not a detailed, or company-specific manual. The author of this master's thesis considers the main objective fully achieved.

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## **LIST OF ABBREVIATIONS**

AE – Assigned expatriate

Etc - etcetera

EU – European Union

FDI – Foreign direct investment

GDP – Gross domestic product

HCN – Host country national

HDI – Human development index

HR – Human resources

IBM – International Business Machines

IDV – Individualism vs. Collectivism

IHRM – International human resources management

IND – Indulgence vs. Restraint

ISM – International strategic management

KOF - Konjunkturforschungsstelle (business cycle research institute)

LTO – Long-term orientation vs. Short-term orientation

MAS – Masculinity vs. Femininity

MNC – Multinational company

MNE – Multinational enterprise

OECD – Organization for Economic Co-Operation and Development

PCN – Parent country national

PDI – Power distance index

PPP – Purchasing power parity

SIE – Self-initiated expatriate

SIHRM – Strategic international human resources management

SME – Small and medium enterprise

SP – Staffing policy

TCN – Third country national

UAI – Uncertainty avoidance index

## LIST OF TABLES

Table 1. Classification of International Staff.....	26
Table 2. Categories of Expatriate Assignment .....	31
Table 3 GLOBE Attributes of Culture.....	56
Table 4 Gender.....	71
Table 5 Age.....	71
Table 6 Marital Status.....	71
Table 7 Profession .....	72
Table 8 Region of Origin .....	72

## LIST OF FIGURES

Figure 1. The Role of Human Resources in Shaping Organization Architecture.....	21
Figure 2. Size of Worldwide Expatriate Population Relative to Total Worldwide Population and Worldwide Immigrant Population, 2009, 2013, forecasted to 2017. .....	28
Figure 3. Assignments Duration .....	30
Figure 4. The U-Curve of Cross-Cultural Adjustment .....	35
Figure 5. Spouse / Partner Employment .....	45
Figure 6. Hofstede's Cultural Dimensions in the Czech Republic .....	57
Figure 7. Question No 1 .....	73
Figure 8. Question No 2.....	73
Figure 9. Question No 3.....	73
Figure 10. Question No 4.....	74
Figure 11. Question No 5.....	74
Figure 12. Question No 6.....	74
Figure 13. Question No 7.....	75
Figure 14. Question No 8.....	75
Figure 15. Question No 9.....	76
Figure 16. Question No 10.....	76
Figure 17. Question No. 11.....	76

Figure 18. Question No 12.....	77
Figure 19. Question No 13.....	77
Figure 20. Question No 14.....	77
Figure 21. Question No 15.....	78
Figure 22. Question No 16.....	79
Figure 23. Question No 17.....	79
Figure 24. Question No 18.....	80
Figure 25. Question No 19.....	80
Figure 26. Question No 20.....	81
Figure 27. Question No 21.....	81
Figure 28. Question No 22.....	82
Figure 29. Question No 23.....	82
Figure 30. Question No 24.....	83
Figure 31. Question No 25.....	83
Figure 32. Question No 26.....	83
Figure 33. Question No 27.....	84
Figure 34. Question No 28.....	85
Figure 35. Question No 29.....	85
Figure 36. Question No 30.....	86
Figure 37. Question No 31.....	86
Figure 38. Question No 32.....	86
Figure 39. Question No 33.....	87
Figure 40. Question No 34.....	88
Figure 41. Question No 35.....	88

