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STAFFING FOREIGN BRANCHES OF
UNITED STATES FIRMS

by

Charles E. Scott

B.S., University of North Carolina, 1968

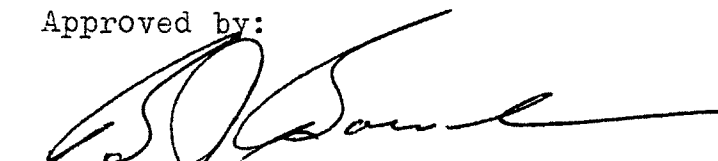
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PREFACE

This study was undertaken to assess the return on investment by United States companies in training of nationals in developing countries. Due to non-availability of data, this was changed to the study of the economic cost (or benefit) of staffing foreign branches with nationals rather than United States personnel. For a retail firm, the relevant analysis can be accomplished fairly accurately by comparing the firm's United States operations with its foreign operations and adjusting for dislocation allowances.

For a manufacturing firm this comparison becomes more difficult due to different methods of production and capital intensities. The comparison of United States and foreign operations can still be made but a decision in favor of United States personnel will be inconclusive since the labor in the United States usually will have more capital with which to work. Any conclusion from this comparison must be qualified by some comparison of capital labor ratios as well as the market comparisons which must be used for comparisons in any industry.

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CHAPTER I

INTRODUCTION

Why go international? Money! In the developing countries there are great stores of unutilized natural and human resources. Many United States firms could benefit from tapping these resources and helping to develop these markets.

When a company goes international, one of the questions it must answer is how to staff its operations. The purpose of this paper is to suggest a framework for studying this question. The alternatives compared for each category of employees are to relocate United States personnel and to hire and train nationals. In this paper a framework is suggested and then a general study is described of two United States firms' operations in one country within this framework.

There are many reasons for hiring nationals to man and run a foreign branch. One of the most obvious, with the recent anti-United States publicity and nationalizations of United States operations abroad, is to create a local image for the branch. This, by itself, is reason enough, but there is another reason which is more important to the firm . . . profit. The additional costs incurred in training these nationals are more than returned in lower labor costs relative

to the alternative of using skilled labor brought from the United States.

The productivity of local labor in the foreign branch may be lower initially than that of the United States personnel in the same job. This is due to many factors including a lower education level of labor input, unfamiliarity with United States methods and expectations, and a more relaxed attitude toward work. These factors will become less important as the employee gets acclimated to working for the company and gains skill in his job.

In most developing countries there is a large urban underemployed labor force which could be utilized by a United States firm. Many of these people are unskilled and underfed and with the lower standard of living, less work oriented than in the United States. With training, they could provide an inexpensive labor force for an international branch. As more workers were employed, they would create a market for the products of these branches. This would provide some impetus toward development of the economy and employment of the labor force.

The first company chosen as an example was Sears, Roebuck and Co. because of its good reputation for staffing and training and its long experience with doing business internationally. Thus, its people are more able to assess some of the problems and benefits to be expected in dealings with foreign nationals. Sears' Mexican operations were chosen over others,

partially because this company has been doing business longer in Mexico than in any other country. Also, Mexico, with a more developed economy than some other countries in Latin America, would exhibit some of the economic conditions to be expected in the near future in the other Latin American countries.

The second company chosen as an example was Ford Motor Company. Like Sears, Ford was chosen because of its long experience and good reputation internationally. Its Mexican operations were chosen in order to minimize data requirements since the government and environment affecting the analysis of Ford would be basically the same. This was a critical consideration since Ford would release very little data.

These example analyses are general due to the time available for gathering data and are the experiences of just two firms. Therefore, any conclusions from these example studies will be limited in scope. The framework suggested is thought to be valid for study of any firm, and with a larger number of cases, more general inferences could be made. What works for one firm does not necessarily work for others, but if the results of studies of a number of firms concur, the probability is high that they can be generalized.

