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Biswas, Bashker Deb

COMPENSATING THE MULTINATIONAL EXECUTIVE

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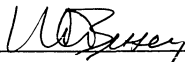
COMPENSATING THE MULTINATIONAL EXECUTIVE

A DISSERTATION SUBMITTED TO
GOLDEN GATE UNIVERSITY
IN CANDIDACY FOR THE DEGREE,
DOCTOR OF PHILOSOPHY IN BUSINESS ADMINISTRATION

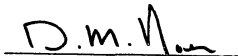
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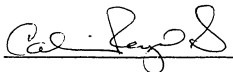
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To
the Memory of My Mother
Mrs. Latika Biswas

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ACKNOWLEDGMENTS

Doing a doctoral dissertation, and at the same time pursuing a full-time consulting and business career, presents many challenges and difficulties. Such an effort cannot be completed without the help and assistance of many people. I wish to acknowledge some of them here.

I am grateful to my dissertation committee, Dr. Bill Bessey, Mr. David Noer and Mr. Calvin Reynolds, for their guidance and assistance during the course of this project. A special word of gratitude goes to Dr. Bessey, whose patience and considerate but concrete criticisms were of invaluable help to me.

I also wish to thank the group of seven international compensation specialists who graciously agreed to be interviewed and some of whom thoroughly reviewed the questionnaires. Their contribution to this research project is deeply appreciated.

To my father, Professor M. N. Biswas, I owe a deep debt of gratitude. He helped me to stay motivated throughout the months of research and writing. He also provided a valuable service by reviewing and editing earlier versions of the manuscript.

A special word of appreciation goes to Jan Spearman, a true gem in the secretarial profession. I was privileged to have her services. She was prompt, efficient and eminently pleasant under

all circumstances. Jan is undoubtedly the finest secretarial assistant I have come across in all my years of business. During the latter half of this project I was given the opportunity to work with another excellent individual, Kati Strong, who helped me finalize the manuscript quickly and efficiently. I thank Kati, also, for all her efforts.

Finally, to my family--my wife Usha, my son Ranjan and my daughter Meena--I express my deep and sincere gratitude. Without their love, patience and encouragement, neither this nor any other project I have undertaken in my professional career could have been completed.

ABSTRACT

As multinational corporations become increasingly central to the world economy, the need to attract and retain executives to manage these corporations gains in importance. The multinational executive who is called upon to manage a total foreign operation assumes greater responsibilities than does a purely domestic executive. For the multinational executive, the traditional business functions of marketing, finance, production and personnel must be synthesized with unfamiliar political, economic and sociocultural systems. All business and personal activities are subject to the vagaries of local taxes, currency fluctuations and individual personal risks. These unique dimensions of the multinational executive's job require a reward/compensation system that considers these diverse variables. This research study is an effort to develop such a system.

Through a detailed literature review and discussions with specialists in the field, thirteen factors were identified as being unique to the multinational executive's job: (1) size of the company, (2) number of expatriates abroad, (3) industry characteristics, (4) relative inflation, (5) relative living costs, (6) cultural differences, (7) currency fluctuations, (8) relative buying power, (9) difficulty with communication systems, (10) freedom to act enjoyed by the executive, (11) key strategic and financial measures for which the executive is

responsible, (12) exposure to different legal systems, and (13) working under different political systems.

These factors were then presented (via questionnaires) to samples of international line executives and human resource management executives, who were asked to rate the desirability of using these variables in a compensation program for international executives. The similarities and differences of opinions contained in their responses were analyzed, and reasons for the differences were studied and documented.

Finally, using statistical techniques, the researcher developed a set of decision-making systems that incorporated many of the traditional and nontraditional variables developed earlier in the research. Questionnaires were used to collect data on salaries paid to international executives and the value of the various independent variables on the decision factors. The decision equations were thoroughly tested for statistical validity.

The study ends with various findings, conclusions and recommendations.

CHAPTER I

INTRODUCTION

Multinational corporations are deeply woven into the fabric of the world economy. Some critics describe their growth as a form of neocolonialism or imperialism. Others say that the power of the multinational corporation is yet to be unleashed. These people suggest that "not more than 300 multinational corporations will control 90 percent of the world trade by the end of the century."¹ Government bodies are concerned about the rise of the multinational enterprise, and some politicians even see it as a threat to the nation-state. But whatever the beliefs and opinions of the different constituencies, one fact remains clear: the multinational corporation, in various forms, is a powerful way of doing business.

If the multinational corporation is a reality, and will become more prevalent as years go by, then the management of these corporations is in need of continual study if they are to adjust successfully to the dynamics of world economic and social pressures. One aspect of the management process is the staffing, placement, development and compensation of the executives who lead these organizations. A principal objective for the effec-

¹Yair Abaroni, "On the Definition of a Multinational Corporation," in The Multinational Enterprise in Transition, ed. A. Kapoor and Phillip D. Grub (Princeton, N.J.: Darwin Press, 1972), p. 3.

tive management of multinational corporations has to be the search for the right executive, at the right time and the right place, to lead these complex organizations. A key element for the attraction and retention of effective leaders is the compensation system under which these executives will operate. This research is a systematic attempt to study the varied facets of the multinational executive's compensation system.

The Multinational Corporation Defined

It is imperative that before a research study on this subject is conducted, a working definition of the multinational corporation be established. Such a definition provides the framework for the research.

The literature on multinational corporations has produced numerous definitions of the entity under review. A multinational corporation is sometimes defined as one that has its home in one country but functions under the laws and customs of other countries.² A multinational corporation can be viewed as a firm that is owned by persons of many nations.³ It can also be characterized as a firm whose top decision makers are multinational.⁴ Yet another definition has been developed through

²David Lilienthal, "Management of the Multinational Corporation," in Management and Corporations 1985, ed. Melvin Anshen and G. L. Bach (New York: McGraw-Hill, 1960), p. 119.

³Olivier Giscard d'Estaing, Report of the Crotonville Conference (Atlantic Council, [December 12-15, 1965], p. 67.

⁴Abaroni, p. 8.

the work of Raymond Vernon at Harvard. Vernon describes a multinational corporation as one that has at least six overseas subsidiaries.⁵ The organizational composition of the company also provides a clue to the multinationality of the corporation.⁶ Companies may be exporters, importers, transporters, manufacturers and traders. They may have regional operations or they may be multiregional. The multinational company may also be defined by means of various performance measures, such as earnings, sales, assets and number of employees. The performance measure definition assumes that the multinational percentages of these measures are significant enough to command management attention. A behavioral context is also used to define the multinational corporation. According to Peter Drucker, a multinational firm is one "with corporate headquarters in the U.S.A., but in their organization, their business, their scope, they are worldwide. . . . Corporate top management is not concerned with any one region or territory . . . an international business demands of its management people that they think and act as international businessmen in a world in which national passions are as strong as ever."⁷ Yet another classic definition of the multinational scene is provided by Theodore Levitt. He states

⁵Cited in Richard J. Barnet and Ronald E. Muller, Global Reach: The Power of the Multinational Corporations (New York: Simon & Schuster, 1974), p. 300.

⁶Abaroni, pp. 17-18.

⁷Peter F. Drucker, The Concept of the Corporation (New York: New American Library, 1964), p. 244.

that multinationalization of the world markets is being achieved through technology--"a new commercial reality--the emergence of global markets for standardized consumer products on a previously unimagined scale of magnitude."⁸ According to Levitt, the multinational and the global corporation are not the same thing: "the multinational corporation operates in a number of countries, and adjusts its products and practices in each--at high relative costs. The global corporation operates with resolute constancy--at low relative cost as if the entire world (or regions of it) were a single entity; it sells the same things in the same way everywhere."⁹

Let us now consider the definition from an evolutionary perspective. Much has been written concerning the evolutionary path of the multinational. But the most prevalent categorization is that of Calvin Reynolds.¹⁰ He describes companies doing business abroad as moving from the basic exporting stage to a second stage where they find alternatives to just exporting. The third stage is that of foreign manufacturing and the final stage an integrated worldwide operation. Companies in the fourth stage are geocentric companies, what Peter Drucker calls "trans-national confederations." Such companies consider the world as

⁸Theodore Levitt, "The Globalization of Markets," Harvard Business Review, May-June, 1983, p. 92.

⁹Ibid., pp. 92-93.

¹⁰Calvin Reynolds, "Managing Human Resources on a Global Scale," Business Horizons (Graduate School of Business, Indiana University), December, 1976, p. 52.

their market, and they have learned how to operate in a large market and to be a social part of it. They have a worldwide approach in both their headquarters and their subsidiaries. The companies set worldwide objectives, and from those flow the local objectives of the subsidiaries.

Not too many companies are at this geocentric stage. A few management thinkers (notably Peter Drucker) believe that geocentrism is in line with the current and future evolutionary status of the multinational corporation.¹¹ Nevertheless, just a handful of corporations are geocentric. Companies such as IBM, Unilever and Shell can be termed so. It is the author's belief that the absence of geocentrism is based on the fact that being geocentric is a "state of mind" rather than a systematic process established through rational management thought. This theory is supported by Howard Perlmutter¹² as well as by Drucker. It is surprising that, in spite of close ties to the world economy, such a state of mind is not widespread in multinational management.

Analyzing the definitions, we find that there is little agreement as to what constitutes a multinational company. For the purposes of this research, the multinational corporation may

¹¹Peter F. Drucker, Management: Tasks, Responsibilities, Practices (New York: Harper & Row, 1974), pp. 728-764.

¹²Howard V. Perlmutter, "The Tortuous Evolution of the Multinational Corporation," in The Multinational Enterprise in Transition, ed. A. Kapoor and Phillip D. Grub (Princeton, N.J.: Darwin Press, 1972), p. 53.

be defined as one that meets any one of these criteria: the company has more than six subsidiaries abroad; it derives over 20 percent of its sales revenue from overseas locations; it has one or more manufacturing facilities in foreign countries (not in the country where the headquarters is located); and its top management devotes a great deal of time to international operations as part of corporate strategic considerations.

Within the context of the above definition of a multinational corporation, this study focuses on those executives who are sent from the company's headquarters or other third countries to different foreign locations to manage local operations, subsidiaries or regional operations. These executives, it is assumed, are given broad authority to plan, lead and manage these local operations. This cadre of executives is also often asked to guide the corporation in establishing local and regional plans, as well as to assist in integrating these plans into the total corporate planning framework.

The Management of Multi-national Corporations

Now that the multinational company and the type of executives has been defined, a more complete analysis of the job of these multinational executives can be undertaken. Before establishing a case for studying the executives' compensation, it is important to understand their responsibilities and accountabilities--the nature of their positions and the various components and complexities of their jobs. This is necessary

because a major hypothesis of this research is that the multinational executive's job is more complex than a purely domestic executive's job and necessitates a different compensation system.

Executives on multinational corporations develop and manage local and regional plans which usually result in specific strategies for various functional areas within specific locales. Strategies are set for marketing, sourcing, labor, ownership, finance, legal control and public affairs. The added dimension in multinational corporations is the integration of management tasks and responsibilities within local and regional environments into the total corporate planning framework. Therefore, these executives have to be able to deal with diverse issues and problems. To better understand the complexity of the multinational executive's job, let us now look at each of the strategic areas.

Marketing strategies are geared toward what to sell, to whom, how much, over what period, via which channels, to be serviced by whom, supplied from where and at what price. In the international arena, the marketing mix issues differ widely from domestic marketing mix issues.

Sourcing strategies cover questions such as: What sources should the firm use to supply the target market? Should the firm itself undertake production? What and where should it purchase from others? Should the firm do at least some manufacturing? How should it acquire the facilities? What sort of production equip-

ment and technology should the company use? What site is the best? Where should research and development be located?

Labor strategies address issues concerning unions, participative management, responsibility toward employees, factors affecting recruitment of overseas staff, training, development, promotion policies, and pay and benefit practices in the surrounding business community.

Finance strategies include location of profit centers, location of investment centers, type of financing, sources of financing, legal instruments and security of claims to earnings. Although similar questions are asked in purely uninationaI operations, the nature of the relevant variables, their weighting, and the range of options differ when one deals with international transactions.

Legal strategies in the multinational corporation fall into three general categories: the preferred legal character of the entity representing the principal domestic interest vis-a-vis the foreign interest, the preferred legal character of the entity representing the associated foreign principal, and the preferred legal nature of the relationship between the two parties.

Control strategies cover questions such as the global allocation of corporate resources, where the relevant tactical decision-making authority should be located, measures of operating performance, communication channels and measures to enforce decisions and maintain control.

Through its public affairs strategy the corporation determines whether to maintain a low profile or a high profile. Should the public affairs strategy be implemented alone or in association with other corporations? This strategy area also includes the specific vehicles through which to implement the chosen strategy.

Finally, ownership concerns are one of the most debated subjects in international business. Ownership options are 100 percent ownership, equity joint ventures, contractual joint ventures, minority-owned joint ventures, mixed ventures and affiliates.

Executives of multinational corporations must be able to address all the complexities of managing these diverse strategies within their spheres of control. They must consider all the strategies and set specific objectives for each. Then they have to manage with those objectives in view.

One realizes how complex this job is when one considers that all these strategies have to be formulated within dimensions that do not exist in a purely domestic situation. These added dimensions included: (1) encountering cultural diversities in the working environment; (2) operating under different political and governmental systems; (3) operating under different tax environments; (4) understanding and modifying one's social orientation; (5) operating under different concepts of time management; (6) being exposed to personal dangers and physical harm; (7) understanding the different economic policies

established by local governments; (8) dealing with frequent changes in currencies and (9) confronting organizational difficulties caused by remoteness, especially in communications.

For these reasons, attracting, retaining and rewarding an effective management cadre is of paramount importance. In developing this management staff, the company will have to consider issues such as: the characteristics of multinational management success; selection of candidates; choosing among expatriates, local nationals and third country nationals; managerial competence; language skills; specific personal success factors; training needs and programs; and effective reward systems.

The Compensation System

From the above inventory of strategic human resource issues, this research isolates the issue of an effective reward system and attempts to study systematically its many facets and implications.

Management of the reward systems for multinational managers is of considerable significance. Managers have to be paid in such a way that they are motivated to take on the challenges they face in all the various functional areas.

The Executive Categories

Multinational corporations normally appoint three types of managers: employees from the parent company's country of domicile (for American companies, these are American expatriates); employees from a third country who work in a subsidiary country

but are not citizens of the parent company's country of domicile; and employees from the local country. Compensating each of these employee groups equitably is an exceptionally complex problem.

This research is concerned with the compensation decisions for the first two of the three categories listed above, that is, those executives who work outside their country of nationality. These expatriate executives are those who are responsible for managing the varied complexities of foreign subsidiaries and regional operations. They are primarily responsible for international strategies and operations within their regions and assigned countries. All of their accountabilities are in the multinational arena, within the context of the entire corporation.

The Current Systems

Currently, there are three systems of compensating international executives: (1) the balance-sheet system, (2) the budget system and (3) the assignment-country system. All these systems have been explained in detail by Brian Ellis.¹³

The basis of the balance-sheet system is "broadly a) to maintain the expatriate's home country living standards while he is abroad by a series of adjusting allowances and b) to compen-

¹³Brian Ellis, "Principal Expatriate Remuneration Systems," in The Management of Expatriates, ed. Brian Lewis (London: Institute of Personnel Management, 1982), pp. 127-215.

sate him for serving outside his own country, and where applicable, enduring hardship."¹⁴

Under the budget system "the requirements of the expatriate in the assignment country and in the home country are separately listed, costed by assignment country and home country prices respectively, and then combined to give a total requirement, generally expressed in local currency."¹⁵

Under the assignment-country system "the expatriate is treated almost wholly as if he were a national of the country to which he is assigned. He is on the same basic salary scale as the local employee of equivalent status and is covered by most of the same benefit programs. However, his treatment often varies slightly from that of the local national in recognition of the fact that he is abroad, whereas the national is at home."¹⁶

These three systems have been widely used in expatriate compensation program planning and administration for many years. The balance-sheet system is used extensively by American countries. The budget system predominates among English companies. The largest number of expatriate executives around the world are American. And since American companies prefer the balance-sheet

¹⁴Ibid., p. 128.

¹⁵Ibid., p. 129.

¹⁶Ibid., p. 128.

system, it can be inferred that this system is the most common one currently in use.

CHAPTER II

PURPOSE OF THE STUDY

The Problem

In spite of the existence of the compensation systems described in the previous chapter, in spite of the significance of managerial strategies within the multinational environment, and in spite of the role of multinational management compensation in motivating these executives to take significant risks, serious problems may arise in the compensation of multinational executives. Various questions and issues are raised. Should executives around the world be paid the same, commensurate with their positions? Or should salaries fit the widely varying local standards?

Peter Drucker says that he has not been able to find a successful, working compensation policy for managers of multinational business.¹ He goes on to note that every compensation policy in multinational corporations is continually being re-studied, reorganized or revised. According to Drucker, a formal structure and policy need to be developed. The most serious problem arises out of the fundamental business strategy of the multinational. The multinational manager needs to be a member of the whole company's top management team and also a member of the top management team of the unit for which he works. This causes

¹Peter F. Drucker, Management: Tasks, Responsibilities, Practices (New York: Harper & Row, 1974), p. 751.

a problem of focus: Should the executive concentrate on corporate/global goals, or should the executive maximize the goals of the local entity?

David Heenan says that of all the aspects of the multinational enterprise, human resources management, which includes compensation administration, remains the major concern of international executives.² In most corporations, but especially in multinational corporations, the management of human resources poses many challenges. The selection, placement, development and compensation of employees within the multinational context raises issues and concerns that require continual management attention.

Most international human resource thinkers suggest that expatriate compensation policies should be integrated with the specific business strategies of the company. Some experts suggest that it is extremely important to view compensation of multinational executives within the broader context of career development, human resources policies and overall business strategies. These theories have their foundation on the principle that, increasingly, human resources management is being treated as a critical and integral part of the overall management process rather than as a detached service function. Some experts even suggest, and correctly so, that building a compen-

²David A. Heenan, Multinational Management of Human Resources: A Systems Approach (Austin: Bureau of Business Research, University of Texas, 1975), p. 3.

sation plan in the absence of a tie-in with the overall business and human resources objectives is doomed to failure.

To worsen matters, the current literature provides little information on the type of system needed to resolve the problems of multinational executive compensation management. Although there is much material (based on empirical research) on the organization of international business, little of it applies to compensation administration.³

The Need for This Research

One may ask at this stage why there is a need for research on compensation program planning for multinational executives. Several factors make such a research effort useful.

Experts state that inflation will be a continuous affliction. It is unlikely that most nations will make the sacrifices necessary to permanently restrain it.

It is probable that larger and more formidable competitive entities in the form of government-sponsored agencies will confront the multinationals. Managing multinationals will therefore take on additional complexities.

Multinationals will continue to be caught up in national and extranational efforts to solve the problem of constantly fluctuating exchange rates. This factor directly affects multinational compensation programs.

³Ibid.

A key success factor in any business organization is its cost structures. Because compensation and benefits form a significant element of the cost structure, attention to this strategic area is of continuing interest. Compensation cost projections, taking into consideration key variables, will assist financial planners to do a better job of estimating total costs.

Taxes, like foreign exchange rates, contribute greatly to the complexity of total international business operations, including international compensation. In the compensation area, definitions of taxable income, calculation procedures and even enforcement regulations vary from country to country. These complexities will continue to require systematic study.

Motivational aspects of pay in cross-cultural environments have not been a thrust of current pay research. Motivational research on pay has focused on factors within a single cultural context. Therefore, a challenge in international compensation remains the identification of pay-related motivational objectives operating in various national and cultural work environments. Once these variables are identified, effective pay programs can be designed around these objectives.

The multinational management work force is becoming heterogeneous, with managers from various countries and national origins. In spite of this diversity, however, managerial personnel all over the world are developing a social oneness. The similarities have been fostered by the worldwide impact of the

automobile, the mass media, aviation and business education. The main thrust has been provided by economic interdependence among countries and exportation of technology from the Western industrial societies to other parts of the world. Because of this, managerial and technical talent with required know-how can be hired from throughout the world. Foreign employees in the management cadre add a new dimension to the company's compensation policy.

Another significant reason for this research is a methodological one. Currently, empirically developed systems, where key independent variables are tied into compensation as the dependent variables, are being widely used in domestic (U.S.) executive compensation decision-making systems. To date, no efforts have been made to research and develop such a system for multinational executives. This study hopes to fill that gap.

Finally, as discussed previously, one of the main drawbacks of current expatriate compensation systems is the failure to integrate compensation decisions into the broader context of business and general human resource decisions. Experts have correctly talked about this discrepancy, but to date no study has undertaken the construction of a methodological bridge between general business and human resource objectives and compensation decisions. This study attempts to do this by systematically identifying the key factors--both overall strategic business variables (as reflected by financial variables) and human resource policy variables--and then empirically

developing a decision-making system that ties these variables to the compensation decision.

For these reasons, then, a study of multinational compensation is called for. Certainly, distinct nationalistic factors will make the determination of a single set of policy guidelines difficult. But the search for some threads of commonality to guide the development of policy will prove valuable to decision makers.

Outcomes of the Study

In developing an effective compensation system, one must first establish the policy and procedure framework for the decision system. In other words, one has to determine which variables and subvariables should be included in the decision-making system. Therefore, the first outcome of this study is the determination of the strategic, policy and environmental variables and subvariables that should be considered in international executive compensation decision making. In determining which variables and subvariables should be used in the decision system, an analysis of the opinions of various constituents is conducted across industries and across organizations of various sizes. Along with establishing the policy variable framework, related procedure and practice questions are analyzed and resolved.

The second step in designing a compensation system is to build a decision-making system around the policy variables chosen in the first step. Therefore, the second outcome of this

research study is to empirically develop a decision-making process and then test it statistically.

Limitations of the Study

As with any other research effort in the social sciences and business, this study cannot answer all of the questions posed by a complex subject. The study is an attempt to develop an improved and practical decision-making system for expatriate compensation decisions. Under many circumstances, expatriate compensation decisions have to be made within the context of the corporation's overall business objectives and human resource objectives. Compensation decisions have to be tied into the decisions of the other human resource functional areas (selection, training, repatriation, transfer and so on). Although this study acknowledges the need to develop such integrated decision systems, it focuses on developing a compensation decision system for expatriates during the short time that the employee is an expatriate in the foreign location. In other words, this study seeks to improve compensation decision making, not to tie compensation decision making completely into overall business and human resources management decision making. It is believed that the latter effort lies more in the realm of human resources planning and development than with compensation administration.

The Research Method

In this project, the researcher uses the traditional methods and techniques of social science research.

He has documented the findings through a thorough literature review of the subject area. Previously conducted research on this subject or a closely related subject was analyzed and documented. Periodicals and books were searched and relevant material extracted, analyzed and documented.

The results of various interviews with experts in the subject area were then documented. The opinions, thoughts and comments of these experts were sought and analyzed.

The key factors involved in multinational executive compensation decision making were then identified. Concepts were developed and discussed. Material extracted from the literature review and from the opinions of the experts formed the basis of this discussion. Additional comments, elaboration of thoughts and counter arguments were presented and documented.

Using the selected key factors as the cornerstone and applying systematic questionnaire development techniques, the researcher then developed a "policy and practice" questionnaire. The questionnaire was administered to samples of international line executives and international human resource executives. The questionnaire responses were analyzed and documented with necessary interpretations.

Finally, a second questionnaire was developed. The purpose of this questionnaire was to collect data to develop an empirical compensation decision-making model. The statistical techniques of multiple correlation and regression analysis were used to develop the model.

Organization of the Study

Following these introductory chapters, Chapter 3 documents the results of the literature review, and Chapter 4 analyzes the opinions of the experts. In Chapter 5 factors affecting multinational executive compensation decisions are discussed. Chapter 6 explains the statistical methodology used in the research. The results of the questionnaire seeking to analyze the opinions of different constituencies on policy factors are then presented in Chapter 7. Finally, in Chapter 8 the study ends with the empirical development and documentation of a multinational executive compensation decision-making model.

CHAPTER III

LITERATURE REVIEW

To date, there has been no systematic research in establishing a theoretical framework for multinational executive compensation decisions. Academic researchers have not focused on this subject and therefore there is very little published information. The literature that can be found centers on the following types of sources: (1) books, (2) research studies, (3) articles on expatriate compensation, (4) articles reviewing current compensation policies and practices and (5) articles on regional compensation practices. This chapter considers each of these areas and documents the published works. The writer has yet to find a book-length study dealing primarily with multinational compensation systems. Most of the published works--books, articles and research reports--focus on compensation programs and practices in the United States.

The Books

Only three books have been published in the field of international human resources management: one coauthored by

Desatnick and Bennett, another written by David Noer and a third edited by Brian Lewis.¹

Desatnick and Bennett identify and analyze the essential considerations governing human resources management in an international context. They examine the critical differences between operating domestically and in a foreign environment. Their book is built around a "case study of a large American multinational company, which initially failed to meet these challenges, then recognized its failure, and subsequently met with a high degree of success."

David Noer covers all the complex issues and concepts briefly and in a fairly noncomplex manner. With respect to compensation systems, he describes the "best of both world models" and the administrative systems needed to support them. He defines terms and has adequately described the features of the "balance-sheet" approach to expatriate compensation. The main purpose of the book, the author suggests, is to broaden knowledge and increase sensitivity to international people problems.

The Management of Expatriates, edited by Brian Lewis, seeks to examine the problems of recruiting and managing staff overseas. It identifies situations which employees and managers face

¹Robert L. Desatnick and Margo L. Bennett, Human Resource Management in the Multinational Company (New York: Nichols, 1977); David M. Noer, Multinational People Management: A Guide for Organizations and Employees (Washington, D.C.: Bureau of National Affairs, 1975); Brian Lewis, ed., The Management of Expatriates (London: Institute of Personnel Management, 1982).

in making expensive decisions on the assignment and use of manpower overseas and provides examples, alternatives and check-lists to assist the comparison and formulation of policies to cope with or prevent any consequent problems.² Chapters 4 through 7 of this book thoroughly review the details of the current expatriate compensation systems.

The Research Studies

Two research studies have considered multinational executive compensation. The first, conducted by the Conference Board, surveyed and analyzed the compensation structures of 267 of the largest U.S.-based international companies.³ Executives, in this study, thought that the elements of a "manager's compensation package should vary, depending on the culture, climate, and locale in which he does his job."⁴ Current philosophy, the study said, is geared toward establishing compensation equity (based on differences in home country economics) between U.S. expatriates and third country and local nationals. The study states that in the future, the differences in the compensation level for managers of different nationalities in the same company will gradually disappear. The study then documents the typical compensation package in the firms studied.

²Lewis, *passim*.

³Burton W. Teague, Compensating Key Personnel Overseas (New York: Conference Board, 1972).

⁴*Ibid.*, p. 1.

The Conference Board study also establishes the factors that influence the structure of the compensation package. These factors stem from the characteristics of the company, the basic compensation policies, and the firm's perception and utilization of the manpower resources available to it. The principal factors are: size of the company; number of U.S. expatriates; industry orientation; extent of the company's experience abroad; compensation philosophy; and the company's assessment of the capability and availability of local management talent.

The second research study, by David Heenan, did not focus on multinational executive compensation directly.⁵ This study looked at general human resources management policies and practices in multinationals. It focused on analyzing the differences among ethnocentric, regiocentric and geocentric companies. Compensation policies and practices were also reviewed and studied within this context. Heenan concluded that personnel administrators have failed to provide adequate direction in anticipating the human needs of the firm. A systems approach to manpower management is needed. Three major participant systems should be considered by today's personnel executive: internal (the multinational enterprise), individual (the international manager), and external (the nation-state). The fact that these systems often conflict with one another will affect the personnel practices of the firm. The international personnel function may

⁵David A. Heenan, Multinational Management of Human Resources: A Systems Approach (Austin: Bureau of Business Research, University of Texas, 1975).

be thought of as a series of transformations with input, mediating (input-improving and control), and output processes. Personnel decisions in multinational enterprises are ethnocentric, polycentric, regiocentric and/or geocentric, and this EPRG profile can be measured.

Although the two studies documented above date to the early 1970s, they remain the most comprehensive studies on the subject. The writer has not found more recent studies with as thorough a coverage.

Articles on Expatriate Compensation

A number of journal articles have addressed the subject of expatriate compensation. These articles concentrate on U.S. expatriate compensation issues. Since the expatriate compensation structure covers third country nationals also, these writings are related to the present study.

McBride documents the process used to develop expatriate employment conditions at Bechtel Corporation.⁶ He states that the economic variables having the most influence on U.S. expatriates are variables such as relative inflation and relative living costs.

⁶J. R. McBride, "International Employment Conditions," in Resource Guide (Wellesley, Mass.: Employment Management Association, 1985), pp. 47-50.

Foote documents the results of a study of fourteen companies.⁷ She discovered that filling posts with U.S. expatriates, with their higher salaries, can reduce pretax profits from international operations by as much as 20 percent. She concluded that corporations should take a hard look at their policies on foreign assignments from a cost-effective point of view.

