

# FOREIGN MBA: POTENTIAL MANAGERS FOR AMERICAN INTERNATIONAL CORPORATIONS

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*The foreign MBAs comprise an almost untapped recruitment source of international personnel. Only a few of the foreign MBAs receive employment offers although many of them are willing to be employed in the U.S. international firms.*

## INTRODUCTION

One of the significant areas of growth in the U.S. economy during the past fifteen years has been the emergence and development of multinational business operations.<sup>1</sup> Throughout these years of experience there have been many influencing factors affecting the economic efficiency of these expanding American international corporations. They now realize that legal restrictions on the forms of foreign investments are not the only limiting factors to a successful operation. More powerful constraints are nationalistic and social feelings.<sup>2</sup> It is important for the American businessmen to recognize that each country must be dealt with individually and independently, and that every effort must be made by the American international corporations to "appear indigenous to the country within which they operate."<sup>3</sup> This effects a pressing need for international personnel who are accustomed to American management philosophy, techniques, and objectives as well as culturally empathic, socially understanding, and responsible to local needs.<sup>4</sup>

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<sup>1</sup>James C. Baker, "Problems of the Wives of American Expatriate Managers" (Paper presented at the 1972 National Academy of Management Annual Meeting, Minnesota, 1972), p. 1.

<sup>2</sup>Sol M. Linowitz, "Why Invest in Latin America?" *Harvard Business Review*, IV (January-February, 1971). For further examples, see issues of *Time*, Aug. 3, 1970; Nov. 2, 1970; Feb. 15, 1971; and Feb. 22, 1971.

<sup>3</sup>David Hitchin and Steven Altman, eds., *International Business Management: A Consideration of Selected Corporate Policies and Overseas Business Opportunities* (School of Business, University of Southern California, Los Angeles, Calif., 1970), p. 26.

<sup>4</sup>James C. Baker and John M. Ivancevich, "Multi-National Management Staffing With American Expatriates," *Economic and Business Bulletin*, XXIII (Fall, 1970), 35.

In past years the policy in staffing overseas executive positions has been the employment of men from the home office. Recently, the trend, although slow in picking up momentum, is towards recruiting local nationals and third-country nationals.<sup>5</sup>

This research brings into focus a specific source of managerial talent for American international corporations, composed of foreign students who have received their MBAs in the United States. Analysis delves into the sociological and behavioral characteristics of these foreign MBAs as well as into their aspirations and plans for future employment. Results from an investigation of the American international firms' corporate recruitment patterns of the foreign MBAs are also included.

#### METHODOLOGY OF THIS STUDY

To obtain a list of the foreign MBA candidates in the United States, the International Institute of Education and the foreign student advisors of accredited and major nonaccredited Schools of Business Administration were contacted. The information received provided the names and addresses of 475 foreign students who were registered in an MBA program in the United States during the spring semester of 1970.

The questionnaire used in the study consisted of 22 items and was first mailed to a sample of 125 foreign students so that experience with the instrument might be obtained. Upon receipt of returns from this experimental mailing, interviews were conducted with a smaller sample of the respondents. In the interviews each questionnaire item was checked for accuracy and adequacy. The reaction of the respondents to the mode of presentation of the cover letter and to the questionnaire itself was also obtained. Results of the pilot study were reassuring and necessitated only minor changes in the format of the questionnaire.

The pretested questionnaires with cover letters were mailed to the remaining 350 foreign MBA candidates. Before the end of June 1970, 300 returns were received, of which 10 were disqualified for incompleteness.

Another questionnaire seeking factual information from corporate headquarters of American international corporations was also prepared and sent to 150 of the largest corporations selected from Fortune's top 500 list. Questions were related to the corporations' present and future utilization of foreign MBAs in their managerial ranks abroad, and to their recruitment practices. Returns were not as satisfactory as in the

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<sup>5</sup>Richard F. Gonzalez and Anant R. Negandhi, *The United States Overseas Executive: His Orientation and Career Patterns* (E. Lansing: Michigan State University Press, 1967), p. 81.

previous case. However, 39 percent replied, providing at least an adequate sample from the American international corporation. A close breakdown of the age category reveals:

WHO IS THE FOREIGN MBA?							
36.5%	MBAs	in	the	age	category	of	20 - 25
44.8%	"	"	"	"	"	"	26 - 30
13.0%	"	"	"	"	"	"	31 - 35
4.8%	"	"	"	"	"	"	36 - 40

The majority of the foreign MBAs are under the age of 30. This is a prime age for management positions, since following a period of training and adjustment, returns on investment could be expected for a period of about thirty years.

