

Challenges of expatriation process

PERICA VOJINIĆ, MATEA MATIĆ, MARIJA BEČIĆ

Department of Economics and Business Economics

University of Dubrovnik

Lapadskaobala 7, Dubrovnik

CROATIA

perica.vojinic@unidu.hr; matea.matic@unidu.hr; marija.becic@unidu.hr

Abstract –In the time of rapid globalisation, it has become common to assign managers for assignments abroad. The process of expatriation is most commonly described by selection, training and preparation, transfer and adjustment, monitoring and performance management and, finally, repatriation of managers. The purpose of this paper is to analyse the different phases of the expatriate process in order to identify challenges facing companies and individuals in a rapidly changing international environment. The goal of multinational companies is to protect their interest in the global market and their success in the global market is considered to be highly dependent on the quality of international management. Therefore, selection of high quality management for assignments abroad is a determinant of a business success in international market.

Keywords: Expatriate managers, selection, training, adjustment, expatriate failure, job satisfaction

1 Introduction

Managers and multinational companies (MNCs) face challenges of expatriation process anytime a manager from one culture interacts with employees outside his home country. Litterel et al. (2006) define expatriates as individuals who relocate from one country to the other for at least one year. Expatriate management is required when companies experience shortages of local skilled management (Kaye and Taylor, 1997), when companies wish to broaden specific manager's experience by giving new ventures by entering new territories (Torbiorn, 1994). Edström and Galbraith (1977) identify three general company motives for making this type of transfers to fill positions, management development and organisation development.

Under the competitive international environment it is important to stimulate company through effective human-resources management. The working life of the expatriate manager involves facing the challenges involved in being caught between the contradictory demands of the headquarters on one hand and the demands of the host country nationals and the local situation on the other (Osland and Osland, 2006).

The process of expatriation is most commonly described by selection, training and preparation, transfer and adjustment, monitoring and performance management and, finally, repatriation of managers. In the context of organization theory, issues of power, politics, team work, relationships and the interface between organizational and

expatriates cultures have been the focus of the most studies.

In the Croatian economic literature the issue of the management expatriation is rather under-researched area. Therefore, the purpose of this paper is to analyse phases of the expatriation process in order to identify the challenges that companies and managers are facing in a global market and also to introduce expatriate management issues in a Croatian economic literature. This comprehensive literature review will provide the grounds for the future research of expatriates in Croatia. The paper is structured as follows. Section 2 examines selection and training process of expatriates. Adjustment of expatriates is analysed in section 3, while analysis on job satisfaction and expatriate failure are reviewed in the sections 4 and 5. The paper finishes with a conclusion.

2 Selection and training

Important factor of survival of international companies in a global market is selecting and posting right personnel which will be successful in pursuing company's goals. Success in the global market is considered to be highly dependent on the quality of international management (Mitreva and Culpepper, 2012). Therefore, appointing proper expatriates abroad is a challenge and a vital task for companies in order to meet the requirements of international operations and in order to avoid the cost of expatriate failure.

There are three interrelated phases in expatriate manager selection (Harvey and Novicevic, 2002):

(1) critical environment issues, (2) organisational issues and (3) expatriate candidate characteristics. First step is to analyse the environment in which the manager is expected to work (the level of development, cultural distance, industry characteristics, nature and type of competition, legal framework, etc.). The second step includes defining the degree of operating control, the extent of decision making autonomy, the nature of the task and hierarchical level of assignment. Finally, the last step focuses on the candidate who would fit the first two steps the best.

Models of expatriate selection vary across the nationality of organisation but the principal concepts in early studies have focused on functional capabilities and personal characteristics of potential candidates as main determinants of expatriate success or failure (Caligiuri, 2000). In order to successfully operate in a global market, expatriate managers must possess a complex set of technical, functional, cultural, social and political skills (Fish, 1999). Harvey and Novicevic (2002) suggest that two additional dynamic abilities of potential expatriate should be integrated into the selection criteria: intuition and creativity. Moreover, experience-based decision making and ability to develop unique solutions to complex problems in a short time period augment expatriate's ability to manage in chaotic rapidly changing environments and should be incorporated into the selection criteria.

