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*Expatriate Management
in the Czech Republic*

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**EXPATRIATE MANAGEMENT IN THE CZECH
REPUBLIC**

A Preliminary Report

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EXPATRIATE MANAGEMENT IN THE CZECH REPUBLIC

This study is part of a long-term project that looks at the management of expatriates, inpatriates, and third country nationals by major multinational corporations (MNCs) in their international subsidiaries and joint ventures in various parts of the world.

The first stage was a survey sent to the 150 world's industrial corporations as reported in *Fortune* in 1991. Surveys were sent to the CEO of each of these MNCs that were heavily weighted towards U.S., Japanese, German, and British ownership. Those results were published in *Management International Review* (1996a). The next stage was to interview the key corporate official responsible for expatriate management in 29 American, Japanese, British, and German MNCs - most of them drawn from the earlier list. The corporate feedback was published in *The International Executive* (1996b).

The third stage was to interview managing directors and HR officials of 46 international subsidiaries of most of the 29 MNCs located in Western Europe, South East Asia, the U.S., and Latin America (see Peterson, Napier, and Shim, 1997). The present study focuses on the Czech Republic, representative of recent transitional economies. Plans are to enlarge this phase of the project to include Poland and Hungary.

Present Study

During the Spring of 1997 I interviewed ten officials of 8 Czech subsidiaries and joint ventures with offices in Prague. Foreign ownership in each operation included Australian, German, British, Dutch, Swedish, and American multinationals. These firms were identified in *Prague Post's* 1995 list of the largest foreign firms represented in the Czech Republic, *Principal International Business: The World Marketing Directory* (1997), *World Business Directory* (1992), and 1997 *Directory of Corporate Affiliations*.

The interviews ranged from one to three hours in length. The interviews were the result of letters written to a larger number of Czech operations involving foreign concerns. I used a semi-structured interview guide that was modified from one used in international subsidiaries in the earlier phases of this project on expatriate management. In all, 15

questions were asked of the interviewees in each joint venture (JV) or wholly-owned subsidiary. Five of the ten interviewees were Czech nationals, while the others were Australian, British, Canadian, and German expatriates. Four of the Czech operations were joint ventures with former State-owned companies, while the others were wholly-owned foreign subsidiaries. All but one of the JVs and subsidiaries were formed since 1989, while the last one started operations in the then Czechoslovakia shortly after World War I. To protect confidentiality, neither the firm nor interviewees' names are mentioned in this report.

Size and Trend of Employment

We wished to confine our interviews to those joint ventures and Czech subsidiaries with at least 500 local employees. This was possible in all but one case. Czech employment ranged from 400 to 6735 in the early years of the Czech operation, while 1997 employment ranged from 914 to 6216.

The number of separate offices/plants/divisions ranged from one to as many as nine throughout the Czech Republic. The trend was towards increasing employment over time. In four cases, there was a doubling or tripling of employment over a period of less than ten years. Declines or flat growth were likely to be experienced when the foreign firm or joint venture bought out a formerly State-owned company.

Number and Trend in Use of Expatriates, TCNs, and Inpatriates

We did not see a large number of expatriates or third country nationals (TCNs) being employed in our eight Czech operations. The number of expatriates varied from a low of one to as many as 20 at the time of our interviews. No more than 4 TCNs worked in any one of the eight Czech JVs or wholly-owned subsidiaries, though some of the expatriates were not nationals of the foreign multinational, but were assigned out of the corporate headquarters. It was most common to use expatriates as managing directors or in

other director positions in the Czech operation. Where technical expertise was required, managers or technical expatriates might be added.

Inpatriates are Czech nationals who are sent to the MNC headquarters for training or career development. The number of Czechs used as inpatriates ranged from 0 to 10 over the most recent history of the Czech enterprise. Only one of our interviewed companies was adding to its expatriate staff. Four of the foreign MNC or JV operations retained the same number of expatriates over the period of operating in the Czech Republic.

Human Resource Management and Expatriate Staff

While the number of companies in the Czech Republic which were interviewed was small, we can provide some summary information concerning how the expatriates are selected, trained, compensated, appraised, and benefitted by the Czech assignment. The persons chosen are most likely to bring skills and experience with them. The final choice of the expatriate is a joint one between corporate headquarters or the sending international subsidiary and the managing director of the Czech unit.