TABLE I  
NATIONALITY

NATIONALITIES OF THE FOREIGN MBAs			
Country of Citizenship	Number of MBAs		
Europe			70
Scandinavian countries			12
Japan	DEVELOPED		11
Australia	NATIONS		2
India & Pakistan			58
South America			39
Middle East			40
Continental Asia			27
Southeast Asia	DEVELOPING		18
Africa	NATIONS		5
Communist Bloc			8
TOTAL			290

#### SOCIAL CLASS

To determine the social class of the foreign MBAs, information pertaining to fathers' education and employment was compiled and studied. The fathers of 40 percent of the MBAs are college graduates, 12 percent have some college education, 18 percent are high school graduates, 10 percent have some high school education, and 20 percent have less than high school education.

Concerning their fathers' employment, eleven occupations are mentioned. Most frequent are business executives, followed by small merchants, and civil servants. These three occupations account for more than 65 percent of the fathers, excluding the 29 MBAs who did not reply to this question.

**TABLE 2**  
**OCCUPATIONS OF THE FOREIGN MBAs' FATHERS**

Occupation	Number	Percent
Business Executive	94	32.41
Small Merchant	41	14.13
Civil Servant	37	12.76
Farmer	19	6.56
Clerk in the Private Sector	14	4.83
Engineer	14	4.83
Teacher	13	4.48
Doctor	10	3.45
Officer in the Armed Forces	10	3.45
Laborer	7	2.42
Politician	2	.69
No Reply	29	9.99
<b>TOTAL</b>	<b>290</b>	<b>100.00</b>

Educational attainment combined with the professional and occupational status of the fathers indicates that a large majority of the MBAs belong to the middle and upper classes. In the majority of the cases, the fathers' occupations are traditional in the sense that they have been the custom for several generations. The MBAs are therefore from well-established families, and in many instances have access through family ties to groups and individuals who presently control their country's economic as well as political affairs.

#### EDUCATION

Approximately 78 percent of the foreign MBAs graduate from a native university before coming to the United States to further their education. There were 17 percent who studied in the United States, and the remainder studied in a third country. The type of undergraduate institution attended was mostly the public university.

A majority of the foreign MBAs received their undergraduate degrees in a field other than business administration. Once they also acquire knowledge in business administration, their education will be quite well-founded, and their chances for success in an organization where exogenous factors play an important role become high.

In the United States, the foreign MBAs were about to receive their degree from the better schools. Of all the respondents, 78 percent were attending prestigious state universities or private colleges.

TABLE 3

## FOREIGN MBAs' UNDERGRADUATE MAJOR

Undergraduate Major	Number	Percent
Business Administration	126	43.45
Engineering	60	20.69
Liberal Arts	50	17.25
Physical Sciences	20	6.88
Mathematics-Statistics	19	6.55
Law	6	2.08
Social Sciences	4	1.38
Agriculture	2	.69
No Reply	3	1.03
<b>TOTAL</b>	<b>290</b>	<b>100.00</b>

TABLE 4

## TYPE OF GRADUATE INSTITUTION ATTENDED

Institution	Number	Percent
Ivy League	5	1.72
Big Ten	10	3.41
Prestigious State University	125	43.10
Prestigious Private University	35	12.10
Other State University	100	34.50
Other Private University	15	5.17
<b>TOTAL</b>	<b>290</b>	<b>100.00</b>

## FINANCIAL SUPPORT

If the majority of the foreign MBA candidates have some kind of scholarship or contract from an agency or a business firm at home to come to study in the United States in exchange for some kind of compulsory service, then, at least in the short run, they will be out of reach for the American international corporations. Consequently, it is important to know how many foreign MBAs are free to choose the kind of employment they desire.

