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# Expatriate Management In Diverse Environments (Critical Issues And Practical Solutions)

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## **Abstract**

Globalization of business involves great challenge for management across different cultures. It requires successful International Human Resource Management, a major determinant of success or failure of International business. As organizations cross national boundaries, there is an increasing challenge to use expatriates and their competencies (cross-cultural abilities, knowledge and experience) on overseas assignments to complete strategically critical tasks. This article highlights the various existing and emerging issues related to Expatriate Management.

A fundamental shift is occurring in the world economy. Today, we are moving toward a borderless world through a process referred to as Globalization.

Globalization – a shift toward a more integrated and interdependent world economy has increased the opportunities as well as challenges for the businesses. As organizations become globalized, management of International Human Resource is increasingly being acknowledged as a major determinant of success or failure of International business. There is an increasing challenge to use expatriates on international assignments to complete strategically critical tasks.

Without the right kind of people in place, organization structure is just a hollow shell and in today's global economy, having a workforce that is fluent in the ways of the world is not a luxury rather it is a competitive necessity. Clearly, the challenge today is to create a comprehensive system to fill "high impact" positions worldwide and to fulfill these positions organizations have to choose between employing an Expatriate or a host country national.

Expatriates, the mobile managers, are citizens of one country working in another country. On average, expatriates cost 2 to 3 times what they would in an equivalent position back home, but if a company already has a strong global mindset it will most likely be interested to find talent anywhere around the world and assign them jobs based on expertise and not on geography as each wants to have a competitive edge over their rivals for which they won't consider money as a prime consideration.

Boundaryless careers are becoming a pattern among high demand professionals therefore managers have to weigh the exact challenges and benefits of

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employing local talent versus expatriate employees as international assignments don't come cheap. A prominent issue of concern in international staffing – **Expatriate failure** (defined as an inability of an expatriate to perform effectively in a foreign country and hence represents premature return of an expatriate manager in his or her home country) is mainly the outcome of firm's poor selection, training and compensation policies to identify individuals who will not thrive abroad. After a steady decline since the 1998, now 47 per cent of companies reported an increase in the size of their current expatriate population as compared to 31 per cent in 2004 (11th annual Global Relocation Trends Survey, 2005)

### Several Research findings suggests that

- Expatriate employees are much more likely to leave their jobs, either during or after an international assignment, than general employees. Among general employees, the attrition rate was 10 per cent, this rose to 21 per cent for expatriate employees who left in the midst of an international assignment and 23 per cent who left within a year of returning home, as reported by the 11th annual Global Relocation Trends Survey by relocation company GMAC and the National Foreign Trade Council (2005) has found.
- Between 16 and 40 % of all American employees sent abroad to developed nations return from their assignments early and almost 70% of employees sent to developing nations return home early. (California Management Review, Vol. 1.25, No.1, by permission from The Regents)
- A survey conducted by Windham international and National Foreign Trade council (2001), revealed that a large number of international assignments are turned down or interrupted because of spouse and family issues. The survey respondents cited family adjustment (65%), spouse resistance (53%) and spouse's career (45%) as the most critical roadblocks to acceptance and success of International assignment.

### **Success of an expatriate assignment depends**

**very much on how expatriates and his/her family adapt to new circumstances.** In order to manage expats effectively IHR have to perform multifaceted role:

- Choice between employing an Expatriate or a host country national.
- Selection of Expatriate for overseas assignments.
- Pre departure training to prepare them for international adjustment related especially to the "CULTURAL SHOCK" and "JOB RELATED ISSUES".
- Repatriation planning in situation of both success as well as failure in international assignment.

So the major focus in Expatriate management is sending the right people for the right reason so as to finish the assignment in the **right way**. Global Organizations if want to ensure success in their Expat Management have to take into consideration all the above conditions and must practice the following key steps to effectively govern their expats:

- Conduct an Expatriate Audit
- Conduct a cultural diversity audit
- Refine expatriate selection procedure
- Provide cross-cultural training
- Provide repatriation assistance

### **SELECTION**

One way to reduce expatriate failure rates is by improving selection procedure to screen out inapt candidates. Expatriate managers must be selected based on certain attributes (knowledge, abilities and personal characteristics etc), which help to judge person's self orientation, other's orientation, perceptual ability and cultural toughness to analyze their aptitude for the international assignment.