Training of the expatriate varied considerable between almost no pre-departure training in language or Czech culture to very thorough training both in the headquarters and in the Czech Republic after arrival on the job. In one case, all of the language and cross-cultural training was done on-site. Compensation policy varied as well. In some cases, MNC headquarters handle both expatriate salary and benefits, while in other cases the person receives part of his salary in Czech currency, though the majority of it is paid in home country currency. Benefits are always administered by the MNC headquarters or sending company.

Performance appraisal varies according to the position of the expatriate or third country national. The Managing Director of the Czech unit is appraised by his boss in the home country. More local appraisal is done by the managing director of his immediate staff, while they appraise their managers. The German MNCs were more likely to use

headquarters' appraisals for their expatriates. Our interviewees reported that, in most cases, the expatriate received a promotion when assigned to the Czech subsidiary or joint venture, but typically left for a lateral move back to his home or sending country. The autonomy and challenges were considered benefits of the assignment.

Five of the Czech operations had union representation - most typically by an independent union or unions. No interviewee mentioned having problems with their unions. The union leadership was considered reasonable in their dealings with the Czech company, plant and/or division.

Level of Autonomy of the Czech Operations

There has been quite a bit written in academic journals in international business/management concerning the amount of freedom and autonomy that multinational companies give their foreign subsidiaries. This varies from a high level of centralization from home headquarters to considerable local autonomy. Our earlier research (Peterson, Napier, and Shim, 1996a, 1996b and 1997) provides evidence that in the case of wholly-owned foreign subsidiaries, Japanese and German MNCs have a tendency to centralize decision-making from home country corporate headquarters, while British and American multinational used a greater degree of local decision-making.

Most of our Czech operations interviewees believed that they had anywhere from partial to lots of autonomy in conducting their business, though one German wholly-owned subsidiary considered they had a low degree of autonomy. The opposite was true for the other German-owned subsidiary, so we can't generalize from the one German case. Four of the Czech firms' interviewees commented on the high degree of local autonomy they had.

When the interviewees were asked which functions had the most or least autonomy, there was a general consensus. Finance, not surprisingly, was almost always mentioned as the most centralized function because of the parent company's(ies') interest in managerial

control over their far-flung operations. Strategy issues were decentralized in some cases, while in others there was joint input into strategy formulation. Human Resources was always mentioned as the most locally autonomous function, with some mentioning Sales and Marketing as well.

Inpatriates Experience Outside the Czech Republic

All eight MNCs commented on the situation of sending host nationals either back to the home country of the multinational or to other foreign subsidiaries or joint ventures. Typically, most of the inpatriates are sent to the MNC's headquarters or other home operations for either training (less than 6 months or year) or for development purposes (one to two years). Two German, one American, and one Swedish MNC commented that they were pleased with the effects of inpatriation so far. One person was sent back to Sweden, and as a result of the developmental assignment, was promoted to the director level. One of the German multinationals had sent a Czech national back to Germany for one year, and he will soon be promoted to director status.

Inpatriates, invariably, are sent out on the assumption that they have the potential to attain managerial or director status. If not, Czech nationals would not be given inpatriate status. The number of inpatriates mentioned in the interviews ranged from 1 or 2, to as many as 8 that would be sent out during the 1997-1998 period.

Unlike our earlier studies, several of the MNC interviewees mentioned that they were using some inpatriates in Russia or other former republics of the Soviet Union. One of the difficulties was that most Czech staff were not very interested in leaving the Czech Republic for any length of time. The former Soviet Union was mentioned by one multinational interviewee as one area where their Czech staff did not wish to be assigned.

Comparison of Czech Managers to HQs Country Managers

The next two sections cover the comparison of Czech managers and employees with their counterparts in the multinational's home organization. These questions had not previously been asked of our foreign subsidiaries, but a reading of the literature on the Czech Republic noted some of the challenges in moving from a socialist to market economy. Even though the former Czechoslovakia in 1938 was the sixth largest industrial economy, it had experienced almost 50 years of turmoil and Communist influence before the Velvet Revolution took place in 1989.

We began by focusing on the managerial comparison by looking at (a) level and quality of education, (b) degree of educational specialization, (c) level of managerial skills, and (d) motivation of managers. Table 1 reports summaries of the answers to these four areas. All eight Czech subsidiaries and joint ventures provided feedback. The reader should note that the quality of managers across the eight home headquarters may have varied as well, so there is no one standard being used.

