

# Definition of expatriate failure



Understanding what expatriate failure is and minimising the risk of it occurring is important to multinational companies. Discuss.

## **Introduction**

Staffing in Multinational Company (MNC) is a challenging but crucial and strategic issue to international human resource management (IHRM) (Grainger & Nankervis, 2001). According to Edstrom and Galbraith (1977), MNCs may decide to use international staffing for three major reasons. First, the lack of suitable and qualified resources in the host country national (HNCs); second, a mean for management development and third, a way to establish control and coordination among the subsidiaries. A fourth reason, increasing knowledge transfer among the subsidiaries, was added later (Bonache et al. 2001 and Hocking et al. 2004). There are four major categories or practices for MNCs staffing: ethnocentric, polycentric, geocentric and regioncentric (Perlmutter, 1969 and Heenan & Perlmutter, 1979 as cited in Dowling et al., 2008, p. 80). In general, a multinational company can select several different approaches to international staffing. It may recruit from the local country (HCN), or from the parent country (PCN) or from a foreign subsidiary (TCN) (Dowling et al 2008, p. 80).

The IHRM literature has an extensive amount of research that has studied the field of international staffing and expatriates, their effectiveness (Dowling & Wetch 2004 as cited in Nanda & Kumar 2012, p. 58), associated costs (Dowling et, al. 2008, p. 81) and return on investment, compensations, performance, expatriates' adaptation in the local countries, challenges and issues and failure.

## **Effectiveness of expatriate assignments**

International assignments are very costly as they are estimated at millions of dollars annually (Collings, Scullion, & Dowling 2009). Consequently, the effectiveness, utility and viability of expatriates assignments and international staffing have been questioned (Dowling et, al. 2008). Collings and his colleagues (2007) have addressed this issue by identifying five aspects: supply side issues, demand side issues, expatriate performance and expatriate failure, performance evaluation, cost and career dynamics.

Recently, Return on Investments (ROIs) —both individual and corporate, instead of costs, have been used to evaluate their effectiveness (McNulty & Tharenou 2005; McNulty, De Cieri & Hutchings 2013).

## **Expatriate Failure**

### **Definition**

In its simplest term, expatriate failure could be defined as ‘ premature return’. However, Harzing (1995, p. 2) argues that this definition ‘ might be very inadequate way to measure expatriate failure’, as the ones who stay but failed to achieve expected performances are more damaging to the organisation. According to Lee (2007), it should also include the expatriates that failed to adapt, to learn new things or to meet expected performance standards. Bruning and McCaughey (2005) argue that it amounts to ‘ an expatriate’s premature return from the international assignment or under-performance whilst conducting the assignment’. Harzing and Christensen (2004, p. 7) defines expatriate failure as ‘ the inability of [an] expatriate to perform according to the expectations of the organisation’. This definition include both under-performance during the international assignment

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including premature return and the inappropriate repatriation —permanent departure or dysfunction after return (ibid, p. 7).

As the objective is to successfully complete the international assignment, a broad definition of expatriate failure should be considered.

## **Failure Rates**

In the recent years, many studies have reported high rates of expatriate failures. For example, around 10 to 20% of the US expatriates returned prematurely while 33% of the ones who stayed had poor performance standards (Black and Gregersen 1997). A survey of global trends in international assignments, by GMAC Global Relocation Services, National Foreign Trade Council (NFTC) and SHRM Global Forum (GMAC, NFTC & SHRM) in 2004 shows that 7% of expatriates prematurely returned. However, as the cost of expatriates is relatively high (PriceWaterhouseCoopers 2006, as cited in Dowling et al 2008, p. 81, others), a key issue in international staffing literature is expatriate failure and its cost.

However, Harzing (1995, p. 2), in 'The persistent myth of high expatriate failure rates' argues that 'there is almost no empirical foundation for the existence of high failure rates when measured as premature reentry'.

## **Reasons for Expatriate Failure**

Many researches have addressed the issues of expatriate failure and attempted to identify identified the reasons that cause it. Some of these reasons are: the lack of cross-cultural adjustment by expatriates, their spouse or family and some dissatisfaction with the international assignments leading to poor performance. Around 10 to 20% of the US expatriates

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returned prematurely due to these reasons, while 33% of the ones who stayed had poor performance (Black and Gregersen 1997).

Other reasons are due to poor selection, increased responsibilities and stresses and adjustment within the social context.

## **Cross-Cultural adjustment**

When expatriates start international assignments in the host country, they and their families have to adjust to a new culture. They normally experience what is called a ‘culture shock cycle’ as visualised in Figure 1 (Adler 2008).

At the beginning, expatriates are very positive and excited about their assignments abroad, and about discovering new culture. But, after a period of few months, they enter the next phase until they reach the lowest point in the curve, known as “culture shock”. However, as the expatriates start to adapt to the new culture and feel more settled, the curve will go up again.

Difficulties with Cross-Cultural adjustments are some of the major reasons for premature return of expatriates or their families (Black and Gregersen 1997).

A recent study (Abdul Malek & Budhwar 2013) found a positive direct influence of the expatriates’ cultural intelligence with their work interaction and adjustments.

Emotional intelligence was found by Gabel, Dolan & Cerdin (2005) as having a significant correlation with specific performance and can be used predictor of cultural adjustment for success in international assignment.

Figure 1. Culture shock cycle

## **Poor Expatriate Selection**

Improper selection of the expatriates is another reason for expatriate failure. Despite their importance, technical and managerial skills are not for the only skills required for effective international staffing. More attention must be paid to interpersonal skills that help in cross-cultural adjustment (Lee 2007).

Another important factor that should be taken into consideration is the employee's motivation and feelings towards the assignment. With high motivation, they will consider the assignment aboard as an opportunity rather than a restraint in their career development (ibid). It is also important to consider the attitude of the spouse and children as well as their willingness towards moving and living aboard. For example, spouse resistance and family adjustment were among the highest critical challenges for expatriates (GMAC, NFTC & SHRM 2004). Also, 47% of assignment refusals were due to family concerns (GMAC, NFTC & SHRM 2004).

## **Increased Responsibilities and Stresses**

Moving to another country and leaving family, parents, friends and comfortable environments behind causes stress. The amount of stress will increase with the cross-cultural adjustment as the expatriates would face ambiguous situations at work and outside work. Additionally, the new assignment may require higher level of commitment and responsibility leading to more stress. Balancing between work responsibilities —locally and with headquarters — on the one and family expectations on the other hand will increase pressure and stress (Brown 2008).

## **Adjustment within the social context**

In order to achieve the expected performance and cope with the increasing stress, expatriates must adapt to the new working and living conditions.

Studies have found that social contexts, such as positive social contact with local nationals and social networks, have positive influence on the expatriates' adjustments, stress-coping, problem-focused and emotion-focused coping (McGinley 2008; Osman-Gani & Rockstuhl, 2008).

## **Costs of Failure**

Costs occur in any international assignment particularly when an expatriate prematurely returns home or fails to perform as expected. There are two types of costs, direct and indirect costs. Direct costs comprise the expatriate's salary, cost of training especially during the pre-departure preparation, travel and relocation expenses. This cost could be between US\$250, 000 and US\$1, 250, 000 (Briscoe 1995; Black & Gregersen 1999; Abbott et al. 2006; all cited in Cole 2011, p. 1505). However, indirect costs could be loss of customers and markets, damaging customer relationships, difficulties with host country's government and authorities and the cost of replacement (Forster 2000; Cole, 2011).

## **Avoiding or Minimising Expatriate Failure**

Managing the international resources is a major challenge, but it is an important factor in the success or failure of the MNC. Many factors can contribute to the failure of MNCs, including expatriate failures due to premature return or poor repatriation. MNCs must control and mitigate any kind of failure and crisis including ' expatriate crises'.

In order to avoid expatriate failure or minimise its risk, proper and suitable international human resource management policies and procedures should be in place. With such policies and procedures, IHRM can effectively and efficiently manage the international human resources. First, they can efficiently plan for the selection of expatriates; second, pre-departure can be better prepared; third, continuous communication with the expatriates while they are in their international assignment can be maintained, leading to better planning for their return to their home country with a proper position and job assignment; and fourth, repatriation can be effectively planned and implemented.

## **Expatriate Selection**

In addition to technical and managerial skills, interpersonal skills that could assist in the cultural adjustment are very essential to the success of the expatriates in their international assignments (Clarke and Hammer (1995).

A study by Tung (1987) across 80 US MNCs had identified four general categories which may contribute to expatriate success. These categories are (1) technical competence, (2) personality traits or relational abilities, (3) environmental variables, and (4) family situations. Later, by examining 15 organisations, Ronen (1989) as cited in Chew (2004) developed a model, for an effective selection, that consists of five categories: (1) job factors, (2) relational dimensions, (3) motivational state, (4) family situation, and (5) language skills.

The job factors consist of technical skills as identified by Tung, familiarity with the operations of both headquarter and host country, managerial skills



and administrative competence. The relational dimensions include tolerance for ambiguity, behavioural flexibility, non-judgementalism, cultural empathy and low ethnocentrism and interpersonal skills. Motivational state comprises belief in the mission, congruence with career path, interest in overseas experience, interest in specific host country culture and willingness to acquire new patterns of behaviour and attitudes. In family situation, willingness of a spouse to live abroad, adaptive and supportive spouse and stable marriages should be considered. Finally, host country language and non-verbal communication are very essential.

### **Pre-departure preparation**

Once the expatriate has been selected, pre-departure preparation should take place. This preparation should prepare the expatriate for the assignment abroad and ensure her/his success in the international assignment (Mendenhall et al. 1987). Some of the activities that should be considered during this phase are career counseling, cross-cultural adjustment and languages.

Career counselling for both the expatriate and accompanied spouse is very essential to the success of the expatriate in the international assignment (ref).

Preparing the expatriate and his family for cross-cultural adjustment is very crucial especially if the expatriate is not familiar with the culture customs and work ethics in the host country (Weech 2001).

In addition to cross-cultural training, language training, and some short academic programs in the host country could be very beneficial (Okpara & <https://assignbuster.com/definition-of-expatriate-failure/>

Kabongo, 2011). A study by Shen and Lang (2009) examined the impacts of cross-cultural training (CCT) on expatriate performance in Australian MNEs, concluded that short-term assignments had a stronger impact on expatriates in term of cross-cultural adjustment.

According to the survey of GMAC, NFTC & SHRM, 2004, most companies (60%) provide formal cross-cultural training before assignments began with 73% of expatriates indicating that these trainings had great value.

### **Keeping good communications with home company**

Continuous and good communications between the home company in general and HR personnel in particular from one side and the expatriates from the other side are very healthy and productive. Through these communications, the expatriates are kept aware about what going on in their home organisations, their performances, strategic decisions, re-organisations and potential opportunities when they return home. They also facilitate and make the readjustment and post-employment easier and smother.

### **The Return of Expatriates**

One of the reasons for international assignment is to gain international and cross-cultural experience and knowledge; therefore it is very important for the MNCs to retain the employee after the international assignment has been completed. One of the major risks, associated with high costs, is the difficulty to maintain the expatriates upon their returns to the home country (Downes & Thomas 1999).

Considering these difficulties, expatriates need assistance to settle back in their home country. As part of the overall IHRM policies and procedures,

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repatriation programs must have been developed to tackle two major issues (1) career planning and (2) 'reverse culture shock' (Hammer, Hart & Rogan 1998). The GMAC, NFTC & SHRM 2004 survey confirmed that 8% of the expatriates have left the company during the assignment while 13% within one year of returning and additional 10% within 2 years.

## **Repatriation Agreement and Career Planning**

Another important factor to retain the expatriates after their return is to have a repatriation planning, preferably before the international assignment began (Latta 1999). Such planning should include a repatriation agreement that includes provision of a specified period of the assignment and a return incentive with an assurance of an acceptable job. For example, the GMAC, NFTC & SHRM survey indicated that 86% held repatriation/re-entry discussion with 44% of had these discussions before departure and 23% under 6 months before return. However, only 24% had guarantees of employment at home country, 11% had guarantees for employment at another location and 68% had no guarantees for post-employment.

Job guarantee, with comparable position or a promotion, is very crucial for the repatriation program to be successful.

## **Reverse Culture shock**

Assisting the employee and his family to re-adjust into their home country and culture is very important. They make the employees feel that the company had taken care of them and acted to their best interests. Definitely, this will enforce the employee commitments and loyalty to the home

company and helps maintaining these experienced resources and their international knowledge within the organisation.

## **Alternative Assignments**

As MNCs are more and more faced with pressures to reduce costs and shortage and resistance of employees to move abroad for long-term assignments, Collings (2007) and his colleagues argue that international assignments are unsustainable. For them, MNCs might need to consider alternative and standard forms of international assignment. Some of these alternatives could be ' short-term assignments, commuter assignments, international business travel and virtual assignments. It is also essential that IHRM incorporate these emerging alternatives assignments into their policies and procedures.

## **Conclusion**

Expatriate failure, either premature return, performing below expectation or inability to retain the expatriate after repatriation, is very common whining MNCs and it could be very costly. There are many reasons for expatriate failure. Cross-cultural adjustments for the expatriates, their spouse or their children are one of the most reasons for premature return. Additionally, poor expatriate selection that only considers technical and managerial skills with interpersonal skills is another reason. Added to them is stress caused by increased responsibility and balancing between work and family (Shih, Chiang and Hsu, 2010).

Inability to maintain the experienced employees after repatriation is another risk. Improper repatriation program that take in consideration career

planning and job guarantee after coming back home and reverse culture shock that help the expatriates and their families to readjust in their home country are ones of the major reasons.

Expatriate failure can be avoided or minimised by (1) proper expatriate selection taking in consideration the interpersonal skills of the expatriates, the motivation of the candidates and the willingness of their spouses and families to live in the host country; (2) pre-preparation departure through career's counselling and cultural adjustments and language training for the employees and their families and (3) maintaining good and continuous communications with the employees while there are aboard and (4) having, as an integral part of IHRM processes and procedures, an repatriation program that take care of the employees and their families when they return home.

Finally, the key challenge on avoiding or minimising expatriate failures is to have adequate and proper IHRM policies and procedures that ensure proper support for international assignment as well as repatriation.