Expatriation: The Solution or the Problem?

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Abstract

The internationalization of organizations mandates blending of expatriates with local workforce to stay competitive in the *glocal* (globally localized) arena. Expatriation has been prevalent in the European and American continents since the industrial revolution era. The paper delves into the expatriation management practices in various developing and developed nations. An extensive literature review reveals that there is no fixed template for expatriate management which can be replicated across organizations or countries. The paper contends that 'one *size fits all*' approach fails on account of differences in culture, family situation, language skills, support during an international assignment, and so on. It highlights the challenges in dealing with issues like diverse cultures; family adjustments etc. In particular, it examines the practices used by organizations in blending an outsider in an ingroup, drawn from secondary sources of data.

Keywords*: expatriate management; challenges; expatriates; organizations

1. Introduction

'Our assets walk out of the door each evening.

We have to make sure that they come back the next morning.'

- N.R. Narayana Murthy (Founder & Chief Mentor, Infosys)

Expatriates are people who move across the national border(s) to another country to pursue their professional, economic and financial goals. Tungli & Peiperl (2009) identified three broad categories of expatriates: a) *Parent-country nationals* – Professionals who hail from the country of origin of MNC and are sent to subsidiaries/offices in host country; b) *Third country nationals* – Professionals who belong to neither parent nor host country and are sent for assignments to host nation; and c) *Inpatriates* – Professionals who are employees in other countries and are brought to the company headquarters.

The journey of every expatriate is full of socio-economic and cultural challenge as s/he is akin to an '*outsider in an inside group*'. The key challenges faced by expatriates are (Himachali, 2009): a) A*cceptance by the organizational members*; and b) C*ultural fitment in the host nation.* The local workforce develops a sense of in-group and entry of an expatriate might be perceived as violation of the sanctity of in-group. Social Identity Theory asserts that group membership creates ingroup/ self-categorization and enhancement in ways that favor the in-group at the expense of the out-group (Haslam, 2001). This poses a

problem in integrating the foreign workforce with the local workforce. Also, the culture of the parent country may be different from the host country. This can create cognitive dissonance as the host nationals might expect the expatriate to behave in ways dissimilar to their upbringing and value system.

These challenges increase multifold for professionals who move out of their comfort zone for the first time. For instance, an IT engineer born and brought-up in India is transferred to another city in the world like New York in US etc. The change theories dictate that movement from known into unknown territory breeds anxiety and fear. It can engender resistance in employees and their family who have to shift from parent country. The resistance to change can primarily occur at cognitive or emotional level (Maurer, 2009). The family member might display cognitive *resistance (I don't get it!* i.e. inability to understand the rationale for the shift. Also, the expatriate might encounter e*motional resistance (I don't like it!)* arising from fear of unknown or perceived loss of status, friends or well being.

Kanter (1995) identified three intangible assets i.e. *'3Cs'*, for gaining competitive advantage in the global economy. The three 'C's are: *concepts* (latest knowledge and ideas), *competence* (the ability to operate at the highest standards anywhere) and *connections* (relationships which provide access to the resources of other people and organizations around the world). There is empirical evidence highlighting the importance of *guanxi* or connections for market entry and long-term success in China (Tung and Worm, 2001). In light of personal and country-specific challenges, the organizations encounter an uphill task in successful integration of expatriates with local workforce especially in the networked capital economies like China, Korea or Japan where connections are an integral part of business world.

2. Genesis of Expatriation

Organizations have progressed from solely relying on local workforce to integrating professionals from diverse geographies with varied expertise, perspectives and skill sets. Table 1 lists the reasons for filling managerial positions with expatriates (Tungli & Peiperl, 2009). International management and strategy literature suggests four distinct categories of expatriate assignments - technical, functional, developmental and strategic (Caliguiri & Colakoglu, 2007). Table 2 presents the characteristics of these four assignments based on the following dimensions – developmental component, intercultural competence, main responsibilities, and typical positions.

The traditional reasons for foreign assignments have gradually been replaced by a more strategic view of expatriation. The focus has shifted from completion of individual projects to the global expertise that can be gained by expatriates and how this knowledge can be transferred to benefit the parent corporation. To the extent that this knowledge is tacit in nature, expatriates are the basic vehicles to transfer such knowledge between organizational units. Hence, an emerging view of foreign assignments is that it may create a unique competitive advantage which is difficult to imitate by competitors (Selmer & Suutari, 2010). Expatriation will yield dividends only if the HR managers develop practices to manage human talent which will maintain congruence with the overall strategic plan and yet balance the social, legal, political and economic constraints of the host country (Milliman, 1991).

With the changing times, a new breed of expatriates have emerged namely 'commuter', 'frequent flier', and 'international executive due to the shorter span of assignments (Banai, 2004). Therefore, while the traditional reasons for expatriation i.e. fill skill gap, management development, and organization development by Edstrom and Galbraith (1997) are still valid, the field of expatriate management is constantly evolving.

3. Methodology

A case study methodology was used to develop a holistic understanding of the key issues and challenges in expatriate management. The study included extensive literature review from secondary sources of data including international journals and critically acclaimed books on International Human Resource Management, and Expatriate Management, in particular. An analysis of the developments in

the field of IHRM and Expatriate management over the past three decades with focus on the research in the first decade of twenty first century was conducted.

4. Discussion

The past studies have established that both the parent and host country of an MNC act as a determining factor for the number of expatriates used (Tung, 1982; Kopp, 1994; Harzing, 1999). It is evident from the fact that traditional host countries (i.e. developing nations) are now more economically and socially advanced, and their workforce is as qualified and experienced as the expatriates sent from the parent country (Hailey, 1996; Toh and DeNisi, 2003). Similarly, it has been established empirically that different MNCs might employ the same practices in expatriate management but in variable degree and extent (Tung, 1982; Kopp, 1994; Scullion and Starkey, 2000). This suggests that there is no fixed template for expatriate management which can be replicated across different organizations or countries. The differential use of the four categories of expatriate assignments (technical, functional, developmental, and strategic) determines the degree of global integration and local responsiveness achieved by the MNC. It also plays an instrumental role in disseminating knowledge across the borders. For example, the predominant use of developmental and strategic assignments would result in a firm-level cross-cultural competence in the senior leadership of global organizations (Caliguiri & Colakoglu, 2007).

5. Four pillars of Expatriate Management

International Human Resource Management literature suggests that effective management of expatriates requires attention to the four parameters namely selection of expatriates, preparation for the international assignment, performance management during the assignment, and repatriation process after the assignment (Caliguiri & Colakoglu, 2007).

5.1 *Selection of Expatriates*: The process of expatriate assignment begins with expatriate selection which plays a crucial role in determining the success or failure of the assignment. But, surprisingly Harris and Brewster (1999) uncovered that most of the companies did not follow a systematic selection procedure leaving room for lot of subjectivity in expatriate selection. To make matters worse, many MNCs fail to acknowledge the importance of psychosocial factors (i.e. personality characteristics, family situation and language skills) and best practices in the selection of expatriates (i.e. self-selection and family involvement) in determining the success of expatriates (Caliguiri & Colakoglu, 2007). In a four nation study with more than 120 organizations, Tungli & Peiperl (2009) found that family's willingness to go features low in the regularity of selection criterion whereas family related problems are one of the foremost reasons for premature departure. Moreover, inappropriate selection strategy not only incur the direct costs such as travel, accommodation, relocation etc., but also includes indirect costs like lost business, spoilt relationship with the customer, colleagues and so on (Dowling & Welch, 2004).

5.2 *Preparation for International Assignments*: Cross-cultural training is an important ingredient of successful expatriate assignments. Two decades back, companies often did not provide cross-cultural training for their expatriates or their family members before their departure on international assignments (Black & Mendenhall, 1990). Now, companies have started recognizing the importance of cross-cultural training, resulting in an increase of training (Windham International National Foreign Trade, 1998). The report on cross-cultural training by Windham shows that 70% of the organizations provide at least one day of training to their employees before leaving for international assignment. Black & Gregersen (1991) have confirmed in their study that spouse's inability to adjust to the foreign environment is the most common reason for premature return of expatriates. Despite the evidence, most of the companies inadvertently or deliberately choose to ignore the spouse and family in either the selection process or pre-departure training (Gates, 1994). According to Tungli & Peiperl (2009), language training is provided more often than the cultural training as pre-departure training provided for expatriates although most of the adjustment issues arise out of cultural differences.

5.3 *Performance management of expatriate*: Clarification of performance goals is an important element linking MNC strategies and goals with the performance management practices of expatriates (Tahvanainen, 1998). Being able to articulate clearly the objectives and expectations for the expatriate is essential in terms of reducing ambiguity surrounding the expatriate assignment, and making sure that the goals of the expatriate and the goals of the MNC are aligned (Dowling & Welch, 2004). Another issue that relates to managing the performance of expatriates is not to make them feel `out of sight, out of mind' from the headquarters' perspective, and to make them feel welcome by the host subsidiary. Mentoring relationships with executives from the host and home organizations can help expatriates gain success by providing career development and psychosocial support functions (Feldman et al., 1999; Ragins and Cotton, 1999).

