

# EXPATRIATE MANAGEMENT: AN ORGANIZING FRAMEWORK USING PHASE AND RELIABILITY THEORIES

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*Drawing upon phase and reliability theories, this paper proposes an integrative framework that organizes those elements necessary to successful expatriate management. The framework consists of seven interrelated phases: planning, selection, training and consultation, mid-assignment support, evaluation and rewards, repatriation, and program assessment. Effective expatriation is dependent on meeting the thresholds for success at each phase of the framework; failure at any one phase can diminish the probability of success for any expatriate program. Finally, we offer eight sets of propositions based on an examination of the framework.*

## Introduction

Multinational enterprises (MNEs) are geographically dispersed, goal-disparate organizations that have headquarters and branches across multiple countries [Ghoshal & Bartlett 1990]. Expatriate assignments (EAs) refer to the practice of MNEs sending employees (and usually their family members) for a predetermined period – typically two to three years – to subsidiaries located in foreign countries. Upon completion of the assignment, expatriates are ordinarily expected to return to their domestic positions.

Expanding globalization of businesses and markets has made sending employees on foreign assignments an increasingly common practice among MNEs [Bartlett & Ghoshal 1992; Beamish & Inkpen 1998; Ghoshal 1987; Guzzo, Noonan, & Elron 1994; Hamel & Prahalad 1985; Kobrin 1988; Kogut 1985; Morrison & Roth 1992; Ronen 1989; Scullion 1991; Stroh & Caligiuri 1998; Stroh, Gregersen, & Black 2000; Yip 1989]. For instance, in 1991 U.S. firms sent approximately 80,000 employees abroad to work as expatriates [Arvey, Bhagat, & Salas 1991]. In 1997, that number rose to 150,000 [Andersen Consulting 1997]. As global competition continues to intensify, the number of international assignments is likely to increase. Moreover, research indicates that regardless of whether they have explicit expatriate programs or policies, MNEs tend to respond to situational problems in host-country subsidiaries by expanding their expatriate populations [Boyacigiller 1990].

The literature provides a number of factors that suggest EAs are crucial for building global competitiveness [Caligiuri, Hyland, & Joshi 1998]. First, staffing foreign subsidiaries with expatriates is an effective mechanism for cross-border knowledge transfer. Such knowledge transfer is an essential element for the synchronization of sophisticated managerial, technical, and marketing talents between parent companies and their foreign subsidiaries [e.g. Bhagat, Kedia, Harveston, & Triandis 2002]. Second, staffing culturally different subsidiaries with expatriates can be an effective strategy to enable the parent company to exert implicit cultural

control over multiple subsidiaries [Gong, 2003]. Typically, expatriates have internalized the parent corporation's mission, strategies, values, culture, and principles. Hence, they are more likely to identify with and focus on the company's strategic goals and objectives than are host-country nationals [(HCNs); Kobrin 1988]. Whether they share those goals and objectives explicitly or implicitly with HCNs, expatriates help to steer subsidiaries' actions in accordance with the parent company's global strategy. Third, staffing expatriates in subsidiaries may eliminate the need for rigid bureaucratic monitoring and control, thus providing subsidiaries with autonomy and flexibility in their day-to-day business operations [Paik & Sohn 2004a]. This allows subsidiaries to react more effectively to market changes. Autonomy and flexibility can also assist subsidiaries in achieving higher degrees of compliance with headquarters' missions and strategies [Gong 2003; Welch, Fenwick, & De Cieri 1994]. Finally, staffing expatriates in foreign subsidiaries can reduce agency costs and other expenses.

### **Defining Expatriate Success**

EA success is often defined as the completion rate of overseas assignments. Although their reasons vary, a number of researchers are critical of this operationalization of EA success. First, an expatriate's premature exit may be caused by factors other than poor performance. For instance, the mid-assignment retirement of an expatriate may not be related to performance issues. Moreover, expatriates may be offered and accept new positions based on outstanding job performance during their assignments [Holopainen & Bjorkman 2005]. Conversely, the completion of an assignment is not necessarily indicative of EA success. That is, the mere completion of an EA does not necessarily signify that the goals of the assignment were achieved [Harzing 1995].

The overarching goal of an EA program is to achieve a particular business objective, such as exploring new markets, building alliances, or providing technical consultation to a foreign subsidiary. However, the central goal of the program should not be accomplished at the expense of other important resources of the MNE. For instance, an EA program cannot be considered a success if the primary goals are accomplished but repatriated employees leave the MNE with valuable intellectual property. Current models of management effectiveness suggest the adoption of a broader definition of project success [Aladwani 2002]. Within this context, we define EA success as the accomplishment of EA program goals without jeopardizing other strategic or tactical resources of the firm.