CHAPTER II

FRAMEWORK FOR FUTURE STUDIES

Any firm which uses a study of the type undertaken will already have made the decision to go abroad. Therefore, the suggested study framework can be a comparison of staffing it with nationals and staffing it with U.S. personnel.

This comparison does not require as much raw data and is, therefore, more likely to be feasible than a cost-benefit analysis of either staffing policy. This also minimizes the time spent estimating intangibles when they are the same (or very close) for U.S. and foreign operations.

This comparison is accomplished by asking two sets of questions. The first set (see Figure 1) is categorized by types of employees (e.g. salesmen, service personnel, management) and consists of specific questions about the average employee in each category. These questions cover factors which affect the cost of, and benefit from, the training efforts in both the U.S. and foreign store (or plant). The data being requested are for a "typical" U.S. store (or plant) and a "typical" foreign store (or plant) of comparable size or volume. This allows comparison since the cost of sending a

Cost and benefits of staffing policy by category. Categories may be meaningful grouping (such as sales, service, production, management).

(Category)	United States Operation	Foreign Operation
A. Productivity <u>(how measured)</u>		
1. Target	_____	_____
2. Actual	_____	_____
B. Number of personnel	_____	_____
C. Average length of time with the company	_____	_____
D. Average education level (no. years formal).	_____	_____
E. Training costs (Approx. no. hours or dollars)		
1. For new personnel		
a. Formal	_____	_____
b. Informal (on-the-job).	_____	_____
2. For promotions from previous level		
a. Formal	_____	_____
b. Informal	_____	_____
3. For recurring		
a. New products, techniques, etc.	_____	_____
b. General	_____	_____
F. Average salary (if not incorporated in productivity)	_____	_____

Fig. 1.--Comparison of staffing in a typical United States operation of a typical (country) operation of comparable size or volume of business.

U.S. person to work abroad is easily quantified.¹

The questions were chosen for their pertinence in determining the actual costs and benefits of training a member of the class of employees. The productivity of the employees is obviously a measure of the benefit of training.² The personnel required will help determine the payroll costs, another measure of the benefit of training. An indication of the size of the total training effort is given also.

The number of years an employee in a particular class has been with the company gives an indication of the relative amount of on-the-job training or experience the "average" worker has had. This may be a qualifying factor in the training cost comparison. This also may be an indication of the corresponding amounts of experience needed before promotion. The use of this question is discussed more fully in the analysis of Sears.

One measure of the type of manpower resource available is given by the average education level. This may indicate a need for more training than is required in the United States. The training costs asked for are formal training costs and

¹This U.S. worker's performance abroad and in the U.S., by implication, are assumed to be similar. This may overestimate the value of the U.S. worker but any other assumption would involve extensive market information. This is also qualified further in the analysis of Ford.

²If the wage levels were the same in the two countries, productivity would be reflected in the payroll costs, but since they are different, another measure of productivity must be used.

estimates of on-the-job training costs, if available. Here, as with most of the other questions, a comparison of the two operations is desired.

The comparison of the salaries of nationals with those of Americans working abroad is a definite indicator of the advantage of using trained nationals. To U.S. basic wages and benefits must be added the costs of sending the employee abroad. These are discussed below.

The second set of questions (see Figure 2) pertains to the differences between foreign operations and U.S. operations which affect all employees. The value of most of the questions is self-explanatory but the last four require comment. A measure of the firm's orientation toward use of nationals is given by the relative number of United States personnel in mature foreign operations. The answers to the first set of questions are also qualified by this information.

The last three questions apply to production or assembly operations. Some products require less effort to produce, causing the productivity of some workers to be overstated relative to other workers. In some branches, the products are assembled from imported parts. This also will cause an overstatement of productivities. The use of these data is illustrated more fully in the analysis of Ford.

In getting answers to these sets of questions, four problems were encountered which would affect any future study to a large extent. The first and most important problem is that training, especially for the lower level jobs, is done

General questions to aid in the comparison.