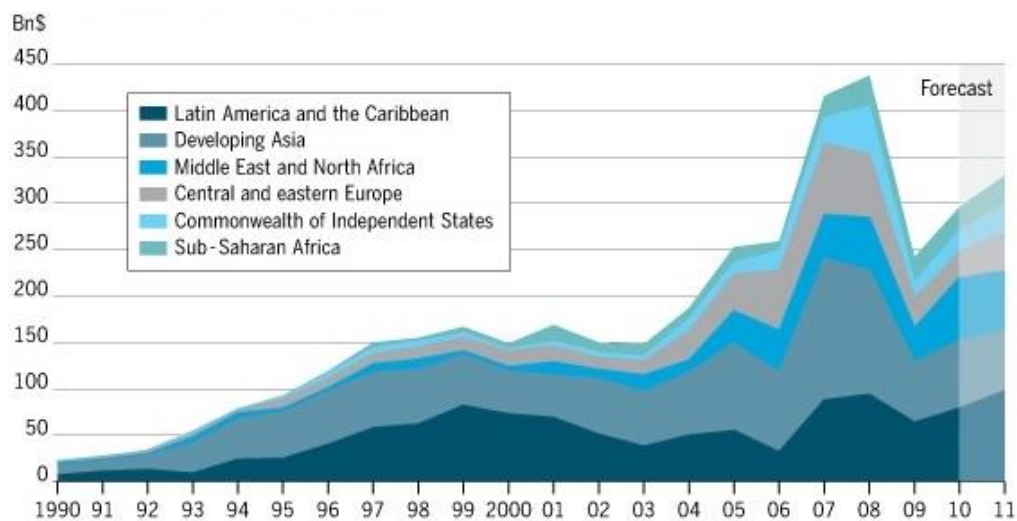
## LIST OF APPENDICES

APPENDIX 2-A .....	11
APPENDIX 2-B.....	11
APPENDIX 2-C.....	12
APPENDIX 5-A .....	13

## APPENDICES

### APPENDIX 2-A

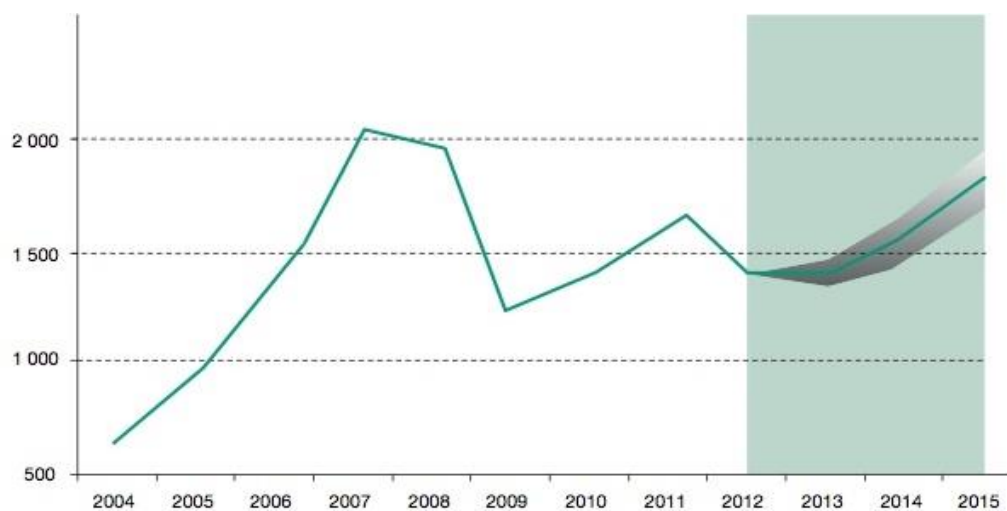
Foreign Net Direct Investment Inflow by regions