Although debate continues as to what factors comprise EA success or failure [Mol, Born, & Van der Molen 2005], the significant failure rates of overseas assignments revealed by numerous studies indicate considerable problems with EAs. Moreover, these studies employ a variety of measures of EA success (premature return, decreased productivity, loss of repatriated employees, etc.), all of which report moderate to high failure rates. For instance, some studies [Mendenhall & Oddou 1988; Napier & Peterson 1991] indicate that 20 to 40 percent of expatriates return from their assignments earlier than planned. Shaffer and Harrison's study (1998) suggests that many expatriates experience psychological withdrawal, leading to indirect losses to their firms. Copeland and Griggs (1985) found that of those expatriates who did not exit their assignments prematurely, nearly 50 percent functioned below their normal level of productivity. Studies have

also revealed that upon repatriation, 20 to 50 percent of returning expatriates left their MNEs for good, a rate significantly higher than that of non-repatriated employees [Black, Gregersen, Mendenhall, & Stroh 1999; Halcrow 1999]. These lost employees constitute a significant loss of firms' knowledge and other intellectual resources (e.g., strategic technology and information from foreign subsidiaries to the parent company), as well as coordination and control mechanisms from the home country to foreign subsidiaries [Beamish & Inkpen 1998; Black et al. 1999; Gupta & Govindarajan 1991; Stroh 1995].

The costs associated with failed assignments can be substantial, ranging from \$250,000 to \$1.25 million annually [Black 1988; Mervosh & McClenahan 1997; Takeuchi, Tesluk, Yun, & Lepak 2005; Tung 1988]. Failed overseas assignments may also lead to decreased productivity, loss of business opportunities for building and expanding markets, and increased difficulty in establishing and improving relationships with host stakeholders [Takeuchi et al. 2005].

Although disagreement exists in the literature concerning the extent of EA failures [e.g. Harzing 1995], most researchers agree that EA failure rates continue to escalate. As a result, the literature is replete with various proposed solutions to the problem. However, most studies focus only on discrete aspects of EA failures, such as expatriate selection [e.g. Hays 1974; Graf 2004], training [e.g. Ronen 1989; Tung 1982], socio-cultural adjustment or acculturation [e.g. Black & Mendenhall 1990; Hall 1960; Mendenhall & Oddou 1985; Stenning & Hammer 1992], performance evaluation [e.g., Mol et al. 2005] and repatriation [e.g. Suutari & Brewster 2003; Stroh et al. 2000]. Unfortunately, the various functions of EAs do not operate independently. Corporate decisions and behaviors can work for or against one another in different phases of an EA to affect success or failure. For instance, if a firm employs appropriate selection procedures but ignores pre-departure training, the assignments may fail because expatriates and their families lack cultural adjustability (cultural adjustability is usually acquired or improved through pre-departure training). Similarly, if a firm performs the necessary selection procedures and pre-departure training but ignores or inappropriately conducts the assessment and compensation of the expatriate's performance, the expatriate can become disappointed and frustrated. This may lead the expatriate to return prematurely or to continue to work in the position with low morale and decreased productivity. Regrettably, few efforts have been made to develop a theoretical framework that addresses the synergistic impact of the various functions of EA programs [Takeuchi et al. 2005].

Given that prior research has narrowly focused on only discrete aspects of EA failures, our study attempts to fill the gap in the literature by proposing an organizing framework of expatriate management. The objectives of this paper are: 1) to propose a seven-phase, organizing framework of expatriate management; 2) to address the relationships among the various phases in the framework and their effects on the overall success or failure of overseas assignment programs; 3) to introduce the use phase and reliability theories as a means of integrating the elements within the framework; and 4) to present eight sets of propositions to assist in guiding future research.

## Theoretical Foundation and Framework Integration

In this section, we argue that success in any one phase of the proposed framework will not necessarily translate into success of the overall EA program. That is, while each phase of the framework prescribes different initiatives, all phases in the framework are interdependent. Hence, successful implementation of all phases but one may still result in overall program failure. In fact, a lack of integration of the various factors involved in expatriate programs may explain why previously prescribed solutions to problems at specific phases appear not to have measurably affected EA success rates. Thus, to reach their objectives and increase the probability of success, MNEs must attempt to execute successfully each phase in the proposed framework. Only with the effective execution of each phase will the combined results of the framework synergize and contribute to the success of the overall program.

To provide a means of establishing integration for the proposed framework, we employ *phase theory* as it applies to the study of decision-making and problem-solving. Phase theory was first discussed by Bales and Strodtbeck (1951) and was based on the early work of Dewey (1910). Bales and Strodtbeck (1951) indicated that the phase theorem is “the idea that [problem solvers] go through certain phases or phases in the process of solving problems, or that the problem-solving would be more effective if some prescribed order were followed” (p. 485). Thus, the theory has both descriptive and prescriptive facets.

As compared with outcome-focused, single-phase decision-making and problem-solving processes, phase theory can adequately capture complex decision processes involving multiple strategies within a decision [Lye, Shao, Rundle-Thiele & Fausnaugh 2005]. Phase theory advocates argue that decision-making and problem-solving processes could not be well understood simply by examining the final decision outcome [Payne 1976; Svenson 1979].

Phase theory has been embraced by researchers of a variety of disciplines, including psychology, marketing, and behavioral research [e.g. Bettman and Park 1980; Corbin 1980; Lopes 1995; Olshavsky 1979; Svenson 1979; Wright and Barbour 1977]. Viewed from an integrative perspective, our proposed framework is a managerial decision-making or problem-solving approach aimed at achieving a successful EA program, or at least a continuously improving one. Hence, phase theorem considerations become relevant.