Tsai et al. (2012) primarily started analysing two criteria for selecting expatriates: professional skills and the willingness to live abroad. Extending the research, the authors added one more important element in selection process and that would be adaptability of spouse and family members. According to their findings, the first, most important criteria are professional skills of candidates and the second criterion is adaptability of spouse and family members. This aspect is important due to the fact that percentage of relocating spouses in US companies is about 70% (Lin, Lu and Lin, 2012). Finally, willingness to work abroad is not so important according to Tsai et al (2012).

Research on Finnish expatriates operating around the world found that the selection criteria include work-related skills, language skills, human relations, willingness to live abroad and knowledge of the country and its culture (Suutari and Brewster (2001) in Mitrev and Culpepper (2012)). The most important factor according to this survey is technical expertise which is also in accordance to previous study by Earley (1987) who found that 90% of

companies base their international selections on technical expertise, ignoring the other areas.

As previously mentioned, staffing policies differ across the nationality and in such a context policies in North America are not the same as those in Europe (Mitrev and Culpepper, 2012). Namely, European companies employ expatriates with longer contracts and more frequently than US companies. There are four major policies for staffing decisions: ethnocentric, polycentric, regiocentric and geocentric and European companies can be characterised as ethnocentric in international human resource management (Mayrhofer and Brewster, 1996). Furthermore, exploring national differences, Mitrev and Culpepper (2012) analysed some previous research and provide a finding that German and Japanese companies have larger expatriate staff than UK or US companies.

Selection process is followed by training, i.e. familiarising the selected manager with the country of his assignment including general awareness of the culture and basic language skills in order to educate manager to interact effectively with members of another culture. Training is considered to be important because it could influence later expatriate's adjustment to a new environment (Okpara and Kabongo, 2011) and expatriate's performance (Caligiuri et al, 2001). Brislin's model (according to Okpara and Kabongo, 2011) includes three techniques that can be used in cross-cultural training: cognitive (dissemination of information on a foreign cultural environment), affective (learning to deal with cultural incidents) and behavioural (improving ability to adapt to host country's communication style).

Tung (1981) identifies five basic training programs of cross-cultural training which should be chosen accordingly to the assignment type: (1) didactic training which includes environmental briefing and cultural orientation programs; (2) culture assimilator consists of a series of short episodes briefly describing an intercultural encounter; (3) language training, (4) sensitivity training designed to develop an attitudinal flexibility within the individual so that become aware and accept that "unfamiliar" modes of behaviour and value systems can also be valid ways of doing business in a different culture; (5) field experience involves sending candidate to the country of assignment where trainee may undergo emotional stress that can be expected while living and working with people from a different culture. Training could be done as conventional or experimental training (Gertsen, 1990) where experimental training includes simulations of real life situations.

Training practices also differ across nationalities of MNCs. Tung (1981) found that European companies are leading in preparing candidates for overseas work, followed by Japanese MNCs while only one third US managers had formalised training before assignment abroad.

3 Adjustment

Adaptation to working and living abroad in a foreign culture presents a process of expatriate manager adjustment. Bhaskar-Shrinivas et al. (2005) defined expatriate adjustment as the degree of comfort or absence of stress associated with being an expatriate. Black and Stephens (1989) identified three facets of expatriate adjustment: work adjustment which includes supervision, responsibilities and performances; general adjustment includes conditions in the foreign country and interaction adjustment which encompasses interaction with members of the host community.