1. What are the costs which would be incurred in order to export personnel?
 - a. Dislocation allowances (percentage of salary or actual costs)
 - b. Salary differentials (incentives, percentage or actual)
 - c. Language training (training cost or salary increase for skill in language)
 - d. Other (please specify)
2. What are the government requirements of firms which go into the country?
 - a. United States regulations
 - b. Local regulations in order to enter and/or stay in the country
3. What factors do you feel are important differences between operations in the United States and in the country (such as cultural differences)?
4. What costs are incurred due to international operations?
 - a. Translation costs (please include the number of countries and/or branches which can use this material)
 - b. Training costs for different products sold or produced
 - c. Other (please specify)
5. Are there any differences in staffing policy? If so, what are they?
6. What is staffing policy in reference to employment of nationals?
7. Are there any motivational differences which must be dealt with?
8. Are there any other factors which affect operation or training efforts?
9. How many stores or plants are there in the country?
10. How many U.S. employees are in the country?
11. Is the capital/labor ratio different? If so:
 - a. What is it for U.S. operations?
 - b. What is it for the country?

- c. What is the return on investment in capital in U.S. operations?
 - d. What is the return on investment in capital in the country?
12. Will the product mix appreciably effect productivity?
If so:
- a. How?
 - b. What is the product mix for the U.S. operations?
 - c. What is the product mix for operations in the country?

Fig. 2.--Comparison of staffing in a typical United States operation of a typical (country) operation of comparable size or volume of business.

mostly on the job. Thus, the cost of training is very hard to assess. Also, in many companies, even the formal training costs are not listed separately from the general overhead costs, making estimation of the total cost almost impossible.

The second problem encountered which would be an obstacle in almost any study of business operations is that a large portion of the cost data is proprietary. Thus, the analysis of costs and benefits of any phase of business, training in this case, will have to be limited to more general terms than is optimally desired. This is evident in the analyses presented later in this paper.

The third problem would be encountered when dealing with any large company. Due to the diffusion of training costs and the specialization of staff personnel, these questions require contact with many people and getting the answers is quite involved. While analyzing Sears, its international representatives for public relations, training, personnel, and operations were contacted. Even with this support, which was very good, the questions could not be fully answered in the time available.

The fourth problem, when encountered, may cause major difficulties affecting the validity of the framework suggested. Due to the difference in input prices (e.g. wages, material costs, machinery costs), the production or servicing procedures may vary drastically between U.S. and foreign methods. When this occurs, the comparison of U.S. manpower

with nationals will have to be adjusted for labor or capital intensive techniques. This will be discussed further in the analyses of Sears service departments and Ford's total operations.

CHAPTER III

ANALYSIS OF SEARS

Sears has been in business internationally since 1942 and has been operating in Mexico since 1947.¹ During this time, it has employed many nationals and presently in Mexico there are only four U.S. citizens in a labor force of around 4,000.

In 1971, Sears' Latin American sales were approximately 2% of its domestic sales, of which Mexican sales accounted for approximately one third, totaling over \$63 million dollars.² In Mexico, there are currently twenty-three operating stores and six "satellites".³ The overall Latin American operations had a profit figure, based on sales, of 5.6% in 1971 compared to a profit of 5.5% from U.S. domestic stores. The Mexican corporation had a profit of 3.4%.⁴ In Mexico,

¹Gilbert J. Sturrock, "Staffing International Operations," a presentation made at the Thirtieth World Trade Conference, February 16, 1967, p. 7.

²Sears, Roebuck and Co., Sears 1971 Annual Report, p. 30.

³These twenty-three stores consist of four full line "A" stores, five smaller "B" stores and fourteen small "C" stores which sell only appliances, high price items and a few miscellaneous items. The "satellites" are small stores which sell only high price items. (Edward Ducek, a private interview at Sears, Roebuck & Co., Skokie, Ill., April, 1972).