This research indicates that only 17 percent of the candidates have some type of financial support with possibly a contractual arrangement from their government or from a native private firm. Other sponsorships

TABLE 5

**RELATIONSHIP BETWEEN FATHER'S EDUCATION  
& EMPLOYMENT DESIRES OF THE FOREIGN MBA**

Father's Education	Foreign MBAs' Perception	
	Is it more beneficial to work for an American international corporation?	
	YES %	NO %
Less than High School	69	31
Some High School	66	34
High School Graduate	75	25
Some College	80	20
College Graduate	82	18
Post Graduate	83	17

The second set of questions involved a more detailed behavioral analysis into the reasons for the foreign MBA's preferences. To determine the degree of expected job satisfaction in each of the three employment environments, Frederick Herzberg's motivation-hygiene theory was used as a model. The theory distinguishes between job factors which are "satisfiers" and those which are "dissatisfiers."<sup>7</sup> Herzberg hypothesizes further that factors involved in producing job satisfaction are distinct from the factors that lead to job dissatisfaction. Challenge, achievement, responsibility, growth, advancement, enjoyment of work itself, and recognition are factors that motivate people to work more effectively. Dissatisfiers are those factors such as unfavorable physical conditions, rules, wages, fringe benefits, and so on.

The employees who tend to look for motivational or intrinsic factors will usually enjoy their work, strive for quality, be more self-sufficient, and less subject to influence by the environment. Yet, those employees who are primarily concerned with the provision of extrinsic factors seem to be motivated by the nature of their environment and are chronically preoccupied with maintenance.<sup>8</sup>

The theoretical foundation of this analysis was also based upon the expectancy theory. Here, the perceived job satisfaction is the result of

<sup>7</sup>Frederick Herzberg, et. al., *The Motivation to Work* (New York: John Wiley and Sons, 1969).

<sup>8</sup>Frederick Herzberg, "New Approaches in Management Organization and Job Design," *Industrial Medicine and Surgery*, XXXVII (1962), 477-81.

subjective probability and anticipated value that the foreign MBAs attached to certain outcomes expressed by intrinsic and extrinsic factors.<sup>9</sup> Table 6 illustrates the results of the MBAs' responses when they were given a list of intrinsic and extrinsic factors, and a choice as to where these factors could best be maximized.

It appears that the American international corporation is rated high on all but three factors leading to job satisfaction or dissatisfaction. These three factors are prestige of position, job security, and the enhancement of personal power. They are all extrinsic to the job and thought to be best satisfied through employment at a government agency. The government agency is not perceived as a place to maximize intrinsic factors. It seems that only the prestige, security, and power seekers tend to prefer government employment. On the other hand, achievement and growth oriented foreign MBAs are constantly looking to the American international corporation.

TABLE 6  
EMPLOYMENT EXPECTATIONS OF THE FOREIGN MBA

Where highest satisfaction is expected	Type of factor											
	Intrinsic					Extrinsic						
	Need Achievement	Personal Growth	Advancement	Nature of Work Itself	Wages	Travel	Working Conditions	Fringe Benefits	Prestige	Job Security	Personal Power	
	%	%	%	%	%	%	%	%	%	%	%	
Native firm at home	44	35	35	25	13	13	20	24	31	32	45	
Gov. agency at home	12	13	11	10	2	15	13	17	40	48	39	
Am. Internat. corp. at home	44	52	54	65	85	72	67	59	29	20	16	

As age increases, the belief that intrinsic factors, such as need for achievement and advancement, can best be satisfied in the American firms decreases considerably.

<sup>9</sup>V.H. Vroom, *Work and Motivation* (New York: John Wiley and Sons, 1964), p. 17.