Derek suggests that there are a number of practical items for an employer to discuss with a potential expatriate employee.⁸ He says that the criteria differ for a tour of short duration and for a longer assignment. He further documents the various elements of the total expatriate package and goes on to say that consideration should be given to hiring indigenous management because of the costs involved in sending an employee abroad.

Lawton suggests that many expatriate compensation systems are only partially effective and do not fulfill companies' needs.⁹ Expatriate systems are based on one of two conflicting principles: (1) compensating workers abroad on par with peers in the home country, or (2) compensating them on the same level as peers in the host country. Home-based expatriate compensation

⁷Marion R. Foote, "Controlling the Cost of International Compensation," Harvard Business Review, November-December, 1977, pp. 123-132.

⁸Jay Derek, "'Expat'--Worth His Money, or an Expensive Luxury?" Accountancy (United Kingdom), July, 1984, pp. 75-78.

⁹Michael Lawton, "Designing Appropriate Expatriate Compensation Systems," Benefits International (United Kingdom), April, 1984, pp. i-vii.

works best for short-term assignments, while host-based systems are more suited for longer-term assignments. Lawton also says that many expatriate compensation systems fail because of ill-defined objectives, lack of attention to environmental change, poor strategic design and inertia.

Hume-Rothery echoes Lawton's theme.¹⁰ He suggests that recession has heightened awareness among corporate executives of the enormous costs of international employment programs. Previously, the balance-sheet approach was the most widely used for expatriate compensation purposes. Currently, the assignment-country system is gaining as the most usual method of expatriate compensation, especially among European-based companies.

Reynolds, in two articles, discusses international mobility premiums.¹¹ In his 1972 article, Reynolds argued for a move away from paying a foreign service premium based on a fixed and continuing percentage of base salary. He suggested paying a premium--an amount equal to two or three months' salary--above all financial costs each time a move is made, whether it is made out of the United States, between third countries or back to the United States. In his 1975 article, Reynolds documented how two

¹⁰Richard Hume-Rothery, "The Modern Approach to the Expatriate Package," Benefits International (United Kingdom), January, 1984, pp. 14L-O.

¹¹Calvin Reynolds, "International Mobility and the Overseas Premium," Benefits International (United Kingdom), April, 1972, [no page numbers]; idem, "International Mobility Premiums--Three Years Later," Benefits International (United Kingdom), June, 1975, [no page numbers].

major American multinationals had used the international mobility premium to accomplish their specific objectives. In these articles, Reynolds argued that mobility premiums are more advantageous than fixed percentage-based foreign service allowances. Some of the advantages are: (1) the mobility premium relieves the executive of concern for financial resources at the time of relocation; (2) it cannot be perceived as part of a salary and incorporated into the family budget; (3) it is clearly a financial incentive for executives to be mobile; (4) it offers an incentive on every physical transfer--going abroad, moving between foreign countries and returning home; (5) it is competitive with the traditional overseas premium; (6) if properly managed, costs to the company are the same or less; and (7) it is flexible and simple to administer.

Young, in a well-regarded article, documents and explains the basic balance-sheet approach to expatriate compensation determination.¹²

Another classic article, by Boyce, explains the concept of spendable income, which is the basis for calculating cost differentials.¹³ A cost differential is an allowance paid to expatriates to permit them to maintain their home country purchasing power while assigned to a foreign location. Boyce

¹²David Young, "Fair Compensation for Expatriates," Harvard Business Review, July-August, 1973, pp. 117-126.

¹³James E. Boyce, "What Spendable Income Overseas Really Means," Compensation Review, 1972, pp. 20-26.

analyzes the variables affecting spendable income, discusses spendable income outside the United States, and delineates the characteristics of the spendable income curve.

Finally, Trimmer discusses the factors most likely to influence compensation policy for expatriates.¹⁴ These factors are: (1) higher standards of living for expatriates in their home countries, for those employed by European and North American firms, (2) a widening spectrum of nationalities employed in international business sectors, (3) radical growth in the speed of communications, and (4) changing attitudes in host countries. Trimmer says that although these trends are not new, they are likely to change in emphasis, and thus, change in their effects on expatriate employees. Money alone is rarely the solution to the problems of maintaining a mobile and satisfied expatriate work force. However, an increase in nonmonetary benefits usually does not solve expatriate-related problems. Problems with expatriate employees seem best handled, controlled and solved by highly trained, perceptive managers in the personnel function.

Articles on Policies and Practices

The next category of articles discusses current policies and practices in the multinational compensation decision-making area. These articles address all employee categories but focus on reviewing and/or analyzing policies and practices.

¹⁴J. G. Trimmer, "The Rewards and Compensation for Expatriates in the 1980's," Management Decision (United Kingdom), June, 1980, pp. 342-347.

The first article in this category, by Kraus and Patrick, is, in the opinion of the author, the first attempt to look at multinational executive compensation issues.¹⁵ Within the framework of gross compensation for four executives in the United States and in six European Economic Community countries, the authors found a widely varying mix of elements in the total compensation package. They state that a rational compensation program has not yet been developed.

Gowlland talks about the differences between Americans and Europeans in their approach to compensation decisions.¹⁶ He says that these differences are cultural. Americans talk freely about their salaries; Europeans do not. Salary structures tend to be formalized in the United States, while in Europe they are flexible. U.S. bonus payments are frequently awarded on the basis of a formula, and in Europe they are discretionary. In addition, stock option plans play a central role in compensation packages for major U.S. executives. European executives tend to view the stock option as a speculation, rather than an investment. In trying to determine appropriate compensation for a European executive working in the United States, solutions can best be found with the help of someone familiar with both

¹⁵D. Kraus and S. Patrick, "International Executive Compensation--Unmanaged or Unmanageable?" Business Horizons, December, 1974, pp. 45-55.

¹⁶Robin Gowlland, "Making Sense of Executive Pay Practices," Management Today (United Kingdom), August, 1982, pp. 19-20.

cultures. It is often wise for the parent company to offer discretionary bonuses to managers in new operations. This is a good starting point when combined with a promise that formula bonuses will follow as the subsidiary grows. Some companies try to standardize remuneration internationally by using surveys that provide cost-of-living indexes for foreign cities and countries. However, the market-basket data on which these indexes are based often vary widely.

Kuhne and Toyne report on the results of a survey of eighty-three Fortune 500 companies.¹⁷ The study focuses on the way international compensation programs are managed and not the way they are designed. The authors defined three management tasks and then attempted to locate where in the organization these tasks were performed. Most of the survey respondents reported that their expatriate compensation policies and procedures were highly centralized. The study concluded that management of the international compensation and benefits function may be highly centralized, but it depends on and must collaborate with a company's geographically dispersed operational results units.

¹⁷Robert J. Kuhne and Brian Toyne, "Who Manages the International Compensation and Benefits Function?" Compensation Review, First Quarter, 1985, pp. 34-41.

Reynolds, in another classic article, argues for tying international compensation policies to the enterprise's organizational structure and corporate objectives.¹⁸

Finally, Kreutz states that international compensation is a game of relationships.¹⁹ One has to achieve equality for local nationals and address the complications introduced by third country national compensation practices. The goal, according to Kreutz, is to search for a policy. He suggests that the secret is to determine the threads of commonality.

Articles on Regional Compensation Practices.

The final category of articles relates to discussions of regional compensation practices.²⁰ The regional articles review practices specific to the country or region of the world being

¹⁸Calvin Reynolds, "Career Paths and Compensation in the MNC's," Columbia Journal of World Business, November-December, 1972, pp. 77-87.

¹⁹Gary Kreutz, "International Compensation--A Game of Relationships," Compensation Review, 1972, pp. 25-30.

²⁰A partial list follows. Australia: John V. Egan, "Total Remuneration in Australia," Benefits International (United Kingdom), July, 1984, pp. i-viii. Far East: Brian J. Brooks, "Tax-Effective Executive Compensation in the Far East," Benefits International, January, 1984, pp. 14I-L. Germany: Peter Frerck, "International Compensation: A European Multinational's Experience," Personnel Administrator, May, 1979, pp. 31-34. Hong Kong: Heather Bowker, "Compensation in Hong Kong--A Special Environment," Benefits International, June, 1982, pp. 2-7. Japan: Inan Pericas, "Salary Administration in Japan," Benefits International, November, 1982, pp. 7-13. Latin America: Robert A. Coscarello, "Ten Guidelines for Managing Pay in Latin America," Benefits International, October, 1984, pp. xiii-xvi. Portugal: Peter Sturges, "Portugal: The Remuneration of Managers," Benefits International, July, 1984, pp. xiv-xv.

discussed. The purpose of these articles is to inform the readers of compensation issues in the specific countries.

With some exceptions, the literature in the international compensation sphere has a policies and practices orientation. Other than articles authored by Reynolds, little work has been done to document a theoretical framework for multinational executive compensation decisions. Nevertheless, in reviewing the current literature, it can be concluded that the policy variables that are considered important are: (1) size of the company, (2) number of expatriates abroad, (3) industry characteristics, (4) relative inflation, (5) relative living costs, and (6) cultural differences in the orientation toward financial remuneration. The isolation of these factors is one of the major purposes of this research study.

Saudi Arabia: Fred Piker and Michael Lawton, "Managing Saudi Arabian Pay and Benefits: Nightmare or Challenge?" Benefits International, January, 1982, pp. 2-5. United Kingdom: Donald McClune, "Salaries: How Does U.K. Pay Compare with Overseas?" Director (United Kingdom), November, 1984, pp. 3-4.

CHAPTER IV

THE SPECIALISTS SPEAK

As part of this research, discussions were held with a group of senior specialists who are responsible for advising their companies on multinational executive compensation. The specialists were asked to focus on the factors they consider important in multinational executive compensation decision making. They were then asked to discuss the variables which their organizations currently consider, and to elaborate on their companies' rationale in employing the specific decision factors. Thoughts and opinions on the subject were gathered in unstructured interviews. The purpose was to obtain as much information as possible to derive apparent and not so apparent variables that are considered by various corporations.

Those whose views were sought were the Director of Compensation of a billion-dollar electronics firm in the west, the Vice President of International Compensation and Benefits of the largest U.S. bank, the Director of International Compensation and Benefits of a multibillion-dollar computer manufacturer in the midwest, the Executive Compensation Director of a multibillion-dollar defense contractor and finally the senior International Compensation Specialist of the biggest construction company in the world. The sample of specialists

has a combined total of over 120 years' experience in designing and administering international compensation programs.

The Director of Compensation for the billion-dollar electronics firm indicated that the key variables in multinational executive compensation decisions are: (1) currency fluctuations, (2) the relative standard of living to which the executive is exposed, (3) the relative proportion of taxes, (4) the relative buying power, (5) cultural differences under which the executive has to work, (6) the remoteness and associated communications difficulties the executive faces, and (7) the need for the executive to adapt his or her learned personality traits in foreign operations to deal with unfamiliar issues and surroundings.

The electronics executive further suggested that the key issue in multinational executive compensation decision making is the cost of these programs. He stated that his biggest problem in developing such programs is the lack of credible salary surveys which he can use to determine competitive wage levels. He expressed a methodological need for a survey that will use a standard reference (built around a standard-of-living index) which can be used to review the relative standards of living experienced by his executives from country to country. Another problem he encounters is the time factor in data analysis. When he does get information, the time element (the date the data are collected) of the data varies from country to country, resulting in "apples and oranges" comparisons of salary levels between countries. Obviously, this executive is keen on establishing

intracountry equity in the compensation level of executives, if their job responsibilities and accountabilities are similar.

The Vice President of International Compensation and Benefits for the largest U.S. bank had other concerns. She lamented that, although her bank wants to implement a pay-for-performance system internationally, this is difficult to do because the concept of pay for performance varies from country to country. She seemed to suggest that the pay-for-performance measures should be directed toward the local unit's performance. She said that any attempts to standardize pay for performance around the world would be difficult because the accounting systems are not geared to measure performance on an integrated global basis. This bank executive insisted in her interview that the problem is not a conceptual issue but a procedural one. She indicated that in her bank the problem is the way the compensation process is managed; it is not which variables to consider in the decision process. When pressed on the variable question, she said that, to her, the key variables are the strategic business ones for which the multinational executive is responsible. These variables, which include return on investment, return on equity and other strategic financial variables, should be the key pay determinants.

The Director of International Compensation and Benefits for the multibillion-dollar computer manufacturer emphasized the need to hire local nationals to run foreign operations. He stated that his company's philosophy is to operate foreign subsidiaries as self-sustaining, independent businesses. Noting

that his company has had difficulty transferring executives between countries, he maintained that it would be difficult to develop common decision variables that could be applied to compensation practices across countries. Because his company attempts to hire local nationals to run its foreign operations, this expert sees no need to standardize policy variables across countries.

The Executive Compensation Director from the major defense and government contractor considers setting competitive wages the most important factor in establishing pay levels for this employee group. He suggested that compensation surveys should consist of a heterogeneous sample of companies with home bases in a variety of countries. In this way, national, political and cultural differences would be integrated into compensation systems. When pressed on the question of key decision variables, this executive suggested that organizational goals and policies should be key variables.

Finally, the International Compensation Specialist from the construction company named the following key policy variables: (1) cost of the programs; cost-effective programs should be designed vis-a-vis the budget, (2) effective organizational relationships in both the home office and the foreign environments, (3) equity from a foreign national perspective as well as from a home office perspective, and (4) differences in work methods, governmental relationships, union relationships and

employee relationships; these are known factors in determining the value of the job.

In defining the complexity of the multinational executive's job, the construction executive suggests considering the following variables: (1) reporting relationships, (2) authority and accountability, (3) the executive's breadth of contacts-- government, local business, international business, corporate headquarters and union, (4) support services available to the executive within the company, and (5) the degree of difficulty the executive encounters with the communication systems.

In summarizing the opinions of these experts, we find that as a group they consider the following variables as key pay determinants: (1) currency fluctuations, (2) the relative standard of living to which the executive is exposed, (3) the relative buying power, (4) cultural differences under which the executive has to function, (5) the degree of difficulty in the communication systems because of the remote location, (6) organizational issues such as reporting relationships and the degree of freedom to act and be accountable, (7) the executive's breadth of contacts, (8) key strategic and financial variables for which the executive is responsible. These indicators should be heavily weighted to the local entity's performance, and (9) the organizational support services available to the executive in the company, to assist in meeting his or her goals and objectives.

So far in this study the literature has been reviewed, the interviews with experts have been highlighted, and key policy and decision variables for multinational executive compensation decisions have been identified. In the next chapter, a conceptual and theoretical framework is developed and documented. The various factors that are distinct to international compensation are discussed. These factors are described and the rationale for their inclusion in the decision-making system is documented. In doing this, I have relied on the literature review and have taken into consideration the opinions of the specialists. Guidance from theoretical publications which relate to this subject, albeit tangentially, has also been sought.

CHAPTER V

THE DECISION FACTORS

From the literature review (Chapter 3), it has been found that the key policy variables affecting multinational executive compensation decision making can be classified into three general areas: (1) the multinational executive's job itself, including the various added elements of a multinational job; (2) the external factors which require the multinational executive to manage differently than he would from a purely domestic or nationalistic perspective; and (3) those factors that are normally considered in executive compensation decision making, both domestic and international.

In the first category, the additional elements of the job itself are: (1) the need to work within different legal systems; (2) the need to work within different communication systems; (3) the need to work under different political systems and within them; (4) the need to manage within the context of unknown economic risks; (5) continuous currency fluctuations and their effect on business conditions; and (6) exposure to different cultural orientations in the workplace.

In the second category, the executive is exposed to personal risks and the need to modify learned behavior patterns. The variables within this category are: (1) the personal income

tax environment faced by the executive; (2) the effect of currency fluctuations on personal income; (3) the complexities of social relationships in the workplace, and (4) exposure to personal danger, especially in politically unstable countries.

In the third category are factors that normally form the basis for executive pay decisions. These are: (1) the competitive pay level, i.e., the pay level for jobs with similar responsibilities, duties and accountabilities among the company's competitors for executive talent; (2) the specific financial responsibilities and objectives assigned to the executive; (3) the "ability to pay," as measured by the cost of the compensation programs; and (4) internal equity issues regarding pay administration within the company.

In this chapter, all the stated variables affecting multinational executive compensation decisions will be discussed. Some of these are additional variables, i.e., variables not currently considered in compensation decisions. These additional variables will be identified and a case for their inclusion in the decision-making system will be made. Opinions of international compensation specialists (gathered from the interviews reported in Chapter 4) will be documented. This will facilitate an understanding of what various constituents think are currently used variables and which variables are incremental, i.e., not currently used but important enough to be used.

The Multinational Executive's Job

As indicated earlier, in domestic pay decision systems, the executive's job is a variable that receives thorough analysis. Specific duties, tasks, responsibilities and accountabilities are reviewed and documented. In analyzing the multinational executive's job, however, certain additional factors have to be considered. The multinational job takes on additional dimensions because of:

1. Different Legal Systems. The executive must understand and solve problems of property rights, taxation, antitrust law, corporate law and contract law under an unfamiliar legal system. This requires the executive to acquire new skills and knowledge.

2. Differences in Communication Systems. The executive has to speak, understand and engage in lucid business communication in a variety of languages. Often, this includes a grasp of the finer nuances of language. Also, the executive has to become familiar with new and often different communication media. These distinctions will require the executive to learn new skills, incur added costs and face new problems of control.

3. Different Political Systems. Various nations are in different stages of political development. In less-developed countries, the political elite allocate more resources for investment than for consumption in order to generate a catch-up growth rate. Economic concentration in the military or in the civilian sector is largely a function of history and geopolitical position.

The allocation between the private and the public sectors depends primarily on the market's perceived effectiveness in apportioning resources to support national objectives, whether they be maximum production, maximum consumption, maximum employment, regional development, welfare, or protection of the environment. The imperfections of the market mechanism in the typical less-developed country, plus the country's small market size, render many industries natural monopolies. Less-developed countries usually have less faith in the capacity of private business to satisfy national objectives than do the more developed countries. The historical disrepute of private business (because of its identification with either foreign interests or ethnic/religious minorities) forces resources into the public sector. In newer states, where the need to develop popular support for the political regime is critical, the objective of full employment may be compelling, even at the expense of efficiency. Because of the commercial policies of the more developed countries and the not uncommon hostility toward them by reason of past "exploitation," a less-developed country may be interested in achieving a greater degree of autonomy than might otherwise be the case. Therefore, pressure in the direction of permitting concentration of resources to maximize efficiency under governmental controls is predictable.

The above-mentioned political complexities pose two fundamental problems for firms operating internationally. First, the firm needs a level of expertise and sophistication in political

environment analysis that most managers do not possess. Second, these differing sets of allocational priorities among nations require a rare flexibility of policy on the part of the firm. The multinational executive who can amalgamate the knowledge required to succeed in the political environment and, at the same time, demonstrate the needed intellectual flexibility is a rare breed. Nevertheless, it is clear that political knowledge, skills and abilities should be a job requirement for the multinational executive.

4. Economic Complexities and Risks. The key financial element within the economic framework of international business is economic risk. This risk stems mainly from "insufficient awareness of foreign production, market and consumer's circumstances, as well as nonfamiliarity with the activities of the institutions of and the instruments of economic policy of foreign countries, and increases with the distance between the residence of the investor and the location where his capital is tied up abroad."¹

All these elements of risk have a direct effect on profits received. The extent of these risks can be seen in the fact that few companies rely on continual profits from abroad for their financial stability. Companies that do rely heavily on foreign profits often have wide fluctuations in profit margins from year to year. Thus, one of the issues facing corporate economic and

¹Pertot Vladimir, International Economics of Control (Edinburgh: Oliver & Boyd, 1972), p. 13.

financial planners is the identification of the elements of risk and, then, the inclusion of a risk premium in the planning system. This obviously necessitates a clear understanding of the foreign business environment, the costs involved and a realistic estimate of the benefits that will accrue.

Another implication of the economic risks involved in international business is the need to be able to capture total costs more effectively. Needless to say, compensation forms a major part of the total costs of doing business abroad (this is especially true for service organizations, whose manpower components are usually large). If the company is to stabilize the profit potential from its foreign operations, it must devote considerable effort to accurately estimating total costs (sometimes it costs \$100,000 to maintain a \$40,000 employee at a foreign location). The risks are great for not doing this. One of the interviewees cited an instance in which the cost of services provided steadily increased in a foreign job. An initial underestimation of the number of technical personnel needed for the particular job resulted in the company having to send additional personnel. This greatly increased total costs. The foreign client found the cost increases unacceptable and after much concern expressed and no action taken, the foreign client decided to scrap the entire project. The company lost millions of dollars and suffered an extremely adverse financial year.

5. Currency Fluctuations. This element of the economic/finance discipline is crucial in any international

operation. In international business, managers have to deal with multiple currencies: they buy products and services in one currency and receive payments in another. Oftentimes, the physical transaction and the transfer of funds do not take place at the same time, and this causes problems. It is not possible to know the relative value of two currencies at any future date, because international currency relationships are determined in a speculative market (like that for securities and commodities) based on competing bids and competing offers. This uncertainty greatly increases when currencies are allowed to "float."² When the price of one currency vis-a-vis another cannot be taken for granted, this causes great concern for the business manager. In essence, it means that the manager cannot know the monetary values of all his transactions at a given point in time. And since many business transactions do not happen simultaneously, the uncertainty is greatly enhanced.

These problems create a need for detailed bookkeeping on the part of corporations. A process similar to double-entry bookkeeping is adopted. Specific balance of payments debit and credit accounts are created. For example, in the case of merchandise exports, the exports are recorded as a credit and the receipts as a debit. It should be remembered that it is not

²Prior to 1973, when currencies were allowed to "float," the International Monetary Fund assisted in maintaining a stable relationship between the currencies of at least seventy countries by (1) declaring an explicit value for their respective currencies, (2) permitting variances only if they did not exceed 1 percent, and (3) requiring certain fixed procedures before large changes could be made.

receipts as a debit. It should be remembered that it is not always necessary to convert a domestic currency into a foreign currency in order to pay for a transaction. One can draw upon a domestic currency bank account in the foreign location to pay for the transaction, e.g., a U.S. dollar bank account maintained in a Spanish bank.

For the purpose of international payments, companies often rely on one of the various multinational payment arrangements. Until recently, the most commonly used arrangement was the "sterling area," originally conceived to promote trade between the British colonies and dependencies. Under this arrangement, companies (through financial institutions) would maintain pound sterling reserves to meet foreign obligations. With the dwindling value of the pound, this payment arrangement lost its popularity.

Today, the International Monetary Fund (IMF) has taken over this function. It lays the ground rules to be followed by its members in foreign exchange transactions and also makes available to member countries (through their financial institutions) its foreign exchange reserves to meet foreign obligations. (The details of the IMF's operations are not discussed here, where the purpose is merely to point out the IMF's role in international business transactions.) In making their international payment arrangements, companies have available certain techniques of hedging against foreign exchange risks. Two techniques

for short-term money movements are: (1) insuring through forward exchange, and (2) insuring through swap loans.

In discussing foreign exchange and its impact on international business, one must realize that foreign exchange, and its movement across borders, also affects national economies. Without going into detailed economic explanation of this phenomenon, it can be said that when a country discovers that foreign exchange transactions are being conducted outside the range acceptable to its economy, the government, through its central bank, steps in to remedy the situation. Countries also intervene when adverse effects on their balance of trade are observed. Needless to say, because of the effects on the national economies, international managers are often confronted with a myriad of regulations in foreign countries with respect to foreign currency transactions. In other circumstances, international managers may be offered foreign exchange incentives from countries eager to encourage foreign investment.

6. Cultural Diversity. Harris and Moran have suggested that the international executive should operate under a cultural management system.³ That is, the international executive should focus on the local cultural system, as well as on the technical, economic and political systems.

Defining a cultural system is not easy; the definition tends to be abstract, and it is difficult to state specifically

³Philip R. Harris and Robert T. Moran, Managing Cultural Differences (Houston: Gulf, 1979), pp. 62-64.

Behavioral differences exist among managers in different cultures, because "a manager's attitudes, values, beliefs and needs are determined at least in part by his or her culture."⁴

Specifically, a multinational executive has to deal with these cultural issues:

a. Business communication takes longer, because persons of dissimilar backgrounds usually require more time to become familiar with one another. It takes longer to be willing to speak openly, to share in common ideas and to understand one another.

b. Thought patterns or forms of reasoning may differ from culture to culture. What is reasonable, logical and self-evident to an American manager may be unreasonable, illogical and not self-evident to an Asian manager.

c. Marketing and selling in a cross-cultural context have various added dimensions. The American concept of understanding the customer is not always feasible in the multinational context, because who the customer is, is often less evident. Advertising sometimes has to be geared to different constituents for the same product. A number of personal contacts have to be made and nurtured. One has to sell oneself before products and services can be sold. A great deal of alliance-building must take place, both inside and outside the organization.

d. Business negotiations may take on cultural complexities. An executive accustomed to commitments being honored,

⁴Ibid., p. 70.

d. Business negotiations may take on cultural complexities. An executive accustomed to commitments being honored, i.e., people doing what they say they will do, may have to deal with commitments being superseded by a conflicting request or agreements signifying only intention and having little or no relationship to the capacity of performance.

e. An executive who is familiar with or trained in systematic decision-making techniques may find that decisions are only expressions of wisdom by the person in authority. Any questioning can imply a lack of confidence in the decision maker's judgment. Also, accurate record-keeping may not be highly valued in the foreign operation.

f. Finally, an executive accustomed to assigning tasks and then evaluating performance may find that various kinds of work are accorded low status, and that some work is considered below one's "dignity" or place in the organization. The executive may find it difficult to get people to do whatever is necessary to complete a job.

These and many other cultural dimensions are added to the executive's job in the multinational arena. To be successful, the multinational executive needs to develop additional knowledge and skills to tackle these cultural complexities. The executive will need to develop (1) toleration of antiquity, (2) persistence, (3) empathy, (4) language proficiency, and (5) an ability to complete tasks and activities within home country

guidelines while managing cultural differences in the concept of time.

A case has been made here that there are many additional dimensions to the multinational executive's job. If this is the case, it follows that this element should be included as a policy element in multinational executive compensation decisions.

The factors and conditions relating to the multinational executive's job have been set forth in the foregoing pages. The next step will be a study of the external factors affecting the executive's job. The external environment in the multinational arena introduces complexities that a purely domestic executive does not have to face.

The Multinational Executive's Environment

The following external factors can usually be found in the multinational executive's job:

1. Taxes. Tax considerations contribute greatly to the complexity of both total international business operations and international compensation. Employees working as nonresidents in a country may be subject to both host and home country taxes. It should be noted that this double taxation falls exclusively on U.S. citizens. Citizens of all other countries are exempt from home country income taxes when they work as nonresidents in a foreign country. Definitions of taxable income, calculation procedures and even enforcement regulations vary from country to country.

Compensation specialists should regard this confusing environment as a fact of life for the multinational executive. Tax equalization and protection payments (existing programs designated to keep the employee tax burden at a level which would have been incurred had the employee remained in his home country) have to date been considered, like all other components, as an independent payment. Again, keeping in mind the total cost impact (and with increasing tax obligations this element is adding to the total cost with a vengeance), attempts should be made to integrate the tax component into the total compensation plan. Some tie-in to the premium levels or the other additive components of the pay package should be attempted. A secondary benefit of such a program design would be the elimination of windfalls, which have added to costs without ever being identified as such. (It should be noted here that tax equalization schemes prevent windfalls, are usually considered fair by expatriate employees and are cost-effective for the company.)

From the employee's point of view, minimization of the total tax liability is the prime objective. But this objective has to be integrated with the other components of the compensation plan. The connections between the various compensation components will have to be recognized and a rational policy developed. For example, the split pay program has to be designed with tax minimization in mind. Here, again, the concept of total integrated analysis comes to the forefront. Without such a

policy development mechanism, the issues in international compensation will remain difficult to "unbundle," and the total cost impact of the associated escalation factors will remain elusive.

2. Currency Fluctuations. The foreign exchange element of international business is fraught with uncertainty, complexity and diversity. The connection between currency rates and local inflation is an economic relationship, where the role of local governments is clearly that of intervention to maintain a favorable relationship with respect to the balance of trade and payments.

In such an environment, the foreign exchange element of international compensation has become the most confusing element with respect to both policy development and administrative practice. The confusion has centered on the difficulty of accurately measuring home to host country cost differences for the various compensation components. (The goal of international compensation has been to keep the employee whole, or to compensate him via a multitude of different schemes for any increase in costs he incurs.) This difficulty has been compounded in an environment of floating exchange rates, where, as described in the preceding section, constantly fluctuating rates make it difficult to establish parity between home and host country salaries. The continued attempts of planners to inventorize the components of pay, and to preserve each component separately in the world of

floating exchange rates, have only added to the confusion and frustration.

A third dimension of the problem has been the tie-in between fluctuating exchange rates and inflation. This is especially confusing when one encounters differing rates in the home and host countries. A fourth factor adding to the confusion has been the continued insistence on developing and stating salary proposals in home country currencies and offering alternative payment schemes.