Two well-known phase models are those of Polya (1945) and Simon (1960, 1977). Polya proposed a four-phase model for mathematical problem-solving: 1) *understanding the problem*; 2) *understanding the connections between the elements of the problem*; 3) *carrying out the plan*; and 4) *looking back and discussing the solution*. Simon (1960) originally proposed a three-phase model for managerial decision-making. The phases of the model include: 1) *intelligence*, which Simon describes as searching the environment for conditions calling for a decision; 2) *design*, which includes inventing, developing, and analyzing possible courses of action; and 3) *choice*. Simon (1977) later added a fourth phase called *review*, the process of assessing past choices. Simon also proposed that each phase could have other phases embedded within them. For example, activities in the design phase may call for additional intelligence gathering. A well-known example of a phase model is Deming's cycle of *Plan-Do-Study-Act*, found in the quality

assurance literature [Evans & Lindsay 2005].

Our proposed framework shares features of general phase models but tailors them to the specific context of EAs. Based on the phase theorem, we propose:

*Proposition 1a: Expatriate programs that strictly follow the proposed comprehensive and integrative organizing framework will be more likely to achieve their objectives than those that do not.*

Phase theory concentrates on the order and logical completeness of the phases, but not on how the effectiveness of individual phases influences that of the whole. To address this issue, we draw upon a result from reliability theory. The reliability of serially connected components can be defined in terms of the probabilities of success of each of the components. We define the reliability of each component as its probability of success. The reliability of the entire sequence of phases is the product of the corresponding individual phase reliabilities. That is, for an n-component system, reliability is supplied by:

$$R_{\text{system}} = R_1 \times R_2 \times \dots \times R_n.$$

This result, known as Lusser's product law [Bazovsky 1961], demonstrates that the reliability of the whole system cannot exceed that of its poorest link. Based on this consideration, we obtain:

*Proposition 1b: Effective performance at one or more but not all phases, will not necessarily lead to success of the program.*

*Proposition 1c: Poor performance in any single phase is likely to be associated with poor performance of the entire EA program, regardless of high performance in other phases.*

Hence, we utilize phase and reliability theories as the means of establishing the need for the integration for our proposed framework and all its phases. They represent the theoretical "glue" of the framework.

## **The Framework**

As noted above, most previous studies focus on discrete or distinct functions related to expatriate success or failure, such as expatriate selection, training, or socio-cultural adjustment. While such solutions have helped improve those individual functions, they have contributed little to the overall success of EAs. The underlying reason is that a successful expatriate program relies on the synergy of effective performance in all phases of the expatriate life cycle. The proposed integrative framework aims to help organizations decrease the failure to success ratio of their EAs. The framework consists of seven stages or phases: planning, expatriate selection, training and consultation, mid-assignment support, evaluation and rewards, repatriation, and program assessment (see Figure 1).

As noted in Figure 1, the first phase of the framework, the planning phase, is linked to all other phases to ensure that each subsequent phase is well planned and organized. The last phase of the framework is the program assessment phase, which is also linked to all other phases in the life cycle. Program assessments provide feedback (through a feedback loop) concerning effectiveness, successes, and failures of practices at various phases of the life cycle. Feedback loops also exist between adjacent phases. For instance, following the expatriate selection phase, MNEs move on to the training phase, providing training to the selected employees and their families. However, during the training process, MNEs may determine that one or more of the selected employees are not appropriate for the assignment (for instance, they may have extraordinary difficulty in cultural adjustment). As a result, the firm can revisit the selection phase to find new employees for the assignments.

### **The Planning Phase**

The planning phase is critical because it establishes the foundation for all other phases in the life cycle. During the planning phase, the firm should follow a five-step process: 1) conduct an overseas-assignment needs analysis; 2) identify the mission and objectives of the assignment; 3) specify the timeframe of the assignment; 4) conduct a cost/benefit analysis; and 5) provide a detailed plan for all the other phases in the life cycle. Runnion (2005) points out that an expatriation planning phase should set the goals and strategies for every phase of an expatriation program, which include expatriate selection, training, mid-term support, repatriation, and evaluation.

The effectiveness and thoroughness of planning largely determines the success or failure of an EA program. Unfortunately, planning of overseas assignments is an “under-researched” issue (relative to other phases in the life cycle) and has been widely overlooked by practitioners. The few studies that have examined this process reveal that most firms do not have adequate planning of their EAs programs [Stahl & Cerdin 2004; Tung 1984]. Objective-setting during the life cycle illustrates the problems created by lack of planning. Prior to the actual assignment, a formal plan should be produced to identify the key objectives of the assignment, which may include successful completion of the job assignment, career development for the individual, or organizational learning from the transfer of new skills and knowledge from expatriates upon their return [Inkson, Arthur, Pringle, & Barry 1997]. More specific business objectives such as opening new markets, facilitating mergers and acquisitions, or setting up new technologies and systems should also be included [Halcrow 1999]. Regrettably, many firms have no clearly defined objectives for EAs or have conflicting objectives between the host-country subsidiary and the parent corporation, contributing to the high failure rates of overseas assignments [Halcrow 1999]. Based on the high cost of EA failures and the potential loss of business opportunities and market share due to failed assignments, producing comprehensive and feasible plans prior to EAs are crucial for MNEs. Based on the above discussion, we propose:

*Proposition 2: EA programs that employ the five-step comprehensive planning process described above are more likely to be successful than those that do not.*