Global competencies in person today are the major criteria for selection as against the customary selection criteria in which technical capabilities were given prime consideration. Technical skills though very important in selection but other aspects like behavioral, interpersonal, relational, motivational attributes along with family situation and language skills are as equal parameters for selection as practical knowledge.

## EXPATRIATE MANAGEMENT PROCESS

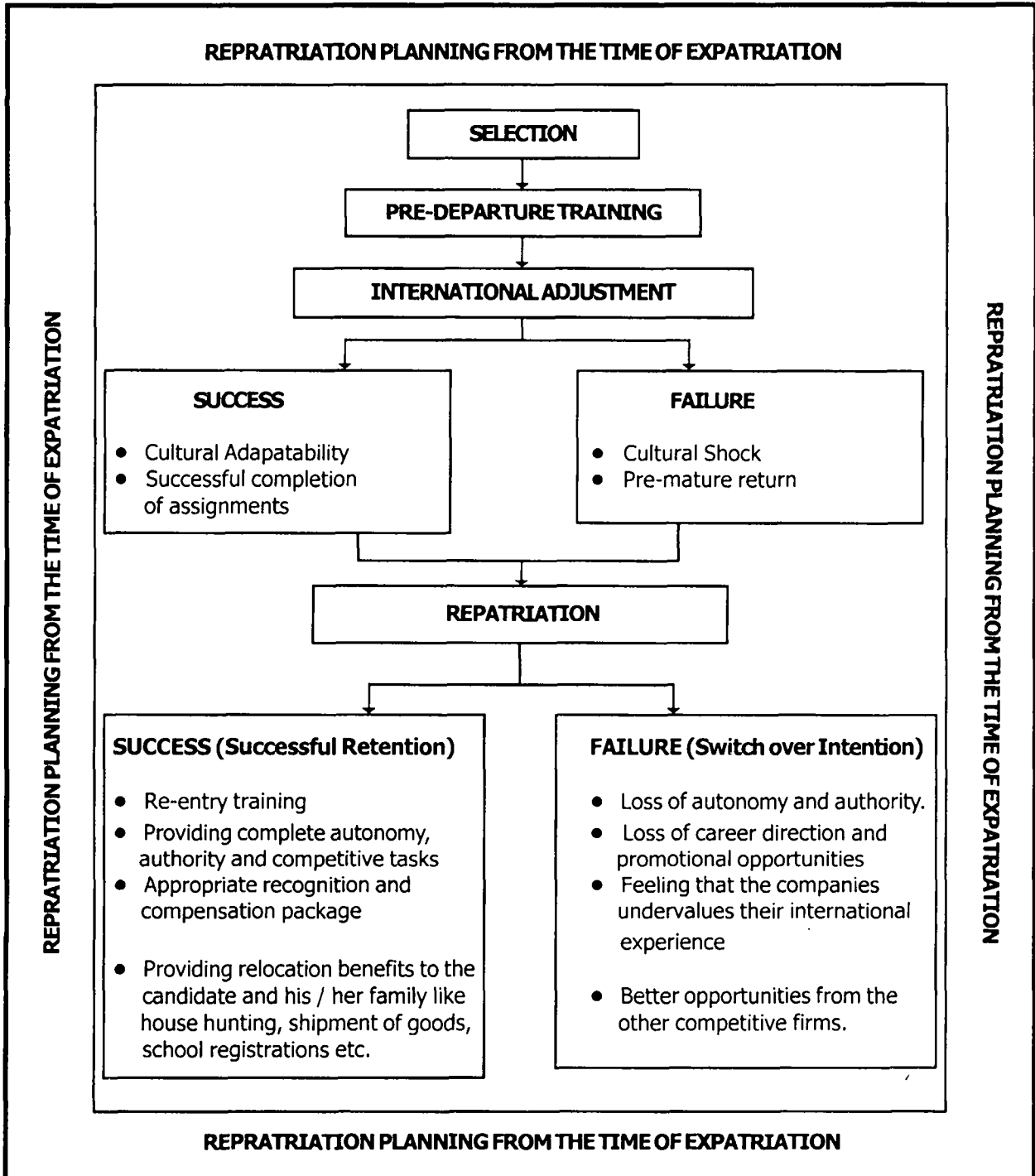


Figure 1

**Let us consider all the issues related to Mobile Managers one by one:**

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## TRAINING

"SELECTION is just like choosing a pair of shoes for a child but the real art lies in TRAINING which makes the child walk successfully with those shoes" Pre-departure training becomes the next critical steps to ensure the expatriate's effectiveness and success abroad, which requires familiarity with the customs, cultures and work habits of the local people, in their overseas assignments. It is important to include the family especially spouse of expats in these training programs as they would also have trouble adjusting abroad. So, for training to be effective focus should be mainly on CULTURAL, PRACTICAL and LANGUAGE training.

The Mercer (2005/2006) International assignment study reveals that many multinational companies provide programs that help expatriates and their families adjust to a new host location. Some 72% of the survey participants provide language tuition and 60% provide cross-cultural training.

Thus, the degree of intensity of training should take into consideration interpersonal relationships with host country nationals, length of stay, degree of engagement, previous overseas experience etc to ensure easy adjustment of Expat and their family.

## COMPENSATION

Compensation can be one of the prominent reasons of Expatriate failure as it is very much material to the satisfaction of the person sent abroad. Compensation should be adjusted to reflect national differences in economic circumstances and compensation practices. Mobility premiums – cash incentives to compensate individuals for the inconveniences of being transferred – continue to play an important role in encouraging employees to go on assignment. Only 22% of companies report they do not provide mobility premiums as an incentive for international assignments. However, far more companies provide these premiums systematically for long-term assignments (73%) than for short-term assignments (31%), Mercer's 2005/2006 International Assignments Survey.