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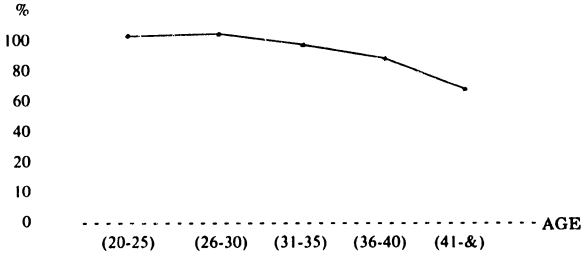
CHART I

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AGE AND EXPECTED JOB SATISFACTION  
AT AMERICAN INTERNATIONAL CORPORATIONS

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MBA's who think they  
can better satisfy  
intrinsic factors in  
Am. internat. corp.



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The type of graduate institution attended in the United States has no sizable effect upon the foreign MBAs' work preferences and their beliefs as to where they could best satisfy their needs, drives or aspirations.

A trend seems to appear, however, in relation to the nationalities of these foreign MBAs. The respondents from the more industrialized nations such as Japan, entire Europe, and the Scandinavian countries tend to perceive the American international corporation as an avenue to satisfy Herzberg's extrinsic factors: financial opportunity, travel, and working conditions. There is no distinct reference in relation to the intrinsic factors.

It is the MBAs of the developing countries that perceive the American international corporation as by far the best road to satisfying the intrinsic factors such as need for achievement, personal growth, and possibilities for advancement. This observation supports McClelland's thesis and research on need achievement. He states that the nationals of the developing nations show a higher degree of need achievement than the nationals of highly developed nations.<sup>10</sup>

ACTUAL EMPLOYMENT PREFERENCES

The foreign MBAs may perceive a particular environment as most

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<sup>10</sup>David C. McClelland, *The Achieving Society* (New York: D. Van Nostrand Co., Inc., 1961), p. 205.



suitable for satisfying certain higher or lower order needs, but when asked to evaluate all factors collectively, they may select a totally different organization for actual employment.

Support for this statement lies in the essence of the expectancy theory. For example, the final choice of foreign MBAs is explained by the integrative model of expectancy theory suggested by House and Wahba. This model involves the interaction between the valences of the perceived outcomes of the behavior under consideration and the individual's subjective estimates of the probability that his behavior will in reality result in these outcomes.<sup>11</sup>

Accordingly, the research questionnaire included several questions pertaining to actual employment preferences. About 60 percent of the foreign MBAs prefer to be employed by an American international corporation either in their native country or in a third country. Of the 9 percent have an obligation to fulfill their military service (these are between the ages of 20-24), 7 percent prefer working for a government agency in their native country, and approximately 8 percent plan to continue their education.

Contrary to common misconceptions, only 10 percent of the foreign MBAs prefer to remain in the United States permanently. Instead, research confirms that a large majority of the foreign MBAs are now available for employment and want to work for an American international corporation preferably in their native countries.

#### RECRUITMENT PATTERNS: PRESENT SITUATION

The second aspect of this study involves a questionnaire survey of 150 American international corporations. The foreign operations managers (FOM) of these corporations were questioned as to how extensively they employ foreign MBAs in their operations overseas.

The FOMs indicate that 53 percent of the firms never utilize a national or a third-country national who has received an MBA from the United States in any part of their operations abroad. Furthermore, the remaining 47 percent indicate an amazingly low number of foreign MBAs employed. On the average, a company employed no more than three foreign MBAs in all their overseas subsidiaries combined. Presently, the American corporations abroad are not fully utilizing the available foreign MBA market.

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<sup>11</sup>Mahmound A. Wahba and Robert J. House, "Expectancy Theory in Managerial Performance and Motivation: An Integrative Model and Empirical Evidence" (Paper presented at the 1972 National Academy of Management Annual Meeting, Minnesota, 1972).

## JOB OFFERS

There are approximately 60 percent of the foreign MBA's who desire to be employed by an American international corporation at home or in a third country. Job offers were made to only 34 percent of all the MBAs, and more than half of the offers made (58%) were not accepted. Following are some of the influencing factors revealed from this research pertaining to the employment offers made by the American international corporations.

In terms of the graduate institution attended, the American international corporations seemed to have more connections with state universities than with private colleges. Offers were made to 50 percent of the foreign MBAs attending Big Ten Schools, and to 40 percent of those attending prestigious state universities. Offers were made to only 12 percent of the foreign MBAs attending other institutions. No more than half of the offers were accepted in either of the groups.