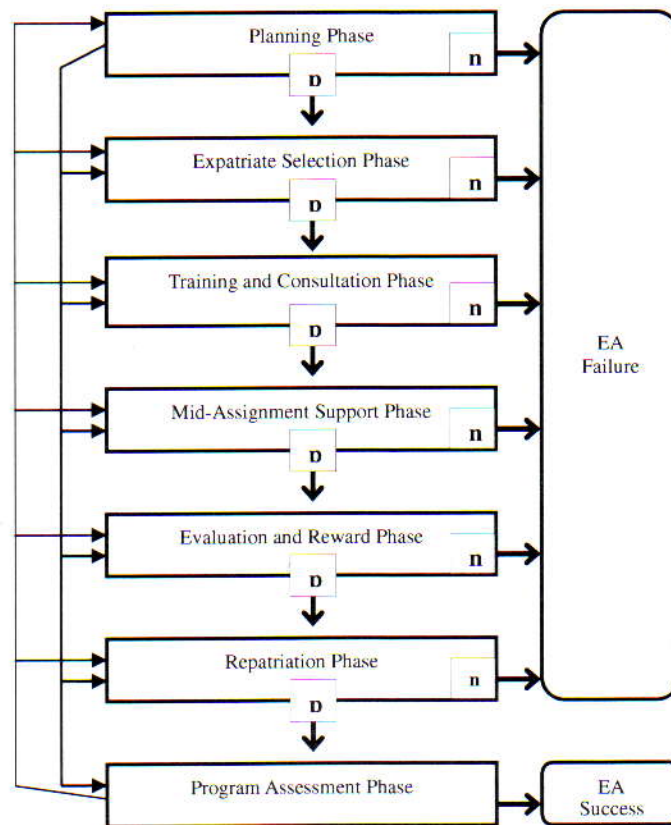
## The Expatriate Selection Phase

While expatriate selection is probably the most studied area of overseas assignments, most research has focused on selection criteria, including knowledge, skills, and abilities (KSAs) and relevant personality traits. Some studies have also examined those criteria crucial for cross-cultural job performance, such as cultural adjustability and previous international experience.

### *Knowledge, Skills, and Abilities (KSAs)*

KSAs refer not only to functional area competencies and technical abilities concerning assignments, but also to the candidate's knowledge of the company's overall mission, global strategy, and operational objectives for the subsidiaries. The latter criteria are particularly essential for knowledge and skills transfer between the parent company and its foreign subsidiaries. Hence, an organization should consider these criteria when assessing candidates' qualifications. A thorough job analysis will assist in identifying those KSAs essential to an expatriate's job success. Once identified, valid predictors (i.e., selection instruments) can be developed to assess the extent to which candidates possess the requisite KSAs to be successful in their assignments (in this context, validity refers to the relationship between performance on a selection instrument and performance on the job; the stronger the relationship, the more valid the selection instrument).

**Figure 1: Organizing Framework of Expatriation**



p: indicates positive actions or inactions  
n: indicates negative actions or inactions

### *Personality Trait*

Personality traits appear to play a fundamental role in increasing the probability of successful expatriate performance [Hays 1974; Van Vianen, De Pater, Kristof-Brown, & Johnson 2004; Yang, Noels, & Saumure 2006]. Certain personality factors have been linked to an expatriate's ability to adapt to host cultures. One of these factors, "cultural fit," defined as the relationship between an expatriate's personality, affect, and cognition and the cultural norms and practices of the host country (as well as the level of internalization of the parent country's culture) influences the expatriate's cultural adjustability [Yang et al. 2006]. More importantly, cultural fit plays a significant role in the probability of success of an expatriate assignment [Mol et al. 2005]. For example, an extroverted and open-minded employee is more likely to learn foreign languages, communicate with host-country nationals, and adapt to the host culture than an introverted and self-conscious employee. Employees characterized as "dogmatic" (usually referred to as "close-minded" and "authoritarian" in the literature) are more likely to be preoccupied with their home culture and exhibit general hostility toward members of out-groups than those individuals characterized by openness, social sensitivity, and empathy [Hays 1974]. Research also suggests that discrepancies between expatriates' cultural values and those of HCNs can prove problematic. For example, individuals that hold equality and social justice as important personal values may experience psychological distress if the host country's values are vastly different [Van Vianen et al. 2004].

The aforementioned personality constructs are essential elements of the expatriate selection process because they aid in predicting a candidate's ability to adjust to a different culture. Those employees who exhibit introversion, self-consciousness, and dogmatism tend to have greater difficulty in adjusting to new cultures and are therefore less likely to accomplish the tasks of foreign assignments. On the other hand, those who are extroverted and open-minded are more likely to tolerate and accept the host culture and thus, more likely to achieve the goals of the assignment.

Finally, expatriate selection procedures should involve an assessment of family members' cultural adjustability. As is the case with expatriates, multiple factors determine family members' cultural adjustment, including open-mindedness, emotional stability, family cohesion, and family adaptability [Ali, Van der Zee, & Sanders 2003].

### *Family Support*

Because 89 percent of expatriates are married [Takeuchi et al. 2005], EAs ordinarily involve more than the employees themselves—their spouses and children are also included as part of the assignment. Lack of family support and family members' inability to work and live in the host country are the most often-cited reasons for premature returns [e.g. De Leon & McPartlin 1995]. Unfortunately, MNEs rarely consider these issues during the selection process



[Black, Gregersen, & Mendenhall 1991]. Selection procedures should involve an assessment of likely levels of support among family members and their ability to live and work in the host country. Such an assessment should include family members' ages, personalities, previous international experiences, and ability to adjust to distinctive cultures.

