The Impacts of Expatriate Selection Criteria on Organizational Performance in Subsidiaries of Transnational Corporate

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Abstract: - The demands for corporate expatiation increase in a large scale due to the rapid and prosperous growth of global economy for recent years. This has been causing how to recruit and select suitable and qualified candidates for expatiation for international assignments to become one of the key issues and challenges for business operation. The study tried to disclose in corporate expatriation how to discover suitable expatriates with professional capabilities so as to conform to corporate long-term targets, promote corporate international operation and advance corporate performance. The directors, managers and expatriates in Southern Taiwan Science Park were asked for answering questions in the questionnaire of the study. Three hundred questionnaires were sent out, the returning rate 50.3%. The study concluded the followings: there is a significant positive correlation between the criteria for recruitment and selection of expatriates and the Subsidiaries organizational performance.

Key-Words: - Expatriate Selection, Organizational Performance, Transnational Corporate, Subsidiaries

1 Introduction
Due to the globalization, the competition in the international market has become increasing fierce. In order to pursue the objectives of international operations, transnational corporates expand their territories internationally. Hence, the demand of expatriates become increasing so as to meet the requirement of global management.

According to Global Relocation Trends Survey issued by Global Relocation Services (GMAC), there were more than two thirds (69%) of transnational corporates that increased the number of expatriates in 2006, a highest record in history. Due to the fact that the incomes from the areas outside the home countries have increased in the proportion of total incomes (41% of corporates under investigation have shown this trend), the demand of experienced personnel of international management has reached the unprecedented high. According to this survey of 180 companies, because the resistance to working overseas has been increasing, it has become one of the most challenging tasks that recruiting appropriate expatriates.

Under this competitive situation, it is very important to improve the advantage of international investment through effective human-resources management. Although the scale of an enterprise can help its ownership of international investment, it is difficult to maintain the advantage if proper human-resources management is not in place. In the operation of an enterprise, no matter that the objectives are decided by the headquarters or the subsidiaries, expatriates play the key roles in achieving the target of organizational performance. However, the performance of the organization will be interfered by the difficulty of management caused by the cultural differences.

Selection is the most important issue in appointing personnel. When extending this issue to the international level, it can be noticed that selecting and posting right personnel are keys to the organizational performance and are critical factors of success and survival of international corporates [4].
Although most of the enterprises agree that having proper expatriates overseas is a very important task for transnational corporates, the number of people who are able and willing to work overseas is far smaller than the increasing number of employees in enterprises [7]. According to many transnational corporates, the most troublesome problem for international human-resources centers is to find professional and appropriate expatriates so as to meet the requirement of international operations.

Transnational corporates rely on expatriates to achieve the targets. However, expatriates have to face different cultures, habits, values and other environmental factors when they are working for the success of the enterprises. In this research, we focused on the impacts of expatriate selection criteria on organizational performance in subsidiaries of transnational corporates.

2 Literature Review

2.1 Criteria for Expatriate Selection

The importance of professional skills in selecting expatriates has been noted in the literature. Although there are many other criteria of concern, many corporates in the US still emphasize on professional skills and believe that it is the key factor for success [8]. It has been found that the two key criteria for selecting expatriates are professional skills and the willingness to live abroad.

We developed a version of questionnaires, including 12 questions, about the criteria of selecting expatriates based on the literature [4]. After factor analysis, we got three factors including the willingness to work abroad, professional skills and the adaptability of the spouse and family members.

2.2 Organizational Performance

The index of organizational performance is a measure of the achievement of an organization in terms of the action towards the target. Before 1980, the financial performance is the main concern of the performance appraisal. Therefore, the focus is on the improvement of profit, effectiveness and efficiency. In order to avoid the incompleteness of the financial indices, we also added other types of indices in our research.

There have been two perspectives of performance appraisal of concern: (1) financial indices: the overall performance of a company, the growth rate of the profit, return on investment, the growth rate of turnover, and sales profits; (2) performance of human resources: morale, employee turnover, employees' productivity.

In the research on human-resources management and organizational performance, the following indices have been applied: share price, profit, sales volume, customers’ satisfaction, productivity and quality of products. It has been pointed out that the selection of those indices depends on the level of units under analysis. For example, on the business level, it is more appropriate to use the capital market approach than to apply the accounting approach [1].

Another set of indices has been used are as follows: (1) outputs of human resources: the rate of absence, turnover, the performance of an individual and the performance of a group; (2) outputs of an organization: productivity, quality and services; (3) outputs of finance and accounting: return on assets and return on investment, etc [5].

Based on the above review, the following indices were applied in our research: (1) the business objectives, (2) productivity, (3) profit and (4) competitive advantage.

2.3 The Relationship between Criteria of Expatriate Selection and Organizational Performance

It is well known that the criteria of expatriate selection will affect the performance of expatriates. In addition, when the strategy of selecting expatriates is closer to reflecting the strategies of the organization, the performance of the personnel is better. In sum, the criteria of selecting expatriate are important for the organizational performance [6].

On suitability between an individual and an organization, when the suitability is higher, it is more likely that the employee will show positive behavior. The performance of an individual is important in the research of organizational behavior. After being selected to join the group, an individual forms a part of an organization. The standard of selecting criteria will largely influence the performance of an organization. It has been shown that there is a positive correlation between the criteria of selecting expatriates and organizational performance, especially in an environment of a good corporate culture [2].
3 Methods

3.1 Research Hypothesis
The structure of our research is shown in Fig 1:

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<table>
<thead>
<tr>
<th>Criteria of expatriate selection</th>
<th>Organizational performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Willingness to work abroad</td>
<td>1. Targets of business</td>
</tr>
<tr>
<td>2. Professional state</td>
<td>2. Productivity</td>
</tr>
<tr>
<td>3. Adaptability of the spouse and family members</td>
<td>3. Profit</td>
</tr>
</tbody>
</table>
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Fig. 1 The structure of the research

Our hypothesis is that there is a positive correlation between the criteria of expatriate selection and organizational performance.