The influence of undergraduate majors on employment offers made was slight. There was only the exception of the foreign MBAs who had majored in engineering and law. Sixty percent received offers and nearly all of these offers were accepted.

Correlating the number of employment offers made with the age of the foreign MBAs revealed the following: seldom were offers made to the foreign MBAs over 36, and seldom were these offers accepted. Employment offers were most often made to the foreign MBAs between the ages of 26 and 30. This age group received 36 percent of the total offers made and 70 percent of these offers were accepted.

In terms of employment offers and nationality grouping, the most favored groups were the Japanese, South Americans, and Europeans. Few offers were made or accepted within the Asiatic, Middle Eastern, or African groups. For example, about 64 percent of the MBAs from Japan received job offers from the American international corporations. These offers were for employment mostly in Japan, sometimes in a third country. In all cases their offers involved a training program in the States before assuming duties abroad. However, of those who received an offer, only one accepted. Similarly, 52 percent of the candidates from South America were offered jobs and about half accepted their offers. In the case of the Africans, only one offer was made, and this was rejected.

The fact that only 34 percent of the MBAs received employment offers confirms an existing unbalanced situation. Accounting for this unbalance may be an incomplete knowledge of the available foreign MBA market, or too strict adherence to traditional staffing policies and practices. Replies to the questionnaire indicate that in order to attract the

TABLE 7

**EMPLOYMENT OFFERS MADE TO FOREIGN  
MBA'S BY AMERICAN INTERNATIONAL CORPORATIONS**

Country of citizenship	MBA's (#)	Rec'd one or more offers (#)	Accepted an offer (#)	Rejected all offers (#)
Europe	70	34	14	20
Scandinavian countries	12	5	4	1
Japan	11	7	1	6
Australia	2	0	0	0
India & Pakistan	58	13	6	7
South America	39	20	10	10
Middle East	40	8	4	4
Continental Asia	27	5	2	3
South East Asia	18	4	1	3
Africa	5	1	0	1
Communist Block	8	3	0	3
<b>TOTAL</b>	<b>290</b>	<b>100</b>	<b>42</b>	<b>58</b>

foreign MBAs, 13 percent of the companies use advertising, 40 percent use college placement offices, 20 percent hire MBAs through unsolicited applications, 12 percent hire through employment bureaus, and 11 percent recruit through the recommendations of present employees. Perhaps greater stress should be put on advertising and on college recruitment.

On the other hand, the extremely low number of employment offers accepted by the MBAs may indicate a possible ineptness in the offers made. Possibly they do not reflect the preconceived expectations of the MBAs and are rejected because in them the MBAs see no avenue leading to satisfaction of their needs and fulfillment of their high expectations.

#### CONCLUSION

This article presents a potential recruitment source for managerial positions in American international corporations. This source is of great importance in light of the fact that the size of the American management teams sent overseas is decreasing.<sup>12</sup>

A word of caution, however, in the employment of the foreign MBA is necessary. Several FOMs and overseas general managers mentioned experiences in which the local nationals educated and hired in the United

<sup>12</sup>James C. Baker and John M. Ivancevich, "The Assignment of American Executives Abroad: Systematic, Haphazard, or Chaotic?" *California Management Review*, XIII (Spring, 1971), 39-45.

States to work in their native country had been rejected by their compatriots. Resentment and jealousy can become a human relations problem.

Yet, recruitment and employment of the foreign MBA by the American international corporations warrants greater attention for several reasons:

1. finance—training and transferring of executives becomes less costly.
2. public relations—the foreign MBA will have knowledge of the language and customs, better understanding of social and political conditions, and access to the local merchants and the power elite.
3. managerial efficiency—the foreign MBA seems to be well motivated through his perceptions of the working environment and possible achievements in the American international corporations.
4. future expansion—the foreign MBA is high-achievement oriented, mobile, and can easily join the ranks of qualified international personnel.

An extension of this research is being carried out in order to locate foreign MBAs presently employed by the American international corporations. Hopefully, information will be gathered in reference to the foreign MBAs' present attitudes towards their employers overseas to determine the gap, if any, between their aspirations and achievements.