Source: *Financial Times*, 2010

### APPENDIX 2-B

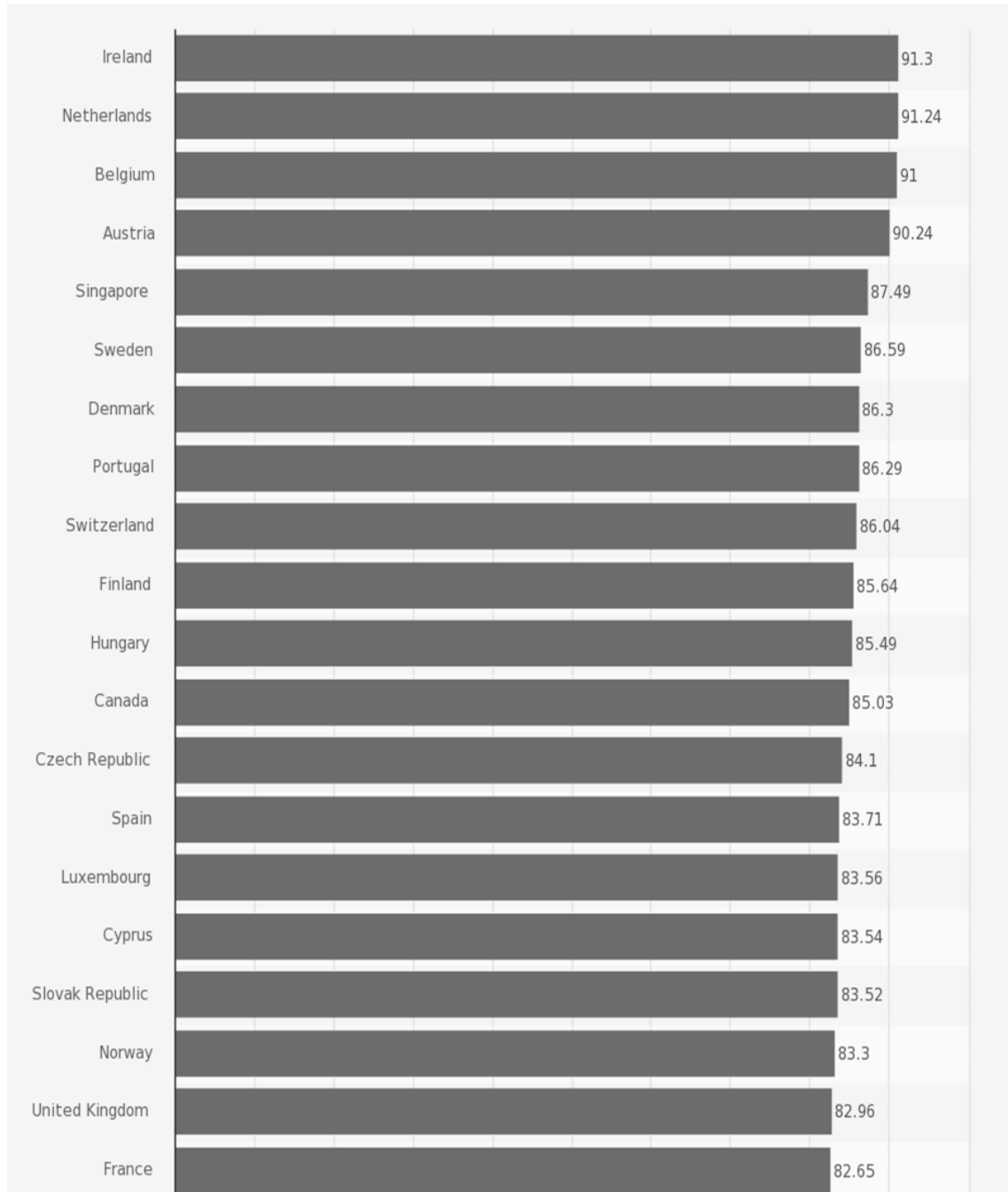
Global FDI flows (2004-2012), projections (2013-2015), Bn\$



Source: *UNCTAD. World Investment Report 2013.*

## APPENDIX 2-C

### Top 20 countries in the Globalization Index 2015



*Source: KOF, reproduced from Statista.com*

## **APPENDIX 5-A**

**Full questionnaire sample used for the research purposes of this master's thesis.**

### **Expatriates in the Czech Republic**

Dear Expatriate,

I kindly ask you to fill out this short anonymous questionnaire, while presenting the opportunity to express your views, attitudes and opinions, and share your experience from your expatriation process, i.e. your professional stay in the Czech Republic.

This questionnaire is a vital element of a diploma thesis on expatriates preparation for assignments in the Czech Republic. It should not take you more than 10 minutes to complete the whole survey. Your help is much appreciated! As a reward, I will be happy to send you the results as a thank you if you will so wish. You will have a chance to opt in at the end.