3.2 Design

3.2.1 Participants
Our data collection was based on questionnaires. The participants were from the enterprises in the Southern Science Park, Taiwan. They are mainly the owners, higher rank managers and expatriates. The total number of questionnaires sent was 300 and the number of companies participating this research was about 20. The industries included integrated circuit industry, computer and its accessory industry, telecommunications industry, optical industry, precision machinery industry.

We sent out the questionnaires in January, 2008 and received 159 copies of returned questionnaires in April. There were 8 copies of invalid questionnaires and 151 copies of valid questionnaires. The return rate was 50.3%.

3.2.2 Questionnaires
Our investigated the criteria of expatriate selection and organizational performance based on the viewpoints of expatriates and executives. Independent variables are the criteria of expatriate selection and dependent variables are the indices of organizational performance. We used Likert’s 5-point scale as the measurement and the reliability of the questionnaire was tested. The results were shown in the following tables.

(1) The Scale of Organizational Performance
We created 12 questions for the scale of organization performance. We distilled four factors after factor analysis. The value of Cronbach’s α for each factor is as follows: (1) targets of business (0.873), (2) productivity (0.824) and (3) profit (0.811) and competitive advantage (0.737). PCA with oblique rotation showed that the explained variance was 75.30%. The results of analysis is shown in Table 2.

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<table>
<thead>
<tr>
<th>Item</th>
<th>Average</th>
<th>Standard Deviation</th>
<th>Targets of Business</th>
<th>Productivity</th>
<th>Profit</th>
<th>Competitive Advantage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Being able to achieve the targets of business</td>
<td>3.75</td>
<td>0.792</td>
<td>0.955</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The performance in recent 3 years due to correct strategies</td>
<td>3.79</td>
<td>0.733</td>
<td>0.959</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Being able to achieve the targets of performance</td>
<td>3.65</td>
<td>0.655</td>
<td>0.770</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Speed of developing new products</td>
<td>3.68</td>
<td>0.586</td>
<td>0.878</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Productivity above competitors</td>
<td>3.75</td>
<td>0.532</td>
<td>0.667</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ability to improve the process of operation</td>
<td>3.71</td>
<td>0.537</td>
<td>0.823</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth rate of profit</td>
<td>3.68</td>
<td>0.635</td>
<td>0.853</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in gross profit</td>
<td>3.68</td>
<td>0.647</td>
<td>0.883</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Return on investment</td>
<td>3.57</td>
<td>0.591</td>
<td>0.743</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responds to competition</td>
<td>3.41</td>
<td>0.542</td>
<td>0.687</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive advantage</td>
<td>3.59</td>
<td>0.570</td>
<td>0.868</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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Table 2. The Scale of Organizational Performance

3.2.3 Method of Data Analysis
We used SPSS 12.0 to analyze 151 copies of valid questionnaires. The statistics we used included factor analysis, the analysis of reliability, basic descriptive statistics, correlation and regression.

(1) Factor Analysis: We use principal component analysis with oblique rotation to distilled factors based on Kaiser’s criteria, that is, the eigenvalue
is larger than 1. The absolute value of the loading of each factor should be larger than 0.5.

(2) Reliability: We used Chrobach’s α as the index of the reliability of questionnaires. The reliability is not acceptable if the value of Chrobach’s α is lower than 0.6; it is not appropriate when the value is between 0.6 and 0.65; it is merely acceptable when the value is between 0.65 and 0.7; the value between 0.7 and 0.8 is acceptable; the value between 0.8 and 0.9 is excellent. The questionnaire may need to be shortened if the value is over 0.9.

(3) Basic Descriptive Statistics: we use average and variance of each item and the overall score to show the general features of the data.

(4) Correlation and Regression: we analyzed the correlation between each item use the results as the basis for the future regression analysis.

4 Results
Our analysis showed the following patterns. On the relationship between willingness to work abroad and four indices of organizational performance, targets of business, productivity, profit and competitive advantage, the correlation coefficients were 0.017, 0.193, -0.184 and -0.120 respectively. As shown by the data, willingness to work abroad had negative correlations with profit and competitive advantage and the positive correlations with targets of business and productivity.

The criteria of having professional skills have positive correlations with four indices of organizational performance. The correlation coefficients are as follows: (1) targets of business (0.834), (2) productivity (0.039), (3) profit (0.446) and (4) competitive advantage (0.773).

On adaptability of spouse and family member, the correlation with the four indices of organizational performance are as follows: (1) targets of business (0.036), (2) productivity (0.941), (3) profit (-0.117) and (4) competitive advantage (-0.063)

Overall, only the criteria of having professional skills have positive correlations with all indices of organizational performance.

5. Conclusion
According to our findings, we suggest that when considering the proper expatriates for subsidiaries overseas, the first criterion for selecting expatriates should be the professional skills of the candidates. Their experiences, performance and training received will be good information for the expatriate selection. The second important criterion will be the adaptability of spouse and family members since this factor significantly influence productivity. Finally, willingness to work abroad is not so much important for expatriate selection.

In sum, taking professional skills as the first concern for expatriate selection combined with adaptability of spouse and family members is a good strategy of selecting expatriates for transnational corporates. The willingness to work abroad may be handled when the candidates have such a concern.

References: