An intensive literature review on international assignments, expatriate failures and success, connected issues and the means for its refinement-with special reference to expatriates in the field of energy

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ABSTRACT

Intensive literature review provides a holistic understanding over the journey of an expatriate. The dynamic business environment and stretching the business across the border has paved way for the growth of an expatriate. The role of an expatriate in international assignment is multi-dimensional. It ranges from a representative, agent, monitor, communicator, etc. The paper provides comprehensive review of the evolving research on the key challenges present in the international assignments and also briefly discusses the significance of expatriation and the various facets of an expatriate’s role. The cost of international assignment is three to five times greater than hiring a local employee. To add a meaningful insight to quantify the expenses attached with an expatriate, the studies on Return on Investment (ROI), Benefit- Cost Ratio (BCR), Human Capital contributes significantly. In spite of many studies on the significance of the international assignments and huge costs attached with it, the failure rate of expatriates continues to be a major issue. At this stage, many researchers have identified a research gap and calls for meaningful studies to enlighten the context. As a means to resolve the current issue, the paper also covers the studies on importance of selection process of an expatriate, selection criteria, etc. And it also covers papers on expatriate training which is also considered to resolve the above said issue.

Key words: Expatriate, Failure and Success

INTRODUCTION

Global assignments, the globalizing of business units enforces the organizations to assign their employees in the overseas environment (Bolino, 2007). An organization can en mark its role in the global market only with the support of its managers and executives. The employees play a part international market and bring home international management competencies and also enable to penetrate into new markets (Belderbos & Heijltjes, 2005; Kim & Slocum, 2008; Shaffer, Harrison & Gilley, 1999; Tung, 1998; Van Emmerik & Euwema, 2009). The count of employees send abroad for cross border assignments is escalating day by day (Aycan and Kanungo, 1997).

Expatriate, before citing the complex definitions on expatriates George S. Benson and Marshall Pattie simply considers the employees currently working abroad as expatriates. The development of expatriate managers capable of managing international situations is unavoidable for an organization to defend itself from global competitions (Adler and Bartholomew, 1992; Lublin, 1996; Harvey, 1997). Expatriate development is growing significantly as a vital HRD issue for MNCs and international organizations (Osman-Gani & Tan, 2005). The employees are placed in cross border assignments for a limited period ranging from 6 months to 5 years (Aycan and Kanungo, 1997). The purpose for which these employees are sent abroad and the task to be accomplished by them varies to an great extent and is diverse in nature (Belderbos and Heijltjes 2005). The more the employees are transferred across boundaries, the better they become skilled at career competencies and labour market values, they are termed as mobile professionals and even as boundary less careerist (Thomas, Lazorova, & Inkson, 2005:341).

Multi-dimensional role of an expatriate, the rise in international joint ventures and strategic alliances has driven today’s organizations to build managers for cross border work assignments. The international market is very complex and totally dynamic; to handle this situation the international managers must have cultural awareness and must understand the cultural sensitive issues. In addition to the above said feature one has to be acquainted with ability to change, and should develop and improve on the job performance in the assigned task (Harris and Kumra, 2000). In the process of globalizing the corporate, naturally a gap has been developed among the various business hub or centre because of the distance between the home country and the host country and this has created many issues, for smoothening of which expatriates were used as agents (Jensen & Meckling, 1976). There are many motives to hire expatriates; firstly he may be hired to fill up a position whenever the domestic employee fails to possess the required skill. Secondly, the organizations are desired at developing competent managers and thereby to possess better human capital at international level. Thirdly they are employed as a means of organizational development because expatriates could be used to transfer knowledge within the MNCs (Edstrom and Galbraith 1977). Harzing (2001) the role of expatriates is discussed under multi facets has the bear, the bumble bee and the spider. In a control specific perspective an expatriate is termed as a bear and he is used to monitor the subsidiary operations and to exercise the power of dominance over the other. Bumble bee: the role of an expatriate is that of a bee which helps in cross pollination, similarly an expatriate socialize the host country employees and thereby enhance better communication. Spider: like a spider the expatriates generate a web and they integrate all the parts of the MNC and develop a effective management information system for better knowledge transfer, communication and foster integrity. This study also examines the significance of the various roles of an expatriate over various situations. The expatriates more often undertakes to perform the bear role, regardless of the situation. But Harzing (2001) suggest for a new budding subsidiary the role of a bumble bee is more required to socialize the situation and for an established subsidiary (longer than 50 years) the spider role helps better to maintain integrity.

The cost factor, the cost of international assignments is between three to five times costlier than the assignee’s home salary per annum (Selmer 2001). Mc.Nutty and Tharenou (2004) have developed a theoretical model of expatriate ROI, the calculation of the same includes the relationship between the costs and benefits and the objectives of the assignment. G. Mac 2005 in a survey about 65%
of the organizations of the respondents were interested in cost reduction associated with international assignment, but to contradict the same survey revealed that for only 14% of respondents ROI was measured. To evaluate any task or assignment the earnings obtained out of it and the amount invested in it has to be compared and also it is being viewed as a cost center. BCR, the benefit cost ratio compares the costs spend and the benefits derived out of task.

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BCR = \frac{\text{Program benefit}}{\text{Program cost}} \\
\text{ROI} = \frac{\text{Net Program Benefit}}{\text{Program Cost}} \times 100
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ROI and BCR are considered to be best indicators of the success of a project.

Expatriate failure, the cost of international assignments is between three to five times costlier than the assignee’s home salary per annum (Selmer 2001) but unfortunately the findings of National Foreign Trade COUNCIL and Management 1999(B) states that 16- 40% of the international assignment end in failures. Failure is explained as the premature return to their home country and the expatriates at times even quit from their international assignment before completing the assigned task (Naumann, 1993). The failure cost includes direct cost and indirect cost. The direct cost comprises of re-assignment and remuneration package of the expatriate and is include relocation and compensation of expatriates’ replacement. But the indirect cost is very difficult to be quantified, and it includes lost sales, unstable corporate image and misguided employees. The cost of failure has gradually raised and it was US$ 50 000 a decade ago and in 2009 it is US $1 million per failure to US firms (Kramer, Shaffer, & Bolino, 2009). Apart from the financial loss aspect of the failure, it cruelly affects the reputation, resources and employee depression (Black & Mendenhall, 1989). In the context of global staffing the expatriate failure is an important issue for the MNCs and the cost of failure is very high. The direct failure cost includes salary, training cost, travel and relocation expenses and the indirect failure cost includes damaged relations with host country organization and loss of market share. Amidst total failure cost, the indirect cost is considered to be more dangerous for the prospects of progressing MNCs (Schuler, Budhwar, & Florkowski, 2002). Harzing (1995, 2002) doubts about the magnitude of expatriate failure rates and suggests that it may be a misleading fact by the myth and the impacts created by Tung’s (1991). Based on the above critic many authors have called for a broader conceptualization of expatriate failure (Briscoe & Schul, 2004; Scullion & Collings, 2006b). Hamill (1989: 24) found that poorly designed compensation package greatly influence and in many a times seems to be the reason for premature returns of the expatriates.

Adjustment, the degree of psychological comfort one feels towards a new situation and its environmental demands is termed as adjustment (Black 1988, 1990, Parker & Mc.Evoy 1993, Caligiuri 2000). The ultimate purpose of placing an expatriate in an international assignment is the effective accomplishment of the assigned task and the flow of continual operations from the head quarter to the subsidiary. Several antecedents or stressors are capable of influencing the expatriates’ performance. To maximize the expatriate performance the organizations need to indentify the above said antecedents and stressors. When the expatriate job performance is in accordance with the organizational goal it is termed as expatriate effectiveness Campbell (1990). Black 1988, discusses the three facets of adjustments namely, work adjustment, relational adjustment and general adjustment. Work adjustment covers the work related dimensions namely supervision, responsibility and performance and relational adjustment covers the capability of creating and maintaining a smooth relationship among the host country nationals. The general adjustment covers the ability to cope up with the living conditions prevailing in the foreign country. Thus adjustment is considered to be the most important success criterion right from the Tung’s (1981) seminal article. Another important success criteria is the job performance, Caligiuri has developed a model in which she briefs the two fold dimension of the job performance, namely task and contextual aspects. The effective task performance includes the fulfillment of job objectives and other technical aspects of the job, whereas contextual performance deals with non-work related items but are very essential for the accomplishment of the work itself which includes creating and maintaining good relationships with the host nationals and adapting to the host trade and business practices (Caligiuri, 1997; Caligiuri & Day, 2000).