In his research on constructs relating to EA success or failure, Hays (1974) was able to differentiate between factors that contribute to success versus factors that help avoid failure in EAs. His study revealed that job and relational abilities (e.g., the ability to communicate and build favorable relationships with local nationals) contribute to EA success. On the other hand, the support expatriates receive from their families plays a central role in avoiding EA failures.

### *International Experience*

Previous international experience is another important criterion for expatriate selection. Prior international experience provides expatriates with direct opportunities for learning a variety of skills, such as intercultural communication, relocation, and cognitive skills, and thus has a positive effect on expatriates' cross-cultural adjustment [Black et al. 1991; Black, Mendenhall, & Oddou 1991; Selmer 2002; Shaffer, Harrison, & Gilley 1999; Takeuchi et al. 2005]. With prolonged prior exposure to different aspects of the host culture, "seasoned" expatriates are better able to familiarize themselves with the general environment of the host country and find more suitable living standards (e.g., affordable housing, safe neighborhoods, and knowledge of transportation systems). As a result, they are more likely to experience successful adjustment to the host culture [Takeuchi et al. 2005]. Employees with extensive experience in other cultures are also likely to have developed comprehensive cognitive frameworks or templates concerning EAs. Also known as schemata, these frameworks about people, roles, or events govern social behavior [e.g., Fiske & Taylor 1984] and aid in adaptation to novel environments [Takeuchi et al. 2005].

However, not all prior international experiences are equally relevant and valuable to the current assignment. Different types of prior international experiences have different potential in influencing expatriates' adjustment to a host country [Takeuchi et al. 2005]. First, prior international experience in the culture to which an expatriate is assigned is likely to be more valuable to his or her cultural adjustment than prior experience in a different foreign culture. For this reason, MNEs must differentiate prior international experience as "country-specific" or "general" when considering this factor during the selection process [Takeuchi et al. 2005].

Second, prior international work experiences may have different effects than non-work experiences on expatriates' abilities to adjust to their new assignments. Based on a survey by Streling (2008) on Swedish MNCs, the expatriate candidates' previous experience is one of the most important criteria for expatriate selection, along with technical abilities. While prior international non-work experiences are helpful for creating and developing routines and schemata that improve adjustments to the general environment of the host culture, they may not necessarily translate to an expatriate's work environment [Takeuchi et al. 2005]. Therefore, MNEs must also differentiate prior international work and non-work experiences as criteria for selection.

Several researchers suggest that emphasizing functional area competencies and abilities while ignoring skills associated with acculturation or cultural adjustment is a significant impediment to successful expatriate selection. Mendenhall and Oddou (1988) revealed that the majority of U.S. MNEs select their expatriates based solely on managerial and technical competencies. They argued that candidates for EAs should be selected for cross-cultural adaptability in addition to technical expertise. Psychological testing of potential expatriates and their families increases the probability of selecting the most suitable candidates. Halcrow (1999) also indicated that expatriate selection has wrongly focused on candidates' "hard skills" (e.g., technical, managerial, or other job-related skills) rather than on their "soft skills" (e.g., personality traits such as adaptability, flexibility, or preference for autonomy). Soft skills appear to play a demonstrably greater role in expatriates' success in adapting to a new culture and working productively [Halcrow 1999; Mol et al. 2005].

Different assignment positions and tasks also determine the types and levels of abilities required to adjust to host cultures [Hays 1974]. For instance, expatriates sent to establish marketing systems or senior managers sent to build local management teams are likely to have greater success using their interpersonal skills. Alternatively, expatriates whose objectives include management of physical plant and machinery will use their technical skills to complete their assignments successfully. Hence, selection criteria should be adopted based on the various characteristics of the expatriate's tasks. While selecting technicians based primarily on their technical skills is appropriate if their expected interactions with HCNs are minimal, it is more advisable to select a marketer or salesperson based on abilities or characteristics (such as cultural fit) that will ensure smooth interaction and communication with host-country employees.

Based on the above discussion, we propose:

*Proposition 3a: EA programs that use valid assessments of the relevant KSAs and interpersonal skills for the selection of expatriates are more likely to be successful than those that do not.*

*Proposition 3b: EA programs that use valid assessments of relevant family members are more likely to be successful than those that do not.*

*Proposition 3c: EA programs that use valid assessments of candidates' international experiences are more likely to be successful than those that do not.*

### **The Training and Consultation Phase**

Expatriate managers' social-cultural knowledge about host countries (i.e., their ability to understand and predict HCNs' behavior patterns) influences the effectiveness of their control over subsidiaries [Paik & Sohn 2004b; Sanchez, Spector, & Cooper 2000]. While there is substantial emphasis on the technical abilities of expatriates, social competency is critical but often neglected [Pires, Stanton & Ostefeld 2006]. Socio-cultural knowledge is often accumulated during assignments. However, to reduce culture shock at the beginning of an assignment, MNEs should offer employees and their family members' pre-departure socio-cultural training and consultation. Training and consultation programs often focus on

acculturation or socio-cultural adjustment [Selmer 2002], though expatriates' functional area competencies, technical abilities, and personalities are also important in their new foreign assignments. Unfortunately, the record of MNEs' for providing sufficient pre-departure training for expatriates and their families has been poor [Toh & DeNisi 2005]. A recent study by Takeuchi et al. (2005) revealed that 36 percent of expatriates did not receive any pre-departure training and 39 percent of those who did receive pre-departure training reported that it was limited to language training only.