⁴Sears 1971 Annual Report, p. 30.

according to Sears' international staff, competition forced Sears to have lower mark-ups resulting in lower profit.¹

Sears has built a good reputation for its staffing policies and training efforts during its years of international experience. The company sends very few U.S. people to these countries and those who are sent are given the assignment of training nationals to take over their positions. The only position in Sears' foreign corporations which has not been held by nationals is the corporation president. The president of Sears Brazil is a U.S. citizen but was born and raised in Brazil.

In general, Sears has followed a policy of promoting from within the company, which, in foreign operations, has allowed filling of the managerial positions with nationals. This, along with a policy of buying locally,² has made the international corporations quite independent of Sears' U.S. operations.³

¹A more accurate cost-benefit analysis in dollar terms than the one discussed must account for this lower profit figure for the Mexican operations in a more concrete manner.

²In Mexico, over 99% of all goods sold by Sears are produced in Mexico. This is partially because of government embargoes on imports and partially because of a desire by Sears to promote the local economy. (Edward Armstrong, speech to Rotary Club, Wilmington, Del., Sept., 1971).

³This independence causes some problems in Sears training efforts. Since the products differ, some of the product information material must be adapted to Mexican use (estimated 75% of U.S. material usable with only translation). The lower volume of centrally bought goods makes hand accounting methods more economical than computer. This lower volume also causes customer relations and service problems due to poor quality control. In some cases, Sears has had to train its suppliers in order to get products of the specifications desired.

Part of this independence is forced on Sears by Mexican government regulations. Sears can only send a U.S. employee to work in Mexico if it can be proved to the Mexican government that there is no Mexican available who could do the job. The presence of each man who is sent to Mexico must be justified yearly until he has been in Mexico for five years. After that time, he can stay indefinitely without renewing his permission. A person visiting on business is required to obtain approval from the Mexican government which can be quite involved.

Government regulations also affect the salaries and benefits that Sears must provide the employee. There is a required profit sharing program which was incorporated with Sears' own programs to arrive at the final benefits in this area.¹ The Mexican Labor Board's approval is required to remove a worker from the payroll. Even with the board's approval, Sears must pay the employee his salary for three months plus twenty days for each year with the company. The government also requires that high social security charges be paid. Illness benefits for nationals are also quite generous by law. These also add to the cost of employing nationals.

While adjusting to the Mexican government regulations, Sears must also contend with the cultural environment. The Mexican is less concerned about producing or making money immediately than the U.S. citizen, although this is less of a

¹Twenty per cent of Sears Mexico is owned by its Mexican employees. This ownership was obtained through Sears's profit sharing program. (Edward Ducek, telephone interview, May, 1972).

factor now than in past years. Turnover in Sears and in companies in general in Mexico is lower than in the U.S., partly because of the before-mentioned legislation and partly because of a different approach to employment there. The Mexican employment philosophy approaches more nearly the Japanese philosophy than that in the U.S.. Once a person starts working for a company, he rarely changes companies. This implies a greater stake in the company by the employees and gives rise to greater dedication and pride in the company. This is true for all companies doing business in Mexico.

This lower turnover in all positions may cause employees to stay longer in one position since promotion is blocked. This distorts the training comparison between U.S. and Mexican operations somewhat, the Mexican getting more on-the-job training, whether he needs it or not. In countries where Sears has been expanding, this has not been a major factor since new jobs have become available constantly and promotion has been as good as, or better than, in the U.S..

Another cultural factor which presents problems is the natural sensitivity of the Latin American. This causes the hard-nosed U.S. approach to customer relations and employee relations to be less effective in Mexico. More time must be spent asking rather than telling. This costs man-hours and requires a larger staff.

The Mexican Sears employees are oriented more than U.S. employees toward education in any form. Since they have less formal education (approximately one-third less on the average

for all positions),¹ they seek and apply themselves in the training programs Sears attempts. This makes the efforts more beneficial and these efforts become definite motivation factors.