A reduction of this complexity, it seems, should be the initial goal. A preliminary analysis of basic compensation philosophies should be made. Planners should determine what objectives are acceptable. Salary splits (breaking up salaries into one component paid in the home country and one component paid in the host country) can be achieved with the two components treated separately. That is, one split can be in a given currency and another split in a different currency, with no attempt to integrate the two with an exchange rate. A second objective could be "to devise new compensation schemes (and philosophies or rationales) that minimize the impact of currencies, thereby minimizing the problem."⁵ A further objective could be to recognize that the expatriate employee lives in a different economy with a different currency basis and therefore to devise a local currency compensation plan. The employee's

⁵Business International Corporation, Worldwide Executive Compensation (New York: Business International Corporation, 1974), p. 124.

allowances and premiums could be computed in local currency equivalents and integrated into the local currency total compensation.

3. Sociological Issues. Professional and technical workers comprise the main cadre responsible for the management, control and operation of international business ventures. All over the world, people of this type are developing a kind of social oneness. This unity has been fostered by the worldwide impact of the automobile, motion pictures, radio, television, aviation and atomic energy. The momentum has been provided by economic interdependence between countries and the exportation of technology from the Western industrial societies to other parts of the world.

What are the specific conditions that have led to the development of this international professional culture? Why has national exclusivity given way to an international togetherness? First and foremost is the fact that most societies have developed an industrial orientation (irrespective of political ideology). Industrialization requires a technological foundation, which in itself has many commonalities. Further, because most technological know-how has been imported from Western industrial societies, a common source exists from which to create the common sociological framework.

Technological education, by necessity, is similar everywhere. Most professional and technical people speak the same language. Rapid advances in communications and printing tech-

nologies have facilitated the transmission of technical knowledge across national boundaries. Thus, people with similar expertise in specialized fields can be found in many different countries (where the growth of technical know-how has not been rapid, it is mainly because of religious dogma). Even ideas about work, with its dimensions of superior-subordinate relationships, fixed working hours, and intrinsic and extrinsic rewards, have converged across national boundaries. Further, certain "life-style" goals are becoming universal. For example, the ability to travel during leisure time, a comfortable and modern residence, a good retirement income and adequate educational opportunities for children are now regarded as goals by diverse nationalities.

Living patterns are also converging. This is because advertisements in different languages carry the same message. The availability of and accessibility to luxury goods have greatly increased (even in remote areas it is now comparatively easy to acquire televisions, air-conditioners and other luxury items). One can also observe similarities in perceived clothing needs and dress habits.

Social stratification has taken the form of professional competence and organizational position. Social mobility is often equated with movement up the organization. (This hypothesis needs further study.)

The composition and characteristics of the family have also developed similarities across cultures. The domestic duties of

women have been reduced, with the advent of many household conveniences. This has increased the desire among women to establish careers and find occupations. (Even in countries where technological conveniences are not readily available, cheap household help has provided a substitute.)

The rapid advance of medical know-how has made adequate medical assistance feasible and readily accessible in many different countries.

Similar cultural interests have developed among various nationalities. Western drama, classical Western music, and Western art are appreciated with as much vigor by the Indian professional as by the American.

Association with interest groups has similarities also. Membership in professional organizations of a similar nature is sought after by various nationalities.

In spite of these numerous similarities, there are still many differences. This is what creates a sociological paradox for the international business manager.

The dissimilarities arise from the fact that various nationalities are at different stages with regard to "the satisfaction of rising expectations." For example, a professional of one nationality may be on the steepest slope of the expectation curve, compared with the position of his otherwise similar American counterpart. This causes the first professional to greatly resent any advancement that the American receives, while the American takes such things for granted and moves to

secure his benefits without fanfare. This clash of sociological positioning on the curve of rising expectations is especially evident when the two professionals are working next to each other and perceive their skills to be comparable. Resentment comes forth also when a local professional sees a foreign professional coming in with greater perceived rewards. His expectations immediately soar to this level and remain unsatisfied until perceived equality is achieved.

There are many other deep-rooted, although less obvious, sociological differences. Among these are differing uses of language and its nuances and differing concepts of humor. A sense of nationalism and patriotism causes people to take pride in their institutions and to resent outsiders' criticisms of these institutions. Eating habits are another obvious difference. Off-work socialization is commonly restricted to the nationality of origin. Ideas of polite behavior often differ from culture to culture.

Thus, the sociological descriptive framework is one of unity in diversity. Indications are that, in the world of international business, this phenomenon will continue. The need for international business has been recognized, and it will continue to grow; however, the ingrained sociological differences among the practitioners of international business will never entirely disappear. The practical course will be to accept the apparent common ground and design policies around that. For

if the similarities are not recognized, they will just add fuel to the fires of dissimilarity.

In addressing the sociological issues confronting international compensation, one must remember that the need for international business will continue to grow. As a corollary, professional and technical employees of various nationalities will also continue to grow. This is because people with the required technical and professional know-how can be recruited from many different countries of the world. Also, in various foreign locations there often is a need for people with specific language skills and with existing foreign experience.

Current Compensation Elements

Attention is now focused on those compensation factors currently considered in domestic pay decisions. The research thesis is that in multinational executive compensation decisions, these factors are normally considered; the factors presented earlier in this chapter are additional factors.

The following elements are currently considered in both domestic and multinational executive compensation decisions:

1. The Competitive Pay Level. In domestic operations, a major element in compensation decision making is salary surveys. Competitors are willing to exchange compensation information on a confidential basis. Salary survey methodologies are sound, based on job matching processes that ensure equitable comparisons. The consulting companies who conduct these surveys audit the input and ensure validity.

In the international arena, the process is not as well developed. A few consulting organizations have attempted to tackle the problem, but the necessary sophistication has not yet been developed. (Exceptions are the surveys conducted by the European Management Center in Brussels, Business International Surveys and some ad hoc surveys conducted by Big-8 accounting companies, especially Arthur Young.)

The concept of salary surveys may, in many countries, run counter to the social and economic realities of those countries. The characteristic elite-mass differentiation may lead to institutional paternalism, whereby companies consider organizational and personnel policies on a case-by-case basis. Some countries have not reached the stage of egalitarianism that exists in America. The researcher is reminded of a comment by a compensation consultant in Venezuela. In a conversation about executive compensation, she told me, "In Venezuela, executive pay systems are all developed on an ad hoc, piecemeal basis. A lot of inequities exist. There is need for a systematic approach, but we might not achieve that because our society is not ready for it."

As discussed, competitive wage levels, as determined through salary surveys, need to be considered more frequently in multinational executive pay decisions.

2. Specific Financial Indicators and Performance Objectives. In the United States, the executive's incentive compensation (both short- and long-term) is based on specific

financial indicators of success. These key success factors are usually established by the companies. Factors such as return on investment, return on equity, net income and gross sales are normally considered appropriate measures.

These factors are usually and should necessarily be used in establishing the incentive pay levels of multinational executives as well. The key question is whether the emphasis should be placed exclusively on local entity performance, or whether the multinational executive's pay should be tied into a corporate hierarchical structure of incentive pay--starting with the unit level and aggregating to divisions, groups, and the entire corporation. Another question is whether performance at each level should be weighted according to a progressive weight scheme--with the bottom having the highest weight and the corporate level having the lowest. (The principle here is that the individual can most influence his or her performance at the unit level.)

3. The Company's Ability to Pay as Measured by the Cost of Its Programs. The cost of executive compensation programs should be directly related to an index of affordability which, in essence, is a cost indicator. This is usually the case with domestic executive compensation decisions.

But in the multinational arena, companies often do not have a clear picture of the profit potential of a foreign business venture, because it has been difficult in the past to quantify many of the associated costs and benefits. An additional impedi-

ment is the uncertain and often changing environment in which expatriate businesses must operate.

Several specific circumstances account for the difficulty of achieving an accurate profit analysis. (1) Many multinational organizations are made up of a number of separate entities organized in different countries under different legal jurisdictions. Some commonality exists (such as access to common resources, use of a common set of procedures, and common availability of materials, skills and money). But, in general, these entities exist by themselves and have to account for themselves. (2) It is difficult to put price tags on the elements of the costs. Most often, if a market price exists for the commodities and services used by a foreign subsidiary, that price is used for the cost accounting. If not, an opportunity cost is developed and used in the analysis. (3) In the uncertain international business environment, a manager often finds originally planned-for costs escalating beyond prescribed limits. Corrective actions are normally taken to bring costs in line and, in the process, international business management often ends up being cost management.

These circumstances provide sufficient reason for making extraordinary efforts to develop accurate cost planning. Then, adequate monitoring devices should be developed to keep these costs within prescribed limits.

There is still another dimension to cost/benefit analysis in executive compensation. Cost/benefit analysis can be linked

an expatriate is assigned to a foreign location, cost/benefit analysis should be conducted to answer the following questions:

- Is the company trying to export technology? If it is, then the expatriate should usually be sent on a short-term assignment to train the locals in the exported technology. Upon completion of this task, the expatriate would most likely return to the home location. If this is the case, then the costs of this short-term assignment have to be compared to the benefits of exporting technology. The second part of this comparison cannot always be accurately measured.

- Does the company want to internationalize a cadre of expatriate executives? If it does, the costs of expatriation must be projected over the long term. The costs of the assignment in one location have to be added to the costs of the assignment in another location. The total costs of various assignments for the expatriate executive can be compared to revenue projections and similar indicators to determine the cost/benefit factor.

- Is the company sending expatriates to train local nationals? In this case, the assignment would be considered short term. The benefits from having trained locals and the short-term costs of assigning the trainer have to be compared.

4. Internal Equity Issues. Internal equity issues regarding executive compensation pay levels are another major consideration in domestic program design. Pay levels of executives have to be in line with one another. Executives having

tives have to be in line with one another. Executives having many responsibilities should receive higher pay than those having fewer responsibilities. Also, compensation planners strive to maintain adequate differentials between the pay levels of various executives. For example, a differential is established between the CEO pay level and the pay level of those executives who report to him. Some companies have developed indexes to establish and monitor these pay differentials. Some use a technique called "ten-high"--meaning that the topmost executive's pay level should be a certain multiple of the average pay of the highest-level executives working for him.

Maintaining orderliness between the pay levels of various executives is the primary objective of internal equity analysis.

In this chapter we have discussed the variables that affect the multinational executive's job. Table 1 displays these variables in the form of a matrix. An attempt has been made to show how these variables currently affect multinational executive compensation decision making, and also to make a case for the inclusion of all these variables in a multinational executive compensation decision-making system.

TABLE 1
FACTORS AFFECTING EXPATRIATE EXECUTIVE
COMPENSATION DECISIONS

<u>Added Job Dimensions for the Multinational Executive</u>	<u>Added Dimensions in the Multinational Executive's Environment</u>	<u>Current Compensation Elements (also used for purely domestic executives)</u>
o Different legal systems	o Taxes	o Competitive pay levels
o Different communication systems	o Currency fluctuations	o Specific financial indicators and performance objectives
o Different political systems	o Sociological issues	o Company's ability to pay
o Economic complexities and risks		o Internal equity between different executives
o Currency fluctuations		
o Cultural diversity		

The major purpose of this study is to develop a new multinational executive compensation decision-making system based on strategic variables, i.e., those variables that tie compensation decisions to business variables and human resource policy variables. It is now established that the variables which will be considered further in the research are:

- Competitive pay levels--market value of the job,
- Cultural diversity,

- Different political systems,
- Different communications systems--as described by access to key personnel and access to headquarters staff,
- Personal exposure to hazards and dangers,
- Specific financial indicators and performance objectives,
- Autonomy enjoyed by the executive, and
- The overall difficulty of the job.

These variables are decision factors for individual compensation; each factor will be used to develop the decision model.

Before the decision model can be developed, however, certain policy questions need to be resolved. Therefore, the next step in the research process is to establish the policy framework for the decision system. This framework will be built around: (1) base salary decisions, (2) incentive compensation decisions, (3) long-term incentive compensation decisions, and (4) total compensation decisions.

Total compensation policy questions are posed to place compensation decisions within the broader context of various human resource policy issues, such as:

- The staffing philosophy of the company.
- Internationalizing executives--comparing salaries across countries in a common currency.

- Basing performance measures on the local or regional entities versus tying the executive into the success of the entire company.

- Establishing global standards for all multinational executives with similar positional responsibilities.

In the remaining chapters, the research findings will be documented. The objective of the research was to find out what various groups involved with these decisions think the policy variables should be. These policy variables will then be used to develop a multinational executive compensation decision making system.

CHAPTER VI

RESEARCH METHODOLOGY

It is now necessary to explain the various structural elements which form the foundation of the research.

As part of the preliminary work for this research, it was necessary to define the multinational corporation and to describe the multinational executive's job. It was decided that, for the purposes of this research, the multinational executive is one who, irrespective of nationality, has responsibility for managing a total foreign operation (outside the company's home country). Executives based in the corporate headquarters, and having partial functional responsibilities for multinational operations, are beyond the purview of this study. It was then necessary to establish whether the research would focus on American expatriates, or on expatriates from both the United States and other countries and even on local national executives. These issues and the necessary definitions have been discussed and developed in Chapter 1.

The literature review (Chapter 3) focused on the search for both the internal and the external factors that make up the managerial environment of multinational executives. These variables are those encountered by the executives in fulfilling their multinational responsibilities. It follows that, in devel-

oping a reward system for the multinational executive, these factors should be considered.

The search for the relevant factors continued in discussions held with international compensation specialists (Chapter 4). These specialists were asked to focus on variables which they considered important to multinational executive compensation decisions. They were then asked to discuss the variables that their organizations currently consider. Thoughts and opinions on the subject were gathered in unstructured interviews. The purpose was to obtain as much information as possible in order to identify apparent and not so apparent variables that are considered by various corporations.

The next step in the preliminary research was to scrutinize each factor developed in the previous sections. Based on the literature review and the opinions expressed by the international compensation specialists, the decision-making factors currently in use were examined and documented. The purpose of this step was to theorize on the need for and purpose of each variable. This theoretical step follows logically from the documentation of previous work in the problem area. The step was necessary to develop a scientific basis for the research problem. Before one can determine which factors and variables are important, one first needs to understand the factors or variables that are used in the current problem analysis and decision-making arena. Before proceeding to the analysis of the

variables, it is essential to understand what a variable means and how many types of variables there are.

Based on the foundational steps of the research described above, four objectives of the research were formulated:

1. Document the policy variables that influence multinational executive compensation decisions.
2. Clarify the differences in the use of the policy variables across various population groups.
3. Determine those factors that need to be changed in the current decision systems.
4. Develop a decision-making system for multinational executive compensation decisions (the main purpose of this research).

The steps documented above coincide with those normally used in industry for the development of a compensation system. In developing compensation systems, one has to seek, first, agreement on the policy and practice variables and issues that make up the system. Once this is done, the system is developed and tested using the research data. The system would be an empirically developed system. This is the framework that the foundational steps of the research study are supporting.

The Research Procedure

The first step in the research methodology was to develop a policy questionnaire (this was one of two questionnaires developed and administered). The purpose of the policy questionnaire is to measure and analyze the variables now being used and those

that might or should be used. The questions in the questionnaire are policy statements whose purpose is to elicit the opinions of the respondents on compensation issues. The results of the policy questionnaire would be analyzed to identify the similarities and differences of opinion toward the variables. In keeping with this goal, the responses were grouped by: (1) industry, (2) size, (3) location of the headquarters, and (4) the multinational attitude of the corporation.

The policy questionnaire was a structured questionnaire. The pilot questionnaire (see Appendix 1) included statements covering factors and variables derived from the literature search and the interviews with international compensation specialists. It was administered to a sample of six subject matter experts. These experts were advised to challenge each questionnaire statement and to review each for content validity (establish whether the questions read well, or whether the reader even understood the purpose of the questions). Two of the subject matter experts were also questionnaire development specialists, who were asked to look at the questionnaire from a questionnaire structure development point of view.

Feedback from the initial respondents showed some fundamental flaws in the structure of the pilot questionnaire. The questionnaire was then redone, integrating the comments of the specialists. The revised questionnaire is attached as Appendices 2 through 4.

Discussions were held with some of the specialists concerning an appropriate "rating scale" for the questionnaire. A five-point semantic differential scale was chosen. It was thought that such a scale would be appropriate because the study seeks to analyze opinions about the decision factors involved in multinational executive compensation decision making. The researcher also wanted to find out whether the respondents saw any need to change their current thinking about specific questions. In addition, he wanted to elicit those factors or variables that, in the respondents' opinions, should be changed or addressed differently in the future. To this end, a second five-point scale was used, which was intended to capture what the respondent felt "ideally" about the question being asked. Therefore, the first agree/disagree scale asks the respondent to concentrate on what currently is the practice in the company. The second scale, also an agree/disagree scale, asks the respondent to focus on what he/she thinks should ideally be the decision with respect to the variable.

A variation of this dual approach to measure the "need to change" has previously been used in employee opinion surveys by various organizations. It was originally developed by Roger Howe and Mark Mindell in 1976.¹

The policy questionnaire was sent to two separate categories of respondents: (1) international human resource management

¹Roger Howe, Building Profits Through Organization Change (New York: American Management Association, 1981), pp. 164-168.

executives, and (2) international line management executives. Table 2 documents the rate of return on the questionnaires sent.

TABLE 2
QUESTIONNAIRE RETURNS

	<u>Total Sent</u>	<u>Number Returned</u>		<u>% Usable Returned</u>
		<u>Usable</u>	<u>Unusable</u>	
(1) International Human Resource Management Executives	149	30	9	20.1%
(2) International Line Management Executives	135	17	15	12.6%
(3) Returned with Classification (1) or (2) missing		17	1	-
(4) Total	284	64	25	22.5%

Most of the unusable questionnaires were returned by respondents who did not fit the definitions of the survey. A few unusable questionnaires were returned by respondents who refused to answer the questions for reasons of confidentiality.

The data collected in the policy questionnaire were analyzed using the following steps:

1. The demographic composition of the respondents was determined. This was basically a percentage distribution analysis. The mean response value and the associated standard deviation were computed. In reviewing the means and standard

deviations, we establish the most significant and the least significant questions.

2. From the above analysis, the questions and factors that are considered most significant in multinational executive compensation decisions were determined.

3. The questionnaire responses were then analyzed by demographic variables. These variables are:

- a. Number of multinational executives in the company.
- b. Number of expatriates among these executives.
- c. Number of countries other than the headquarters country in which the company operates.
- d. Percentage of sales from the foreign operations.
- e. Number of manufacturing plants located in foreign countries.
- f. Percentage of multinational executives moving from foreign operation to operation.
- g. Percentage of multinational executives moving from foreign operation to headquarters.
- h. Percentage of foreign operations being managed by local nationals.

4. A Pearson Correlation Matrix of the questionnaire responses against the demographic variables was then developed. The purpose of this exercise was to establish significant positive and negative correlations between demographic variables. These would suggest which questions increased in the

degree of agreement with a proportional increase in the value of the demographic variable and vice versa.

5. Finally, an analysis was made of the differences in the responses of the two categories of respondents: (1) the international human resource management executives, and (2) the international line management executives.

Developing an Empirical System

The final step in the research process was the empirical development of a regression-analysis-based multinational executive compensation decision-making model. The model can be used in the future for making executive compensation decisions in a systematic manner.

To accomplish this step, another questionnaire had to be developed. This second questionnaire was sent to international compensation specialists only. In this questionnaire, respondents were asked to provide data on the total compensation levels of the top five multinational executives in the company. From the data collected in this questionnaire, regression equations were developed to determine the relationship among the different variables. The regression equations were subjected to various tests of significance.

In the next two chapters, the actual findings of the research study are presented. First, the responses to the policy questionnaire are analyzed and discussed. Then, the regression model is developed and its detailed structure is documented.

CHAPTER VII

THE POLICY ISSUES

In this chapter, the results of the policy (decision-factors) questionnaire are analyzed. The policy questionnaire was administered to two separate samples: a sample (N=30) of international human resource management executives, and a sample (N=17) of international line management executives.

The questionnaire was designed to be a policy-capturing questionnaire. In other words, the questionnaire would elicit those policy considerations that provide the framework for designing a compensation system. As such, the questionnaire sought to collect opinions, not just on policy questions, but also on practice and procedure. This development strategy is normally followed in compensation program development where policy, practice and procedures are first resolved and then the system is developed within the framework of those policies and procedures.

The questionnaire was divided into sections addressing: (1) base salary decisions, (2) incentive compensation decisions, (3) long-term incentive compensation decisions, and (4) total compensation decisions. In addition to its function as a policy analysis instrument, the questionnaire was designed to be the primary source from which policy variables would be extracted

for the development of the decision-making system described in the next chapter.

Analysis of the Responses of the
International Human Resource Executives

Demographic Composition of the Sample

Major highlights of the demographic composition of the sample of human resource executives are:

- Seventy-three percent of these executives were from companies employing fewer than fifty multinational executives.
- Eighty-six percent were from companies employing fewer than fifty expatriate executives.
- Thirty percent were from companies that operated in six or fewer countries.
- Twenty-three percent were from companies that operated in seven to fifteen countries.
- Twenty percent were from companies that operated in sixteen to twenty-five countries, and 27 percent were from companies that operated in more than twenty-five countries.
- Seventy percent of the international human resource executives responding to the policy questionnaire were from companies in which less than 30 percent of sales revenue came from foreign operations.
- Almost 77 percent of these executives were from companies having fewer than ten manufacturing plants in foreign locations.
- Most of the international human resource executives in the sample came from industries headquartered in the United

States. The largest representation in this category was from the electronics manufacturing industry.

- The majority of the respondents came from smaller companies from a multinational-presence perspective.

The questionnaire response rate for the international human resource management executives was 20.1 percent, compared with 12.6 percent for the international line management executives (discussed later in this chapter).

Detailed analysis of the demographic composition of the international human resource executive sample is given in Appendix 5.

Multinational Culture of the Surveyed Companies

Highlights of the multinational management culture of the companies where the human resource executives work are given below. (These questions were asked in the demographic section of the questionnaire.)

- Eighty percent of the international human resource executives come from companies where less than 20 percent of the multinational executives move from foreign operation to foreign operation.

- Eighty percent come from companies where less than 20 percent of the multinational executives move from foreign operation to headquarters.

- Fifty-three percent come from companies where over 51 percent of the foreign operations are managed by local

nationals--executives who are indigenous to the country of operation.

- When asked whether they use different management processes in the foreign operations, 60 percent of the multinational human resource executive sample said that they do not.

In analyzing these statistics on multinational culture, one can conclude that a majority of the respondents are from companies where the philosophy is to hire local nationals to manage foreign operations. Also, the sample of international human resource executives comes from companies that have a minor international presence. The international presence they do have is managed by local nationals. If these conclusions are valid, it could be expected that these executives would not emphasize the multinational dimensions, factors and policy variables in executive compensation decision making.

To check the validity of the above conclusions, we now proceed to analyze the same respondents' answers to the specific policy questions posed.

Percentage Distribution Analysis of Responses

From a basic percentage distribution of the questionnaire responses, only trends can be observed. The detailed percentage distribution analysis of responses is given in Appendix 5.

Table 3 shows the basic findings from the percentage distribution analysis of what the respondents said should not be included in multinational executive compensation decisions.

TABLE 3

FACTORS ON WHICH THERE IS HIGH DISAGREEMENT
(NOT TO BE INCLUDED IN MULTINATIONAL EXECUTIVE
COMPENSATION DECISIONS)

Response Scale: Strongly Disagree 1 2 3 4 5 Strongly Agree
N=30

	<u>% with 1, 2 & 3 Response Values</u>
1. Base salaries should not be based on host country wage scales.	73.4
2. Base salaries should not be the same, even if executives hold similar positional responsibilities (compensation differences should be based on nationalities and local conditions).	73.3
3. Base salaries should not be based on the wage scales in the headquarters location.	66.6
4. Base salaries should not be based on regional scales.	86.7
5. Deferred income plans should not be provided regardless of different tax laws.	70.0
6. Total compensation levels should not be compared for executives across countries in a common currency to ensure equity.	83.4

Perusing the disagreement statements, it is evident that the international human resource executives who responded to the questionnaire do not want to compensate multinational executives on a multinational basis.

On the other hand, there are many factors which the same respondents think should be included in multinational executive compensation decisions. Those are listed in Table 4.

TABLE 4

FACTORS ON WHICH THERE IS HIGH AGREEMENT
(TO BE INCLUDED IN MULTINATIONAL EXECUTIVE
COMPENSATION DECISIONS)

Response Scale: Strongly Disagree 1 2 3 4 5 Strongly Agree
N=30

	<u>% with 4, 5</u> <u>Response Values</u>
1. Base salary decisions should be based on executive's home country wage scales.	63.4
2. Executives should be provided with an incentive for coping with the lack of home country amenities.	63.3
3. Incentive should be provided if the executive is exposed to personal dangers or hazards.	80.0
4. With respect to incentive compensation, performance variables should be heavily weighted toward those of the local entity.	63.4
5. Multinational executives should be participants in corporate long-term incentive plans.	73.3
6. Multinational executives should be included in long-term capital accumulation plans (e.g., performance unit, performance share, restricted stock).	46.7
7. Total compensation levels should vary with the staffing philosophy of the company.	53.3
8. Total compensation decisions should be based on performance measures established by corporate management and not by the local entity.	66.7
9. Global total compensation standards should be established for multinational executives with similar positional responsibilities.	53.3

In analyzing the agreement responses, it can be concluded that the international human resource executives are interested in assisting the executive to maintain his/her home country standards when sent abroad on a foreign assignment. This sample of executives does not seem to acknowledge that there might be a multinational cadre of employees who would move around the world from one assignment to another. The respondents seem to be espousing an expatriation philosophy which ensures that executives neither gain nor lose monetarily when the company sends them on a foreign assignment.

Further, the human resource executives seem to be split in their opinions on some factors. These factors are:

- Whether salary reviews should be standardized around the world and not based on practices in the country of assignment. (Percentage who agreed: 50.0; percentage who disagreed: 50.0.)

- Whether multinational executives should be given an incentive if they have to deal with unfamiliar governmental and political complexities. (Percentage who agreed: 40.0; percentage who disagreed: 60.0.)

- Whether multinational executives should be provided with an incentive for having to deal with social customs that differ from those in their home country. (Percentage who agreed: 40.0; percentage who disagreed: 60.0.)

Analysis of Means and Standard Deviations

Appendix 5 provides the detailed mean responses and standard deviations for each policy question. Only the high-lights are discussed here.

Table 5 shows the factors with the highest mean agreement response values.

TABLE 5
HIGHEST MEAN AGREEMENT RESPONSE VALUES

Response Scale: Strongly Disagree 1 2 3 4 5 Strongly Agree
N=30

<u>Item</u>	Mean <u>Present Scale</u>	Mean <u>Ideal Scale</u>
1. Provide incentive for exposure to personal dangers or hazards.	4.03	4.10
2. Place most emphasis on performance variables established for local entity.	3.87	4.10
3. Include multinational executives as participants in corporate long-term incentive plans irrespective of nationality.	3.87	4.20
4. Vary total compensation decisions according to staffing philosophy.	3.43	3.93
5. Base base salary decisions on the executive's home country wage scales.	3.67	3.53

From this table, one can conclude that the human resource executives believe that these five factors, although not in an

identical degree, need special attention in multinational executive compensation decisions.

Table 6 lists those factors with the highest mean levels of disagreement.

TABLE 6
HIGHEST MEAN DISAGREEMENT RESPONSE VALUES

Response Scale: Strongly Disagree 1 2 3 4 5 Strongly Agree
N=30

Item	Mean	Mean
	<u>Present Scale</u>	<u>Ideal Scale</u>
1. Base base salary decisions on regional wage scales.	1.87	2.03
2. Compare executives across countries in a common currency to ensure equity.	2.20	2.33

From Table 6, it is evident that the international human resource executives think that the two factors listed in the table should not be a part of multinational executive compensation decisions.

The sample of respondents in general did not indicate a significant perceived need to change current practices on any single factor. The only factor that came close to such an endorsement ($\Delta = .5$) was the inclusion of multinational executives in the corporation's long-term capital accumulation plans (e.g., performance unit, performance share, restricted stock and phantom stock plans).

(Statistical note: The standard deviations show values ranging from .937 to 1.704. This indicates some degree of variability in the responses. Usually, in a five-point semantic response scale, a standard deviation of less than 1.0 would indicate a nonsignificant variability. Therefore, the conclusions based on the data displayed in Table 4 should be accepted even though the responses demonstrate a fairly high degree of variability.)

Correlation Analysis of Responses

For the purpose of analysis, ± 0.3 has been set, arbitrarily, as a significant correlation level. The purpose of the correlation analysis is to assist in determining which decisions are related to which demographic factors. This will help to understand the significance of the decision factors in association with the segment of the population with the greatest fit.

Table 7 lists the factors which are correlated at a significance value of ± 0.3 . (The entire correlation matrix of responses is given in Appendix 6.)

TABLE 7
SIGNIFICANTLY CORRELATED FACTORS

<u>Factor 1</u>	<u>Factor 2</u>	<u>Pearson Corr Present Scale</u>	<u>Pearson Corr Ideal Scale</u>
1. Number of expatriates	1. Base salaries on regional scales	.413	-
2. % of sales from foreign operations	2. Base salaries on regional scales	.373	.318

TABLE 7--Continued

<u>Factor 1</u>	<u>Factor 2</u>	<u>Pearson Corr Present Scale</u>	<u>Pearson Corr Ideal Scale</u>
3. Number of expatriates	3. Incentive for personal danger or hazards	-.331	-.342
4. Number of expatriates	4. Incentive for dealing with unfamiliar gov. and pol. complexities	-.337	-.358
5. Number of expatriates	5. Incentive for dealing with different social customs	-.307	-.326
6. Number of countries in which company operates	6. Vary total compensation with staffing philosophy	.327	-.361
7. % of sales from foreign operations	7. Vary total compensation with staffing philosophy	-.334	-
8. % of multinational executives transferring from foreign operation to operation	8. Base salaries on host country wage scales	-.316	-.305
9. Number of foreign manufacturing plants	9. Incentive for dealing with unfamiliar gov. and pol. complexities	-.479	-.482
10. Number of foreign manufacturing plants	10. Incentive for dealing with different social customs	-.304	-.348
11. % of multinational executives transferring from foreign operation to operation	11. Deferred income plans regardless of different tax laws	-.342	-.360
12. % of multinational executives transferred to headquarters	12. Deferred income plans	.297	.314
13. Local managers running foreign operations	13. Deferred income plans	-.361	-.303

TABLE 7--Continued

<u>Factor 1</u>	<u>Factor 2</u>	<u>Pearson Corr Present Scale</u>	<u>Pearson Corr Ideal Scale</u>
14. Local managers running foreign operations	14. Vary total compensation with staffing philosophy	-.316	-.462
15. Number of local managers running foreign operations	15. Total compensation decisions on performance measures established by corporate management	-.433	-.414
16. Number of local managers running foreign operations	16. Global standards for multinational executives with similar positional responsibilities	-.354	-

Indicators derived from the correlation analysis are:

- When the number of expatriates goes up in a company, management becomes unwilling to provide or increase its foreign-service-oriented incentives. This is understandable when one considers that the company does not have difficulties in attracting people to take foreign assignments. The popularity of the assignments is evidenced by the number of expatriates working abroad. The phenomenon is also observed with the increasing number of manufacturing plants in foreign locations.

- As the number of local managers running foreign operations increases, they begin demanding that their performance criteria not be established by corporate management. In other words, there is more pressure to decentralize, to run "their own show."

- As the number of local managers running foreign operations increases, they begin to press for standardization of

compensation across countries for similar positional responsibilities. The concept of internal equity seems to be expanding into the realm of cross-national comparison.

In this research we have now gone a step further and analyzed which demographic groups agreed the most with the statements asked in the questionnaire. Response values of 5 (strongly agree) were scanned, breaking down the questionnaire responses by demographic characteristics. A detailed analysis is given in Appendix 5.

Having analyzed the responses of the first sample (international human resource executives, N=30), we now proceed to similarly analyze the responses of the second sample (international line management executives, N=17).

Analysis of the Responses of the
International Line Management Executives
Demographic Composition of the Sample

Below, major highlights of the demographic composition of the international line management executives are provided:

- Seventy-one percent of these executives were from companies employing fewer than fifty multinational executives.
- Eighty-two percent were from companies employing fewer than fifty expatriate executives.
- Fifty-three percent were from companies that operated in sixteen or more countries.
- Seventy-one percent were from companies in which less than 30 percent of sales revenue came from foreign operations.

- Sixty-five percent of these executives were from companies having fewer than ten manufacturing plants in foreign countries.

- The executives came from various industries, most of them having their headquarters in the United States.

The questionnaire response rate for the international line executives was 12.6 percent.

The demographic composition of the international line executive sample is given in more detail in Appendix 7.

Multinational Culture of the Surveyed Companies

Highlights of the multinational culture of the companies where the international line executives work are given below.

- Seventy-seven percent of the international line executives come from companies where less than 20 percent of the multinational executives move from foreign operation to foreign operation.

- Eighty-two percent come from companies where less than 20 percent of the multinational executives move from foreign operation to headquarters.

- Eighty-eight percent of these executives come from companies where over 51 percent of the foreign operations are managed by local nationals--executives who are indigenous to the country of operation.

- Fifty-three percent of the international line executives use different management processes in their foreign operations.

• An overwhelming majority (82 percent) of the international line executives are from companies where the company philosophy is to hire local nationals to manage local operations in foreign countries.

As was the case with the international human resource executive sample, the international line management executive sample comes entirely from companies with a minor international presence. The international presence they do have is managed by local nationals. Therefore, we would expect these executives not to emphasize the multinational dimensions of the executive's job, thus de-emphasizing multinational executive compensation policy variables. Given this scenario, we now proceed to analyze these respondents' answers to the specific policy questions asked.

Percentage Distribution Analysis of Responses

From a basic percentage distribution of the questionnaire responses, only trends can be observed. The detailed percentage distribution analysis of responses is given in Appendix 7. These data indicate that there is some difference of opinion between what currently exists and what the respondents would prefer.

Table 8 shows the basic findings from the percentage distribution analysis of what the respondents said should not be included in multinational executive compensation decisions.

TABLE 8

FACTORS ON WHICH THERE IS HIGH DISAGREEMENT
(NOT TO BE INCLUDED IN MULTINATIONAL
EXECUTIVE COMPENSATION DECISIONS)

Response Scale: Strongly Disagree 1 2 3 4 5 Strongly Agree
N=17

	<u>% with 1, 2 & 3 Response Values</u>
1. Base salaries should not be based on headquarters location wage scales.	64.7
2. Base salaries should not be based on regional wage scales.	88.2
3. Salary reviews should not be standardized across countries, but should be based on the practice of the country of assignment.	94.2
4. Deferred income plans should not be provided regardless of different tax laws.	70.6
5. Total compensation levels should not be compared across countries in a common currency to ensure equity.	76.5

Reviewing the disagreement statements, it becomes evident that the international line executives (like the international human resource executives) do not want to compensate multinational executives on a multinational basis. It seems that the respondents want to compensate mainly on the basis of practices in the country of assignment.

On the other hand, there are many factors which the sample of international line executives thinks should be included in multinational executive compensation decisions. These are shown in Table 9.

TABLE 9
FACTORS ON WHICH THERE IS HIGH AGREEMENT
(TO BE INCLUDED IN MULTINATIONAL
EXECUTIVE COMPENSATION DECISIONS)

Response Scale: Strongly Disagree 1 2 3 4 5 Strongly Agree
N=17

	<u>% with 4, 5</u> <u>Response Values</u>
1. Base salaries should be based on host country wage scales.	52.9
2. Base salaries should be the same if executives hold similar positions irrespective of nationality and local conditions.	35.3
3. Incentives should be provided for lack of home country amenities.	76.5
4. Incentives should be provided for exposure to personal dangers or hazards.	76.5
5. Incentives should be provided for dealing with unfamiliar governmental and political complexities.	47.0
6. For incentive plans, performance measures for local entity should be emphasized.	58.8
7. Multinational executives should be included in corporate long-term incentive plans.	52.9
8. Total compensation decisions for multinational executives should vary with the staffing philosophy of the company.	58.8
9. Total compensation decisions should be based on performance measures established by corporate management and not by the local entity.	47.0

In analyzing the agreement responses of the international line management executive sample, it becomes evident that the response pattern differs from that of the international human

resource executive sample. The latter sample espoused an expatriation mode of compensating multinational executives. They desired to keep paying these executives based on home country practices, and to provide them with incentives and premiums for being exposed to hardships, differences in social customs, etcetera. The assumption here is that the multinational executive will be on his/her foreign assignment for a fairly short time (not a career assignment). By contrast, the international line management executive sample wants to pay itself based on local country practices, yet at the same time, to pay itself premiums and incentives.

Apart from this apparent difference of opinion, the two samples concur on various points. Both groups tend to agree that:

- Incentives should be provided for exposure to personal dangers or hazards and for lack of home country amenities.
- Incentive compensation performance variables should be heavily weighted toward the local entity.
- Multinational executives should be included in corporate long-term incentive plans.
- Total compensation decisions should vary with the staffing philosophy of the company.
- Total compensation decisions should be based on performance measures established by corporate management and not by the local entity.

The international line executives seem to be split in their opinions on two factors:

- Whether base salary decisions should be based on the wage scales of the executive's home country. (Percentage who agreed: 47.1; percentage who disagreed: 52.9.)

- Whether, for total compensation decisions, global standards should be set for all multinational executives with similar positional responsibilities. (Percentage who agreed: 35.2; percentage who disagreed: 64.7.)

Analysis of Means and Standard Deviations

Appendix 7 provides the detailed mean responses and standard deviations for each policy question. Only the highlights are discussed here.

Table 10 shows the factors with the highest mean agreement response values.

TABLE 10
HIGHEST MEAN AGREEMENT RESPONSE VALUES

Response Scale: Strongly Disagree 1 2 3 4 5 Strongly Agree
N=17

<u>Item</u>	<u>Mean Present Scale</u>	<u>Mean Ideal Scale</u>
1. Provide incentive for exposure to personal dangers or hazards.	4.12	4.29
2. For incentive plans, place most emphasis on performance variables established for the local entity.	3.65	4.12

TABLE 10--Continued

<u>Item</u>	Mean <u>Present Scale</u>	Mean <u>Ideal Scale</u>
3. Include multinational executives in corporate long-term incentive plans.	3.59	3.88

From this table, one can conclude that the international line management executives believe that these three factors need special attention in multinational executive compensation decisions.

Table 11 lists those factors with the highest mean levels of disagreement.

TABLE 11

HIGHEST MEAN DISAGREEMENT RESPONSE VALUES

Response Scale: Strongly Disagree 1 2 3 4 5 Strongly Agree
N=17

<u>Item</u>	Mean <u>Present Scale</u>	Mean <u>Ideal Scale</u>
1. Standardize salary reviews, not basing them on the practice of the country of assignment.	1.76	1.71
2. Compare total compensation levels for executives across countries in a common currency to ensure equity.	2.18	2.12

From Table 11, it is evident that international line management executives think that the two factors listed in the table should not be a part of multinational executive compensation decisions.

The sample of international line management executives indicated that there is a need for change with respect to certain decision factors:

- Base salaries should be the same for executives holding similar positions, irrespective of nationality or local conditions.
- For incentive plans, emphasis should be placed on performance variables established by the local entity.
- Multinational executives should be included as participants in corporate long-term incentive plans.

(Statistical note: The standard deviations range from .970 to 1.532. This indicates some degree of variability in the responses. Usually, on a five-point semantic response scale, a standard deviation of less than 1.0 would indicate a nonsignificant variability. Therefore, the conclusions reached should be accepted even though the responses shown in Table 9 do demonstrate a fairly high degree of variability.)

Correlation Analysis of Responses

For the purpose of analysis, ± 0.4 has been arbitrarily set as a significant correlation level (the cutoff point is higher in this sample because of the lower N). The purpose of the correlation analysis, at this stage, is to assist in determining which decisions are related to which demographic factors. This will help to understand the significance of the decision factors in association with the segment of the population with the greatest fit.

Table 12 lists the factors which are correlated at a significance value of $\pm .4$. (The entire matrix of responses is given in Appendix 8.)

TABLE 12
SIGNIFICANTLY CORRELATED FACTORS

<u>Factor 1</u>	<u>Factor 2</u>	<u>Pearson Corr Present Scale</u>	<u>Pearson Corr Ideal Scale</u>
1. Number of multinational executives	1. Base salaries on headquarters country wage scale	-.461	-
2. % of sales from foreign operations	2. Base salaries on headquarters country wage scale	-.444	-
3. Number of countries in which company operates	3. Global standards for multinational executives with similar positional responsibilities	-.416	-.487
4. Number of countries in which company operates	4. Incentive for coping with lack of home country amenities	-.442	-
5. Number of countries in which company operates	5. Deferred income plans irrespective of tax laws	-.609	-
6. Number of countries in which company operates	6. Compare executive salaries across countries in a common currency to ensure equity	-.638	-.649
7. Number of multinational executives	7. Global standards for multinational executives with similar positional responsibilities	.463	-
8. Number of expatriates	8. Global standards for multinational executives with similar positional responsibilities	.456	-

TABLE 12--Continued

<u>Factor 1</u>	<u>Factor 2</u>	<u>Pearson Corr Present Scale</u>	<u>Pearson Corr Ideal Scale</u>
9. Number of executives transferring from foreign operation to operation	9. Base salaries on regional scales	.401	-
10. Number of foreign manufacturing plants	10. Incentive for personal danger or hazards	-.400	-
11. % of local managers	11. Standardize salary reviews across countries	-.404	-
12. Number of executives transferring from foreign operation to operation	12. Incentive for dealing with unfamiliar gov. and pol. complexities	-.444	-.407
13. % of local managers	13. Emphasis on performance variables for local entity	.451	-
14. % of local managers	14. Include multinational executives in corporate long-term incentive plans	-.501	-
15. % of local managers	15. Compare executive salaries across countries in a common currency to ensure equity	-.513	-.520
16. % of local managers	16. Global standards for multinational executives with similar positional responsibilities	-.528	-.500

Indicators derived from the correlation analysis are:

- When the company operates in many countries, line executives demand more decentralization in the compensation decision-making process. This is a significant finding, considering the composition of the sample--international line management. These are the key executives in the management of

multinational operations. They seem to be suggesting that if they are going to be responsible for managing foreign operations, they should also be responsible for compensation decisions. Because it is their own compensation, however, such a process of decentralization might not be desirable from the company's viewpoint.

- When the number of multinational executives or expatriates is high, these executives demand standardization for positions with similar responsibilities.

Comparison of the Results with the ORC Study

Before moving on to develop an empirical decision model, it is worthwhile to compare the results of this questionnaire survey with those of a study conducted by Organization Resources Counselors, Inc. in 1975. ORC is one of the leading international human resource consulting companies. Although it is not a research organization, it did conduct a thorough survey of expatriate staffing patterns, conditions of employment, and compensation. The findings of the ORC survey are summarized below.

- The number of expatriates on assignment outside the headquarters country is still low. The majority of companies responding to the survey had fewer than one hundred expatriates per company.

- The number of countries (outside the headquarters country) in which the companies operate is also low. The

majority of the survey sample operated in fewer than forty countries.

Both of these findings were similar to findings in the current study.

• One question asked by ORC, but not the current study, was whether prospective expatriate employees are screened to establish their level of adaptability as opposed to their technical qualifications for the assignment in question. This question is important because a failure during the assignment period can be very expensive. In the ORC survey, a near majority of the companies (49 percent) said that technical job skills are the key to selection. Only 24 percent assess the prospects' adaptability. This finding seems to support the opinions of those practitioners who do not think that current practices and policy variables need to be changed because they do not consider expatriation in the overall context of the human resource strategy. Most current expatriation seems to be on an immediate need basis. In responding to the present research questionnaire, the executives surveyed did not express a need to change current policies or practices. The reactive nature of expatriate personnel and compensation decisions is also supported by another ORC finding. ORC says that most expatriates are on a two- to three-year assignment and that there is no apparent change in this trend. All of this suggests that there might not be a great need to research a complex compensation decision-making system, or to integrate it into the broader context of

career development, human resource policies and overall business strategies. Developing a short-term improved decision-making system, which has closer methodological ties to domestic executive compensation decision making, might be more acceptable.

- The ORC survey asked the companies if they linked expatriates' base pay to the home country salary structure. An overwhelming majority (95 percent) of the respondents said that they do. A similar question was asked in the policy questionnaire for this research. A somewhat similar response profile was observed. Here the response value was 64 percent in the affirmative. When the respondents were asked whether this was an ideal practice, they again answered positively, with 63% saying that they would continue the practice. All these findings seem to indicate that most expatriation is currently considered to be short term; expatriate executives want to be returned to their home locations after a brief sojourn abroad.

- The ORC survey came to a different conclusion on participation in incentive plans. Most people responding to the ORC survey indicated that expatriate and home country executives should be eligible for incentive plans on the same basis. They deemphasized the need to single out local performance measures in these incentive plans. In the current research, a majority of the respondents (both human resource executives and line management executives) thought that the performance measures should be based on local business indicators.

• Yet another question with similar content was a question on maintaining salary equity across countries. In the ORC survey, 48 percent of the respondents said that they did this. In the current research, approximately 60 percent of the human resource executives thought that this was important. But when the same question was asked of the line executives, only about 40 percent agreed with the practice. It should be noted that the ORC respondents are also human resource executives. This apparent disagreement between human resource executives and line executives can be explained by the need for human resource executives to establish consistent practices, which then become easier to explain and administer.

This chapter has documented factors which specific executives (both international human resource executives and international line executives) think important in multinational executive compensation decision making. Those factors which these executives thought were not important were also documented. The responses, similarities and differences of the two samples were analyzed. Further, those factors which these executives thought needed to be changed in current decision-making systems were also identified and correlated with each other. Significantly related factors were analyzed, and explanations for correlations among factors were presented. Specific results of this research study were compared with the findings from a survey of expatriate compensation practices

conducted by a leading consulting company. Similarities and dissimilarities were noted and discussed.

In the next chapter, using another questionnaire instrument, the researcher develops a set of equations for multinational executive compensation decisions.

CHAPTER VIII

A DECISION-MAKING MODEL

In this chapter, an attempt will be made to develop a multinational executive compensation decision-making system, using data that have been collected in this research project.

The main goal is to understand which set of traditional and nontraditional pay determinants predicts total executive compensation levels. It was originally hypothesized that the traditional factors would be the best predictors. This would be the case because the traditional factors are currently used as the primary determinants. And since in the research outlined below the current pay data of a group of executives have been used, one should find the traditional elements dominating there as well.

The second purpose of this research is to develop a compensation decision-making system that incorporates both traditional and nontraditional pay determinant variables for each individual executive. If the research produces a viable alternative, such a system can be put to work to make equitable individual compensation decisions that are also compatible with strategic business realities. This compensation system would be acceptable to both management and the employee because the system would use variables reflecting both organizational and individual needs. As opposed to the traditional institutional process, which uses

fairly subjective methods to describe, evaluate and classify work, the new process would be flexible and geared to the needs of both the organization and the individual--thus ensuring the integration of compensation decision making with strategic business and human resource variables.

Statistical Methodology

The statistical methods in the final step of this research study are correlation and multiple regression analysis. Correlational analysis establishes a statistical index that measures the strength of association observed between two variables. The correlation coefficient takes on values from minus 1.0 (indicating a perfect negative relationship) to plus 1.0 (indicating a perfect positive relationship). A correlation of zero indicates no relationship at all between the variables. Multiple regression analysis is a statistical technique that allows the analyst to measure the impact of several X variables (often called independent variables) on a Y variable (often called the dependent variable).

These methods have been widely used in U.S. compensation program development. A review of the literature reveals that past efforts have concentrated on the development of salary surveys and the determination of executive compensation levels

for purely domestic (U.S.) jobs.¹ Correlation and regression analysis have also been used in determining how geographic areas relate to differential payments.² Studies of wage discrimination have likewise employed these techniques.³ Finally, many compensation consultants use these techniques for determining the market value of jobs in the surveys they conduct for clients. Among these consultants are Towers, Perrin, Foster & Crosby, American Electronics Association, Management Compensation Services and the American Management Association.

Although correlation and regression analysis have been widely used in U.S. executive compensation administration, the researcher has not found documented evidence of their use in a pay decision-making system within a multinational context. Thus the development of such a system might assist international compensation planners in a real and practical sense.

¹See, e.g., Bruce Ellig and David Thomsen, Compensation and Benefits: Analytical Strategies (Scottsdale, Ariz.: American Compensation Association, 1978), p. 43; Kenneth E. Foster, James Yarro, and Linda Rossario, "Determinants of CEO Pay," American Compensation Association Conference Proceedings, 1979, pp. 99-112; and Clifford Alexander, "Research in Executive Compensation: Multifactor Analysis, Multiple Regression," American Compensation Conference Proceedings, 1980, pp. 109-113.

²Patrick J. Sheridan, "Geographical Area Differential Payments, The Western Electric Plan," American Compensation Association Conference Proceedings, 1976, pp. 70-83.

³See, e.g., Kevin W. Mossholder et al., "An EPA Exceptions Model: Cracking the Sex-Based Wage Differential," Compensation Review, First Quarter, 1979, pp. 45-51; and Howard Risher, "On Determining Back Pay Awards," Compensation Review, Fourth Quarter, 1977, pp. 39-53.

Development of the Compensation Decision-Making System

There are three key steps in developing a compensation system using the techniques to be explained here. The first is collecting the data, the second is analyzing the data and the third is designing the model that will be used.

Data Collection

A questionnaire was developed to collect compensation data on the top five executives of multinational companies that fit the definition established in this research study. A copy of the questionnaire is attached as Appendix 4.

The questionnaire was sent to 218 international compensation and international human resource specialists. From this distribution, only twelve usable questionnaires were received, for a response rate of 5.5 percent. For the purposes of statistical significance, this response rate is not workable. It was determined by follow-up conversations that confidentiality of compensation data was the main reason for the reluctance to provide data. But the analysis was continued with the intention of developing the decision-making system. The statistical accuracy could be improved if this research proved to be content valid. Content validity, by itself, would establish the method and would be practical for use in the everyday world of compensation decision making.

In the questionnaire, total compensation levels (base salary plus bonus paid) were sought for these executives. The

five executives were to be the top five, based on their compensation levels and not on any other criteria such as responsibility factors, job dimensions, and so on. Respondents were asked to report in local currencies, if necessary, which could be converted to dollars in determining the actual value. (Conversion factors were taken from the Wall Street Journal of March 31, 1986.) The total compensation level was to be the dependent variable in the model.

The questionnaire was designed to collect data on ten independent variables:

- | | |
|---|---|
| 1. Market value of the job | 7. Difficulty of the job itself |
| 2. Degree of autonomy of executive | 8. Physical dangers and hazards |
| 3. Cultural diversity | 9. Accessibility to corporate staff |
| 4. Political diversity | 10. Financial factors (e.g., sales, net profit, number of employees supervised) |
| 5. Access to headquarters support staff | |
| 6. Comparative standard of living | |

The Independent Variables

1. Market Value. Usually the market value of a job is determined through a salary survey. The job is matched to benchmark jobs in the most current compensation survey available to the company. Data for those benchmark jobs in the survey are then used to establish market value. Companies find salary surveys useful because they provide data for benchmark jobs within specific labor markets. The questionnaire respondents

were asked to provide data on their companies' salary range mid-point for each of the top five jobs, if salary survey data were not available. This salary range mid-point is usually an accurate measure of the job's market price.

2. Degree of Autonomy.⁴ This refers to the autonomy enjoyed by the multinational executive in making ongoing management decisions. In other words, it is a measure of the executive's freedom to act. There is an underlying assumption that the greater the freedom to act, the higher the compensation level and vice versa. Freedom to act connotes independence from frequent review and control by the parent organization or the corporate headquarters.

3. Cultural Diversity. If the executive has to manage many different cultural patterns or even one culture very different from his or her own, then the executive would rate high on this variable.

4. Political Diversity. If the executive encounters strong political pressures (external) and has to adapt to political systems that are very different from those encountered in the home location, then the executive would rate high on this

⁴The remaining independent variables are qualitative variables requiring the respondent's judgment. A semantic differential scale, of the type commonly used to measure opinions and attitudes, was provided. The scale ranged from 1 to 5, with "1" being a low rank and "5" being a high rank.

Independent variables 2 through 10 are factors that were developed and documented in previous chapters of this study. These factors or forms of them came up in the literature review and in the interviews with specialists. They were discussed thoroughly in Chapter 5.

factor. Vastly different political complexities compel the executive to exercise greater judgment and flexibility than would be required under familiar conditions.

5. Access to Headquarters Support Staff. If the executive has little support, then it can be assumed that he/she has to exercise a good deal of independent judgment and will have to develop locally based support systems. The complexity of the job increases the staffing requirements in both skill and knowledge.

6. Comparative Standard of Living. If the executive does not enjoy standard-of-living amenities at a level commensurate with the position, or at the home country level, then the executive will face additional hardship, with a proportionate increase in job difficulty and anxiety.

7. Difficulty of the Job Itself. This variable is a measure of the breadth and depth of job knowledge, skill requirements, problem-solving requirements and financial responsibilities. It also measures the breadth of the intellectual challenges: the uncertainty that has to be dealt with, the new situations that have to be faced and the often enormous problems that have to be solved. It also measures the difficulty of dealing with complex human relations. Finally, it measures the complexities of managerial systems with which the executive has to be familiar.

8. Physical Dangers and Hazards. Multinational executives, especially in times of international terrorism, can be

exposed to many dangers. This factor can be a serious concern in certain regions of the world.

9. Accessibility to Key Corporate Personnel. Multinational executives can find themselves isolated, able to communicate only through systems that are complex, cumbersome and time-consuming. Many multinational executives complain about an "out of sight, out of mind" phenomenon. Key corporate personnel tend to forget the multinational executive, concentrating instead on situations at hand, both near and immediate.

10. Financial Factors. These variables measure the executive's financial scope and responsibility. The executive's overall job performance may be measured by these financial factors. The multinational unit's sales revenue and net profit are especially important. Included in this category is the number of employees supervised by the executive both directly and indirectly. Traditionally, these financial measures form the critical factors in establishing the executive's compensation level.

The theoretical discussion of the independent variables shows them to be those which would intuitively be used in making multinational executive compensation decisions. These variables fit the perception of fairness from both the executive's and the employer's points of view. Both traditional and nontraditional variables have been chosen for the study, as well as both qualitative and quantitative factors. A flexible system such as

this should be better able to capture the realities of this sensitive decision area.

Data Analysis

The first analysis conducted on the data was correlation analysis. The correlation matrices are presented in Appendix 10. The correlation matrices by themselves prove certain assumptions; they also raise questions. Let us now review the correlation matrices for each of the five executives being studied.

Table 13 indicates that, as expected, the variables of market compensation, sales revenue and number of employees supervised have the highest correlation with total compensation levels. One would expect these variables to be the most highly correlated with total compensation because these variables have traditionally been the key determinants of compensation levels.

TABLE 13
HIGHLIGHTS OF CORRELATION ANALYSIS:
TRADITIONAL VARIABLES VERSUS
TOTAL COMPENSATION LEVELS

<u>Executive No.</u>	<u>Market Compensation</u>	<u>Sales Revenue</u>	<u>Number of Employees Supervised</u>
1	.711	.719	.753
2	.867	-	-
3	.581	-	-
4	.861	.620	.648
5	-	.628	.643

Nevertheless, as Table 14 illustrates, in some cases nontraditional, qualitative variables are also highly correlated with total compensation levels.

TABLE 14
HIGHLIGHTS OF CORRELATION ANALYSIS:
NONTRADITIONAL VARIABLES VERSUS
TOTAL COMPENSATION LEVELS

<u>Executive No.</u>	<u>Cultural Diversity</u>	<u>Political Diversity</u>	<u>Difficulty of the Job</u>	<u>Access to Key Corporate Personnel</u>
2	.664	.521	.599	.641
4	.517	-	-	.508
5	-	.622	.819	.652
	<u>Autonomy</u>	<u>Access to H.O. Staff</u>		
5 (cont'd)	.755	.785		

Quite a few independent variables are correlated to each other to a significant extent. For this analysis, a correlation level of greater than $\pm .7$ is considered significant. The highest correlations observed among the independent variables are listed in Table 15.

TABLE 15

HIGHLIGHTS OF CORRELATION ANALYSIS:
MULTICOLINEARITY

<u>Exec. No.</u>	<u>Sales Revenue to Market Compensation</u>	<u>Sales Revenue to No. of Employees Supervised</u>	<u>Access to Home Country Amenities to Market Compensation</u>	<u>Cultural Diversity to Autonomy</u>
1	.853	.859	-.798	.746
2	.754	.992	-	-
3	.809	.996	-	-
4	.912	.994	-	-
5	-	.996	-	-

<u>Exec. No.</u>	<u>Political Diversity to Autonomy</u>	<u>Cultural Diversity to Political Diversity</u>	<u>Difficulty of the Job to Cultural Diversity</u>	<u>Political Diversity to Difficulty of the Job</u>
1	.741	.941	.826	.908
2	-	.916	-	-
3	-	.949	.713	.714
4	-	.978	-	-
5	-	.809	-	-

<u>Exec. No.</u>	<u>Sales Revenue to Access to Home Country Amenities</u>	<u>Number of Employees Supervised to Home Country Amenities</u>	<u>Number of Employees Supervised to Access to Corporate Personnel</u>	<u>Number of Employees Supervised to Market Compensation</u>
1	.955	.942	.994	-
2	.777	.771	-	.794
3	-	-	-	.816
4	-	-	-	.919

Table 15--Continued

<u>Exec. No.</u>	<u>Market Compensation to Autonomy</u>	<u>Access to Key Corporate Personnel to Cultural Diversity</u>	<u>Access to Headquarters Staff to Political Diversity</u>	<u>Difficulty of the Job to Access to H.Q. Staff</u>
3	.711	.758	.759	.750
5	-	-	-	.729

<u>Exec. No.</u>	<u>Difficulty of the Job to Access to Home Country Amenities</u>	<u>Access to Key Corporate Personnel to Access to Home Country Amenities</u>	<u>Access to Key Corporate Personnel to Difficulty of the Job</u>	<u>Access to H.Q. Staff to Autonomy</u>
3	.707	.713	.855	-
4	-	-	-	.735
5	-	-	.803	.730

<u>Exec. No.</u>	<u>Sales Revenue to Autonomy</u>	<u>No. of Employees Supervised to Autonomy</u>	<u>Access to Key Corporate Personnel to Access to H.Q. Staff</u>
4	.701	-	-
5	.783	.764	.758

Among all the statistics listed in Table 15, it is clear that the variables (1) Political diversity and Cultural diversity (correlation levels: .80 and above) and (2) Number of employees supervised and Sales revenue (correlation levels: .80 and above) are measuring very close to the same concepts--at least in the minds of the respondents.