Expatriate Success, when an expatriate remains in the host country for the entire assigned period, he is deemed to have been succeeded. On the other hand in a behavioral perception, the intention to complete the assigned task is considered to be the proxy for success. The western and Taiwanese studies have indentified many factors as predictors of expatriate success. Broadly speaking this includes skills, ability, personality and other demographic features. Skills include technical skills, managerial skills, leadership skills, past performance, and previous overseas work experience. Ability includes good ability to communicate, adaptability, and ability to command respect. Personality includes cultural empathy, initiative, creative, independence, emotional stability, maturity, and interest in overseas work and the foreign culture include the education, age, marriage, medical status, and adaptability of family (Chiou, Chuang, & Wen, 2007; Lazarova & Tariq. 2005; Mendenhall, Dunbar, Oddou, 1987; Mendenhall & Oddou, 1985; Riusala & Suutari, 2004; Ronen 1990; Tsai, 1998; Tung, 1981; Tungli & Peiperl, 2009; Wu, 1995a; Wu & Tarn, 1999; Wu,Tsai, & Lin, 1999).

Selection, the selection process greatly influences the success of the international assignment and aids the international firms to compete predominantly in the international business (Tung, 1981, 1982). Many international firms considers the technical skill and domestic track record as the required criteria in the selection process, unfortunately many firms underestimate the significance of soft skills in the international assignment (Morley). The entire performance efficiency of an expatriate begins from the selection process itself. Person with right caliber must be placed in the right assignment for its effective fulfillment. The resume of a candidate represents some useful characteristics of an expatriate. Frequently portrayed character is the level of fluency of the candidate towards the foreign language (Peterson, 2002). In addition to this the resume can also portray the candidates’ international experience from which one learns to adapt in new situations (Tye and Chen, 2005). Finally it also speaks about the technical competence of a candidate towards the accomplishment of the task; this may vary in accordance with the nature of the international assignment. But the resume contributes...
more towards the process of elimination of the unqualified applicants and for the selection process apart from the resume based characteristics one has to pay more attention towards the personal characteristics which includes ability to adapt to different norms and modes of behavior and high tolerance for ambiguity (Tye and Chen, 2005). Emotional intelligence or emotional maturity which is defined as an array of capabilities, competencies and skills that influence one’s ability to cope with environmental demands (Salovey and Mayer, 1990). Alizee B. Avril broadly lists out few psychological and personality traits which one should possess to be emotionally matured. They are tolerance for ambiguity, low goal and task orientation, open-mindedness, tolerance for difference, communicativeness, empathy, flexibility, curiosity, warmth in relationships, motivation and self reliance. To test the traits of emotional intelligence the technique of behavioral interviewing is suggested wherein situational questions and past behavior questions plays a massive role. Next to the behavioral interviewing the candidate’s ability to adapt is considered to be an yet another criteria in the selection process. One of the indicators to determine the ability to adapt is his/her learning orientation (Magnini and Honeycutt, 2003). The learning orientation present in a candidate helps him/her to acquire new skills and in mastering the new situations (Vande Walle et al., 2001). At last to increase the probability of success, it is essential to include the family of the candidate in the selection process. The spouse often suffers from the feeling of alienation. To become accustomed to the new system of schooling the expatriate’s children has to struggle (Solomon, 1994). Aging parents, chemical dependencies, learning disability in a child, behavioral issues in teenagers and emotional instability of family members are some common issues which have to be clearly explained earlier (Naumann, 1992).

Cross cultural training, Parkinson & Morley 2006 in their study states that Cross cultural training increases the probability of success of international assignments. The international assignments are considered to be complex one because it includes a new situation with several uncertain happenings (Adler 2001). Cross cultural training aids for the betterment of cross cultural adjustments by reducing the uncertainties that prevail in a new situation (Black & Mendenhall 1990). The studies on training can be broadly classified into four phase. The first, professional knowledge training, this includes understanding the mission, technology and innovation. The second, skill training such as supervisory skills administrative skills, cross cultural skills, decision-making skills, communication skills and negotiation skills. The third is language and etiquette training and the fourth is host country sensitivity training and it includes political issues and family adaptation (Bolino & Feldman, 2000; Caligiuri et al., 2001; Eschbach et al., 2001; Wu & Tarn, 1999; Wu et al., 1999). Magnini and Honeycutt, 2003 found that there are three stages in a well structured expatriate training program namely, stage I-training in the home country, stage II-training upon arrival in the host country, stage III-real time training and stage IV-training for the family. Thus training can help the expatriate understand the culture of the foreign destination and it also enhances the learning orientation.

CONCLUSION

The international assignments are considered to be the mile stones in the progress of an organization to grow at global level. The cost of expatriation is very high which necessitates the process to be handled with due care. To develop managers competent to handle the international assignments is a major resource for an organization. By adhering proper selection process and providing training to the selected expatriates throughout the process, will fetch positive returns to the organizations.

REFERENCES


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