### *Socio-Cultural Adjustment*

Expatriates' job performances seem to be strongly related to their level of socio-cultural adjustment [Mol et al. 2005; Tucker, Bonial, & Lahti 2004]. As Stroh, Black, Mendenhall, & Gregersen (2005) suggest, a successful expatriate must be able to work well with people from different cultural, religious, and ethnic backgrounds and to manage teams composed of cross-cultural members. Two types of socio-cultural adjustment have been identified in the expatriate literature: work adjustment and non-work adjustment. Work adjustment refers to an individual's formation of psychological comfort in the host country's work environment, such as supervisory and job responsibilities [Black 1988; Black & Stevens 1989; Black & Gregersen 1991a, 1991b]. General or non-work adjustment refers to the formation of an individual's psychological comfort, familiarity, and ease in the host country's general environment, regarding items such as food, climate, and living conditions. Expatriates can use one of two methods to familiarize themselves with and adjust to the host culture: 1) "pre-knowledge" obtained from pre-departure training or previous international experience; or 2) "socialization tactics," which refers to socializing contacts with HCNs during the assignment [Selmer 2001a].

Because expatriate adjustment includes a great deal more than adjustment to one's work environment, training should include family members. (Interestingly, studies indicate that married expatriates are more successful at socio-cultural adjustment than are their single counterparts [Selmer 2001b].) Socio-cultural adjustment training assists expatriates and their families in understanding and appreciating cultural differences concerning the language of time, space, material possessions, friendship patterns, and agreement [Ali et al. 2003; Hall 1960]. Training should focus on the development of expatriates' and family members' ability to adjust to host countries' social and cultural environments. It should also familiarize them with the host country's language, customs, values, beliefs, religions, and thinking and behavior patterns. Research also indicates that language proficiency is positively related to work adjustment [Takeuchi, Yun, & Russell 2002]. More importantly, training should develop expatriates' and family members' sensitivity to the subtle nuances of people and situations and improve their tolerance and acceptance of host countries' social and cultural environments [Osland & Bird 2000]. To help trainees internalize the host country's culture and values, training should not only provide documentation about the host culture, but should also employ some more vivid mechanisms, such as role playing, confrontation, and behavioral situations [Mendenhall & Oddou 1988; Yamazaki & Kayes 2004]. Overall, successful socio-cultural adjustment appears to improve expatriates' relationships with host country employees [Paik & Sohn 2004b].

*Proposition 4: EA programs that include socio-cultural training and consultation for expatriates and their families are more likely to be successful than those that do not.*

### **The Mid-Assignment Support Phase**

After expatriates and their families leave for their assignments and settle into their new working and living environments, MNEs should continue to provide them with adequate mid-assignment support. Such support may include the designation of a contact person in case of problems, regular e-mail and phone communications from parent-company headquarters, monthly news about the corporation, and cultural and language training. Unfortunately, many MNEs overlook mid-assignment support during the foreign assignment. Most MNEs practice an “out-of-sight, out-of-mind” philosophy of expatriate management [Mendenhall & Oddou 1988]. Indeed, in Halcrow’s (1999) study, only eight percent of respondents claimed they received mid-assignment support. However, recently, more MNEs have provided such support. For instance, Suutari and Burch (2001) found that on-site host training and support have become a common practice.

Mid-assignment support not only improves expatriates’ work performance, it also improves social and cultural adjustment. Lack of mid-term support may cause expatriates to feel alienated and helpless in their new environments. Frustration and bitterness may result among expatriates and their families, triggering decisions to leave assignments prematurely. Research indicates that job satisfaction, organizational commitment, and many non-work variables such as spouse adjustment and living conditions are important indicators of expatriates’ intentions to leave their assignments early [Shaffer & Harrison 1998]. Moreover, not all expatriates adapt equally well to their new environments; some may require more intensive mid-assignment support than others [Richards 1996]. Hence, the availability of mid-assignment support is essential to the success of many EAs [Grant-Vallone & Ensher 2001].

Because they know the local culture and environment, host-country employees are often the best providers of support for expatriates. HCNs can help expatriates and their families adjust to their working and living environments [Copeland & Norell 2002; Toh & DeNisi 2005; Vance & Ensher 2002]. MNEs can improve the probability of EA success by systematically arranging for and financially motivating host-country employees to assist and mentor incoming expatriates and their families. Companies should also provide expatriates and their families with information concerning all available forms of support, including family support and training. More importantly, MNEs should maintain constant communication with expatriates and their families to assure them that their firms are concerned about their welfare.