5.4 *Repatriation practices*: Managing the repatriation process remains a great challenge for the organisations (Black & Gregersen, 1991; Pickard & Brewster, 1995). Repatriates can support organizational learning by accelerating the knowledge transfer from host countries to headquarters and vice versa (Lazarova and Caligiuri, 2001). Providing opportunities for repatriates to use the knowledge and skills they gained during their assignment or assessment of the success of the assignment are among the strategic processes that the MNCs can utilize to support their repatriates. However, research indicates that because such practices are not widely used by most MNCs, companies have a hard time retaining their repatriates, and thus, may lose this valuable source of global competence to their competitors (Handler & Lane, 1997; Stroh et al., 1998).

6.   Challenges in Managing Expatriates

Carl von Clausewitz states: "*In war, everything is simple, but it is simple things that are difficult.*" Integration of global workforce with the local workforce often fails because the HR managers have not taken into account all the irksome little conditions or frictions that have to be dealt with for the plan to succeed. Table 3 chronicles the reasons for premature return (Tungli & Peiperl, 2009). Successful organizations require the HR managers to anticipate problems in expatriate management and deal with them quickly and effectively.

Despite the fact that many Western executives underscore the need for transfer of at least some elements of Western management practices to their operations worldwide, the number has not increased. High cost is one of the prime reasons behind the low percentage of expatriate vis-à-vis the total headcount. Another reason for the limited number of expatriates is the considerable work-related problems facing foreign managers. For instance, it takes time before an expatriate learns how to operate within a Sino-foreign joint venture, and it also takes considerable time to develop the necessary working relationships with the employees and external stakeholders. The expatriate, especially when the foreign partner had limited experience of operations in China, often felt isolated from headquarters (Campbell, 1988) and felt that s/he had to solve problems by herself/himself.

The problems also arise out of differential government regulations governing the workforce. For instance, French labor laws dictate not more than 35 hours a week whereas Asian organizations may unofficially demand 70 hours a week (Pollack, 2007). Research on expatriate adjustment had established that pre-departure training facilitates the adjustment process in a foreign location (Black & Mendenhall, 1990) but family members are often not included in the training programmes (Tungli & Peiperl, 2009). In-depth socio-cultural training should be provided to the expatriate as well as to the family members accompanying the employee on the expatriate assignment.

Many practitioners and academicians have emphasized the need to look at diversity in workforce as an opportunity. However, companies often face a paradoxical situation in striving to minimize complexity and implementing a standardized approach for management of multi-national teams (MNTs). A strong corporate culture is often perceived as an imposed culture and encounters resistance and resentment by its culturally diverse workforces, limiting their potential and willingness for exploratory learning (Hajro & Pudelka, 2009). In brief, the challenge facing multinational firms today is to *forge consistency* in a global workforce while *fostering diversity*.

With recent shifts in the global workforce, firms are increasingly recognizing the double whammy of 'consistency versus diversity'. Accordingly, multinationals must do more than assert the importance of a diverse workforce; they must take steps to facilitate communication, understanding, and exchange of ideas. One place to start is the creation of a psychologically safe environment where differences can be discussed and sorted out in a constructive and positive way. The integration of activities with uniformity in standards calls for effective expatriate management. Table 4 presents the Corporate-Level IHRM Officials' recommendations to improve the expatriation and repatriation process (Peterson, Napier, & Won, 2001).

7.   Theoretical and Practical Implications

The study has clear implications for the HR practitioners engaged in expatriate management. In order to succeed in a globally competitive environment, MNCs need to effectively train expatriates and their spouses/family members, host-country nationals (HCNs) and third-country nationals (TCNs) to develop a truly global management team.

The limited evidence from case studies suggests that most corporations still adhere to the traditional method of selecting expatriates on an ad hoc basis (Chong and Jain, 1987; Thong, 1991; Lim, 1991; Putra, 1993). One of the reasons is lack of long-term manpower planning. In addition, behavioral assessment, psychological assessments and cognitive tests are rarely used as the selection methods (Tungli & Peiperl, 2009). Therefore, the focus of expatriate management needs to shift from strategy formulation to strategy implementation (Collings, Scullion, & Morley, 2007).

Forster and Johnson (1996) point towards the emphasis placed on preparation and arrival in the management of expatriation, whereas literature suggests that the most difficult times for expatriates occur some months after arrival. Hence, in addition to training and support during the assignment, inclusion of a pre-departure provision may indicate that the organization has the best interests of its expatriate workers at heart.

8.   Caveats

A crucial caveat of the study is that it primarily focused on secondary sources of data. The sample for the interview consisted of the HR practitioners. Thus, it fails to capture the views of the professionals who have worked as expatriates. Research findings on the impact and effectiveness of the practices followed by organizations are unclear. To determine the causal relationship between HR policies and performance of expatriate; a single independent variable (HR policy) should be manipulated with 'performance' as the dependent variable. But the structure and design of international assignments results in simultaneous interaction of multiple variables like culture, family adjustment, competence etc. Future research should isolate the effect of HR practices by controlling other influencing variables.