An Expat should be compensated for the costs that he or she will experience as a consequence of the

expatriation and for retaining the same standard of living whatsoever they were enjoying in their home country. Along with this after deciding on the base salary the firm must then decide which incentives (financial and non-financial) should be paid in addition, to ensure that the expatriate is enough motivated to take assignment abroad and would work towards its successful completion.

## REPATRIATION (Re-entry of expatriates)

*Repatriation a critically important issue in Expat management, should be seen as the final link in an integrated, circular process that connects good selection and cross-cultural training of expatriate managers with the completion of their term abroad and reintegration into their national organization. Therefore it is required that "Repatriation must be planned carefully, from the time of expatriation when expatriate selection occurs". This preparedness phase of repatriation planning from the very beginning will significantly increase the probability of successfully managing expatriate crisis situation because responsibilities and liabilities are clarified before crisis happens.*

One of the hidden costs linked with expatriation is the inability to manage/retain the expatriate upon return to the home organization. Successful assignments begin with repatriation planning at the time of expatriation. At the onset of an overseas assignment, a repatriation agreement should be determined between the employee and the employer, which must include provisions of a specified period of the assignment and a return incentive payment. According to one survey findings, repatriation terms are included in the international assignment policy of 60% of the companies from very beginning because often when expats return home after or prior to completion of their assignment (premature return) from overseas, where they have worked autonomously and were well-compensated and acknowledged, they generally face problem adjusting with their home organization.