Overall, our interviewees were pleased with the quality of Czech higher education compared to the MNCs home country. The only qualification was that, on the whole, technical education was viewed more positively than administration, business or finance. One British interviewee considered Czech education to be superior to that back home.

There was some disagreement among the interviewees as to the degree of specialization or generalization of the education of their managerial work force. Two interviewees characterized their higher education as more general than in the MNC's home countries, but most of the feedback suggested that the Czech managerial staff had more specialized education than their managers in the home country. One German joint partner interviewee saw their education as less specialized than those managers back in Germany.

Czech managerial skills were viewed as weaker than managerial skills in the home country. As can be seen in Table 1, Czech risk-taking and willingness to make decisions were noted as weak by several interviewees. This finding might have been expected, given

some 40 years of working in a collectivist model in which many managers were hesitant to make decisions and decision-making power often took place at the state ministry level or with top management.

Several interviewees commented that Czech managers, on the whole, were less work motivated and self-directed than the home country MNC's managerial staff. This suggests that motivation isn't a given when one attains managerial status. A case may be advanced, that Czechs, in general, don't give work the centrality than one may find in such countries as Japan, the U.S., or Germany, but only time will tell whether their shortcomings in these areas are short-term phenomena or not.

Comparison of Czech Employees to HQs Country

In general, we received less input regarding employee comparisons, than for many other questions. We can summarize the commonalities as including the following points:

1. There was agreement by most interviewees that their Czech employees had a good, quality education.
2. Once again, Czech technical and craft education were considered quite good.
3. There was some disagreement in the assessment of work skills in that several Czech operations viewed their Czech staff as having good work skills. However, one of the interviewees noted that their Czech secretaries should all be bilingual and capable of working with computers, and they weren't.
4. Those interviewees responding to personal work motivation were split between those who viewed their Czech staff as having similar motivation and those having lower motivation. One interviewee said that their Czech nationals valued social interactions in the work place to the point that goals were not reached as quickly as in the home country.

Factors that Help or Hinder the Integration of Expatriate Staff with the Local Staff

We have found this question to be quite helpful to MNC headquarters', foreign subsidiaries and joint ventures, and ourselves in determining what factors contribute to success or relative failure in a given area of the cultural inter-change. Table 2 reports the

points made by our interviewees by each of the un-named multinational operations in the Czech Republic.

One can discern several key actions or behaviors that interviewees mentioned most frequently. Whether the interviewees were Czech or another nationality, three points were repeated. One, expatriates should develop language skills in Czech. Two, expatriates should have good interpersonal skills. And finally, Czech staff want the expatriates to teach them ways of being competitive both for the good of the subsidiary or joint venture and to contribute to a stronger economy and improved living standards for the Czech people.

The comments regarding those things that hinder success are more varied. Yet being autocratic, arrogant, not knowing the Czech language, not using the team concept, not being happy in the Czech Republic, and poor interpersonal chemistry stand out.

Recommendations Concerning Improved Expatriate Success

We asked the interviewees to provide any recommendations they might have to improve the chance of expatriate staff success in the Czech Republic's operations. Table 3 reports a summary of comments made by interviewees in each of the eight multinational corporation's Czech operations.

In light of our earlier comments, it is not surprising that learning the Czech language, sensitivity to the Czechs, their culture and way of doing things, and commitment to providing opportunities for Czechs in their operation took prominence. These comments came from both Czech and expatriate interviewees. The one blistering comment came from a Czech national who made the following comment - "Expatriates should be less arrogant. We are not a 3rd world country." Much of the cross-cultural business literature for many years has made a similar plea that the first world not view citizens of other countries as second-rate in terms of their possible contributions to the foreign venture.

Future Use of Expatriates and Third Country Nationals

We have already reported the present and past use of expatriates and TCNs by the eight multinational subsidiaries and joint ventures in the Czech Republic. Now we summarize the interviewees' comments regarding their future use of non-Czech national staff. Six of the interviewees (MNCs) stated that strategy, competitive conditions, cost of expatriate staff, and a growing number of qualified Czechs would lead to localization, and hence, a reduction in the number of expatriates and TCNs being assigned to their Czech operation.