When independent variables are correlated with each other to a significant degree (in other words, describing the same phenomenon), multicollinearity results. This suggests that those

independent variables that are highly correlated do not necessarily have to be used together in the decision-making system.

Using this criterion, it was possible to select an optimum number of variables that would be used in the development of the decision-making model for each of the five executives. Table 16 displays these variables for each of the five executives. ("X" designates a variable that will be used in the equation.)

TABLE 16
INDEPENDENT VARIABLES TO BE USED IN THE MODEL

<u>Exec. No.</u>	<u>Market Compensation</u>	<u>Autonomy</u>	<u>Cultural Diversity</u>	<u>Access to H.O. Staff</u>	<u>Access to Home Country Amenities</u>
1	X	X	X	X	X
2	X	-	X	X	-
3	X	X	X	-	-
4	X	X	X	-	-
5	-	X	-	X	-

<u>Exec. No.</u>	<u>Access to Corporate Personnel</u>	<u>Sales Revenue</u>	<u>Number of Employees Supervised</u>	<u>Political Diversity</u>	<u>Difficulty of the Job</u>
1	X	X	X	-	-
2	X	X	X	X	X
3	X	-	-	X	X
4	X	X	X	X	-
5	X	X	X	X	X

The Model Derivation

Regressions were run on various cuts of the data collected via the second research questionnaire (Appendix 4). It will be

recalled that this questionnaire collected data on a series of independent compensation decision variables and total compensation values for the five seniormost multinational executives at the respondent companies. In analyzing the data and developing the regression equations, it was established that significance tests would be conducted. These regression equations and the tests for significance are explained below.

1. Test 1--statistical significance of the regression coefficients.

The statistical rule used here is to determine whether the coefficient is significantly different from zero at the 95 percent confidence level for a sample size of twelve. For this, the test statistic must have a value greater than 3.00 for the coefficient to be significant.

2. Test 2--statistical significance of the overall regression equation.

The statistical rule used here to determine whether the entire regression equation is significant is the F-statistic. The F-statistic is simply the ratio of the explained and unexplained variance. For the F-statistic, the appropriate decision rule for significance (at the 95 percent confidence level for a sample size of twelve) is a value of 5.00 or greater.

3. Test 3--multiple R^2 or the coefficient of multiple determination.

This test establishes the relationship between the explained and unexplained variance. The decision rule here is to achieve the highest R^2 .

4. Test 4--the errors of the E's (residuals) are not heteroscedastic or autocorrelated (constant variance of the errors).

To examine the residuals for heteroscedasticity and for autocorrelation, the Durbin-Watson statistic is calculated and examined. The Durbin-Watson statistic is normally the test used to measure this phenomenon. The decision rule for this statistic is that if the value lies between 1.5 and 2.5, then one can assume that there is a lack of autocorrelation among variables, and that the residuals exhibit homoscedasticity (constant variance of the errors.) The latter analysis will indicate that the independent variables do not require transformation nor do other independent variables need to be added.

With these tests of significance in mind, various multiple regression models were developed with the data from the sample of twelve observations. The number of observations is probably not large enough to be statistically valid; nevertheless, we have proceeded with the analysis, because statistical validity was reached using other tests.

Based on the analysis and the tests of significance, the decision equations for total compensation decisions were developed for each of the five executive levels. The equations are presented below:

a. For Executive No. 1:

$$\hat{Y} = -770228 + .825 X_1 - 150 X_2 + 747 X_3 - 568 X_4 + 209 X_5 + 913 X_6 - .00009 X_7 + 18.286 X_8$$

\hat{Y} = Estimated Total Compensation

X_1 = Market Compensation

X_2 = Autonomy

X_3 = Cultural Diversity

X_4 = Access to Headquarters Staff

X_5 = Access to Home Country Amenities

X_6 = Access to Key Corporate Personnel

X_7 = Sales Revenue

X_8 = Number of Employees Supervised

Regression for Executive 1

<u>Independent Variable</u>	<u>Coefficient</u>	<u>T-Test</u>
Constant Term	-770227.9	0
1	.825317	.7831368
2	-150569.2	-.8452148
3	74788.28	.6433067
4	-56823.03	-.5697197
5	209706.7	.4837947
6	91348.74	.7901571
7	-9.441512E-05	-.1254966
8	18.28675	.5866802
R-Squared	.8300338	
F-Test	1.831321	
Durbin-Watson	2.391241	

Discussion: The regression coefficients and the F-test did not meet the significance tests. But the R^2 (.83) and Durbin-Watson statistic (2.39) are safely within the tests of significance.

b. For Executive No. 2:

$$\hat{Y} = -202243 + 2.069 X_1 - 421 X_2 + 6849 X_3 - 604 X_4 + 85854 X_5 - 23617 X_6 + .0006 X_7 - 35 X_8$$

\hat{Y} = Estimated Total Compensation

X_1 = Market Compensation

X_2 = Autonomy

X_3 = Cultural Diversity

X_4 = Political Diversity

X_5 = Access to Headquarters Staff

X_6 = Difficulty of the Job

X_7 = Access to Key Corporate Personnel

X_8 = Number of Employees Supervised

Regression for Executive 2

<u>Independent Variable</u>	<u>Coefficient</u>	<u>T-Test</u>
Constant Term	-202243.4	0
1	2.069235	4.258368
2	-42120.53	-1.191793
3	6849.552	.3224486
4	-603.8655	-.0680841
5	85854.49	3.824517
6	-23617.4	-1.603546

Regression for Executive 2--Continued

<u>Independent Variable</u>	<u>Coefficient</u>	<u>T-Test</u>
7	5.984855E-04	3.848766
8	-34.79372	-3.925513
R-Squared	.9864128	
F-Test	18.14969	
Durbin-Watson	2.500562	

Discussion: The tests of significance are nearly all met. The regression coefficients meet the T-test significance cut-offs. The F-test value is 18.1, much greater than the cutoff value of 5. Both the R^2 (.986) and the Durbin-Watson statistic (2.5) are within the significance levels previously established.

c. For Executive No. 3:

$$\hat{Y} = 13009 + 1.048 X_1 - 19211 X_2 + 60734 X_3 - 33095 X_4 - 32725 X_5 + 27857 X_6$$

\hat{Y} = Estimated Total Compensation

X_1 = Market Compensation

X_2 = Autonomy

X_3 = Cultural Diversity

X_4 = Political Diversity

X_5 = Difficulty of the Job

X_6 = Access to Key Corporate Personnel

Regression for Executive 3

<u>Independent Variable</u>	<u>Coefficient</u>	<u>T-Test</u>
Constant Term	13009.28	0
1	1.047373	.6276743
2	-19211.6	-.1254555
3	60734.61	.2197481
4	-33095.47	-.1672392
5	-32725.28	-.1089759
6	27857.66	.1242564
R-Squared	.4337974	
F-Test	.3830761	
Durbin-Watson	1.399272	

Discussion: For this equation, none of the significance tests were adequately met. Only the R^2 (.433) can be regarded as somewhat significant.

d. For Executive No. 4:

$$\hat{Y} = -41383 + 1.264 X_1 - 9426 X_2 + 35055 X_3 - 35668 X_4 + 17905 X_5 - .0000082 X_6 + 2.293 X_7$$

\hat{Y} = Estimated Total Compensation

X_1 = Market Compensation

X_2 = Autonomy

X_3 = Cultural Diversity

X_4 = Political Diversity

X_5 = Access to Key Corporate Personnel

X_6 = Sales Revenue

X_7 = Number of Employees Supervised

Regression for Executive 4

<u>Independent Variable</u>	<u>Coefficient</u>	<u>T-Test</u>
Constant Term	-41383.35	0
1	1.26435	2.818997
2	-9426.236	-.2407094
3	35055.31	.1697013
4	-35668.4	-.1736796
5	17905.06	1.081432
6	-8.165981E-06	-.1051337
7	2.292694	2.983993E-02
R-Squared	.9522879	
F-Test	5.702578	
Durbin-Watson	1.87216	

Discussion: The T-tests do not meet the significance cutoff level of 3 or greater. But the F-score (5.70) meets the test; the R^2 (.95) is quite high; and the Durbin-Watson statistic (1.87) is within the significance range.

e. For Executive No. 5

$$\hat{Y} = -162068 + 26688 X_1 - 9773 X_2 - 18190 X_3 + 189655 X_4 - 83836 X_5 + .002 X_6 - 226 X_7$$

\hat{Y} = Estimated Total Compensation

X_1 = Autonomy

X_2 = Political Diversity

X_3 = Access to Headquarters Staff

X_4 = Difficulty of the Job

X_5 = Access to Key Corporate Staff

X₆ = Sales Revenue

X₇ = Number of Employees Supervised

Regression for Executive 5

<u>Independent Variable</u>	<u>Coefficient</u>	<u>T-Test</u>
Constant Term	-162068.9	0
1	26688.72	.6310963
2	-9773.064	-.3553716
3	-18190.52	-.2797437
4	189655.4	1.245888
5	-83835.91	-1.175841
6	1.978978E-03	.9829253
7	-226.4857	-.9739911
R-Squared	.9425902	
F-Test	2.345517	
Durbin-Watson	1.895653	

Discussion: The T-tests do not meet the significance test. The F-statistic (2.34) also does not meet the significance test. The R² (.94) is quite high and the Durbin-Watson statistic (1.9) is within the significance range.

After the development of the most statistically significant compensation decision-making system, we can extend the analysis by discussing some practical uses of this system. They are:

1. Establishment of individual compensation levels for each multinational executive.

2. Establishment of a confidence interval for the predicted compensation level as determined by the equations. The formula for the establishment of the confidence interval is:

$$\text{Predicted value } \pm t_{\text{crit.}}, \text{ at } \alpha = 95\% \text{ for} \\ 10 \text{ degrees of freedom (F)}$$

Where F = standard error of the forecast

3. Development of individual salary planning and salary cost projections for the multinational executive population group.

In this chapter, various empirical equations have been developed to assist in the decision making for multinational executive compensation. The equations were reviewed for statistical validity. Now, the research study ends with the documentation of significant findings and implications for the discipline under study.

CHAPTER IX

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

In this chapter, the researcher summarizes major findings, discusses their implications and makes specific recommendations for the decision area under analysis.

Major Findings

With respect to compensation philosophy, the major conclusions of the study are:

1. Most of the companies surveyed as part of this research were American companies doing business abroad. These organizations did not consider themselves to be truly multinational. Usually their businesses in foreign locations were managed by local nationals under the close scrutiny of headquarters managers.

2. The base salary philosophy of most of the international human resource executives who responded to the questionnaire was that home country wage scales and salary practices should be used to establish compensation programs for expatriate executives. This conclusion is understandable when one considers the ethnocentric viewpoint of the respondents: these were English executives working in England, French executives working in France, etcetera. In other words, all the respondents were national executives working in their own home countries.

3. One of the major objectives of the study was to determine whether the study participants saw any need to change current philosophies and decision-making practices. The samples of executives (human resource executives and line executives) did not indicate a need for change. This finding came as a surprise to the researcher because one of the major aims of the study was to establish, through systematic research, a documented "need to change" principle. The study supports a different thesis--which is, leave things alone; there is no need to change current philosophies and practices.

4. Another major policy conclusion which was supported by evidence from both samples is that additional incentives need to be provided if the executive is exposed to personal dangers. Both groups also agreed that incentives should be provided for lack of home country amenities. The sample of international line executives also mentioned the need for additional incentives because of the executive's unfamiliarity (therefore, an additional knowledge requirement) with foreign governmental and political complexities. International line executives thought that an incentive should be provided for dealing with unfamiliar social customs.

5. The two groups agreed that, for incentive compensation purposes, multinational executives should be evaluated on the performance of the foreign entity for which they are directly responsible. This conclusion is valid when looked at in parallel with the multinational culture of the companies surveyed. Most

of the companies were national companies doing business abroad. Their foreign entities were independent subsidiaries or companies doing business according to local practices in various countries of the world.

6. Most of the surveyed companies strongly agreed that multinational executives should be included in corporate long-term incentive and capital accumulation plans.

From the research, the following factors were derived as being significant in making multinational executive compensation decisions:

1. Market-competitive salaries. The executives' salaries are in line with those paid by other companies in similar businesses for similar positions.

2. The autonomy enjoyed by these executives. The higher the autonomy enjoyed in managing their operations, the greater their level of compensation.

3. Cultural diversity. If the multinational executive has to deal with a high degree of cultural diversity in the foreign assignment, then the compensation level could be higher.

4. Political diversity (closely related to factor 3). If the executive must deal with a good deal of political diversity, his or her compensation level will also tend to rise.

5. Difficulty of the job itself. If the multinational executive's job is considered to be difficult in terms of dealing with a complex external environment, as well as with

complex business variables, then the compensation level tends to be high also.

6. Access to corporate or headquarters staff. If the executive enjoys a high degree of access to corporate staff, i.e., uses them on a functional basis, the compensation level tends to be higher. This relationship should be analyzed carefully before the accessibility factor is used in a decision-making system. This is because the factor tends to suggest that when a multinational executive is visible in corporate circles, he or she is better compensated (the "squeaky wheel" syndrome).

7. Sales revenue. The sales revenue for which the multinational executive is responsible is a significant factor in determining compensation.

8. Number of employees supervised. This factor, which includes both direct and indirect supervision, is also a significant indicator of compensation level.

Conclusions and Recommendations

The results of this study clearly indicate a narrow and short-sighted focus in multinational executive compensation decision making. The study has shown that companies tend to hire two categories of multinational executives: (1) local executives to manage local operations, and (2) expatriate executives from the headquarters location to manage foreign operations for a fairly short time. Both of these selection decisions are made without reference to an overall human resource plan that is in turn tied into a strategic business plan.

The validity of the first selection decision can be checked by testing it against the job taxonomy or classification principles of job evaluation systems. A basic methodological solution lies in the wider use of job analysis and job evaluation systems in multinational operations. If it can be established that job skills and work specifications differ from country to country for nationalistic reasons--and if this finding can be supported with validated job analysis and job evaluation--then employees from different countries can be covered by different compensation and reward schemes.

Therefore, a promising, but unresearched, element of multinational compensation is the use of worldwide job analysis, classification and evaluation. There has been much debate, but no follow-up research, about whether job content is indeed different in different countries for apparently similar work. The secondary issue is whether the measurement and evaluation instrument should be dissimilar or similar. These questions can only be answered with additional research.

To check the validity of the second selection decision, planners and scholars need to look at the long-term careers of expatriate executives. (This career pattern was much talked about in the late 1960s and early 1970s.) If anything, the research shows a recent decline in this international career orientation. Many current expatriate assignments are for two to four years, after which the executive returns to the home country. Compensation plans tend to reflect this expediency;

they concentrate on determining appropriate pay during the expatriate assignment. Not much thought is given to the compensation integration of the executive upon return from expatriate assignment. Premiums and allowances are still provided to compensate for differences in living and housing costs between the foreign country and the home country. The pattern of living on which these costs are based is a home country pattern, with certain obvious changes for the foreign location. The premiums are viewed as motivation for the executive to disrupt an existing life-style for a few years. Hardship is also considered, based on the expatriate's prior inexperience with adverse living conditions. The researcher found ample support among the questionnaire respondents for the continuation of such practices.

The question remains of whether these short-term compensation philosophies are appropriate. Some international compensation specialists believe that the practitioners are short-sighted when they fail to integrate international compensation decisions with strategic business variables and also strategic human resource variables. When international compensation decisions are made in a human resource planning or career planning vacuum, many negative effects can be observed. Among the most serious are declining motivation and additional costs, the latter primarily a result of turnover. It is this author's contention that international compensation decisions should be made in the context of strategic business and human resource needs. Developing such a contextual framework, nevertheless, was

beyond the scope of this study. But this research has developed a methodological framework (multiple regression analysis) by which such strategic connections can be made in the multinational compensation arena. Multiple regression analysis has, in the past, been successfully used in developing human resource planning models in the domestic arena.

Furthermore, as was described in Chapter 5, there now exists a sociological oneness among professional and technical workers around the world. It seems, based on this phenomenon and the continued importance of international business, that companies should seriously consider international careers for employees assigned overseas. Companies should start making clear distinctions between short-term assignments and career assignments. For a career international assignment, the selection principles should be based, in part, on the ability to work in diverse sociocultural surroundings. Companies should not have to pay incentives and premiums for these abilities. Rather, these factors should be a part of the job specifications and requirements. Attempts should be made within and among various countries to isolate personnel with adequate skills to become international career employees. This, it seems, is all the more needed, given that international firms are set up under three basic strategic arrangements: (1) short-term licensing; (2) joint ventures; and (3) wholly-owned subsidiaries. For the last two arrangements, career international employees will achieve greater productivity.

Basic strategic objectives should be analyzed before a career assignment is made. Strategic questions such as those given below need to be answered:

- Is the assignment being made because there is a need to transfer new technology?
- Is the assignment being made to supervise plant construction or commission a new manufacturing unit that will support existing sales and marketing activities?
- Is the assignment being made to help the employee gain experience in another country, with a view to the employee's move into international management as part of personal career planning?
- Is the assignment being made to fill a vacancy in the international work force of a major corporation which conducts most of its activities outside its country of origin?

Repatriation to the home country after an international assignment is also a key problem in international personnel administration. The uncertainty and insecurity of what is in store for the employee upon return to the home country is a great demotivator among potential international employees. A career assignment is an alternative for decreasing such negative motivations.

A few companies have developed an international career orientation. The employees that they hire for international careers expect, from the beginning, to work in various foreign countries. They develop an international standard of living,

which is not tied to any specific home country. They and their families adjust to the high degree of mobility.

The challenge confronting international compensation specialists is to plan for this mobile international pattern of living and, once it is developed, to protect it against local country inflation, irrespective of the country of assignment. Furthermore, studies should be conducted to determine the levels of incentives necessary in a cross-cultural and cross-national framework.

The challenge lies in reducing the dissimilarities in compensation policies. Compensation policies should not feed the fires of already existing dissimilarity.

This research study did not deal with the psychological/motivational aspects of compensation. This remains an area where further research is needed for multinational executive compensation. In the United States, much work has been done in compensation research to design base salary and incentive compensation programs around motivational objectives. This work has been given impetus by Elliot Jacques and pursued ably by Edward Lawler.

Lawler summarizes most of the research findings when he notes that: "Organizations typically rely on reward systems to do four things: 1) motivate employees to perform effectively; 2) motivate employees to join the organization; 3) motivate employees to come to work; and 4) reinforce the organizational structure by indicating the position of different individuals in

the organization. Each of these functions of reward systems has been the subject of considerable research."¹

The initial challenge for international compensation lies in the identification of the specific pay-related motivational objectives operating in the work environments of different nations. Once these objectives are identified and validated, pay programs can be designed around these objectives. The payoff from such activities is productivity improvements which transcend national boundaries.

Finally, in international compensation, cost analysis is not often applied. The reliability of cost estimates has not been proved. International compensation, especially for expatriate executives, is usually a collection of separate components. The emphasis is on an inventory of items as opposed to the total compensation paid. Base salary is treated separately and the other components are often stated independently, e.g., foreign service premium, hardship allowance, cost-of-living allowance, tax equalization payments, R&R allowances, education allowances and currency protection payments. This compartmentalization deemphasizes the cost and emphasizes (at least what is hoped) keeping the employee "whole" by preserving his home country standard of living. Some companies have tried to communicate a package, by adding up the components, but the cost impact is not made known.

¹Edward E. Lawler III, Improving the Quality of Work Life: Reward Systems (Ann Arbor: University of Michigan, 1975), pp. 9-10.

Compensation internationally (with all the additives) forms a major element of the total cost of doing business abroad. Inflation in labor costs has increased the importance of these types of costs. More effort needs to be made to integrate labor cost analysis with the total cost analyses undertaken by financial planners. Efforts must be made to optimize the return on this investment in labor, by arraying the various alternatives of manpower and skill requirements with associated costs. And a selection of the most acceptable array should be made, based on the key objectives of the foreign business venture. Organizations failing to undertake such efforts will find themselves becoming noncompetitive and losing business to organizations in countries with lower labor costs and equivalent technical and professional skill levels. International compensation cost analysis is the key to the profit analysis in international business. Therefore, total costs of the entire multinational executive compensation program should be a key policy variable in the decision-making process.

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APPENDIX 1
PILOT QUESTIONNAIRE

UNEDITED MATERIALS

Dear International Human Resource Executive:

I am currently conducting research as part of my doctoral studies at Golden Gate University, San Francisco. I will appreciate your input to a few questions on the subject of multinational executive compensation.

In the research, I am attempting to isolate the variables that are currently being used in international executive compensation decisions. I am also seeking to determine which variables should be considered that are currently not considered. I am also interested in determining which variables are considered by respondents as the most important in the multinational executive compensation decision-making process.

Enclosed you will find a package of questionnaires. Please fill in Questionnaire number one yourself. (Someone in your department can also fill it in.) Questionnaires marked with an "x" in the top right hand corner of the first page, should be handed out to senior multinational executives. Upon completion, each of these executives can send the completed questionnaire back to me directly in the pre-paid envelope that is attached.

I would appreciate your handing out as many questionnaires to your multinational executives. Their input along with yours will give me data to make comparisons. One of the main objectives of the research is to establish trends among companies in the same industry and having similar characteristics such as; size, revenue volume, employee population, etc.

Your cooperation in this research will be greatly appreciated.

Sincerely,

Bashker D. Biswas

QUESTIONNAIRE ON;

COMPENSATING THE MULTINATIONAL EXECUTIVE

UNEDITED MATERIALS

There are thirty-six items in this questionnaire. For each item, you are to indicate your opinion by circling the number most closely representing your answer. Your opinions will cover:

1. Whether the item is currently considered in multinational executive compensation decisions. (Presently?)
2. Whether the item should be considered in multinational executive compensation decisions. (Ideally?)
3. Whether the item is an important factor in multinational executive compensation decisions. (Importance?)

The scale for each of these factors will be as follows:

Presently:

Strongly Disagree - 1
Disagree - - - - - 2
Agree - - - - - 3
Strongly Agree - - - 4

Ideally:

Strongly Disagree - 1
Disagree - - - - - 2
Agree - - - - - 3
Strongly Agree - - - 4

Importance:

Unimportant - - - - 1
Somewhat Important - 2
Important - - - - - 3
Very Important - - - 4

UNEDITED MATERIALS

Following is an example of the use of the preceding scales on the questionnaire:

00: Multinational executives should be paid competitively using local (country of assignment) salary surveys.

- A. Presently, 1 (2) 3 4
- B. Ideally, 1 2 3 (4)
- C. Importance, 1 2 (3) 4

In the preceding example, the respondent indicated that:

- 1. By selecting #2 (Disagree), he/she disagrees that this variable is used currently in making executive pay decisions.
- 2. By selecting #4 (Strongly Agree), he/she indicates that this factor should be used in international pay decisions.
- 3. By selecting #3 (Important), he/she indicates that it is important that this factor be used in international executive compensation decisions.

Definitions for this survey:

1. Multinational Executive:

Those managers who are totally responsible for international marketing, human resources, finance, manufacturing, sales and operations. These managers could be located in headquarters, regional headquarters, or in the country of operation (the local subsidiary). They could be expatriates from the parent company's country of domicile, or they could be third country national or even local nationals. They should be senior most executives with the overall responsibility of international operations or one or more multinational functional areas.

2. Multinational or International:

A company with over six subsidiaries in foreign locations. Companies with foreign manufacturing operations or companies with 20% of their gross sales from outside the country of domicile.

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Company Information (Please place a check mark in the appropriate response category.)

1. How many multinational executives does your company have?

0 - 50 _____
 51 - 100 _____
 101 - 200 _____
 201+ _____

2. How many of these executives are expatriates?

0 - 50 _____
 51 - 100 _____
 101 - 200 _____
 201+ _____

3. How many of these executives are local nationals?

0 - 50 _____
 51 - 100 _____
 101 - 200 _____
 201+ _____

4. In how many countries outside of your company's headquarters country do you have offices or operations?

6 countries or less _____
 7 - 15 countries _____
 16 - 25 countries _____
 25+ countries _____

5. What is the size of your multinational operations?

<u>A</u>	<u>B</u>
% of Sales	# of Manufacturing Plants
0 - 20% _____	0 - 5 _____
21 - 30% _____	6 - 10 _____
31 - 50% _____	11 - 20 _____
51%+ _____	21+ _____

6. In which country is your headquarters operations located?
-

7. How would you categorize the multinational culture of your company? (Please put a check mark next to the definition that fits your company.)
- A. You are an ethnocentric company, you prefer putting home country executives in key positions everywhere in the world. _____
- B. You are a polycentric company, you feel that cultures of various countries are quite dissimilar, that foreigners are difficult to understand, and that they should be left alone as long as their work is profitable. _____
- C. You are a regiocentric company, you prefer to recruit, develop, appraise and assign managers on a regional basis. _____
- D. You are a geocentric company, you attempt to integrate diverse regions through a global systems approach to decision making. _____
8. In which industry category is your company. (Please place a check mark next to the response that fits.)

Banking and Finance _____
 Electronics Manufacturing _____
 Automobile _____
 Pharmaceuticals _____
 Chemicals _____
 Petroleum _____
 Iron and Steel _____
 Consumer Goods _____
 Construction _____
 Food _____
 Hospitality _____
 Air Transportation _____
 Medical and Hospitals _____

SECTION II

Regarding: Multinational Executive Salary Decisions

9. They should be based on the competitive position within country the executive is assigned to.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

10. They should be the same if executives hold similar positions irrespective of nationality and local conditions.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

11. They should be based on the labor market conditions within the executive's home country.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

12. They should be based on the labor market conditions within the country where the company's headquarters are located.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

13. They should be based on a regional basis.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

14. They should not use pay for performance in countries with highly inflationary environments.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

15. They should use annual anniversary review dates to review an executive's individual salary situation.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

16. They should consider all local grants of wage/salary increases tied to the consumer price index or other government indices in highly inflationary economies.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

SECTION III

Regarding:

Multinational Executive Incentive Compensation Decisions.

(Please note these questions should be answered without giving consideration to the nationality of the executive.)

17. They should provide additional compensation for material and societal disadvantages.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance 1 2 3 4

18. They should provide for additional incentives if the executive is exposed to personal insecurities.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

19. They should provide a salary adjustment through an incentive if the executive encounters tremendous political difficulties.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

20. They should provide additional incentives if the executive doesn't have much cultural and political support systems available at headquarters.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

21. They should provide additional incentives for remoteness of culture from the home country.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

22. They should place most emphasis on performance variables established for the local entity.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

23. They should consider different performance variables from those considered for domestic managers.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

SECTION IV

Regarding:

Long-term Incentive Plan Decisions.

24. They should consider multinational executives as participants in corporate plans irrespective of nationality.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

25. They should consider multinational executives in the corporation's long-term capital accumulation plans. (e.g., performance unit, performance share, restricted stock, phantom stock, etc.)

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

26. They should provide deferred income plans if the executives located in headquarters are provided with such plans and in spite of the fact that these deferred plans have to be based on the income tax laws of different countries.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

SECTION V

Regarding:

Expatriate Compensation Decision.

27. They should be paid on a split salary basis.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

28. They should establish a compensation element directed to adjusting salaries for differences in the cost of living.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

29. They should establish a compensation element directed to adjusting salaries for differences in housing costs.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

30. They should compensate for differences in educational environments encountered by children of multinational executives.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

31. They should establish tax differentials between home and host countries.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

SECTION VI

Regarding:

Total Compensation Decisions.

32. They should vary with the staffing philosophy of the company, i.e., whether the international executive, a firefighter or an internationalist with a career orientation moving from one country to another.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

33. They should be established across countries in a common currency to ensure equity.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

34. They should ensure standard of living the executive is accustomed to.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

35. They should be based on the performance measures established by corporate management.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

36. They should establish global standards for all multinational executives with similar positional responsibilities.

Presently? 1 2 3 4
Ideally? 1 2 3 4
Importance? 1 2 3 4

THIS QUESTIONNAIRE SHOULD BE ANSWERED BY HUMAN
RESOURCE EXECUTIVES ONLY.