Bhaskar-Shrinivas et al. (2005) and Hechanova et al. (2003) made meta-analysis on expatriate adjustment. The factors they found to be influential in the adjustment process include language ability, previous overseas experience, role clarity, role discretion, job level, organisational tenure, cross-cultural training, spouse adjustment, etc. Some of the factor affect only one of the facets and some factor influence all three (for example, overseas experience was positively and significantly related to both work and interaction but not to general adjustment while role clarity and role discretion were found to be positively related to all three facets of adjustment). Important role in the adjustment process have spousal and family attitudes towards expatriation and towards new life in a new country. Study of Tung (1987) suggests that frequent reason of expatriate failure is inability of the spouse to adapt to a new environment. Bhaskar-Shrinivas et al. (2005) also showed that spouse adjustment was positively related to all three facets of adjustment.

Church (1982) explained adjustment as a function of time. At the beginning of the assignment manager is optimistic and enthusiastic but as time passes individual becomes confused and frustrated by foreign environment. Final phase is when individual recovers and progresses to complete adjustment. North American expatriates were found to be better adjusted in the case of interaction adjustment than their European counterparts (Mitrev and Culpepper, 2012).

Consequences of maladjustment could be reflected through manager's work and non-work

satisfaction, organisational commitment, early return intentions or performance.

4 Job and life satisfaction

Expatriate satisfaction refers to their satisfaction with jobs and with the more general aspects of their life in a foreign country (Li and Tse, 1998). Expatriate life satisfaction is the satisfaction with his life in different cultural, social and economic environment in a foreign country.

There have been numerous studies on the relations between job satisfaction and domestic life satisfaction in general but relations between job and life satisfaction in the context of expatriate employees has not been fully researched. Most of these studies on expatriate managers only consider their job satisfaction and ignore their life satisfaction. Bonache (2005) provided a more comprehensive definition based on psycho-sociological perspectives and explained job satisfaction as an effective or emotional response of expatriates towards various facets of their job and in which processes their social comparison take place. Bonache (2005) also analysed literature and suggests that job satisfaction is not a unitary concept, determined purely by economic conditions of the job, rather an effective response toward various facets of a job.

Job satisfaction does not only depend on the economic conditions of the job. Researchers have identified a number of factors that appear to contribute to expatriate job satisfaction and life satisfaction (Black and Gregersen, 1990). Li and Tse (1998) grouped these variables as job-related (clarity, skill variety, participation, prior international experience and cross-cultural training) and non-job-related factors (linguistic ability, cultural adjustment, spouse support, and education system overs). Also, expatriate study the Asia-Pacific showed that variable such as role clarity, participation in decision making, and skill varieties were positively related with job satisfaction (Li and Tse, 1998). In addition, a study of American expatriates in Japan indicated that work-role clarity and surpassed expectations about job discretion had a positive impact on job satisfaction (Black & Gregersen, 1990).

Downes et al. (2000) identify three dimensions of expatriate satisfaction: 1. Individual dimensions—that explain individual's ability to deal with intercultural stress, communication and relationships. The ability to deal effectively with frustration, stress, different political systems, interactions with foreigners and a host of other intercultural dimensions reduce anxiety and increase

expatriate satisfaction. Job satisfaction when measured in terms of social aspects, esteem and self-actualisation needs could be higher in the context of international assignments, 2. Organisational dimensions of expatriate satisfaction comprise the different job /task characteristics which enhance both intrinsic and extrinsic satisfaction. Skill development opportunities and career development programs linked to the work assignments also play a role in enhancing expatriate satisfaction and 3. Environment dimensions of expatriate satisfaction are linked to the location of the assignment. Political stability, difference to a home country culture and duration of assignment permitted by that region would be moderating factors in this dimension.

It is important to imply criteria selection, training that will have positive impact on expatriate job satisfaction and this could potentially reduce the number of expatriate departure failures or premature returns. Therefore, the second chapter analyses the departure failure as one of the main issues in expatriation literature.

5 Expatriate failure

Failures of expatriate managers in foreign countries may cost the MNC's excessively. Brewster (1988) defined the departure failure as assignments or task from which expatriates had to be brought back home earlier than planned as a result of problems experienced by themselves or their families or by problems they have created for the organisation or environment.