While no time line was given by the interviewees, it was clear that the shift to localization would come soon. One interviewee said that their Czech subsidiary had already identified a Czech to be the next Managing Director, a position presently held by the interviewee. Another interviewee mentioned that his Czech subsidiary would be bringing in a Polish employee as a developmental assignment. One of our interviewees, who was managing director of the Czech subsidiary, had previously served in Poland as a TCN.

What Can American and W. European MNCs Learn from the Czechs

There is often an assumption in the international management literature that the business, managerial, and technical learning goes out from the MNCs' corporate headquarters to their far-flung foreign operations - particularly those located in the second and third world nations. For the first time in our broader study of expatriate management, we asked our interviewees what the MNC headquarters and expatriate staff could learn from their Czech staff.

Table 4 summarizes the major points made by the interviewees for each of the eight multinational operations in the Czech Republic. Some of our interviewees had to think about the question for a few moments before answering. Their answers were often very inciteful. Many of the interviewees emphasized their Czech staff's strong interpersonal skills and openness to good human relations. One Czech interviewee said that some of

their American colleagues could learn to treat their work colleagues as friends, rather than primarily as competitors.

One of the German interviewees mentioned that some of the pre-1989 business relationships in the Czech Republic still operated, and have been helpful to “growing the business.” One interviewee noted Czech talents at flexibility - something often required under the old planned economy system. One managing director mentioned a Czech skill for improvising, while another TCN managing director noted a weakness by Czechs in the same area.

What Are the Most Needed Improvements in Your Workforce?

We assumed that our interviewees saw some need for improvement on the part of their Czech work force because of their having previously worked under the socialist planning system - not unlike that found in Poland and the Soviet Union. The former State-run companies were driven by meeting their production quotas, rather than efficiency considerations emphasized in market economies represented by our eight American and Western European owners or joint venture partners.

The interviewees' suggestions are not surprising. Those areas for improvement included: training in managerial skills; encouragement of staff to make decisions; improved problem-solving skills; better administrative skills; changing automatic instincts and habits; developing more self-esteem on the part of post-30 year olds; greater loyalty to employer (reducing employment mobility); commitment to their work; developing a greater customer-service mentality and dress code; working better in cross-functional teams; improvising skills; communication skills, assertiveness; adaptability; and personal responsibility and initiative. The most often mentioned suggestions were developing managerial skills, problem-solving, and working better in cross-functional teams.

What comes across clearly is that both the expatriates and director-level interviewees want their Czech staff - the future of a localization policy - to exhibit those

skills, behaviors, and attitudes that are consistent with the values of key staff in their home country operations. They also assume that the sooner that the Czechs can lose some of the negative behaviors and attitudes of their previous State-owned enterprise work force, the better the Czech staff will be, and the more competitive the Czech joint venture or subsidiary will be. With the exception of one point made above, little positive was attributed to the old economic system of 1948-1979.

How Would You Characterize the Czech National Culture?

Our final question focused on what our interviewees perceived as a common national culture of the Czech Republic's citizenry, particularly as it applied to the Czech's attitudes, norms, and values toward business and work itself. This was easily the most difficult question for both Czech and non-Czech interviewees to answer. What were the commonalities in their answers?

One of the interviewees was unable to answer the last few questions, as he was called away to interview a candidate for an opening resulting from the secondment of one of his Czech staff to Russia. A German expatriate noted some similarities of Czechs to Germans as they were ambitious, optimistic, and willing to work. A Czech director of a joint venture said that Czechs: extolled a classical education; were generalists and flexible; were not driven by rational self-interest; relied on experience as a basis for making decisions; and were not manipulative, but natural in their interpersonal dealings.

Another Western European MNC interviewee noted their ease and informality in boss-subordinate relations, as well as their comfort with working with Austrians, but noted that the Czech culture, itself, is in transition. A British interviewee likened the Czech to the key character in the book Good Soldier Zweig written before World War II. He saw them as: being cultured and artistic; having personal integrity; being long-suffering (reference to previous domination by Austrian-Hungarian Empire, Germany, and the Soviet Union); and evidencing a "wry" sense of humor.

Another interviewee was more critical. While he saw the Czechs as hard working, he noted that they lacked a sense of the importance of deadlines and individual responsibility for their work. A TCN interviewee, who had worked in other countries, saw the Czechs as a proud people (e.g, their pride in the treasures of Prague). They love old movies and books. Their culture could be seen in the writings of Hrabal and Kundera. Good human relations was, and is, given primary attention. The final interviewee said that he found it very difficult to characterize Czech culture. As the German managing director, he saw his MNC as a guest in the Czech Republic. Therefore, it was not for him or his company to make such judgments.