Expatriate failure is costly and results in a crisis for corporations. Premature return which refers to the return of expatriates before the completion of their international assignment is one of the type of expatriate failure which may occur due to several reasons like

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poor performance, job dissatisfaction, cultural shock and family dissatisfaction. These all reasons can also be the cause of failure in those cases where expatriate has returned on time after completing the assignment but the work done was not up to the mark. The non-completion of the international assignment necessitates the replacement of the expatriate. According to one study of repatriated employees, 60-70% didn't know that what their position would be when they returned home. Also, 60% said their organizations were vague about repatriation, about their new roles, and their future career progression within the company, while 77% of those surveyed took jobs at a lower level in their home organization than in their international assignments. Not surprisingly, 15% of returning expatriates leave their firms within a year of arriving home, while 40% leave within 3 years. For successful retention of employees firms should practice a good repatriation policy from the very beginning, which must consider the following:

**Before going on assignment** a career outline upon repatriation should be discussed with the candidate and his/her spouse as dual career is the major problem in the path of taking overseas assignments. **During the assignment** the home office should maintain continuous communication with the expatriate and arrange mentoring programmes and career management activities. **After repatriation** the organization should help them in handling reverse cultural shock by providing them training/seminars on emotional response and lifestyle changes, financial and tax counseling, relocation benefits, reorientation programmes about the changes in the company and give them some "down-time" before getting back to work. The truth is, repatriation is a time of major upheaval, professionally and personally for expats. Companies that recognize this fact help their returning people by providing them with career guidance and enabling them to put their international experience to work. **GE Medical Systems**, for example, has all and has successfully eliminated unwanted turnover after repatriation. Companies that manage expats wisely do not assume that people who have succeeded at home will repeat that success abroad. They assign international posts to individuals who not only have the necessary technical skills but also have indicated that they would be likely to live comfortably in different cultures. **Nokia**, among the world's largest manufacturer of mobile phones, is a good example of

a company that effectively uses international assignments to generate knowledge. Unlike most large technology companies, Nokia scan their global workforce for engineers and designers who are likely to generate new ideas when combined into a team. Other companies, such as **LG Group**, take a more formal approach to assessing candidates for foreign assignments. Early in their careers, candidates complete a survey of some questions designed to rate their preparation for global assignments and their cross-cultural skills. Afterward, LG employees and their managers discuss how specific training courses or future on-the-job experiences could help them enhance their strengths and overcome their weaknesses. From this discussion, a personalized development plan and timetable are generated. Because LG's potential expats are given time to develop their skills, about 97% of them succeed in meeting the company's expectations when they are eventually sent on international assignments. Companies today are more and more using younger members of the staff and sending them abroad for shorter periods of time as most of today's young skilled employees are much more flexible in terms of cross-cultural orientation and family life (mostly single candidates). Much of the increase in the number of international assignments is due to the widespread use of short-term placements which have become more prevalent over the past few years. "Short-term assignments are popular because they are generally more cost-effective than long-term assignments and they allow companies to transfer skill sets quickly and easily," said Yvonne Sonsino, a principal with Mercer in London. According to survey findings (Mercer's 2005/2006 International Assignments Survey), while the vast majority of multinational companies (84%) place employees on short-term assignments, only about half (56%) have a formal policy for this type of assignment. **Colgate Palmolive** is one of such company which to fill its entry-level marketing positions, recruits students from universities or business schools who can demonstrate an ability to handle cross-cultural situations. It instead of sending them on long assignments abroad, sends them on a series of training stints lasting 6 to 8 months. These assignments do not come with the costly benefits that are provided to high-level expats, such as allowances for housing and a car, but are moved with a strategy to provide young managers with a broad range of overseas experience. Along with finding their

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returning expats suitable jobs, effective companies also prepare them for changes in their personal and professional landscapes. *Honda* starts expats assignments with clear strategic objectives such as the development of a new car model or improved supplier relations. Assignees then complete a survey to identify personal strengths and weaknesses related to the upcoming assignment. Six months before an expat is scheduled to return home, the company initiates an active matchmaking process to locate a suitable job for that person; a debriefing interview is conducted upon repatriation to capture lessons learned from the assignment. As a result of Honda's integrated approach, nearly all of its expats consistently perform at or above expectations, and the turnover rate for returning employees is less than 5%. Most important, its expats consistently attain the key strategic objectives established at the beginning of each assignment. Companies like Honda, GE, and Nokia have learned how to reap the full value of international assignments. As a result, those companies are poised to capture today's global market opportunities by making their international assignments-the largest single investments in executive development that they will make financially successful.