*Proposition 5a: EA programs that include adequate mid-assignment support are more likely to be successful than those that do not.*

*Proposition 5b: EA programs that reward host country employees for assisting and mentoring expatriates are more likely to be successful than those that do not.*

### **Evaluation and Reward Phase**

Expatriates’ job performance should be evaluated regularly, and feedback should be provided to them on a timely basis. The most widely used source of feedback for the expatriate is the

reward package (including bonuses and other benefits) that he or she receives for successful job performance. However, because expatriates are ordinarily away from the parent company for several years, they may be unaware of subtle changes to evaluation and reward policies. Hence, expatriates need to receive timely updates on any changes in performance evaluation procedures and compensation systems. In addition, the parent company should provide expatriates with clear and thorough information concerning the compensation plan *before* they leave for their assignments. A well-communicated evaluation system and compensation plan with clearly defined criteria not only motivates expatriates, it also helps them understand and internalize the core objectives of their assignments, increasing the likelihood of goal achievement. Organizations should also be aware that perceived pay inequities by HCNs could cause problems for expatriates if extreme pay differentials exist between them [Toh & DeNisi 2002, 2005].

MNEs tend to rely on global business performance indicators such as ROI, ROE, cash flow, and market share to evaluate expatriates' performance and determine their rewards. Situational factors that affect business performance, such as devaluation of domestic currency, host-country inflation, and governmental intervention are often ignored [Mendenhall & Oddou 1988]. While global business indicators are easy to quantify and manage, they may not reflect the efforts and contributions of expatriates and thus may not be adequate for accurate performance evaluations and reward decisions. To achieve fair and accurate evaluations and to reduce expatriates' frustration due to perceived unfair evaluations and subsequent rewards, MNEs should evaluate both situational factors and global business performance indicators when determining expatriates' performance.

Expatriate goal-setting is also an important part of the reward and evaluation process. Typically, the goal-setting process is a joint effort between the host-country manager, the expatriate, and the home-country supervisor. While previous research proposes that expatriates are often faced with managers in different countries that may have conflicting objectives [e.g., Dowling, Welch, & Schuler 1999], more recent research suggests that this may not be the case [Suutari & Tahvanainen 2002].

*Proposition 6a: EA programs that include clearly defined and well-communicated evaluation and reward systems are more likely to be successful than those that do not.*

*Proposition 6b: EA programs that include evaluation and reward systems that are perceived as fair by expatriate employees are more likely to be successful than those that do not.*

*Proposition 6c: EA programs that include consideration of situational factors in addition to business performance indicators in their evaluation and compensation of expatriates' performance are more likely to be successful than those that do not.*

### **The Repatriation Phase**

Repatriation refers to the process through which returning employees readjust to the home culture. Upon returning from a long overseas assignment, the expatriate usually experiences a "reverse culture shock" [Black 1992; Forster 1994; Peltonen 1997; Stroh et al. 2000; Weissman

& Furnham 1987], which may be more difficult to overcome than the culture shock that he or she initially experienced in the host country [Black & Gregersen 1991a; Forster 1994; Stroh 1995]. To mitigate these issues, an effective repatriation process should begin when employees *leave* for their assignments. At that point, information regarding the timeframe for the return process and job placement upon their return should be provided to expatriates [Halcrow 1999]. When expatriates complete their assignments, the organization should also provide assistance in moving home and readjusting to the home culture. Successful repatriation is as important as the expatriate's performance during his or her foreign assignment. In fact, some scholars argue that it should be a measure of EA success [Halcrow 1999]. Black and Gregersen (1999) imply that repatriation is one of the most critical success factors for an expatriation program. They argue that in addition to sending people for the right reasons and sending the right people, MNEs should finish an EA program the right way. Failure in repatriation frequently leads to frustration among returning employees, often resulting in low productivity or loss of employees, along with their skills and experience.

Many companies tend to overlook repatriation issues [Scullion 1992]. For instance, many MNEs do not have a suitable position ready for repatriates upon their return [Morgan, Nie, & Young 2004]. According to Oddou (1991), nearly 50 percent of repatriates have *no* position waiting for them upon their return. Many others have to accept new positions with less authority than they had while abroad [Feldman 1991; Gregersen & Black 1996; Harvey 1989; Kamoche 1997; Selmer 1999; Welch 1994]. Mendenhall and Oddou (1988) found that repatriated employees are often placed in positions with less power, less decision-making authority, lower salaries, and fewer promotion opportunities.

Other research on repatriation efforts is just as discouraging. A survey conducted by Workforce and Prudential Relocation International [Halcrow 1999] revealed that 25 percent of organizations do not begin formal repatriation discussions until three to six months before the end of the expatriate's assignment, four percent do not conduct such discussions until two months before the end of assignment, and 27 percent of organizations *never* have such discussions. In addition, many MNEs are less willing to offer help to those employees returning from EAs than to those beginning foreign assignments.

By overlooking repatriation programs, MNEs risk reducing repatriates' affective commitment, loyalty, and sense of belonging toward their companies [Gregersen & Black 1992; Shaffer & Harrison 1998]. Reduction in any of these important interpersonal constructs may result in a decision by the repatriated employee to leave the organization. Indeed, higher turnover rates among repatriates [Birdseye & Hill 1995; Engen 1995; Suutari & Brewster 2003] represent a significant loss of an MNE's intellectual property—property to which it has committed significant organizational resources throughout the EA program.

Clearly, repatriation is an essential phase of the EA life cycle. Hence, the repatriation process should not merely include arrangements for an uneventful and trouble-free move home; it should also include efforts toward developing a career path, mentoring programs, and socio-cultural readjustment programs for the returning expatriate [Mendenhall, Dunbar, & Oddue 1987].