NOTE:

Please, DO NOT fill this survey if you are/were NOT a foreign citizen working in the Czech Republic. This survey is focused only on expatriates, i.e. foreign nationals, currently or previously working in the Czech Republic.

Thank you for taking your precious time to fill this survey, let's begin!

### **Demographic variables**

#### **Gender**

- ☐ Female
- ☐ Male

#### **Age**

- ☐ <30
- ☐ 30-40
- ☐ >40

**Marital status**

- ☐ Married
- ☐ Not married
- ☐ Legal partnership

**Your position level**

- ☐ Senior management
- ☐ Middle of lower management
- ☐ Professional or technical
- ☐ Other

**Region of origin**

- ☐ North America
- ☐ South or Latin America
- ☐ Western Europe
- ☐ Eastern Europe
- ☐ South East Asia
- ☐ Africa and Middle East

**Length of stay**

- ☐ <6 months
- ☐ 6-12 months
- ☐ 12-18 months
- ☐ >18 months

**Are you a self-initiated or assigned expatriate?**

- ☐ Self-initiated expatriate - I left my home country to seek professional opportunities on my own in the Czech Rep

- ☐ Assigned expatriate - my home country company sent me on an international assignment in the Czech Rep

## **New environment**

### **Were you subject to an expatriate selection process at your home country?**

This is a process during which you would be benchmarked and compared against other potential candidates in your company.

- ☐ Yes  
☐ No  
☐ N/A

### **How long was your adjustment mode?**

The time period it took you to adjust to new conditions and environments.

- ☐ >6 months  
☐ 3-6 months  
☐ <3 months

### **Have you experienced difficulties adjusting to the new environment?**

- ☐ Definitely Yes  
☐ Generally Yes  
☐ Generally No  
☐ Definitely Not

### **Did you receive enough information about your international assignment prior to your departure?**

- ☐ Definitely Yes  
☐ Generally Yes  
☐ Generally No  
☐ Definitely Not  
☐ N/A



**Are you content with your current compensation package?**

Money and benefit wise.

- ☐ Definitely Yes
- ☐ Generally Yes
- ☐ Generally No
- ☐ Definitely Not

**Are you satisfied with your job in the Czech Republic?**

- ☐ Definitely Yes
- ☐ Generally Yes
- ☐ Generally No
- ☐ Definitely Not
- ☐ N/A

**How much different were your expectations from actual conditions?**

- ☐ I was shocked
- ☐ Much different from what I expected
- ☐ More or less the same
- ☐ Exactly as I expected

**Preparation phase**

**When did your preparation period start?**

- ☐ >6 months prior departure
- ☐ 3 – 6 months prior departure
- ☐ <3 months prior departure
- ☐ I haven't prepared

**If you received training, was it in your home country, elsewhere or in the Czech Republic?**

- ☐ Home country
- ☐ The Czech Republic

- ☐ 3rd country

**What is the amount of pre-training and orientation your family received prior to your international assignment?**

- ☐ More than me  
☐ As much as me  
☐ Less than me  
☐ None

**Do you consider professional development opportunities you receive from your employer in the Czech Republic as sufficient?**

- ☐ Definitely Yes  
☐ Generally Yes  
☐ Generally No  
☐ Definitely Not

**Did you receive enough information about your international assignment prior to your departure?**

- ☐ Definitely Yes  
☐ Generally Yes  
☐ Generally No  
☐ Definitely Not

**Do you consider your pre-assignment cross-cultural training sufficient?**

This is where you would learn about the Czech culture, people, customs, manners, history, values, etc.

- ☐ Definitely Yes  
☐ Generally Yes  
☐ Generally No  
☐ Definitely Not  
☐ I have never received such training

**What would have you done differently in your preparation?**

Please, tick what applies.

- ☐ Learned more Czech language
- ☐ Travelled to the Czech Republic for a look-and-see
- ☐ Connected with expats already living in the CR on social networks
- ☐ Read books and articles about the Czech culture
- ☐ Asked my home company to provide more training
- ☐ Nothing, I am happy with my preparation
- ☐ I did not prepare at all.

**Please, choose what was included in your preparation.**

Tick what applies.