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Please provide us with the total compensation of your top five multinational executives. Remember, these executives are not those who are located at headquarters or those who have functional responsibility over some aspect of the international operations. But these executives are those who have total responsibility of multinational operation within your company. You can provide the data in local currency if your data is available in that manner. We are not interested in executives from any one country, but we are interested in the top five executives in your multinational operations.

Salary/Currency/National of Which Country

#1 Executive _____
#2 Executive _____
#3 Executive _____
#4 Executive _____
#5 Executive _____

In the next series of questions we are going to ask you some specific questions about what went into establishing the salary levels of these top five executives. Please provide all the information as best as you can.

1. The market value for this position. (The data can be provided in local currency.)

#1 Executive _____
#2 Executive _____
#3 Executive _____
#4 Executive _____
#5 Executive _____

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For most of the following questions, we will use a scale ranging from 1 to 5. We will give examples of the range of possible answers by supplying an explanation for both number 1 and number 5 on each scale. Please circle the appropriate number.

2. Please indicate the autonomy enjoyed by this executive.

Not very autonomous - 1
to
Completely autonomous - 5

#1 Executive	1	2	3	4	5
#2 Executive	1	2	3	4	5
#3 Executive	1	2	3	4	5
#4 Executive	1	2	3	4	5
#5 Executive	1	2	3	4	5

3. Please indicate the cultural diversity this executive has to deal with.

His job does not require cultural adjustments - 1
to
His job requires a great deal of cultural adjustment - 5

#1 Executive	1	2	3	4	5
#2 Executive	1	2	3	4	5
#3 Executive	1	2	3	4	5
#4 Executive	1	2	3	4	5
#5 Executive	1	2	3	4	5

4. Please indicate the political diversities this executive has to deal with.

His job does not require an understanding of a different political system - 1

to
His job requires an understanding of a different political system.- 5

#1 Executive 1 2 3 4 5

#2 Executive 1 2 3 4 5

#3 Executive 1 2 3 4 5

#4 Executive 1 2 3 4 5

#5 Executive 1 2 3 4 5

5. Please provide some scope data for this individual. Executive is responsible for:

- A. Sales Revenue
- B. Net Profit
- C. RoA
- D. RoE
- E. Number of Employees
- F. RoI

#1 Executive ...

- A. _____
- B. _____
- C. _____
- D. _____
- E. _____
- F. _____

#2 Executive...

- A. _____
- B. _____
- C. _____
- D. _____
- E. _____
- F. _____

#3 Executive...

A. _____
B. _____
C. _____
D. _____
E. _____
F. _____

#4 Executive...

A. _____
B. _____
C. _____
D. _____
E. _____
F. _____

#5 Executive...

A. _____
B. _____
C. _____
D. _____
E. _____
F. _____

6. Please indicate the headquarters support received by this individual.

Receives a great deal of support - 1
to
Receives no support - 5

#1 Executive	1	2	3	4	5
#2 Executive	1	2	3	4	5
#3 Executive	1	2	3	4	5
#4 Executive	1	2	3	4	5
#5 Executive	1	2	3	4	5

7. Please indicate the degree of material and societal disadvantages faced by this executive.

No material or societal disadvantage - 1
to
A great deal of material or societal disadvantage - 5

#1 Executive 1 2 3 4 5

#2 Executive 1 2 3 4 5

#3 Executive 1 2 3 4 5

#4 Executive 1 2 3 4 5

#5 Executive 1 2 3 4 5

8. Please indicate the difficulty factor in the job itself.

This executive's job is not very different from a domestic executive's job with respect to knowledge, problem-solving and responsibility. - 1

to
This executive's job is very different from a domestic executive's job with respect to knowledge, problem-solving and responsibility. - 5

#1 Executive 1 2 3 4 5

#2 Executive 1 2 3 4 5

#3 Executive 1 2 3 4 5

#4 Executive 1 2 3 4 5

#5 Executive 1 2 3 4 5

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9. Please indicate the degree of adjustment to the total salary based on a desire to assist the executive to maintain the same standard of living he/she is accustomed to.

Very few standard of living adjustments - 1
to
Compensation level has major adjustments in order to assist executive to maintain a similar standard of living - 5.

#1 Executive 1 2 3 4 5

#2 Executive 1 2 3 4 5

#3 Executive 1 2 3 4 5

#4 Executive 1 2 3 4 5

#5 Executive 1 2 3 4 5

10. Please indicate the degree of adjustment to the total salary based on assisting the executive to meet an unusual tax burden. This includes expatriate tax programs.

Very little tax adjustment - 1
to
Tax adjustments included - 5.

#1 Executive 1 2 3 4 5

#2 Executive 1 2 3 4 5

#3 Executive 1 2 3 4 5

#4 Executive 1 2 3 4 5

#5 Executive 1 2 3 4 5

11. Please indicate adjustments to salary based on currency fluctuations.

Currency fluctuation adjustment not provided - 1
to
Currency fluctuation adjustment provided - 5

#1 Executive 1 2 3 4 5

#2 Executive 1 2 3 4 5

#3 Executive 1 2 3 4 5

#4 Executive 1 2 3 4 5

#5 Executive 1 2 3 4 5

12. Please indicate the personal insecurity this executive is exposed to.

Executive not exposed to personal security risks - 1
to
Executive exposed to a great deal of personal security risks. - 5

#1 Executive 1 2 3 4 5

#2 Executive 1 2 3 4 5

#3 Executive 1 2 3 4 5

#4 Executive 1 2 3 4 5

#5 Executive 1 2 3 4 5

13. Please indicate the availability of communication channels within your company this executive has access to.

All communication channels are fairly clear and open - 1
to
Communication channels not clear and open at all - 5

#1 Executive	1	2	3	4	5
#2 Executive	1	2	3	4	5
#3 Executive	1	2	3	4	5
#4 Executive	1	2	3	4	5
#5 Executive	1	2	3	4	5

APPENDIX 2
POLICY QUESTIONNAIRE FOR
INTERNATIONAL HUMAN RESOURCE
MANAGEMENT EXECUTIVES

Dear International Human Resources Executive:

I am conducting research as part of my doctoral studies at Golden Gate University, San Francisco. I will appreciate your input to a few questions on the subject of multinational executive compensation.

In the research, I am attempting to clarify the factors that are currently used in multinational executive compensation decisions. Another objective is to determine which variables should be considered that are not considered now. Yet another objective of the research is to understand the differences between companies in the same industry. Companies with similar characteristics such as size, revenue volume, employee population, etc. will be compared.

Please complete the enclosed questionnaire and return to me in the attached postage-paid envelope. (If you do not have the time to complete the questionnaire, would you ask a knowledgeable person on your staff to complete it?)

Your identity, or that of your company's will stay confidential in all cases. A summary form of the research results will be available.

Thank you for your help.

Sincerely,

UNEDITED MATERIALS

Please complete and return to:
B. D. Biswas
Lecturer in Management
Golden Gate University
Mail Box 25
536 Mission Street
San Francisco, California 94105

QUESTIONNAIRE COMPENSATING THE MULTINATIONAL EXECUTIVE

Compensation policy and practices in the Multinational Corporation

For each of the following items, please circle the number most closely representing your opinion.

Example:

00: Multinational executives should be paid competitively using local (country of assignment) salary surveys.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree Ideally?
Strongly Disagree 1 2 3 4 5 Strongly Agree

1. By selecting 2, he/she disagrees that this variable is used currently in making executive pay decisions.
2. By selecting 4, he/she indicates that this factor should be used in international pay decisions.

DEFINITIONS FOR THIS SURVEY:

1. Multinational Executive:

Senior managers primarily responsible for major international functions. These managers could be located in corporate headquarters, regional headquarters, or in the country of operation (the local subsidiary). THE STUDY IS FOCUSED ON EXPATRIATE EXECUTIVES, I.E. THOSE WHO ARE WORKING IN COUNTRIES OTHER THAN THEIR HOME COUNTRIES OR COUNTRY OF NATIONALITY.

2. Multinational Company:

You are a multinational company for this research; state if you meet any one of these conditions:

1. You have at least six subsidiaries in foreign locations.
2. Your company has manufacturing operations in a foreign location.
3. 20% of your gross sales comes from outside the country where your headquarters is located.

COMPANY INFORMATION

(PLEASE PLACE A CHECK MARK IN THE APPROPRIATE RESPONSE CATEGORY.)

Part I

1. How many multinational executives (see definition on page 1) does your company have? (estimate if necessary)

0-50 _____
51-100 _____
101-200 _____
201+ _____

2. How many of these executives are expatriates?

0-50 _____
51-100 _____
101-200 _____
201+ _____

3. In how many countries outside of your company's headquarters country do you have offices or operations?

6 countries or less _____
7-15 countries _____
16-25 countries _____
25+ countries _____

4. What is the size of your multinational operations?

<u>A</u>		<u>B</u>	
% of Sales		# of Manufacturing Plants	
0-20%	_____	0-5	_____
21-30%	_____	6-10	_____
31-50%	_____	11-20	_____
51%+	_____	21+	_____

5. Please answer some questions on the multinational culture of your company: (These percentages can be estimates)

a. What percentage of your multinational executives move from foreign operation to operation? _____%

b. What percentage of your multinational executives move from foreign operation to headquarters? _____%

c. What percentage of your foreign operations are managed by local nationals? _____%

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d. Do you use different management processes in your foreign operations? Yes _____ No _____

6. In which country is your headquarters operations located?

7. In which industry category is your company? (Please check mark on only one)

- _____ Banking and Finance
- _____ Electronics Manufacturing
- _____ Automobile
- _____ Pharmaceuticals
- _____ Chemicals
- _____ Petroleum
- _____ Iron and Steel
- _____ Consumer Goods
- _____ Engineering and Construction
- _____ Food
- _____ Hospitality
- _____ Air Transportation
- _____ Medical and Hospitals
- _____ Other (Specify) _____

Part II

Part A: Multinational Executive Base Salary Decisions. They should:

1. Be based on the host country wage scales.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

2. Be the same if executives hold similar positions irrespective of nationality and local conditions.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

3. Be based on the wage scales of the executive's home country.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

4. Be based on the wage scales in the headquarters location country.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

5. Be based on a regional scale (e.g. Latin America, Europe, S.E. Asia etc.).

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

6. Standardize salary reviews and not base them on the practice of the country of assignment.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

Part B: Executive Incentive Compensation Decisions. They should:

7. Provide an incentive for coping with the lack of home country amenities.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

8. Provide an incentive if the executive is exposed to personal danger or hazards.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Agree 1 2 3 4 5 Strongly Agree

Comments: _____

9. Provide an incentive if the executive has to deal with unfamiliar governmental and political complexities.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

10. Provide an incentive for having to deal with different social customs other than those existing in the executive's home country.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

11. Place most emphasis on performance variables established for the local entity.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

Part C: Long-term Incentive Plan Decisions. They should:

12. Include multinational executives as participants in corporate plans irrespective of nationality.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

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13. Include multinational executives in the corporation's long-term capital accumulation plans. (e.g. performance unit, performance share, restricted stock, phantom stock, etc.)

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

14. Provide deferred income plans regardless of different tax laws.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

Part D: TOTAL Compensation Decisions. They should:

15. Vary with the staffing philosophy of the company. (e.g. short-term assignments, long-term career assignments etc.)

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

16. Be compared for executives across countries in a common currency to ensure equity.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

17. Be based on the performance measures established by corporate management and not by the local entity.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

18. Establish global standards for all multinational executives with similar positional responsibilities.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

THANK YOU FOR YOUR TIME

APPENDIX 3
POLICY QUESTIONNAIRE FOR
INTERNATIONAL LINE MANAGEMENT EXECUTIVES

Dear International Executive:

I am conducting research as part of my doctoral studies at Golden Gate University, San Francisco. I will appreciate your input to a few questions on the subject of multinational executive compensation.

In the research, I am attempting to clarify the factors that are currently used in multinational executive compensation decisions. Another objective is to determine which variables should be considered that are not considered now. Yet another objective of the research is to understand the differences between companies in the same industry. Companies with similar characteristics such as size, revenue volume, employee population, etc. will be compared.

Please complete the enclosed questionnaire and return to me in the attached postage-paid envelope. (If you do not have the time to complete the questionnaire, would you ask a knowledgeable person on your staff to complete it?)

Your identity, or that of your company's will stay confidential in all cases. A summary form of the research results will be available.

Thank you for your help.

Sincerely,

UNEDITED MATERIALS

Please complete and return to:
B. D. Biswas
Lecturer in Management
Golden Gate University
Mail Box 25
536 Mission Street
San Francisco, California 94105

QUESTIONNAIRE COMPENSATING THE MULTINATIONAL EXECUTIVE

Compensation policy and practices in the Multinational Corporation

For each of the following items, please circle the number most closely representing your opinion.

Example:

00: Multinational executives should be paid competitively using local (country of assignment) salary surveys.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree Ideally?
Strongly Disagree 1 2 3 4 5 Strongly Agree

1. By selecting 2, he/she disagrees that this variable is used currently in making executive pay decisions.
2. By selecting 4, he/she indicates that this factor should be used in international pay decisions.

DEFINITIONS FOR THIS SURVEY:

1. Multinational Executive:

Senior managers primarily responsible for major international functions. These managers could be located in corporate headquarters, regional headquarters, or in the country of operation (the local subsidiary). THE STUDY IS FOCUSED ON EXPATRIATE EXECUTIVES, I.E. THOSE WHO ARE WORKING IN COUNTRIES OTHER THAN THEIR HOME COUNTRIES OR COUNTRY OF NATIONALITY.

2. Multinational Company:

You are a multinational company for this research; state if you meet any one of these conditions:

1. You have at least six subsidiaries in foreign locations.
2. Your company has manufacturing operations in a foreign location.
3. 20% of your gross sales comes from outside the country where your headquarters is located.

COMPANY INFORMATION

(PLEASE PLACE A CHECK MARK IN THE APPROPRIATE RESPONSE CATEGORY.)

Part I

1. How many multinational executives (see definition on page 1) does your company have? (estimate if necessary)

0-50 _____
51-100 _____
101-200 _____
201+ _____

2. How many of these executives are expatriates?

0-50 _____
51-100 _____
101-200 _____
201+ _____

3. In how many countries outside of your company's headquarters country do you have offices or operations?

6 countries or less _____
7-15 countries _____
16-25 countries _____
25+ countries _____

4. What is the size of your multinational operations?

<u>A</u>		<u>B</u>	
% of Sales		# of Manufacturing Plants	
0-20%	_____	0-5	_____
21-30%	_____	6-10	_____
31-50%	_____	11-20	_____
51%+	_____	21+	_____

5. Please answer some questions on the multinational culture of your company: (These percentages can be estimates)

a. What percentage of your multinational executives move from foreign operation to operation? _____%

b. What percentage of your multinational executives move from foreign operation to headquarters? _____%

c. What percentage of your foreign operations are managed by local nationals? _____%

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d. Do you use different management processes in your foreign operations? Yes _____ No _____

6. In which country is your headquarters operations located?

7. In which industry category is your company? (Please check mark on only one)

- _____ Banking and Finance
- _____ Electronics Manufacturing
- _____ Automobile
- _____ Pharmaceuticals
- _____ Chemicals
- _____ Petroleum
- _____ Iron and Steel
- _____ Consumer Goods
- _____ Engineering and Construction
- _____ Food
- _____ Hospitality
- _____ Air Transportation
- _____ Medical and Hospitals
- _____ Other (Specify) _____

Part II

Part A: Multinational Executive Base Salary Decisions. They should:

1. Be based on the host country wage scales.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

2. Be the same if executives hold similar positions irrespective of nationality and local conditions.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

3. Be based on the wage scales of the executive's home country.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

4. Be based on the wage scales in the headquarters location country.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

5. Be based on a regional scale (e.g. Latin America, Europe, S.E. Asia etc.).

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

6. Standardize salary reviews and not base them on the practice of the country of assignment.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

Part B: Executive Incentive Compensation Decisions. They should:

7. Provide an incentive for coping with the lack of home country amenities.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

8. Provide an incentive if the executive is exposed to personal danger or hazards.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Agree 1 2 3 4 5 Strongly Agree

Comments: _____

9. Provide an incentive if the executive has to deal with unfamiliar governmental and political complexities.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

10. Provide an incentive for having to deal with different social customs other than those existing in the executive's home country.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

11. Place most emphasis on performance variables established for the local entity.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

Part C: Long-term Incentive Plan Decisions. They should:

12. Include multinational executives as participants in corporate plans irrespective of nationality.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

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13. Include multinational executives in the corporation's long-term capital accumulation plans. (e.g. performance unit, performance share, restricted stock, phantom stock, etc.)

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

14. Provide deferred income plans regardless of different tax laws.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

Part D: TOTAL Compensation Decisions. They should:

15. Vary with the staffing philosophy of the company. (e.g. short-term assignments, long-term career assignments etc.)

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

16. Be compared for executives across countries in a common currency to ensure equity.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

17. Be based on the performance measures established by corporate management and not by the local entity.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

18. Establish global standards for all multinational executives with similar positional responsibilities.

Presently? Strongly Disagree 1 2 3 4 5 Strongly Agree
Ideally? Strongly Disagree 1 2 3 4 5 Strongly Agree

Comments: _____

APPENDIX 4
QUESTIONNAIRE TO DEVELOP
DECISION-MAKING SYSTEM

Dear International Human Resources Executive:

I am conducting research as part of my doctoral studies at Golden Gate University, San Francisco. I will appreciate your input to a few questions on the subject of multinational executive compensation.

In the research, I am attempting to develop an international executive compensation decision making system using multiple regression analysis. The system will attempt to predict total compensation values using a variety of independent variables. The variables used are both of a qualitative and quantitative nature. The questionnaire seeks to collect data on these variables. I feel such a process will be of practical value to multinational executive compensation decision makers. Decision equations will be developed for companies within industry groupings. The value of this system is that it seeks to consider variables that are unique to the international environment.

Please fill in the questionnaire and return it to me in the attached postage-paid envelope. If you do not have the time to complete the questionnaire, please ask someone in your staff to do so.

Since the questionnaire asks you to provide salary on some executives, you can rest assured that your identity or that of your company's will not be divulged under any circumstances.

A summary form of the research results will be available to you upon request.

Thank you for your help.

Sincerely,

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Please complete and return to:
Mr. B. D. Biswas
Lecturer in Management
Golden Gate University
Mail Box 25
536 Mission Street
San Francisco, California 94105

COMPENSATING THE MULTINATIONAL EXECUTIVE

INTRODUCTION

The purpose of this questionnaire is to collect data on multinational executive compensation. With the data we will develop multiple regression equations, for different industry groupings. Please complete the questionnaire with all the required data. Detailed instructions for filling in the questionnaire is provided in the body of the questionnaire. Thank you for your cooperation.

DEFINITIONS FOR THIS SURVEY:

1. Multinational Executive:

Senior managers primarily responsible for international functions. These managers could be located in corporate headquarters, regional headquarters, or in the country of operation (the local subsidiary).

2. Multinational Company:

You are a multinational company for this research; state if you meet any one of these conditions:

1. You have at least six subsidiaries in foreign locations.
2. Your company has manufacturing operations in a foreign location.
3. 20% of your gross sales comes from outside the country where your headquarters is located.

OO. In which industry category is your company? (Please check only one.)

- Banking and Finance
- Electronics Manufacturing
- Automobile
- Pharmaceuticals
- Chemicals
- Petroleum
- Iron and Steel
- Consumer Goods
- Engineering and Construction
- Food
- Hospitality
- Air Transportation
- Medical and Hospitals
- Other (Specify) _____

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1. Please provide the TOTAL (base plus bonus only) compensation for each of your top five multinational executives. These executives are those who have primary responsibility over multinational operations within your company. You can provide the data in local currency if your data is available in that manner. We are not interested in executives from any one country, but we are interested in the top five executives in you multinational operations.

	TOTAL SALARY	CURRENCY	NATIONAL OF WHICH COUNTRY
#1 Executive	_____	_____	_____
#2 Executive	_____	_____	_____
#3 Executive	_____	_____	_____
#4 Executive	_____	_____	_____
#5 Executive	_____	_____	_____

Now provide some specific data and answer some qualitative questions so that we can determine which factors are significant in establishing TOTAL salaries for the top five multinational executives.

2. Your estimate of the market value (from salary surveys) for these positions. If market data is not readily available, you can provide the salary range mid-point values. The data can be provided in local currency.

#1 Executive	_____
#2 Executive	_____
#3 Executive	_____
#4 Executive	_____
#5 Executive	_____

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In the next series of questions, we will use a scale ranging from 1(Low) to 5(High). Please circle the appropriate number.

3. Indicate the autonomy enjoyed this executive.

	Low			High	
#1 Executive	1	2	3	4	5
#2 Executive	1	2	3	4	5
#3 Executive	1	2	3	4	5
#4 Executive	1	2	3	4	5
#5 Executive	1	2	3	4	5

4. Indicate the cultural diversity this executive has to deal with.

	Low			High	
#1 Executive	1	2	3	4	5
#2 Executive	1	2	3	4	5
#3 Executive	1	2	3	4	5
#4 Executive	1	2	3	4	5
#5 Executive	1	2	3	4	5

5. Indicate the diverse political systems this executive has to deal with.

	Low			High	
#1 Executive	1	2	3	4	5
#2 Executive	1	2	3	4	5
#3 Executive	1	2	3	4	5
#4 Executive	1	2	3	4	5
#5 Executive	1	2	3	4	5

6. Indicate the access to headquarters support staff this executive enjoys.

	Low					High				
#1 Executive	1	2	3	4	5					
#2 Executive	1	2	3	4	5					
#3 Executive	1	2	3	4	5					
#4 Executive	1	2	3	4	5					
#5 Executive	1	2	3	4	5					

7. Indicate the degree of access to home country amenities enjoyed by this executive.

	Low					High				
#1 Executive	1	2	3	4	5					
#2 Executive	1	2	3	4	5					
#3 Executive	1	2	3	4	5					
#4 Executive	1	2	3	4	5					
#5 Executive	1	2	3	4	5					

8. Indicate the difficulty factor in the job itself, compared to a domestic job at the same level.

	Low					High				
#1 Executive	1	2	3	4	5					
#2 Executive	1	2	3	4	5					
#3 Executive	1	2	3	4	5					
#4 Executive	1	2	3	4	5					
#5 Executive	1	2	3	4	5					

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9. Indicate the dangers this executive is exposed to.

	Low				High
#1 Executive	1	2	3	4	5
#2 Executive	1	2	3	4	5
#3 Executive	1	2	3	4	5
#4 Executive	1	2	3	4	5
#5 Executive	1	2	3	4	5

10. Indicate the executive's access to key personnel within your company.

	Low				High
#1 Executive	1	2	3	4	5
#2 Executive	1	2	3	4	5
#3 Executive	1	2	3	4	5
#4 Executive	1	2	3	4	5
#5 Executive	1	2	3	4	5

Now provide some financial scope data that describes this executive's accountability.

11.	#1 Exec.	#2 Exec.	#3 Exec.	#4 Exec.	#5 Exec.
SALES REV.					
NET PROFIT					
# OF EMPLOYEES SUPERVISED					

T H A N K Y O U !!

APPENDIX 5
RESULTS OF POLICY QUESTIONNAIRE:
INTERNATIONAL HUMAN RESOURCE
MANAGEMENT EXECUTIVES

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Table 1

<u>Number of Multinational Executives</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 50	22	73.3	73.3	73.3
51 - 100	3	10.0	10.0	83.3
101 - 200	2	6.7	6.7	90.0
201+	3	10.0	10.0	100.0
Total	30	100.0	100.0	

Table 2

<u>Number of Expatriates</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 50	26	86.7	86.7	86.7
51 - 100	3	10.0	10.0	96.7
201+	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Table 3

<u>Number of Countries</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
> 6	9	30.0	30.0	30.0
7 - 15	7	23.3	23.3	53.3
16 - 25	6	20.0	20.0	73.3
25+	8	26.7	26.7	100.0
Total	30	100.0	100.0	

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Table 4

<u>Percent of Sales From Multinational Operations</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 20	12	40.0	40.0	40.0
21 - 30	9	30.0	30.0	70.0
31 - 50	4	13.3	13.3	83.3
51	5	16.7	16.7	100.0
Total	30	100.0	100.0	

Table 5

<u>Number of Manufacturing Plants</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 5	16	53.3	53.3	53.3
6 - 10	7	23.3	23.3	76.7
21+	7	23.3	23.3	100.0
Total	30	100.0	100.0	

Table 6

<u>Expatriate Transfer From Foreign Operation to Operation</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 20%	24	80.0	80.0	80.0
21 - 30%	2	6.7	6.7	86.7
31 - 50%	3	10.0	10.0	96.7
51%	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Table 7

<u>Expatriate Transfer From Foreign Operation to Headquarters</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 20%	24	80.0	80.0	80.0
31 - 50%	4	13.3	13.3	93.3
51%	2	6.7	6.7	100.0
Total	30	100.0	100.0	

Table 8

<u>Foreign Operations Managed By Local Nationals</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 20%	8	26.7	26.7	26.7
21 - 30%	4	13.3	13.3	40.0
31 - 50%	2	6.7	6.7	46.7
51%	16	53.3	53.3	100.0
Total	30	100.0	100.0	

Table 9

<u>Different Management Processes in Foreign Operations</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Yes	12	40.0	40.0	40.0
No	18	60.0	60.0	100.0
Total	30	100.0	100.0	

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Table 10

Industry and Headquarters Location	Absolute Freq	Relative Freq (Pct)	Adjusted Freq (Pct)	Cum Freq (Pct)
Banking & Finance - U.S.	1	3.3	3.3	3.3
Chemicals-Other	1	3.3	3.3	6.7
Petroleum-U.S.	3	10.0	10.0	16.7
Consumer Goods -U.S.	3	10.0	10.0	26.7
Engineering & Construction-U.S.	1	3.3	3.3	30.0
Food-U.S.	1	3.3	3.3	33.3
Air Transportation -U.S.	2	6.7	6.7	40.0
Medical & Hospital-U.S.	1	3.3	3.3	43.3
Medical & Hospital-Other	1	3.3	3.3	46.7
Other-U.S.	7	23.3	23.3	70.0
Other-Other	2	6.7	6.7	76.7
Electronics Manu- facturing-U.S.	4	13.3	13.3	90.0
Automobile-U.S.	1	3.3	3.3	93.3
Pharmaceuticals -U.S.	1	3.3	3.3	96.7
Chemicals-U.S.	1	3.3	3.3	100.0
Total	30	100.0	100.0	

Table 11

Q1 - Currently, Multinational Executive Base Salary decisions should be based on host country wage scales.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	10	33.3	33.3	33.3
	2	10	33.3	33.3	66.7
	3	2	6.7	6.7	73.3
	4	1	3.3	3.3	76.7
Strongly Agree	5	7	23.3	23.3	100.0
Total		30	100.0	100.0	

Table 12

Q2 - Ideally, multinational executive base salary decisions should be based on host country wage scales.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	10	33.3	33.3	33.3
	2	6	20.0	20.0	53.3
	3	2	6.7	6.7	60.0
	4	3	10.0	10.0	70.0
Strongly Agree	5	9	30.0	30.0	100.0
Total		30	100.0	100.0	

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Table 13

Q3 - Currently, multinational executive base salary decisions are the same if executives hold similar positions irrespective of nationality and local conditions.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	11	36.7	36.7	36.7
	2	7	23.3	23.3	60.0
	3	4	13.3	13.3	73.3
	4	2	6.7	6.7	80.0
Strongly Agree	5	6	20.0	20.0	100.0
Total		30	100.0	100.0	

Table 14

Q4 - Ideally, multinational executive base salary decisions should be the same if executives hold similar positions irrespective of nationality and local conditions.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	9	30.0	30.0	30.0
	2	7	23.3	23.3	53.3
	3	4	13.3	13.3	66.7
	4	4	13.3	13.3	80.0
Strongly Agree	5	6	20.0	20.0	100.0
Total		30	100.0	100.0	

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Table 15

Q5 - Currently, multinational executive base salary decisions are based on wage scales of the executive's home country.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	4	13.3	13.3	13.3
	2	2	6.7	6.7	20.0
	3	5	16.7	16.7	36.7
	4	8	26.7	26.7	63.3
Strongly Agree	5	11	36.7	36.7	100.0
	<hr/>		<hr/>	<hr/>	
Total		30	100.0	100.0	

Table 16

Q6 - Ideally, multinational executive base salary decisions should be based on wage scales of the executive's home country.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	4	13.3	13.3	13.3
	2	4	13.3	13.3	26.7
	3	3	10.0	10.0	36.7
	4	10	33.3	33.3	70.0
Strongly Agree	5	9	30.0	30.0	100.0
	<hr/>		<hr/>	<hr/>	
Total		30	100.0	100.0	

Table 17

Q7 - Currently, multinational executive base salary decisions are based on the wage scales in the headquarters location country.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	10	33.3	33.3	33.3
	2	7	23.3	23.3	56.7
	3	3	10.0	10.0	66.7
	4	3	10.0	10.0	76.7
Strongly Agree	5	7	23.3	23.3	100.0
Total		30	100.0	100.0	