There was no consensus across all of the interviews. The best way of summarizing their comments is that most Czechs value good human relations, and see no reason why social time with colleagues and friends should be given short shrift to work-driven behaviors. In no other country so far have we heard such a value being extolled by local staff of our 46 foreign subsidiaries in South East Asia, Latin America, Western Europe and the United States. Perhaps there is a lesson here for some of the most industrialized nations in the world?

TABLE 1

Comparison of Czech Managers to Home Country Managers of MNC on Various Educational and Motivational Indices

Company No.	Level and Quality of Education	Educ. Special.	Managerial Skills	Motivation
1	Solid		Risk-taking is low	Low
2	Tech good Admin. and Bus not	Engr & Econ	Low risk-taking	
3	Tech & Mktg. good Finance not so	General and broader	Not as good-younger are better	Low work
4	Comp. education, but not in Market	Generalists	If given the chance, can make decision.	Lower work many job opportunities
5	Highly educated	Quite spec. Quite passive	Much lower risk-taking & decision-making	Not goal oriented
6	Comparable education quality	Quite narrow specialization	Weak in man. and "soft skills"	Self-directed
7	Tech - very good Business - not so	Trained as specialists	Self-esteem Low on man. skills	Good work motivation
8	Comparable education. - part. technical	Less spec. than in Germ.	Poor decision-making skills	Lower

* Company numbers are mixed up to maintain confidentiality of participating firms.

TABLE 2

Factors that Help or Hinder Integration of Expatriate Staff with Local Staff

Company No.	Factors Helping	Factors Hindering
1	Being accepted by Czech colleagues	
2	Close working relationships - 80-90% of Czechs know Eng. Managing Dir. attempting to learn and use Czech	Not using team concept Not being happy here Poor body chemistry of former Man. Director
3	Developing human relations. Transferring technical and business knowledge	Not knowing Czech Expatriate not being first-talent
4	Contributing to Czech Republic GDP	Unwillingness of expatriate to learn Czech
5	Ability of expatriate to integrate into Czech life	Arrogance Family problems in adjusting to country
6	Professionalism Cultural sensitivity Willingness to learn	Expatriates being autocratic in decision-making
7	Providing model of what it takes to be competitive	Low delegation by expatriates Mistrust of Germans going back to World War II
8	Language facility Arrogance of some expatriates	

* Company numbers are mixed up to protect confidentiality of participation firms.

TABLE 3

Recommendations for Improvements in Expatriates' Effectiveness in Working in the Czech Republic

Company No.	Recommendation
1	Learn to speak Czech Cross-cultural training and understanding Previous expatriate experience (but not in Latin Am.) Flexible person with generalist skills
2	Expatriates have language lessons Choose expatriates with good interpersonal skills
3	Expatriate needs to be flexible and open to living in the Czech Republic
4	Expatriate needs to be sensitive and knowledgeable about Czech situation, rules, and procedures
5	Expatriate needs to study the local language
6	MNC should provide more language training before expatriate arrives in the Czech Republic MNC should provide more opportunities for Czechs to gain top management jobs here
7	Provide more challenging opportunities for Czech staff
8	Expatriates should have more cross-cultural awareness Preferable for expatriate to have had previous job assignment in a transitional economy

* Company numbers are mixed up to maintain confidentiality of participating firms.

TABLE 4

**What Can American and West European Multinationals
Learn from the Czechs**

Company No.	Areas of Transfer of Learning from Czechs
1	Czechs are more flexible than most W. Europeans
2	Americans could learn to treat work colleagues as friends Americans could learn to be more flexible
3	Czechs are better than Germans in improvising
4	Czechs are very open to good human relations Czechs are nice people to interact with
5	Old (pre-1989) business relationships still operate here, and they are helpful in "growing the business" I have good personal relationships with the Czech staff
6	The Czechs are not so good in improvising Czech engineers are "open" to working on new product innovations There is friendly social intercourse in our Czech firm
7	Czechs are very good improvisors - result of working in former socialist system Czechs are good in working in cross-functional teams
8	Czechs are extremely methodological and analytical. They are thorough on details Czechs work well in teams Czech staff has high production quality standards

* Company numbers are mixed up to protect confidentiality of participating firms.

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