- ☐ Lectures
- ☐ Role plays
- ☐ Simulations
- ☐ Films
- ☐ Books
- ☐ Culture assimilator
- ☐ Case studies
- ☐ Field trips
- ☐ Individual development plan
- ☐ Coaching
- ☐ I have never taken part in any preparation

**Communication****Were you encouraged to learn the Czech language prior to your departure?**

- ☐ Definitely Yes
- ☐ Generally Yes
- ☐ Generally No
- ☐ Definitely Not

**Do you think that your assignment would be easier if you had a good command of the Czech language?**

- ☐ Definitely Yes
- ☐ Generally Yes
- ☐ Generally No
- ☐ Definitely Not
- ☐ N/A

**What communication differences do you find the most difficult to cope with?**

Please, tick what applies.

- ☐ Dissimilar intonation
- ☐ Facial expressions/mimics
- ☐ Direct/indirect expressiveness
- ☐ None

**Do you consider learning the Czech language a necessity for your deployment/work in the Czech Republic?**

- ☐ Definitely Yes
- ☐ Generally Yes
- ☐ Generally No
- ☐ Definitely Not

**Have you ever engaged in an erroneous conduct due to a language barrier?**

- ☐ No
- ☐ Yes, once
- ☐ Yes, more than once
- ☐ All the time

**What is the primary means of communication with your superior?**

- ☐ In person
- ☐ Over the phone
- ☐ Email/Office communicator

- ☐ Intermediaries

**What is the degree of communication you engage in with the sending institution?**

- ☐ Multiple times per day
- ☐ Daily
- ☐ Less than four times per week
- ☐ Hardly ever
- ☐ N/A

## **Interpersonal/Personal**

**How would you describe your relationship with your Czech co-workers?**

- ☐ Very positive
- ☐ Positive
- ☐ Neutral
- ☐ Negative
- ☐ Extremely negative

**Would you recommend working in the Czech Republic to other potential candidates based on your expatriate experience?**

- ☐ Definitely Yes
- ☐ Generally Yes
- ☐ Generally No
- ☐ Definitely Not

**Have you experienced any manifestations of conflicts between you and other employees at your workplace?**

- ☐ Definitely Yes
- ☐ Generally Yes
- ☐ Generally No
- ☐ Definitely Not

**Is your line manager able to help you when you require it?**

- ☐ Definitely Yes
- ☐ Generally Yes
- ☐ Generally No
- ☐ Definitely Not
- ☐ N/A

**Do you enjoy working in an international/multicultural team?**

- ☐ Definitely Yes
- ☐ Generally Yes
- ☐ Generally No
- ☐ Definitely Not
- ☐ I work on my own

**What personality dimensions do you consider the most important for expatriate success?**

Pick two that appeal to you the most.

- ☐ Conscientiousness
- ☐ Emotional stability
- ☐ Extraversion
- ☐ Agreeableness
- ☐ Openness

**What attitude do you appreciate the most in your host country, the Czech Republic?**

Pick the most important one to you.

- ☐ Tolerance
- ☐ Openness
- ☐ Acceptance
- ☐ Respect for my culture
- ☐ Willingness to integrate me into inter-cultural teams
- ☐ Willingness to learn cross-culturally

**What impact do you think your international assignment will have on your career?**

Pick the most important one to you.

- ☐ Advancement within the company
- ☐ Demonstration of professional and managerial skills
- ☐ Development of professional and managerial skills
- ☐ Development of inter-cultural skills

**What were your motives for accepting an international assignment?**

Pick four most important for you.

- ☐ Personal challenge
- ☐ Professional development
- ☐ Future opportunities for career advancement
- ☐ Assignment location
- ☐ Monetary reward and benefits
- ☐ Expected job success
- ☐ Family reasons
- ☐ Encouragement from supervisors and colleagues

Thank you!

Many thanks for completing the questionnaire. Your response means a lot for this research and is very likely to help future expatriates in their assignments. As I promised, if you would like to know the results once they've been collated and analysed, you can leave your email address below and I will personally send them to you.

Feel free to leave any feedback below.