Table 18

Q8 - Ideally, multinational executive base salary decisions should be based on the wage scales in the headquarters location country.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	14	46.7	46.7	46.7
	2	5	16.7	16.7	63.3
	3	4	13.3	13.3	76.7
	4	2	6.7	6.7	83.3
Strongly Agree	5	5	16.7	16.7	100.0
Total		30	100.0	100.0	

Table 19

Q9 - Currently, multinational executive base salary decisions are based on a regional scale.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	14	46.7	46.7	46.7
	2	7	23.3	23.3	70.0
	3	8	26.7	26.7	96.7
Strongly Agree	4	1	3.3	3.3	100.0
Total		30	100.0	100.0	

Table 20

Q10 - Ideally, multinational executive base salary decisions should be based on a regional scale.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	13	43.3	43.3	43.3
	2	6	20.0	20.0	63.3
	3	8	26.7	26.7	90.0
Strongly Agree	4	3	10.0	10.0	100.0
Total		30	100.0	100.0	

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Table 21

Q11 - Currently, for multinational executive salary decisions, salary reviews are standardized and not based on the practice of the country of assignment.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	9	30.0	30.0	30.0
	2	3	10.0	10.0	40.0
	3	3	10.0	10.0	50.0
Strongly Agree	4	8	26.7	26.7	76.7
	5	7	23.3	23.3	100.0
Total		30	100.0	100.0	

Table 22

Q12 - Ideally, for multinational executive salary decisions, salary reviews should be standardized and not based on the practice of the country of assignment.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	12	40.0	40.0	40.0
	2	3	10.0	10.0	50.0
	3	2	6.7	6.7	56.7
	4	7	23.3	23.3	80.0
Strongly Agree	5	6	20.0	20.0	100.0
Total		30	100.0	100.0	

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Table 23

Q13 - Currently, an incentive is provided for coping with the lack of home country amenities.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	8	26.7	26.7	26.7
	2	2	6.7	6.7	33.3
	3	1	3.3	3.3	36.7
	4	12	40.0	40.0	76.7
Strongly Agree	5	7	23.3	23.3	100.0
Total		30	100.0	100.0	

Table 24

Q14 - Ideally, an incentive should be provided for coping with the lack of home country amenities.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	9	30.0	30.0	30.0
	2	2	6.7	6.7	36.7
	3	1	3.3	3.3	40.0
	4	12	40.0	40.0	80.0
Strongly Agree	5	6	20.0	20.0	100.0
Total		30	100.0	100.0	

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Table 25

Q15 - Currently, an incentive is provided if the executive is exposed to personal danger or hazards.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	4	13.3	13.3	13.3
	2	1	3.3	3.3	16.7
	3	1	3.3	3.3	20.0
	4	8	26.7	26.7	46.7
Strongly Agree	5	16	53.3	53.3	100.0
			<hr/>	<hr/>	<hr/>
Total		30	100.0	100.0	

Table 26

Q16 - Ideally, an incentive should be provided if the executive is exposed to personal danger or hazards.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	4	13.3	13.3	13.3
	2	1	3.3	3.3	16.7
	3	1	3.3	3.3	20.0
	4	6	20.0	20.0	40.0
Strongly Agree	5	18	60.0	60.0	100.0
			<hr/>	<hr/>	<hr/>
Total		30	100.0	100.0	

Table 27

Q17 - Currently, an incentive is provided if the executive has to deal with unfamiliar governmental and political complexities.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	8	26.7	26.7	26.7
	2	2	6.7	6.7	33.3
	3	8	26.7	26.7	60.0
	4	8	26.7	26.7	86.7
Strongly Agree	5	4	13.3	13.3	100.0
Total		30	100.0	100.0	

Table 28

Q18 - Ideally, an incentive would be provided if the executive has to deal with unfamiliar governmental and political complexities.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	6	20.0	20.0	20.0
	2	4	13.3	13.3	33.3
	3	8	26.7	26.7	60.0
	4	8	26.7	26.7	86.7
Strongly Agree	5	4	13.3	13.3	100.0
Total		30	100.0	100.0	

Table 29

Q19 - Currently, an incentive is provided for having to deal with different social customs other than those existing in the executive's home country.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	9	30.0	30.0	30.0
	2	2	6.7	6.7	36.7
	3	7	23.3	23.3	60.0
	4	7	23.3	23.3	83.3
Strongly Agree	5	5	16.7	16.7	100.0
Total		30	100.0	100.0	

Table 30

Q20 - Ideally, an incentive should be provided for having to deal with different social customs other than those existing in the executive's home country.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	8	26.7	26.7	26.7
	2	3	10.0	10.0	36.7
	3	7	23.3	23.3	60.0
	4	7	23.3	23.3	83.3
Strongly Agree	5	5	16.7	16.7	100.0
Total		30	100.0	100.0	

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Table 31

Q21 - Currently, for multinational executive incentive compensation decisions, most emphasis is placed on performance variables established for the local entity.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	2	2	13.3	13.3	13.3
	3	7	23.3	23.3	36.7
	4	8	26.7	26.7	63.3
Strongly Agree	5	11	36.7	36.7	100.0
	<hr/>				
Total		30	100.0	100.0	

Table 32

Q22 - Ideally, in multinational executive incentive compensation decisions, most emphasis should be placed on performance variables established for the local entity.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	2	3	10.0	10.0	10.0
	3	5	16.7	16.7	26.7
	4	8	26.7	26.7	53.3
Strongly Agree	5	14	46.7	46.7	100.0
	<hr/>				
Total		30	100.0	100.0	

UNEDITED MATERIALS

Table 33

Q23 - Currently, multinational executives are included as participants in corporate long-term incentive plans irrespective of nationality.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	6.7	6.7	6.7
	2	1	3.3	3.3	10.0
	3	5	16.7	16.7	26.7
	4	13	43.3	43.3	70.0
Strongly Agree	5	9	30.0	30.0	100.0
		30	100.0	100.0	
Total		30	100.0	100.0	

Table 34

Q24 - Ideally, multinational executives should be included as participants in corporate long-term incentive plans irrespective of nationality.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	1	3.3	3.3	3.3
	2	2	6.7	6.7	10.0
	3	1	3.3	3.3	13.3
	4	12	40.0	40.0	53.3
Strongly Agree	5	14	46.7	46.7	100.0
		30	100.0	100.0	
Total		30	100.0	100.0	

UNEDITED MATERIALS

Table 35

Q25 - Currently, multinational executives are included in the corporation's long-term capital accumulation plans.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	6.7	6.7	6.7
	2	5	16.7	16.7	23.3
	3	9	30.0	30.0	53.3
	4	6	20.0	20.0	73.3
Strongly Agree	5	8	26.7	26.7	100.0
Total		30	100.0	100.0	

Table 36

Q26 - Ideally, multinational executives should be included in the corporation's long-term capital accumulation plans.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	2	4	13.3	13.3	13.3
	3	5	16.7	16.7	30.0
	4	10	33.3	33.3	63.3
Strongly Agree	5	11	36.7	36.7	100.0
Total		30	100.0	100.0	

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MATERIALS**

Table 37

Q27 - Currently, multinational executives are provided deferred income plans regardless of different tax laws.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	9	30.0	30.0	30.0
	2	10	33.3	33.3	63.3
	3	2	6.7	6.7	70.0
	4	5	16.7	16.7	86.7
Strongly Agree	5	4	13.3	13.3	100.0
Total		30	100.0	100.0	

Table 38

Q28 - Ideally, multinational executives should be provided deferred income plans regardless of different tax laws.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	12	40.0	40.0	40.0
	2	4	13.3	13.3	53.3
	3	4	13.3	13.3	66.7
	4	6	20.0	20.0	86.7
Strongly Disagree	5	4	13.3	13.3	100.0
Total		30	100.0	100.0	

UNEDITED MATERIALS

Table 39

Q29 - Currently total compensation decisions vary with the staffing philosophy of the company.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	6.7	6.7	6.7
	2	5	16.7	16.7	23.3
	3	7	23.3	23.3	46.7
	4	10	33.3	33.3	80.0
Strongly Agree	5	6	20.0	20.0	100.0
Total		30	100.0	100.0	

Table 40

Q30 - Ideally, total compensation decisions should vary with staffing philosophy of the company.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	1	3.3	3.3	3.3
	2	4	13.3	13.3	16.7
	3	6	20.0	20.0	36.7
	4	12	40.0	40.0	76.7
Strongly Agree	5	7	23.3	23.3	100.0
Total		30	100.0	100.0	

UNEDITED MATERIALS

Table 41

Q31 - Currently, total compensation decisions are compared for executives across countries in a common currency to ensure equity.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	11	36.7	36.7	36.7
	2	8	26.7	26.7	63.3
	3	6	20.0	20.0	83.3
	4	4	13.3	13.3	96.7
Strongly Agree	5	1	3.3	3.3	100.0
Total		30	100.0	100.0	

Table 42

Q32 - Ideally, total compensation decisions should be compared across countries in a common currency to ensure equity.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	11	36.7	36.7	36.7
	2	8	26.7	26.7	63.3
	3	4	13.3	13.3	76.7
	4	4	13.3	13.3	90.0
Strongly Agree	5	3	10.0	10.0	100.0
Total		30	100.0	100.0	

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Table 43

Q33 - Currently, total compensation decisions are based on the performance measures established by corporate management and not by the local entity.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	6.7	6.7	6.7
	2	4	13.3	13.3	20.0
	3	4	13.3	13.3	33.3
	4	12	40.0	40.0	73.3
Strongly Agree	5	8	26.7	26.7	100.0
Total		30	100.0	100.0	

Table 44

Q34 - Ideally, total compensation decisions should be based on the performance measures established by corporate management and not by the local entity.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	6.7	6.7	6.7
	2	5	16.7	16.7	23.3
	3	2	6.7	6.7	30.0
	4	12	40.0	40.0	70.0
Strongly Agree	5	9	30.0	30.0	100.0
Total		30	100.0	100.0	

Table 45

Q35 - Currently, for total compensation decisions, global standards are established for all multinational executives with similar positional responsibilities.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	4	13.3	13.3	13.3
	2	4	13.3	13.3	26.7
	3	6	20.0	20.0	46.7
	4	13	43.3	43.3	90.0
Strongly Agree	5	3	10.0	10.0	100.0
Total		30	100.0	100.0	

Table 46

Q36 - Ideally, for total compensation decisions, global standards should be established for all multinational executives with similar positional responsibilities.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	3	10.0	10.0	10.0
	2	4	13.3	13.3	23.3
	3	5	16.7	16.7	40.0
	4	12	40.0	40.0	80.0
Strongly Agree	5	6	20.0	20.0	100.0
Total		30	100.0	100.0	

International H.R. Executives

Analysis of the Means and Standard Deviations of Responses

Table 47

Analysis of Means and Standard Deviation of Responses

	Present Practices		Ideal Practices		t _n Means
	Mean	Standard Deviation	Mean	Standard Deviation	
Question 1	2.5	1.570	2.833	1.704	.333
" 2	2.5	1.548	2.7	1.535	.2
" 3	3.667	1.398	3.533	1.408	-.134
" 4	2.667	1.605	2.2	1.535	-.307
" 5	1.867	.937	2.033	1.066	.166
" 6	3.033	1.608	2.733	1.660	-.3
" 7	3.267	1.574	3.133	1.592	-.134
" 8	4.033	1.402	4.1	1.423	.067
" 9	2.933	1.413	3.0	1.399	.067
" 10	2.9	1.494	2.933	1.461	.033
" 11	3.867	1.673	4.16	1.629	.233
" 12	3.867	1.106	4.2	1.031	.333
" 13	3.433	1.251	3.933	1.048	.5
" 14	2.5	1.432	2.533	1.525	.033
" 15	3.433	1.194	3.667	1.093	.234
" 16	2.2	1.186	2.33	1.373	.13
" 17	3.667	1.213	3.7	1.264	.033
" 18	3.233	1.223	3.467	1.282	.234

APPENDIX 6
CORRELATION ANALYSIS OF POLICY QUESTIONNAIRE:
INTERNATIONAL HUMAN RESOURCE MANAGEMENT EXECUTIVES

Table 1

Correlation Between Demographic Characteristics and Policy Questions

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q5</u>	<u>Q6</u>	<u>Q7</u>	<u>Q8</u>
Number of Multinational Executives	0.0218	0.0535	-0.1768	-0.1382	-0.1876	-0.1102	0.0284	0.0713
Number of Expatriates	-0.0720	-0.0663	-0.1825	-0.1546	0.0000	0.0321	0.2113	0.1915
Number of Countries	0.0644	0.0198	-0.2331	-0.2841	0.0688	0.0834	5.9977	-0.0734
Percentage of Sales From Multinational Operations	0.0987	0.0607	-0.1402	-0.0889	-0.1183	-0.1557	-0.2383	-0.2344
Number of Manufacturing Plants	0.0893	0.0768	-0.2354	-0.2485	-0.0535	-0.0783	0.0408	-0.2265
Expatriate Transfer From Foreign Oper. to Operation	0.0136	-4.1714	-0.2617	-0.3251	-0.2237	-0.1777	-0.1683	-0.0639
Expatriate Transfer From Foreign Oper. to H.Q.	-0.3159	-0.3050	0.2747	0.3048	0.1943	0.2400	0.1693	0.2955
Foreign Operations Managed By Local Nationals	0.2308	0.2786	-0.1672	-0.2058	-0.2469	-0.2918	-0.5538	-0.7556
Different Management Processes in For. Oper.	0.0881	0.1625	0.0894	0.1082	0.0990	0.1180	0.2588	0.2976
Industry and H.Q. Location	0.0960	0.0534	-0.0209	-0.0748	-0.0548	-0.0680	-0.4683	-0.5543

Table 1--Continued
Correlation Between Demographic Characteristics and Policy Questions

	<u>Q9</u>	<u>Q10</u>	<u>Q11</u>	<u>Q12</u>	<u>Q13</u>	<u>Q14</u>	<u>Q15</u>
Number of Multinational Executives	0.1874	0.2716	-0.2028	-0.1388	-0.0275	0.0186	-0.1595
Number of Expatriates	0.1688	0.4134	-0.1827	-0.1158	-0.1292	-0.0994	-0.3306
Number of Countries	-8.2159	0.1237	-0.0437	0.0255	0.2482	0.2588	0.0117
Percentage of Sales From Multinational Operations	0.3728	0.3180	0.0759	0.1408	-0.0105	-5.1949	-0.0900
Number of Manufacturing Plants	-0.1277	0.1595	-0.1383	-0.2117	9.4987	-0.0305	-0.1587
Expatriate Transfer From Foreign Oper. to Operation	0.2942	0.1853	-0.1688	-0.1302	0.0289	0.0679	0.2931
Expatriate Transfer From Foreign Oper. to H.Q.	0.2596	0.1507	0.2542	0.3359	0.1636	0.2033	0.0388
Foreign Operations Managed By Local Nationals	0.0129	0.0518	-0.1910	-0.3130	-0.1469	-0.2190	-0.0345
Different Management Processes in For. Oper.	-0.1920	-0.2337	0.2755	0.2836	0.2286	0.2000	0.0198
Industry and H.Q. Location	0.1366	0.1459	-0.5864	-0.5897	-0.1832	-0.1661	0.0546

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Table 1--Continued
Correlation Between Demographic Characteristics and Policy Questions

	<u>Q16</u>	<u>Q17</u>	<u>Q18</u>	<u>Q19</u>	<u>Q20</u>	<u>Q21</u>	<u>Q22</u>
Number of Multinational Executives	-0.1827	-0.3374	-0.3577	-0.3069	-0.3263	-0.1231	-0.1862
Number of Expatriates	-0.2640	-0.2954	-0.2640	-0.2421	-0.2553	-0.0631	-0.1428
Number of Countries	-0.0264	-0.2480	-0.2803	-0.2262	-0.2596	0.1810	0.2722
Percentage of Sales From Multinational Operations	-0.1133	-0.1068	-0.1389	-0.2242	-0.2307	0.1809	0.0542
Number of Manufacturing Plants	-0.1537	-0.4790	-0.4816	-0.3041	-0.3481	-0.0331	0.1417
Expatriate Transfer From Foreign Oper. to Operation	0.2667	0.0523	0.0637	-0.1684	-0.1829	0.1376	0.0373
Expatriate Transfer From Foreign Oper. to H.Q.	0.0149	0.1488	0.1323	0.0807	0.0712	-0.0374	-0.1515
Foreign Operations Managed By Local Nationals	7.2774	-0.1148	-0.0967	-0.1109	-0.1642	0.1558	0.2868
Different Management Processes in For. Oper.	9.7284	-0.1372	-0.1550	-0.1946	-0.1327	0.2190	0.1480
Industry and H.Q. Location	0.0681	0.0466	0.0563	0.1201	0.1089	5.5685	0.1744

Table 1--Continued
Correlation Between Demographic Characteristics and Policy Questions

	<u>Q23</u>	<u>Q24</u>	<u>Q25</u>	<u>Q26</u>	<u>Q27</u>	<u>Q28</u>	<u>Q29</u>
Number of Multinational Executives	-0.1196	-0.1394	0.0839	-0.0631	0.0478	0.0553	-0.1699
Number of Expatriates	0.1431	0.0987	0.2440	0.1294	0.1578	0.1778	-0.1703
Number of Countries	-0.1636	-0.0168	-0.0377	0.0239	-0.1512	-0.0177	-0.3296
Percentage of Sales From Multinational Operations	-0.1608	-0.0421	0.1025	0.1518	0.0649	0.1409	-0.3340
Number of Manufacturing Plants	-0.2603	-0.0979	-0.2047	-0.0571	-0.2153	-0.1826	-0.3553
Expatriate Transfer From Foreign Oper. to Operation	0.0565	-0.0910	0.2125	0.2739	-0.3423	-0.3597	0.1511
Expatriate Transfer From Foreign Oper. to H.Q.	-0.0684	0.0413	-1.8885	-0.0361	0.2968	0.3144	-0.0910
Foreign Operations Managed By Local Nationals	-0.1763	0.0452	-0.0676	0.0428	-0.3614	-0.3032	-0.1792
Different Management Processes in For. Oper.	-0.2253	-0.1074	-0.2656	-0.1849	-0.1449	-0.1633	-0.0464
Industry and H.Q. Location	-0.1244	-0.2333	-0.0536	-0.1084	-0.0927	-0.0722	-0.1192

Table 1--Continued

Correlation Between Demographic Characteristics and Policy Questions

	<u>Q30</u>	<u>Q31</u>	<u>Q32</u>	<u>Q33</u>	<u>Q34</u>	<u>Q35</u>	<u>Q36</u>
Number of Multinational Executives .	-0.2086	0.1961	0.0664	-0.2162	-0.2220	-0.0765	-0.0401
Number of Expatriates	-0.1034	0.2763	0.1646	-0.1863	-0.1878	-0.0647	-0.1812
Number of Countries	-0.3609	-0.0633	-0.0491	7.9343	-0.0708	-0.1661	-0.3474
Percentage of Sales From Multinational Operations	-0.1796	-0.1673	-0.1230	-0.2386	-0.2307	-0.0625	-0.2212
Number of Manufacturing Plants	-0.2992	-0.1324	-6.8069	-0.1541	-0.2130	-0.0810	-0.1806
Expatriate Transfer From Foreign Oper. to Operation	0.1820	0.0647	0.0414	0.0937	0.1114	0.1197	0.0976
Expatriate Transfer From Foreign Oper. to H.Q.	-0.2052	0.0657	-0.0430	0.1363	0.1178	0.2241	0.1830
Foreign Operations Managed By Local Nationals	-0.3157	-0.4626	-0.2199	-0.4339	-0.4138	-0.2977	-0.3542
Different Management Processes in For. Oper.	-0.0633	0.2567	0.2016	0.2282	0.2410	-0.0113	0.0884
Industry and H.Q. Location	-0.2145	-0.3087	-0.2423	-0.3176	-0.3721	-0.1927	-0.2933

APPENDIX 7
RESULTS OF POLICY QUESTIONNAIRE:
INTERNATIONAL LINE MANAGEMENT EXECUTIVES

UNEDITED MATERIALS

Table 1

<u>Number of Multinational Executives</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 50	12	70.6	70.6	70.6
51 - 100	2	11.8	11.8	82.4
201+	3	17.6	17.6	100.0
Total	17	100.0	100.0	

Table 2

<u>Number of Expatriates</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 50	14	82.4	82.4	82.4
101 - 200	1	5.9	5.9	88.2
201+	2	11.8	11.8	100.0
Total	17	100.0	100.0	

Table 3

<u>Number of Countries</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
> 6	3	17.6	17.6	17.6
7 - 15	5	29.4	29.4	47.1
16 - 25	7	41.2	41.2	88.2
25+	2	11.8	11.8	100.0
Total	17	100.0	100.0	

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Table 4

<u>Percentage of Sales From Multinational Operations</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 20%	8	47.1	47.1	47.1
21 - 30	4	23.5	23.5	70.6
31 - 50	4	23.5	23.5	94.1
51+	1	5.9	5.9	100.0
Total	17	100.0	100.0	

Table 5

<u>Number of Manufacturing Plants</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 5	10	58.8	58.8	58.8
6 - 10	1	5.9	5.9	64.7
11 - 20	3	17.6	17.6	82.4
21+	3	17.6	17.6	100.0
Total	17	100.0	100.0	

Table 6

<u>Expatriate Transfer From Foreign Operation to Operation</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 20%	13	76.5	76.5	76.5
21 - 30	1	5.9	5.9	82.4
31 - 50	1	5.9	5.9	88.2
51+	2	11.8	11.8	100.0
Total	17	100.0	100.0	

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Table 7

<u>Expatriate Transfer From Foreign Operation to Headquarters</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 20%	14	82.4	82.4	82.4
21 - 30%	3	17.6	17.6	100.0
Total	17	100.0	100.0	

Table 8

<u>Foreign Operations Managed By Local Nationals</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
0 - 20%	2	11.8	11.8	11.8
21 - 30%	15	88.2	88.2	100.0
Total	17	100.0	100.0	

Table 9

<u>Different Management Processes in Foreign Operations</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Yes	9	52.9	52.9	52.9
No	8	47.1	47.1	100.0
Total	17	100.0	100.0	

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Table 10

<u>Industry and Headquarters Location</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Engineering & Construction-U.S.	1	5.9	5.9	5.9
Food - U.S.	1	5.9	5.9	11.8
2	1	5.9	5.9	17.6
Air Transportation - U.S.	1	5.9	5.9	23.5
Other - U.S.	5	29.4	29.4	52.9
Other - Other	2	11.8	11.8	64.7
Electronics Manu- facturing - U.S.	2	11.8	11.8	76.5
Automobile - U.S.	2	11.8	11.8	88.2
Pharmaceuticals - U.S.	1	5.9	5.9	94.1
Chemicals - U.S.	1	5.9	5.9	100.0
Total	<u>17</u>	<u>100.0</u>	<u>100.0</u>	

Table 11

Q1 - Currently, multinational executive base salary decisions should be based on host country wage scales.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	11.8	11.8	11.8
	2	5	29.4	29.4	41.2
	3	1	5.9	5.9	47.1
	4	6	35.3	35.3	82.4
Strongly Agree	5	3	17.6	17.6	100.0
Total		<u>17</u>	<u>100.0</u>	<u>100.0</u>	

Table 12

Q2 - Ideally, multinational executive base salary decisions should be based on host country wage scales.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	11.8	11.8	11.8
	2	4	23.5	23.5	35.3
	3	1	5.9	5.9	41.2
	4	6	35.3	35.3	76.5
Strongly Agree	5	4	23.5	23.5	100.0
Total		17	100.0	100.0	

Table 13

Q3 - Currently, multinational executive base salary decisions are the same if executives hold similar positions irrespective of nationality and local conditions.

	<u>Code</u>	<u>Absolute Freq--</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	4	23.5	23.5	23.5
	2	2	11.8	11.8	35.3
	3	5	29.4	29.4	64.7
	4	5	29.4	29.4	94.1
Strongly Agree	5	1	5.9	5.9	100.0
Total		17	100.0	100.0	

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Table 14

Q4 - Ideally, multinational executive base salary decisions should be the same if executives hold similar positions irrespective of nationality and local conditions.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	4	23.5	23.5	23.5
	2	3	17.6	17.6	41.2
	4	8	47.1	47.1	88.2
	5	2	11.8	11.8	100.0
Total		17	100.0	100.0	

Table 15

Q5 - Currently, multinational executive base salary decisions are based on wage scales of the executive's home country.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	4	23.5	23.5	23.5
	2	4	23.5	23.5	47.1
	3	1	5.9	5.9	52.9
	4	6	35.3	35.3	88.2
Strongly Agree	5	2	11.8	11.8	100.0
Total		17	100.0	100.0	

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Table 16

Q6 - Ideally, multinational executive base salary decisions should be based on wage scales of the executive's home country.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	6	35.3	35.3	35.3
	2	2	11.8	11.8	47.1
	3	2	11.8	11.8	58.8
	4	5	29.4	29.4	88.2
Strongly Agree	5	2	11.8	11.8	100.0
Total		17	100.0	100.0	

Table 17

Q7 - Currently, multinational executive base salary decisions are based on the wage scales in the headquarters location country.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	6	35.3	35.3	35.3
	2	4	23.5	23.5	58.8
	3	1	5.9	5.9	64.7
Strongly Agree	4	6	35.3	35.3	100.0
Total		17	100.0	100.0	

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Table 18

Q8 - Ideally, multinational executive base salary decisions should be based on the wage scales in the headquarters location country.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	7	41.2	41.2	41.2
	2	3	17.6	17.6	58.8
	3	2	11.8	11.8	70.6
	4	5	29.4	29.4	100.0
		17	100.0	100.0	
Total		17	100.0	100.0	

Table 19

Q9 - Currently, multinational executive base salary decisions are based on a regional scale.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagre	1	4	23.5	23.5	23.5
	2	5	29.4	29.4	52.9
	3	6	35.3	35.3	88.2
	4	2	11.8	11.8	100.0
		17	100.0	100.0	
Total		17	100.0	100.0	

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Table 20

Q10 - Ideally, multinational executive base salary decisions should be based on a regional scale.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	5	29.4	29.4	29.4
	2	4	23.5	23.5	52.9
	3	7	41.2	41.2	94.1
Strongly Agree	4	1	5.9	5.9	100.0
<hr/>					
Total		17	100.0	100.0	

Table 21

Q11 - Currently, for multinational executive salary decisions, salary reviews are standardized and not based on the practice of the country of assignment.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	8	47.1	47.1	47.1
	2	7	41.2	41.2	88.2
	3	1	5.9	5.9	94.1
	5	1	5.9	5.9	100.0
<hr/>					
Total		17	100.0	100.0	

Table 22

Q12 - Ideally, for multinational executive salary decisions, salary reviews should be standardized and not based on the practice of the country of assignment.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	9	52.9	52.9	52.9
	2	6	35.3	35.3	88.2
	3	1	5.9	5.9	94.1
Strongly Agree	4	1	5.9	5.9	100.0
Total		17	100.0	100.0	

Table 23

Q13 - Currently, an incentive is provided for coping with the lack of home country amenities.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	11.8	11.8	11.8
	3	2	11.8	11.8	23.5
	4	7	41.2	41.2	64.7
	5	6	35.3	35.3	100.0
Total		17	100.0	100.0	

Table 24

Q14 - Ideally, an incentive should be provided for coping with the lack of home country amenities.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	11.8	11.8	11.8
	3	3	17.6	17.6	29.4
	4	6	35.3	35.3	64.7
Strongly Agree	5	6	35.3	35.3	100.0
Total		17	100.0	100.0	

Table 25

Q15 - Currently, an incentive is provided if the executive is exposed to personal danger or hazards.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	1	5.9	5.9	5.9
	3	3	17.6	17.6	23.5
	4	5	29.4	29.4	52.9
Strongly Agree	5	8	47.1	47.1	100.0
Total		17	100.0	100.0	

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Table 26

Q16 - Ideally, an incentive should be provided if the executive is exposed to personal danger or hazards.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	1	5.9	5.9	5.9
	3	2	11.8	11.8	17.6
	4	4	23.5	23.5	41.2
Strongly Agree	5	10	58.8	58.8	100.0
Total		17	100.0	100.0	

Table 27

Q17 - Currently, an incentive is provided if the executive has to deal with unfamiliar governmental and political complexities.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	11.8	11.8	11.8
	2	1	5.9	5.9	17.6
	3	6	35.3	35.3	52.9
	4	4	23.5	23.5	76.5
Strongly Agree	5	4	23.5	23.5	100.0
Total		17	100.0	100.0	

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Table 28

Q18 - Ideally, an incentive would be provided if the executive has to deal with unfamiliar governmental and political complexities.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	11.8	11.8	11.8
	2	1	5.9	5.9	17.6
	3	6	35.3	35.3	52.9
Strongly Agree	4	3	17.6	17.6	70.6
	5	5	29.4	29.4	100.0
Total		17	100.0	100.0	