An empirical study to validate the assertions in the paper is a direction for future research. A controlled experiment to evaluate the performance of expatriates at the end of an assignment will be useful. The study should consist of two groups of expatriates with similar demographics like nationality, educational level, religion etc. who are assigned to the same host nation but guided by a different set of HR practices. The comparative analysis or measurement of performance of two groups will aid our understanding of the effects and utility of HR practices.

9.   Conclusion

The epigraph *'Our assets walk out of the door each evening. We have to make sure that they come back the next morning.'* at the beginning of the paper challenges us to expand the myopic view of employees from human resources to human capital. With the recognition that expatriates are an asset as well as risks to be managed, organizations should identify ways to integrate expatriates into an overall HR strategy. This paper sheds light on the various dimensions of expatriate management at a time when it

is indispensible for implementation of organizational strategy across borders. The organizations should take cognizance of the recommendations presented in Table 4 to equip themselves to meet the challenges of an increasingly boundaryless world.

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Table 1: Reasons for filling managerial position with expatriates (Tungli & Peiperl, 2009)

	Germany	U.K.	Japan	U.S.	Total	
To set up a new operation	4.70	5.13	5.21	5.25	5.07	
To fill a skill gap	4.18	4.83	4.68	5.33	4.82	
To develop international management skills	4.91	4.77	4.11	4.53	4.63	
To train and orient local staff	4.41	4.57	4.32	4.61	4.50	
To control the operation	4.00	4.00	4.61	4.53	4.29	
To ensure the same company standards worldwide	4.48	4.00	3.56	4.43	4.22	
To coordinate with headquarters	4.12	3.80	4.68	4.16	4.14	
To provide career development opportunities	4.03	4.53	3.41	4.23	4.14	
To establish and maintain corporate culture	4.09	3.83	3.74	4.14	3.99	
To learn about local business practices	4.30	3.90	4.11	3.60	3.94	
To maintain the image of the operation as "foreign"	3.15	1.90	2.72	1.91	2.35	
To find jobs for surplus managers	1.88	1.60	1.72	1.68	1.72	

Each item was rated on a 6-point scale (1=very unimportant to 6= very important); n>120

Table 2: Categories of Expatriate Assignments (Caliguiri & Colakoglu, 2007)

	Technical assignments	Functional assignments	Developmental assignments	Strategic assignments
Developmental component	None	Not a stated goal	The primary goal is to gain a stated set of competencies	Gaining new skills can be a secondary goal
Required Intercultural competence	Few, if any required	Required since interaction with host nationals is necessary	Not a prerequisite, but develops while on assignment	Strongly required to be successful on the job
Main responsibilities	To complete a job and return home	To complete a job and return home	Sent to other countries, diverse markets, across functions to perform various jobs on rotational basis	Fill very senior and critical international positions
Typical positions	Individual contributors (e.g. engineers, IT professionals)	Mid-level functional managers (e.g. sales, training, marketing managers)	Mid-level or junior-level managers	County managers

Table 3: Reasons for Premature Return (Tungli & Peiperl, 2009)

	Germany	U.K.	Japan	U.S	Total
Operational reasons	3.50	3.73	3.14	3.03	3.33
Poor performance in the job	3.00	2.32	2.50	2.97	2.77
Employee's family could not adapt to local circumstances	3.00	2.37	2.29	2.68	2.64
Employee could not adapt to local circumstances	3.08	2.42	2.43	2.46	2.62
Other family-related problems	2.17	2.65	2.36	2.48	2.41

Each item was rated on a 6-point scale (1=never to 6=always); n>120

Table 4: Corporate-Level IHRM Officials' Recommendations to improve Expatriation and Repatriation (Peterson, Napier, & Won, 2001)

Recommendations to improve Expatriation and Repatriation process
Doing more host-country recruiting for key positions
Hiring foreign nationals in INSEAD and U.S. MBA Schools
Staffing expatriate positions less through "old-boys network"
Give expatriate more time before leaving for foreign assignment
Early identification of job available upon repatriation
Better pre-departure training including the family members
Help families of expatriate with adjustment
Do survey of MNCs' experience and problems of expatriate
Guarantee job upon repatriation
Improve identification and staffing of expatriate assignment
Paying more attention to the repatriation process
Making international assignments more appealing
Using expatriate expertise back home on repatriation
Dealing better with family and dual-career problems
Integrating foreign staff into corporate headquarters
Using women expatriates more
Improving expatriate relationships with international subsidiary local staff
Reducing expatriate staff
Reducing costs of using expatriates