

Summary

This chapter provided a discussion of international compensation and its strategic role. The globalization of the economy necessitates U.S. companies' investments overseas. Well-designed expatriate compensation programs support strategic initiatives by attracting and maintaining the best performers. Effective expatriate compensation programs reduce risk and promote expatriate families'

comfort while they are stationed at foreign posts. The balance sheet approach minimizes financial risk to expatriates, and various incentives and allowances promote comfort. We also discussed that successful expatriate compensation programs facilitate returnees' transition to domestic assignments.

Key Terms

North American Free Trade Agreement, 338	headquarters-based method, 342	home leave benefits, 347	hypothetical tax, 352
repatriation, 339	exchange rate, 342	balance sheet approach, 348	tax protection, 352
host country nationals, 354	inflation, 343	housing and utilities allowances, 349	tax equalization, 352
third country nationals, 340	foreign service premiums, 344	quarters allowances, 349	
expatriates, 354	hardship allowance, 344	goods and services allowances, 349	
home country-based pay method, 342	mobility premiums, 344	indexes of living costs abroad, 349	
host country-based method, 342	relocation assistance payments, 347	discretionary income, 351	

Discussion Questions

1. Discuss the strengths and weaknesses of the following methods for establishing base pay in international contexts: home country-based pay, headquarters-based pay, and host country-based pay.
2. For a country of your choice, conduct research into the cultural characteristics that you believe should be important considerations in establishing a core compensation program for a U.S. company that plans to locate there. Discuss these characteristics. Discuss as well whether you feel that pay-for-performance programs are compatible. If compatible in any way, what course of action would you take to promote this compatibility?
3. Discuss your reaction to the following statement: "U.S. companies should increase base pay (beyond the level that would be paid in the United States) to motivate employees to accept foreign assignments."
4. Allowances and reimbursements for international assignments are costly. Should companies avoid international business activities? Explain your answer. If you answer *no*, what can companies do to minimize costs?
5. Of the many reimbursements and allowances that U.S. companies make for employees who take foreign assignments, which one is the most essential? Discuss your reasons.

CASE

Jenkins Goes Abroad

Jenkins Consulting is a national firm that helps companies improve their performance and effectiveness by advising on all aspects of business management and operations. Companies hire consultants from Jenkins Consulting for a variety of projects such as assisting with company-wide cost reduction initiatives or revenue growth initiatives, improving supply-chain management, and/or improving individual departments such as Information Technology. Jenkins employs consultants in

20 offices across the United States and will soon expand its operations internationally.

A company located in the United Kingdom has hired Jenkins for a major project that will be based at the company's headquarters in London. Jenkins will assist the company with an organization-wide effort to restructure and reposition the company to succeed in a more competitive market. To complete this project, Jenkins will assign five full-time consultants for a