While analyzing the staffing of Sears, three meaningful categories were designated: salesmen, servicemen, and management. For each, they answered as many of the questions as possible, while not giving actual cost data. The biggest barrier in getting these data was the limitation on the time the Sears people could spend on this project.

A salesman's productivity is measured by sales per hour. This figure varies with departments because the type of merchandise they are selling varies. The standards against which performance is measured are set by national headquarters and adjusted locally to provide incentives for the salesmen and to more closely approximate local market conditions. Mexican standards are approximately twenty-five percent lower than U.S. standards.

With this lower productivity in Mexico, more staff is required for a given volume of sales. However, the lower salaries in Mexico (about 70 percent of U.S. salaries) lessen the importance of this increase in manning.

In Mexico, turnover among salesmen is lower than in the U.S.. The longer experience as a salesman allows the average Mexican salesman to get more on-the-job training than

¹Ray Clarke, private interview held at Sears, Roebuck and Co., Skokie, Illinois, April, 1972.

the average U.S. salesman.

Service in Mexico is drastically different than in the U.S.. With low wages and high replacement costs, its service is more oriented to fixing a product or part than replacing it. This causes its productivity to be lower per man. With the previously mentioned poorer quality control, a larger service department is required.

In Mexico, training of service personnel is done by three different methods. The most important is on-the-job training. Through an employee's experience and the experience of his fellow workers, he learns how to do the repairs necessary. There is usually one "expert" in the department (usually the department manager) who handles difficult cases and trains the other servicemen.

The two remaining methods of training are formal. Some of the training of Sears service personnel is done in the factories of the suppliers. This does not show up as a cost as it is part of the support rendered to Sears by its suppliers. This occurs in the U.S. also but to a lesser extent than in Mexico. The final method of training is by instructors or training material being sent from the U.S. for the service personnel.

The cost of training of Sears service personnel in the U.S. is easier to assess since more of their training is formal. Comparison of this, even with estimates of Mexican training, would be very invalid. The training is different and carried out differently. Also, the benefits of training are hard to

compare since in service, as is true in sales, the worker will tend to stay with the job longer.

Management and staff, the third group designated by Sears, comprise the only category in which Sears has U.S. personnel in Mexico. As mentioned above, only four positions are filled by U.S. personnel. These are the president, the head of buying, and two buying supervisors. The remaining management and staff structure is manned by Mexicans.

The number of staff personnel in Sears Mexico is greater than in the U.S.. Its customer relations departments are larger in Mexico due to quality control problems and to the better service rendered by their competition. These factors would be present whether the Mexican operations were manned with nationals or U.S. personnel.

Another factor affecting the number of management and staff in Sears Mexico is the lower wage level. With lower wages, more people can be employed relative to the possible loss of business from less service. As with all other jobs, the turnover in Mexican management is lower and, therefore, the training given to a national probably will be used over a longer period of employment. This effect would seem to be countered by the lower formal education level of management, but with Sears this lower education level has not been a noticeable problem.

Sears has always tried to keep its international stores similar to its domestic stores in all respects. The training materials, except where previously mentioned, are centrally pro-

duced for domestic use and translated and adapted as necessary for use internationally. The company maintains a translation unit in Mexico City at an operating cost of \$60,000 annually of which Mexico's share is \$15,000.¹

Sears considers this translation and adaptation cost the only recognizable cost specifically differentiating training of nationals and training of U.S. personnel. There is, however, a definite measurable cost of sending a U.S. employee abroad. This is in the form of extra pay and allowances extended to the U.S. worker. In Sears' case, only management and staff are sent internationally for any length of time so the following benefits only apply to these. There would probably be similar benefits necessary for other types of workers, although perhaps not as expensive ones.