### **FEMALE EXPATRIATES IN OVERSEAS ASSIGNMENTS**

Multinational corporations (MNCs) are continuously looking for the ideal "globally astute expatriate". Women as well as men are being sought out for these positions. Though the percentage of female expatriates has increased significantly in the past five years, to 13% from 8% globally but still there is a glass ceiling on an international scale i.e. despite the overall increase in demand for international assignees; the number of female expatriates remains persistently low. Research suggests that the international managers require interpersonal, intuitive and cooperative style of management which as per managerial science is the skill more suited to a woman's style of management. Then the question that arises is that "Why despite of the fact that female managers represent a significant source of expertise and ability their potential is underutilized by the global organizations and are discriminated in comparison to male candidates for overseas assignments?" Male and female expatriates tend to be treated differently, but not in the ways you might expect. Many bosses

make the assumption that women won't want to take an overseas assignment, and that even if they are sent, they will not be able to work effectively because of gender discrimination in the host country. Lest too rosy a picture be painted, it is important to acknowledge that gender discrimination can and does occur on international assignments, just as it does in domestic ones. Surely, such discrimination is more powerful in some countries than others, which has remained one of the reasons of selecting males in comparison to females. It's no wonder that only 13% of the international expatriate population is women. Women's experiences in global companies are also significantly affected by their roles in their families. Dual career concerns is also assumed to be one of the reason but in today's world, there is no excuse for assuming that a woman manager would refuse an overseas assignment because of her husband's career as great strides have been made in providing work and professional support for spouses in finding creative solutions to these challenges. Historically, women were discouraged from applying for foreign postings. The differing attitudes of world cultures toward the "male" and "female" role was generally given as the rationale. Corporate leaders often assumed some risks related while sending female on international assignments like Overseas, local males will treat females very much like they treat local females, Local (male) co-workers might create performance barriers for the female expat, Personal attributes of a woman like being single, being young and being culturally advanced can also create challenges for her survival in diverse cultural environment. All these fallacies led to lesser contribution of female in overseas assignments. With the changing time where women stand equal to men the corporate leaders are overcoming such outdated fallacies and are providing females with opportunities where they can show their talent. North America, however, continued to be the region with the highest number of female workers on overseas assignment at 15 per cent up from 11 per cent five years ago and similarly the Asia Pacific region, with 14 per cent of females comprising the expat jobs, up from 9 per cent five years ago.

### **IN SEARCH OF STEALTH**

Today's global businesses have created a new kind of Expat "Stealth Expats". The stealth or shadow expatriate - the employee who works abroad without

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being part of the company's official international assignment program. Stealth expats come in two main varieties: one is the cross-border commuter, a growing phenomenon particularly in the European Union (EU), where the relaxation of border controls and spread of low-cost airlines have made weekly commuting between cities easy. The other is the accidental expat—someone who goes on so many business trips or temporary assignments that he inadvertently incurs new fiscal liabilities or overstays his welcome as a foreign worker. Today's growing trend toward more flexible working assignments is leaving some organizations exposed in issues of taxation, visa and work permit compliance. Often working outside traditional expatriate programs without HR's knowledge, these "stealth expats" make it hard for those charged with ensuring that their expatriate programs are consistent, supportive, cost-effective and above all compliant i.e. Growing army of such mobile workers are giving human resources (HR) departments a new sort of headache, how to track where they are and when, for tax and visa purposes.

#### CONCLUSION

Companies with foreign operations will always face unexpected crises from time to time. But the companies that reap the most from sending their people abroad recognize that international assignments don't come for cheap. International assignments generally end badly for several reasons and the only time companies realize and pay special attention to their expats is when something goes spectacularly wrong. Clearly, the challenge today is to create a comprehensive system to fill "high impact" positions worldwide. An ideal system would seek to match the organization's specific requirements for talent with executives' interests in personal growth and development and their special needs, including spousal and family considerations i.e. to manage Expats or Mobile managers effectively to complete strategically important tasks so to have edge over the competitors in such global business environment.

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