Expatriate failure occurs when managers either quit or return to their home country prior to the completion of their mission. The six reasons for expatriate failures include: (1) expatriates inability to adapt to the new environment, (2) not achieving family acceptance and assimilation, (3) lack of support from the head office, (4) not having an open mind set, (5) lack of willingness to learn, and (6) expatriate lack of technical competence (Lee, 2007). Tung (1987) states the three main reasons contributing to the failure of expatriates in US MNC as: 1) the inability of the manager's spouse to adjust, 2) a different physical or cultural environment; 3) the manager's inability to adapt to a different physical or cultural environment and other family-related problems. Also, the causes of departure failure could be numerous. Many expatriates do not complete their assignments for other numerous reasons such as culture shock, differences in work-related norms, isolation, homesickness, and differences in health care, housing, schooling, cuisine, customs, sex roles, the cost of living,

personal dissatisfaction and lack of organizational commitment (Vögel, Millard, and van Vuuren, 2008).

Researches indicate that 25 to 40% of American expatriates posted to developed countries return early and that number increases to 70% for individuals posted to developing countries and also that the failure rate is high regards to short and long terms assignments (Buckley and Brooke, 1992). From 1970 through 1990's expatriates failure rates where considerably high, anywhere from 33% to 80%, whereas expatriates who completed their term assignments of one or more years ranged from 30% to 70% (Minter, 2008). Some researcher estimated premature departures between 8 and 12% (Harzing, 1995; Forster, 1997). Scullion and Brewster (2002) suggested that expatriate failure were higher in USA MNCs than Europe. More recently, researches (Peterson, 2003; Yeaton and Hall, 2008) find that the percentage of American expatriates who premature returned decreased. Furthermore, study by Tunli and Peiperl (2009) also indicates that the high expatriate failure rate has changed since 1980s. The overall premature return percentage for Germany, UK, Japan and USA was relatively low (6,3%) which indicates decreasing trend. This finding could be explained by the fact that MNCs started to apply more elaborate selection criteria and increased amount of training, especially in the USA. The main issue is that expatriates and their success are operationally and strategically important for organizations and the rate of failure of expatriate assignments have abated over time.

Although expatriates generally have good performance records in domestic operations, this does not guarantee their success in foreign operations (Hays, 1974). Therefore, the expatriate failure rate is an important indicator for measuring the effectiveness of expatriation management (Shen and Edwards, 2004). It can be concluded that departure failure rate requires attention in further studies.

6 Conclusion

Quality of international management is critical for success in the global market. With working in a foreign environment, expatriates are confronted with different political, cultural and economic factors. Therefore, employing appropriate expatriates abroad is a challenge and a vital task for MNCs. Primarily, the aim of companies is to meet the requirements of international operations and secondly to avoid the high cost of expatriate failure.

There are many factors related to the success of an expatriate and MNCs are trying to prepare them

as much as possible. Therefore, it is common for expatriates to undertake a training programme organised by MNC before assignment abroad. In that way the companies try to prepare individuals for the new environment in order for adjustment process to be successful both for the expatriate and for the company. Providing more clarity, more autonomy, allowing the use of diverse skills, and permitting more significant tasks to be completed may result in a more personally satisfying work experience for the expatriate.

The failure rate is still high despite certain improvements over the years. Reasons of expatriation failure could be the expatriate's inability to adapt to the new environment lacking family acceptance and assimilation or open mindset, inadequate of support from the Head Office, willingness to learn or the expatriate's lack of technical competence.

Regarding the near Croatian EU entry it could be expected for number of expatriates to increase due to the more open labour market, attractiveness to FDI, etc. The research on the expatriates in a Croatia is limited, specific insights into the topic are required. It is necessary to understand the process of expatriation and to determine the factors that could be critical for the success of an expatriate in specific Croatian environment. The contribution of this paper is introducing the challenges of expatriate process in the Croatian management literature. Therefore, this paper could be helpful in explaining specific expatriation process for further research on the issue, especially in Croatia.

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