A Sears manager transferred to a foreign country without a change in job would get two increases in salary: a ten percent promotional raise and a fifteen percent dislocation allowance. These are two major company expenses of exporting personnel. There are many benefits whose cost will vary with each individual case. These are the following:

1. Cost of living and shelter allowances based on indices of the relative² costs in the foreign country and those in the U.S.²

¹The \$60,000 cost is apportioned among the Spanish speaking countries of Latin America as an overhead charge and a usage charge. Sears Mexico was charged \$6,000 for overhead and \$9,000 for the material they used last year.

²These indices are developed by Organizational Researches Councilors with Washington, D.C. as a reference of 100.

2. One first class round-trip air fare for the manager and his family, for each two year period abroad.
3. Tuition fees for his children in private schools, as necessary.
4. Tax equalization benefits.¹
5. One first class round-trip air fare per year for each college age child.
6. Language training for the manager and his wife.

These costs would be incurred by the company in addition to the manager's salary and his normal moving benefits.

Without more accurate data about relative salaries and market conditions, firm conclusions cannot be made. However, some inferences can be drawn. The salaries of all local personnel in Mexico are lower than U.S. personnel (estimated 70% of U.S.). The productivity of the Mexican salesman averages about 75% of a U.S. salesman. Although the education level of the Mexican worker is lower, this doesn't seem to have affected the cost of the training efforts appreciably. The only recognizable difference in this effort is the \$15,000 translation cost and this is only an average cost of \$3.75 per Mexican employee.

With the 25% premium to the U.S. worker abroad and the 30% lower salary to the national, the salary difference is much more than the productivity difference of 25%. Since a U.S. worker would probably not produce as well abroad as in the U.S., this rough comparison probably understates the advantage of staffing with nationals.

¹The employee pays Sears his taxes at U.S. rates and Sears pays his local taxes.

CHAPTER IV

ANALYSIS OF FORD

Ford Motor Company has been doing business internationally since 1903.¹ Its international sales have been expanding rapidly, especially in recent years, and since 1967, they have been greater than domestic sales.² Ford is now doing business in about two hundred countries and territories, manufacturing or assembling in twenty-one of these.³

In Mexico, Ford's foundry, engine plant, and assembly plants employ 5,300 workers. Its sales in Mexico have reached 43,100 units⁴ and it is now exporting engines from Mexico to Venezuela.⁵ More than 99% of Ford's work force in Mexico are nationals.

Many of the factors which affect Sears operations in Mexico also apply to Ford's operations there. The government regulations on wages and benefits are basically the same for both companies. The social atmosphere in which they operate is the same. The lower education levels, lower turnover, and

¹E. R. Molina, (An address delivered at 7th Biennial Ford Engineering Forum, Dearborn, Michigan, June 15, 1971), p. 1.

²Ibid., 9.

³Ibid., 1.

⁴Ford Motor Company, Ford Annual Report 1971, p. 11.

⁵E. R. Molina, p. 7.

less orientation toward work for work's sake are definite problems with which the foreign branch must contend. There are, however, a few general factors which apply to manufacturing concerns such as Ford, which Sears does not face.

The minimum percentage of local content of goods manufactured in Mexico, as in most foreign countries, is set by government regulations. Ford is presently required to have thirty to forty percent local content in all the products made in Mexico. This will effect any comparison of Ford's Mexican operations to those in the United States since the type of products made and the resource inputs used may differ drastically. In the comparison below, the productivity is adjusted for the local content percentage.

In recent years Mexico has become more interested in the need for exports than it has in the past.¹ This need for exports may require more specialization by country than would otherwise be desirable. It may be necessary for a company's operations in one country to import from Mexico when it is not economical in order to create the necessary exports from their Mexican operations.² This specialization will definitely affect the training required in a given country, maybe lowering the costs since fewer processes will be performed in a given

¹Manufacturing companies were required to export 5% of sales in 1970, 15% in 1971 and by 1976 they are expected to export as much or more than they import ("Mexico Auto Makers Triple Exports in First Year of Government Prodding", Business Latin America, Nov. 12, 1970, p. 362).

²This actually hurts the local producers since the U.S. firm will have a market for its Mexican exports in its other operations.

country.