Table 29

Q19 - Currently, an incentive is provided for having to deal with different social customs other than those existing in the executive's home country.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	1	5.9	5.9	5.9
	2	4	23.5	23.5	29.4
	3	8	47.1	47.1	76.5
	4	3	17.6	17.6	94.1
Strongly Agree	5	1	5.9	5.9	100.0
Total		17	100.0	100.0	

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Table 30

Q20 - Ideally, an incentive should be provided for having to deal with different social customs other than those existing in the executive's home country.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	1	5.9	5.9	5.9
	2	3	17.6	17.6	23.5
	3	6	35.3	35.3	58.8
Strongly Agree	4	5	29.4	29.4	88.2
	5	2	11.8	11.8	100.0
Total		17	100.0	100.0	

Table 31

Q21 - Currently, for multinational executive incentive compensation decisions, most emphasis is placed on performance variables established for the local entity.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	11.8	11.8	11.8
	2	1	5.9	5.9	17.6
	3	4	23.5	23.5	41.2
Strongly Agree	4	4	23.5	23.5	64.7
	5	6	35.3	35.3	100.0
Total		17	100.0	100.0	

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Table 32

Q22 - Ideally, in multinational executive incentive compensation decisions, most emphasis should be placed on performance variables established for the local entity.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	1	5.9	5.9	5.9
	2	1	5.9	5.9	11.8
	3	2	11.8	11.8	23.5
	4	4	23.5	23.5	47.1
Strongly Agree	5	9	52.9	52.9	100.0
Total		17	100.0	100.0	

Table 33

Q23 - Currently, multinational executives are included as participants in corporate long-term incentive plans irrespective of nationality.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	1	5.9	5.9	5.9
	2	2	11.8	11.8	17.6
	3	5	29.4	29.4	47.1
	4	4	23.5	23.5	70.6
Strongly Agree	5	5	29.4	29.4	100.0
Total		17	100.0	100.0	

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Table 34

Q24 - Ideally, multinational executives should be included as participants in corporate long-term incentive plans irrespective of nationality.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	1	5.9	5.9	5.9
	2	2	11.8	11.8	17.6
	3	3	17.6	17.6	35.3
	4	3	17.6	17.6	52.9
Strongly Agree	5	8	47.1	47.1	100.0
		17	100.0	100.0	

Table 35

Q25 - Currently, multinational executives are included in the corporation's long-term capital accumulation plans.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	11.8	11.8	11.8
	2	1	5.9	5.9	17.6
	3	4	23.5	23.5	41.2
	4	8	47.1	47.1	88.2
Strongly Agree	5	2	11.8	11.8	100.0
Total		17	100.0	100.0	

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Table 36

Q26 - Ideally, multinational executives should be included in the corporation's long-term capital accumulation plans.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	1	5.9	5.9	5.9
	2	1	5.9	5.9	11.8
	3	2	11.8	11.8	23.5
	4	8	47.1	47.1	70.6
Strongly Agree	5	5	29.4	29.4	100.0
Total		17	100.0	100.0	

Table 37

Q27 - Currently, multinational executives are provided deferred income plans regardless of different tax laws.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	7	41.2	41.2	41.2
	2	1	5.9	5.9	47.1
	3	4	23.5	23.5	70.6
Strongly Agree	4	5	29.4	29.4	100.0
Total		17	100.0	100.0	

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Table 38

Q28 - Ideally, multinational executives should be provided deferred income plans regardless of different tax laws.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	6	35.3	35.3	35.3
	2	2	11.8	11.8	47.1
	3	4	23.5	23.5	70.6
	4	4	23.5	23.5	94.1
Strongly Agree	5	1	5.9	5.9	100.0
Total		17	100.0	100.0	

Table 39

Q29 - Currently, total compensation decisions vary with the staffing philosophy of the company.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	4	23.5	23.5	23.5
	3	3	17.6	17.6	41.2
	4	6	35.3	35.3	76.5
Strongly AGree	5	4	23.5	23.5	100.0
Total		17	100.0	100.0	

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Table 40

Q30 - Ideally, total compensation decisions should vary with staffing philosophy of the company.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	3	17.6	17.6	17.6
	2	1	5.9	5.9	23.5
	3	2	11.8	11.8	35.3
	4	5	29.4	29.4	64.7
Strongly Agree	5	6	35.3	35.3	100.0
Total		17	100.0	100.0	

Table 41

Q31 - Currently, total compensation decisions are compared for executives across countries in a common currency to ensure equity.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	6	35.3	35.3	35.3
	2	6	35.3	35.3	70.6
	3	1	5.9	5.9	76.5
Strongly Agree	4	4	23.5	23.5	100.0
Total		17	100.0	100.0	

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Table 42

Q32 - Ideally, total compensation decisions should be compared across countries in a common currency to ensure equity.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	7	41.2	41.2	41.2
	2	5	29.4	29.4	70.6
	3	1	5.9	5.9	76.5
Strongly Agree	4	4	23.5	23.5	100.0
Total		17	100.0	100.0	

Table 43

Q33 - Currently, total compensation decisions are based on the performance measures established by corporate management and not by the local entity.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	3	17.6	17.6	17.6
	2	2	11.8	11.8	29.4
	3	4	23.5	23.5	52.9
	4	5	29.4	29.4	82.4
Strongly Agree	5	3	17.6	17.6	100.0
Total		17	100.0	100.0	

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Table 44

Q34 - Ideally, total compensation decisions should be based on the performance measures established by Corporate management and not by the local entity.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	3	17.6	17.6	17.6
	2	2	11.8	11.8	29.4
	3	3	17.6	17.6	47.1
	4	6	35.3	35.3	82.4
Strongly Agree	5	3	17.6	17.6	100.0
Total		17	100.0	100.0	

Table 45

Q35 - Currently, for total compensation decisions, global standards are established for all multinational executives with similar positional responsibilities.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	11.8	11.8	11.8
	2	6	35.3	35.3	47.1
	3	3	17.6	17.6	64.7
	4	3	17.6	17.6	82.4
Strongly Agree	5	3	17.6	17.6	100.0
Total		17	100.0	100.0	

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Table 46

Q36 - Ideally, for total compensation decisions, global standards should be established for all multinational executives with similar positional responsibilities.

	<u>Code</u>	<u>Absolute Freq</u>	<u>Relative Freq (Pct)</u>	<u>Adjusted Freq (Pct)</u>	<u>Cum Freq (Pct)</u>
Strongly Disagree	1	2	11.8	11.8	11.8
	2	6	35.3	35.3	47.1
	3	2	11.8	11.8	58.8
Strongly Agree	4	4	23.5	23.5	82.4
	5	3	17.6	17.6	100.0
Total		17	100.0	100.0	

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International Line Management Executives

Analysis of the Means and Standard Deviations of Responses

Table 47

Analysis of Means and Standard Deviation of Responses

		Present Practices		Ideal Practices		in Means
		Mean	Standard Deviation	Mean	Standard Deviation	
Question	1	3.176	1.380	3.353	1.412	.177
"	2	2.824	1.286	3.059	1.478	.235
"	3	2.882	1.453	2.706	1.532	-.176
"	4	2.412	1.326	2.294	1.312	-.116
"	5	2.353	.996	2.235	.970	-.116
"	6	1.765	1.033	1.706	1.047	-.059
"	7	3.882	1.269	3.824	1.286	-.056
"	8	4.116	1.111	4.294	1.105	.176
"	9	3.412	1.278	3.471	1.328	.059
"	10	2.941	.966	3.255	1.091	.294
"	11	3.647	1.367	4.116	1.219	.471
"	12	3.588	1.228	3.882	1.317	.294
"	13	3.412	1.176	3.882	1.111	.47
"	14	2.412	1.326	2.529	1.375	.117
"	15	3.353	1.498	3.588	1.502	.235
"	16	2.176	1.185	2.116	1.219	-.058
"	17	3.176	1.380	3.235	1.393	.059
"	18	2.941	1.345	3.007	1.369	.055

APPENDIX 8
CORRELATION ANALYSIS OF POLICY QUESTIONNAIRE:
INTERNATIONAL LINE MANAGEMENT EXECUTIVES

Table 1
Correlation of Demographic Characteristics and Policy Questions

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q5</u>	<u>Q6</u>	<u>Q7</u>	<u>Q8</u>
Number of Multinational Executives	-0.0752	-0.1091	-0.0991	-0.2298	-0.3111	-0.3759	-0.3715	-0.4612
Number of Expatriates	-0.1872	-0.2415	0.0397	-0.1398	-0.2256	-0.2815	-0.2918	-0.3674
Number of Countries	0.3163	0.2899	-0.5665	-0.5170	0.2526	0.1738	-0.0212	-0.1040
Percentage of Sales From Multinational Operations	-0.1208	-0.0131	0.0256	-0.0902	-0.2685	-0.3603	-0.3254	-0.4445
Number of Manufacturing Plants	0.2603	0.2962	-0.1630	-0.1714	0.0328	-0.0756	6.8680	-0.1178
Expatriate Transfer From Foreign Oper. to Operation	-0.1946	0.0342	-0.0847	-0.2167	0.2664	0.0442	0.1098	-0.1378
Expatriate Transfer From Foreign Oper. to H.Q.	0.0237	0.0463	-0.2614	-0.3584	0.0957	-0.0795	-0.1474	-0.3488
Foreign Operations Managed By Local Nationals	0.4619	0.5060	-0.2704	-0.3123	0.3727	0.3093	-0.0370	-0.0977
Different Management Processes in For. Oper.	-0.1243	-0.1569	0.0824	0.0387	-0.1295	-0.0917	-0.5111	-0.4765
Industry and H.Q. Location	0.3816	0.2366	-0.0468	0.0263	-0.1318	0.0102	-0.0134	0.1468

Table 1--Continued
Correlation of Demographic Characteristics and Policy Questions

	<u>Q9</u>	<u>Q10</u>	<u>Q11</u>	<u>Q12</u>	<u>Q13</u>	<u>Q14</u>	<u>Q15</u>
Number of Multinational Executives	6.3106	0.0227	0.2096	0.1090	0.0966	-2.4441	0.1782
Number of Expatriates	0.0691	0.1278	0.3215	0.2017	0.1818	0.0643	0.2665
Number of Countries	0.2113	0.2129	-0.4158	-0.4866	-0.3686	-0.4424	-0.2946
Percentage of Sales From Multinational Operations	0.1710	0.0954	0.1976	0.1399	-0.1605	-0.2131	0.1266
Number of Manufacturing Plants	0.2187	0.1669	-0.3142	-0.3880	-0.2019	-0.2793	-0.4001
Expatriate Transfer From Foreign Oper. to Operation	0.4010	0.2343	-0.1378	-0.2468	0.0950	-0.0187	0.3129
Expatriate Transfer From Foreign Oper. to H.Q.	0.1772	0.1213	-0.1744	-0.3225	0.1288	-0.0254	0.1530
Foreign Operations Managed By Local Nationals	0.4044	0.3625	-0.3908	-0.4037	-0.3348	-0.3503	-0.2900
Different Management Processes in For. Oper.	-0.1004	-0.1105	-0.0953	-0.0496	-0.1014	-0.0556	-0.1029
Industry and H.Q. Location	0.0418	0.1712	-0.0826	-0.0196	-0.2705	-0.2408	-0.2488

Table 1--Continued
Correlation of Demographic Characteristics and Policy Questions

	Q16	Q17	Q18	Q19	Q20	Q21	Q22
Number of Multinational Executives	0.1821	-0.0640	-0.0473	0.2375	0.2835	-0.1610	-0.1445
Number of Expatriates	0.1933	-0.1509	-0.1659	0.2201	0.2215	-0.3074	-0.2374
Number of Countries	-0.2011	-0.2746	-0.2377	-7.5495	0.0846	0.3308	0.3838
Percentage of Sales From Multinational Operations	0.0905	-0.3537	-0.3346	-0.0897	-0.0990	0.1057	-0.0395
Number of Manufacturing Plants	-0.3492	-0.3757	-0.3214	-0.0114	0.0861	0.3534	0.3334
Expatriate Transfer From Foreign Oper. to Operation	0.3366	-0.4447	-0.4070	-0.0500	0.0719	0.2218	0.3334
Expatriate Transfer From Foreign Oper. to H.Q.	0.2841	-0.2303	-0.1575	0.1013	0.3495	0.0335	0.2307
Foreign Operations Managed By Local Nationals	-0.2221	-5.7340	0.0138	-0.1596	-0.1866	0.3887	0.4508
Different Management Processes in For. Oper.	-0.0388	0.0671	0.1130	-0.0138	-0.0477	-0.1621	-0.1935
Industry and H.Q. Location	-0.3506	0.4964	0.4350	-0.1779	-0.3010	8.0541	0.0898

Table 1--Continued

Correlation of Demographic Characteristics and Policy Questions

	<u>Q23</u>	<u>Q24</u>	<u>Q25</u>	<u>Q26</u>	<u>Q27</u>	<u>Q28</u>	<u>Q29</u>
Number of Multinational Executives	0.3278	-0.0692	0.1941	0.0791	0.2205	-0.0491	-0.0672
Number of Expatriates	0.3955	-2.6142	0.2520	0.1300	-0.3392	0.1279	0.1469
Number of Countries	-0.0921	-0.2042	-0.0178	-0.0613	-0.3146	-0.6088	0.1405
Percentage of Sales From Multinational Operations	0.1116	-0.2024	0.0762	-0.1340	-0.1034	-0.3471	0.0717
Number of Manufacturing Plants	0.1055	-0.1565	0.2402	0.1829	-0.0600	-0.3334	0.0118
Expatriate Transfer From Foreign Oper. to Operation	0.0813	-0.1307	0.1496	0.0542	-0.0312	-0.3308	-0.0460
Expatriate Transfer From Foreign Oper. to H.Q.	0.0586	-0.2134	-0.0150	-0.0514	0.2811	-0.0766	-0.1048
Foreign Operations Managed By Local Nationals	-0.5012	-0.3698	-0.2346	-0.1210	-0.2404	-0.3747	-0.0636
Different Management Processes in For. Oper.	-0.0698	-0.0976	-0.1253	-0.3034	0.2480	0.2121	-0.3913
Industry and H.Q. Location	-0.4499	-0.1896	-0.2462	-0.0603	-0.1214	0.1042	0.1762

Table 1--Continued

Correlation of Demographic Characteristics and Policy Questions

	<u>Q30</u>	<u>Q31</u>	<u>Q32</u>	<u>Q33</u>	<u>Q34</u>	<u>Q35</u>	<u>Q36</u>
Number of Multinational Executives	-0.3369	2.6527	-0.0129	-0.2688	-0.3678	0.4628	0.3122
Number of Expatriates	-0.3392	0.1279	0.1469	-0.1023	-0.2472	0.4558	0.2993
Number of Countries	-0.1193	-0.6381	-0.6492	-0.3079	-0.3273	-0.3217	-0.3871
Percentage of Sales From Multinational Operations	-0.2021	0.0719	0.0638	-0.2120	-0.2951	0.2754	0.1379
Number of Manufacturing Plants	-0.2469	-0.2882	-0.3238	-0.1024	-0.1712	0.1839	0.1097
Expatriate Transfer From Foreign Oper. to Operation	-0.3232	0.1191	0.0932	0.0175	-0.0890	0.0230	-0.1283
Expatriate Transfer From Foreign Oper. to H.Q.	-0.3960	-0.1600	-0.2253	-0.2179	-0.3144	-0.0632	-0.2435
Foreign Operations Managed By Local Nationals	-0.1195	-0.5131	-0.5200	-0.1248	-0.1052	-0.5284	-0.5002
Different Management Processes in For. Oper.	-0.4613	0.0603	5.8633	-0.4764	-0.4257	0.2232	0.1774
Industry and H.Q. Location	0.4146	-0.1921	-0.1406	0.2121	0.2284	-0.3928	-0.2391

APPENDIX 9
IMPORTANT DECISION FACTORS,
BY DEMOGRAPHIC CHARACTERISTICS
AND BY INDUSTRY GROUPS

Table 1

Decision Factors By Key Demographic Characteristic

((Respondents from the various demographic characteristics and the decision factor they considered as important.))

Demographic Characteristic	Decision Factor Used
1. Companies with 101 to 200 multi-national executives.	1. Incentive for personal danger or hazard.
2. Companies with 51 to 100 multi-national executives.	2. Emphasis on performance variables for local entity.
3. Companies with greater than 201 expatriates.	3. Participation in corporate long-term incentive plans.
4. Companies with greater than 201 expatriates.	4. Inclusion in long-term capital accumulation plans.
5. Companies transferring more than 30% foreign executives from operation to operation.	5. Incentive for exposure to personal danger or hazards.
6. Companies transferring 12 to 50 percent of foreign executives from foreign operation to operation.	6. Participate in corporate long-term incentive plans.
7. Companies transferring 21 to over 51% foreign executives from operation to operation.	7. Vary total compensation decisions based on the staffing philosophies of the company.
8. Companies transferring more than 50% of their executives from foreign operation to headquarters.	8. Incentive for exposure to personal danger.
9. Companies transferring more than 50% of their executives from foreign operation to headquarters.	9. Include in corporate long-term incentive plans as well as in corporate long-term capital accumulation plans.
10. Companies transferring more than 50% of their executives from foreign operation to headquarters.	10. Performance measures established by corporate management and not by the local entity.

Table 2

Decision Factors By Industry Categories
(International Human Resources Executives)

(Respondents from the specific industry category considers the decision factor as important.)

Industry Category	Decision Factor
1. Banking & Finance--Headquarters in the U.S.	1. Base salary on executive's home country.
2. Food--Headquarters in the U.S.	2. Base salary on executive's home country.
3. Air Transportation--Headquarters in the U.S.	3. Base salary on executive's home country.
4. Medical & Hospitals--Headquarters in the U.S.	4. Base salary on executive's home country.
5. Pharmaceuticals--Headquarters in the U.S.	5. Base salary on headquarters location country.
6. Banking & Finance--Headquarters in the U.S.	6. Salary reviews across the world should be standardized.
7. Chemicals--Headquarters in other countries.	7. Salary reviews across the world should be standardized.
8. Banking & Finance--Headquarters in the U.S.	8. Incentive for lack of home country amenities.
9. Medical & Hospitals--Headquarters in other countries.	9. Incentive for lack of home country amenities.
10. Pharmaceuticals--Headquarters in the U.S.	10. Incentive for lack of home country amenities.
11. Banking & Finance--Headquarters in the U.S.	11. Incentive for exposure to personal dangers or hazards.
12. Medical & Hospitals--Headquarters in the U.S.	12. Incentive for exposure to personal dangers or hazards.
13. Pharmaceuticals--Headquarters in the U.S.	13. Incentive for exposure to personal dangers or hazards.
14. Chemicals--Headquarters in the U.S.	14. Incentive for exposure to personal dangers or hazards.

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Table 2--Continued

15. Banking & Finance--Headquarters in the U.S.	15. Incentive for dealing with unfamiliar governmental and political complexities.
16. Medical & Hospitals--Headquarters in other countries.	16. Incentive for dealing with unfamiliar governmental and political complexities.
17. Banking & Finance--Headquarters in the U.S.	17. Incentive for dealing with different social customs.
18. Medical & Hospitals--Headquarters in other countries.	18. Incentive for dealing with different social customs.
19. Banking & Finance--Headquarters in the U.S.	19. For incentive compensation most emphasis should be placed on performance measures of local entity.
20. Chemicals--Headquarters in the U.S.	20. For incentive compensation most emphasis should be placed on performance measures of local entity.
21. Food--Headquarters in the U.S.	21. For incentive compensation most emphasis should be placed on performance measures of local entity.
22. Pharmaceuticals--Headquarters in the U.S.	22. For incentive compensation most emphasis should be placed on performance measures of local entity.
23. Chemicals--Headquarters in the U.S.	23. For incentive compensation most emphasis should be placed on performance measures of local entity.
24. Banking & Finance--Headquarters in the U.S.	24. Multinational executives should be long-term incentive compensation participants.
25. Food--Headquarters in the U.S.	25. Multinational executives should be long-term incentive compensation participants.
26. Automobiles--Headquarters in the U.S.	26. Multinational executives should be long-term incentive compensation participants.

Table 2--Continued

27. Chemicals--Headquarters in the U.S.	27. Multinational executives should be long-term incentive compensation participants.
28. Pharmaceuticals--Headquarters in the U.S.	28. Multinational executives should be in corporate long-term capital accumulation plans.
29. Banking & Finance--Headquarters in the U.S.	29. Compensation decisions should vary in the staffing philosophy.
30. Medical & Hospitals--Headquarters in the U.S.	30. Compensation decisions should vary in the staffing philosophy.
31. Chemicals--Headquarters in the U.S.	31. Compensation decisions should vary in the staffing philosophy.
32. Pharmaceuticals--Headquarters in the U.S.	32. Total compensation decisions should be compared across countries in a common currency.
33. Chemicals--Headquarters in the U.S.	33. Total compensation decisions should be compared across countries in a common currency.
34. Banking & Finance--Headquarters in the U.S.	34. Incentive compensation performance measures should be established by corporate management and not by the local entity.
35. Food--Headquarters in the U.S.	35. Incentive compensation performance measures should be established by corporate management and not by the local entity.
36. Medical & Hospitals--Headquarters in the U.S.	36. Incentive compensation performance measures should be established by corporate management and not by the local entity.

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Table 2--Continued

37. Pharmaceuticals--Headquarters in the U.S.	37. Incentive compensation performance measures should be established by corporate management and not by the local entity.
38. Banking & Finance--Headquarters in the U.S.	38. Global compensation standards for all multinational executives.
39. Food--Headquarters in the U.S.	39. Global compensation standards for all multinational executives.
40. Medical & Hospitals--Headquarters in the U.S.	40. Global compensation standards for all multinational executives.
41. Pharmaceuticals--Headquarters in the U.S.	41. Global compensation standards for all multinational executives.

APPENDIX 10
DETAILS OF CORRELATION ANALYSIS USED IN
THE EMPIRICAL DECISION-MAKING MODEL

TABLE 1
EXECUTIVE NO. 1

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	Total Compensation	Market Compensation	Autonomy	Cultural Diversity	Political Diversity	Access to Headquarters Staff	Access to Home Country Amenities	Difficulty of the Job	Physical Dangers	Access to Key Corporate Personnel	Sales Revenue	Net Profit	Number of Employees Supervised
Total Compensation	1.00												
Market Compensation	.711	1.00											
Autonomy	.474	.523	1.00										
Cultural Diversity	.366	.285	.746	1.00									
Political Diversity	.244	.222	.741	.941	1.00								
Access to Headquarters Staff	.333	.148	.118	-.003	-.003	1.00							
Access to Home Country Amenities	-.604	-.798	-.225	-.291	-.219	.009	1.00						
Difficulty of the Job	.270	.004	.702	.826	.908	-.006	-.004	1.00					
Physical Dangers	.213	-.110	.423	.612	.608	.194	.111	.656	1.00				
Access to Key Corporate Personnel	.425	.264	.695	.414	.469	.559	-.005	.591	.353	1.00			
Sales Revenue	.719	.853	.282	.201	.156	.125	-.955	.003	-.008	.206	1.00		
Net Profit	-.292	-.105	-.009	-.335	-.237	-.199	-.006	-.224	-.384	.226	-.006	1.00	
Number of Employees Supervised	.753	.859	.294	.212	.165	.131	-.942	.004	-.004	.186	.994	-.137	1.00

TABLE 2
EXECUTIVE NO. 2

	Total Compensation	Market Compensation	Autonomy	Cultural Diversity	Political Diversity	Access to Headquarters Staff	Access to Home Country Amenities	Difficulty of the Job	Physical Dangers	Access to Key Corporate Personnel	Sales Revenue	Net Profit	Number of Employees Supervised
Total Compensation	1.00												
Market Compensation	.867	1.00											
Autonomy	.473	.451	1.00										
Cultural Diversity	.664	.600	.414	1.00									
Political Diversity	.521	.458	.346	.916	1.00								
Access to Headquarters Staff	.402	.362	.286	-.005	.001	1.00							
Access to Home Country Amenities	-.373	-.610	-.165	-.452	-.319	.279	1.00						
Difficulty of the Job	.599	.381	.562	.557	.578	.151	-.007	1.00					
Physical Dangers	.077	-.137	.586	.176	.229	.141	.131	.346	1.00				
Access to Key Corporate Personnel	.641	.637	.110	.161	.006	.491	-.206	.454	-.262	1.00			
Sales Revenue	.534	.754	.445	.342	.321	.271	-.777	.116	.003	.312	1.00		
Net Profit	-.258	-.356	-.435	-.0002	.007	.005	.008	-.506	.135	-.385	-.009	1.00	
Number of Employees Supervised	.547	.794	.471	.353	.331	.270	-.771	.154	-.002	.339	.992	-.192	1.00

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TABLE 3
EXECUTIVE NO. 3

UNEDITED
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	Total Compensation	Market Compensation	Autonomy	Cultural Diversity	Political Diversity	Access to Headquarters Staff	Access to Home Country Amenities	Difficulty of the Job	Physical Dangers	Access to Key Corporate Personnel	Sales Revenue	Net Profit	Number of Employees Supervised
Total Compensation	1.00												
Market Compensation	.581	1.00											
Autonomy	.391	.711	1.00										
Cultural Diversity	.471	.387	.208	1.00									
Political Diversity	.424	.412	.196	.949	1.00								
Access to Headquarters Staff	.209	.435	.407	.641	.759	1.00							
Access to Home Country Amenities	.232	.175	.234	.324	.178	.187	1.00						
Difficulty of the Job	.382	.413	.315	.713	.714	.750	.707	1.00					
Physical Dangers	.024	.110	.211	-.150	.002	.186	-.620	-.132	1.00				
Access to Key Corporate Personnel	.349	.205	.342	.758	.652	.547	.713	.855	-.329	1.00			
Sales Revenue	.167	.809	.645	.413	.431	.337	.118	.340	.008	.261	1.00		
Net Profit	-.316	-.243	-.429	.237	.297	.182	-.413	-.119	.289	-.258	-.121	1.00	
Number of Employees Supervised	.186	.816	.651	.410	.423	.336	.156	.363	.004	.295	.996	-.190	1.00

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TABLE 4
EXECUTIVE NO. 4

	Total Compensation	Market Compensation	Autonomy	Cultural Diversity	Political Diversity	Access to Headquarters Staff	Access to Home Country Amenities	Difficulty of the Job	Physical Dangers	Access to Key Corporate Personnel	Sales Revenue	Net Profit	Number of Employees Supervised
Total Compensation	1.00												
Market Compensation	.861	1.00											
Autonomy	.482	.639	1.00										
Cultural Diversity	.517	.512	.446	1.00									
Political Diversity	.494	.538	.545	.978	1.00								
Access to Headquarters Staff	.180	.245	.735	.621	.655	1.00							
Access to Home Country Amenities	-.285	-.081	-.005	-.452	-.518	-.005	1.00						
Difficulty of the Job	.231	.134	.452	.458	.452	.609	-.004	1.00					
Physical Dangers	.139	.0009	-.168	.236	.113	.237	-.174	-.279	1.00				
Access to Key Corporate Personnel	.508	.378	.688	.129	.205	.387	-.143	.570	-.408	1.00			
Sales Revenue	.620	.912	.701	.402	.455	.389	.155	.166	-.0004	.301	1.00		
Net Profit	-.338	-.229	-.345	.009	.127	-.003	-.315	-.439	.412	-.443	-.143	1.00	
Number of Employees Supervised	.648	.919	.671	.448	.479	.394	.172	.193	.004	.267	.994	-.165	1.00

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TABLE 5
EXECUTIVE NO. 5

	Total Compensation	Market Compensation	Autonomy	Cultural Diversity	Political Diversity	Access to Headquarters Staff	Access to Home Country Amenities	Difficulty of the Job	Physical Dangers	Access to Key Corporate Personnel	Sales Revenue	Net Profit	Number of Employees Supervised
Total Compensation	1.00												
Market Compensation	.484	1.00											
Autonomy	.755	.470	1.00										
Cultural Diversity	.365	-.340	.374	1.00									
Political Diversity	.623	-.198	.586	.809	1.00								
Access to Headquarters Staff	.785	.648	.730	.182	.294	1.00							
Access to Home Country Amenities	-.001	.213	-.004	-.454	-.367	-	1.00						
Difficulty of the Job	.819	.428	.526	.551	.589	.729	-.004	1.00					
Physical Dangers	.110	.505	.243	-.364	-.294	-	-	-.243	1.00				
Access to Key Corporate Personnel	.652	.493	.655	.355	.554	.758	-.005	.803	-.303	1.00			
Sales Revenue	.628	.005	.783	.312	.543	.508	.219	.286	.0007	.319	1.00		
Net Profit	-.585	-.255	-.297	-.494	-.494	-.526	.245	-.809	.365	-.591	-.162	1.00	
Number of Employees Supervised	.643	.003	.764	.343	.544	.497	.235	.311	.001	.290	.996	-.183	1.00

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MATERIALS

SOURCES CONSULTED

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