Nationalization is a more likely problem for Ford than Sears due to the nature of the operations. Ford's Chilean branch has already been nationalized and its Peruvian branch has been forced out of business by the Peruvian government. Therefore, anything which will give the operations a local image, such as staffing mostly with nationals, should be done to delay or avoid action by the Mexican government against Ford of Mexico.

Ford of Mexico's factory sales were 24,946 cars and 16,185 trucks in 1971.¹ This gives an output of 7.76 units per man per year in Mexico. 14.1 units per man per year were produced in Ford's domestic operations. These data are taken from factory shipments so the Mexican figure must be adjusted for the 40% local content.² An output estimate of 3.1 complete units per man per year is indicated.³ Thus, a Mexican worker is 21% as efficient as the United States worker in physical terms.

In the information available, the only salary breakdown is between international and United States operations. The

¹Ford 1971 Annual Report, p. 39.

²The Mexican government requires that 30% of the parts used in the cars produced in Mexico be produced in Mexico. Ford has approximately a 40% local content meaning that 40% of each car is Mexican parts. The shipment figures in Ford's annual report credit the Mexican operations for all of each car assembled.

³The domestic output figure probably should be adjusted up to reflect exportation of parts not attributed to United States factory sales but the data necessary to adjust this is not available.

average salary in Ford's international operations in 1971 was \$5,444 while the average for United States workers was \$13,029. This implies international salaries are 41.8 percent of the United States salary level. Even assuming a 25 percent premium¹ on United States salaries for workers sent to foreign countries, the Mexican's salary is still 33 percent of the United States level.

Based on this comparison of per capita output levels, a conclusion in favor of exporting U.S. personnel can be made, if other factors are equal. This ignores the difference in capital expenditures and the difference in product mix in the Mexican and United States operations. For international operations, there is an equity investment in capital of \$7,258 per worker while the equity investment in capital for the United States is \$17,978 per person. Since the United States worker has two and one half times as much capital to work with, his productivity would be expected to be higher. This may mean a United States worker would not be as productive in a foreign branch as he is in the United States.

The product mix in Mexico is different due to market conditions. During 1971, 61 percent of the units produced were cars. In the United States, 77 percent were cars. This implies different procedures but the difference for the above comparisons has been assumed negligible due to the difficulty of quantifying it. Also, the type and number of each type of

¹Ford was unwilling to release this datum, so the estimate given by Sears was used as an approximation.

car may vary and in a more detailed study this must be considered. It may not be quantifiable due to Ford's reluctance to research and release these data.

The indicated results of the data and comparisons listed above are that it would be cheaper for Ford to produce cars and trucks domestically for export. Given that Ford is forced to produce in the local markets in order to sell there by government regulations, the data indicated it might be less expensive to use United States personnel if the capital can be obtained to support United States methods. With the smaller markets, government regulations, and the nonavailability of capital which prevail in the developing countries, this use and support of United States personnel may not be possible. Thus, a company will be forced to use nationals if it wants to do business internationally.

CHAPTER V

CONCLUSION

Sears' policy of staffing primarily with foreign nationals in their international operations appears to be economically sound. For Ford, however, the United States workers might be more economical than nationals. This use of domestic personnel is not feasible with the capital structures and government regulations prevalent in the developing countries and less than one percent of Ford's international work force are United States citizens.

Any generalization of the above conclusions is qualified by the limited number of cases and the poor quality and quantity of the data available. Accurate conclusions from the framework suggested require accurate answers to the questions asked. For more general conclusions, studies of a number of firms would be necessary.

Productivity of a foreign branch of any company is strongly affected by the conditions in its market. Therefore, market data is necessary to make accurate estimates of the cost (or benefit) of a staffing policy. Most companies will already have market studies available when they start determining their staffing policies. Therefore, market conditions have not been considered in the framework of this

study. The combination of some studies of this sort and a firm's own market studies will result in enough information to make valid staffing decisions.

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