*Proposition 7a: EA programs that include socio-cultural readjustment programs are more likely to be successful than those that do not.*

*Proposition 7b: EA programs that include mentoring programs are more likely to be successful than those that do not.*

*Proposition 7c: EA programs that include career-pathing programs are more likely to be successful than those that do not.*

*Proposition 7d: EA programs that ensure repatriated employees have appropriate positions upon their return are more likely to be successful than those that do not.*

*Proposition 7e: EA programs that include a repatriation process that begins when employees leave for their assignments are more likely to be successful than those that do not.*

### **The Assessment Phase**

In the assessment phase of the EA life cycle, MNEs determine the extent to which the program has achieved its goals. Such an assessment can be based on a variety of measures, including: business performance indicators (e.g., ROA, ROE, and market share); the turnover ratio of repatriated employees; the number of expatriates that end their assignments prematurely; and the levels of organizational commitment, job satisfaction, and motivation of repatriated employees. The assessment process should also summarize and document the successful and failed practices in each of the various phases to provide valuable information for the planning of future EA programs.

*Proposition 8: EA programs that include objective assessments of program outcomes are more likely to be successful than those that do not.*

The seven phases of the organizing framework of expatriation – planning, expatriate selection, training and consultation, mid-term assistance, evaluation and reward, repatriation, and program assessment – must be implemented as a coherent unity. Success in any one stage will not necessarily translate into success of the overall expatriate assignment program. As a matter of fact, any phase that fails or is lacking in some way may result in the failure of the entire expatriation program.

The failure of many expatriation programs today lies in the fact that they focus on one or more phases of the program but overlook others. To ensure successful implementation of the framework proposed in this paper, MNEs should make certain every stage of the lifecycle of an expatriation program is properly executed – only in that way can the synergistic, positive effect of different phases be achieved.

## **Discussion**

Previous research on EA failures has generally focused on discrete aspects of the problem (e.g., training or selection issues). While this approach has added to what we know about EA successes and failures, it has not provided academics or organizations with any clear solutions. The EA organizing framework presented in this paper provides an integrating framework that has implications for organizations and future research.

## **Organizational Implications**

As the movement toward international trade and the globalization of markets continues to expand, the significance of EA failures is likely to increase. In fact, the sustained competitive advantage of MNEs may well hinge on their ability to push the EA failure-to-success ratio to a number approaching zero. Evidence from current research, combined with the organizing framework of expatriation and its associated propositions, supports the conclusion that to be successful, organizations must correctly execute each phase of the framework. Moreover, by integrating the research on EAs with phase and reliability theories, the crucial and perhaps even central role of the synergistic effects of integrating all phases of the framework is apparent. In fact, the framework and supporting literature indicate that these synergistic effects may have a lasting impact on MNEs' future competitive advantage.

Clearly, organizations need to improve their strategies for addressing the vestiges of EA failures and improving future EAs. The definitive goal of the conceptual framework presented here is to assist MNEs in obtaining and sustaining a competitive advantage in the global marketplace. The framework also suggests that organizations can encourage EA success by using a comprehensive systems approach to the implementation of EA programs. Moreover, special attention should be paid to identifying the poorest performing phases and prioritizing them for improvement.

## **Research Implications**

Although we believe the framework is comprehensive in its assessment of the life cycle of EAs, it is also open to contextual and individual variables not yet defined. Hence, we offer our recommendations for the focus of future research.

Clearly, research that focuses on both individual and organizational determinants of EA success and failure needs to be expanded. However, research that attempts to explain the simultaneous influence of both sets of determinants may produce the greatest insight about how and why expatriates succeed or fail in their assignments.

Additionally, the empirical examination of the predictive capability of the EA organizing framework in a variety of organizational settings is required not only to determine its efficacy, but also its ability to be generalized. In addition to testing the framework in a variety of different contextual settings, the inclusion of longitudinal data is important to determining the veracity of the framework and its associated propositions. A longitudinal analysis may also lead to the discovery of patterns that may be common to failures or successes.



Future empirical studies are needed to test the propositions formulated in this paper on the various phases and aspects of the proposed framework. In addition, while we have emphasized that every phase of the framework contributes to the overall success of EA programs, further studies are needed to explore the extent to which each phase contributes to overall EA performance. A performance-accounting model estimating the contribution of each phase to the overall performance of EA programs would be particularly useful. Finally, our proposed framework is formulated strictly from the perspective of an MNE. Future studies formulated from alternative perspectives may provide a richer understanding of the implications of the framework. For instance, MNEs, expatriates, and HCNs may have distinctly different and possibly contradictory interests in EA programs. MNEs tend to focus on the successful accomplishment of program goals, while expatriates tend to focus on the financial and career benefits of the program. Finally, HCNs tend to focus on financial and career growth as well as the benefits the program brings to the local subsidiary.

### Conclusion

This study has rich managerial implications for MNEs and their managers. As the number of EAs continues to grow, improving the success rate of such assignments has become increasingly important to the overall success of organizations. In fact, the sustained competitive advantage of many MNEs may depend on their ability to do so. Moreover, given the costs involved in ignoring the importance of a well-planned and comprehensive program, MNEs can no longer afford to ignore the problem of prevalent expatriate failures. The organizing framework proposed in this paper provides MNEs with guidelines for formulating strategies to reduce EA failures and increase EA successes. The core of such guidelines lies in strictly following the seven phases of the framework and intelligently integrating those phases into a synergic plan of action.

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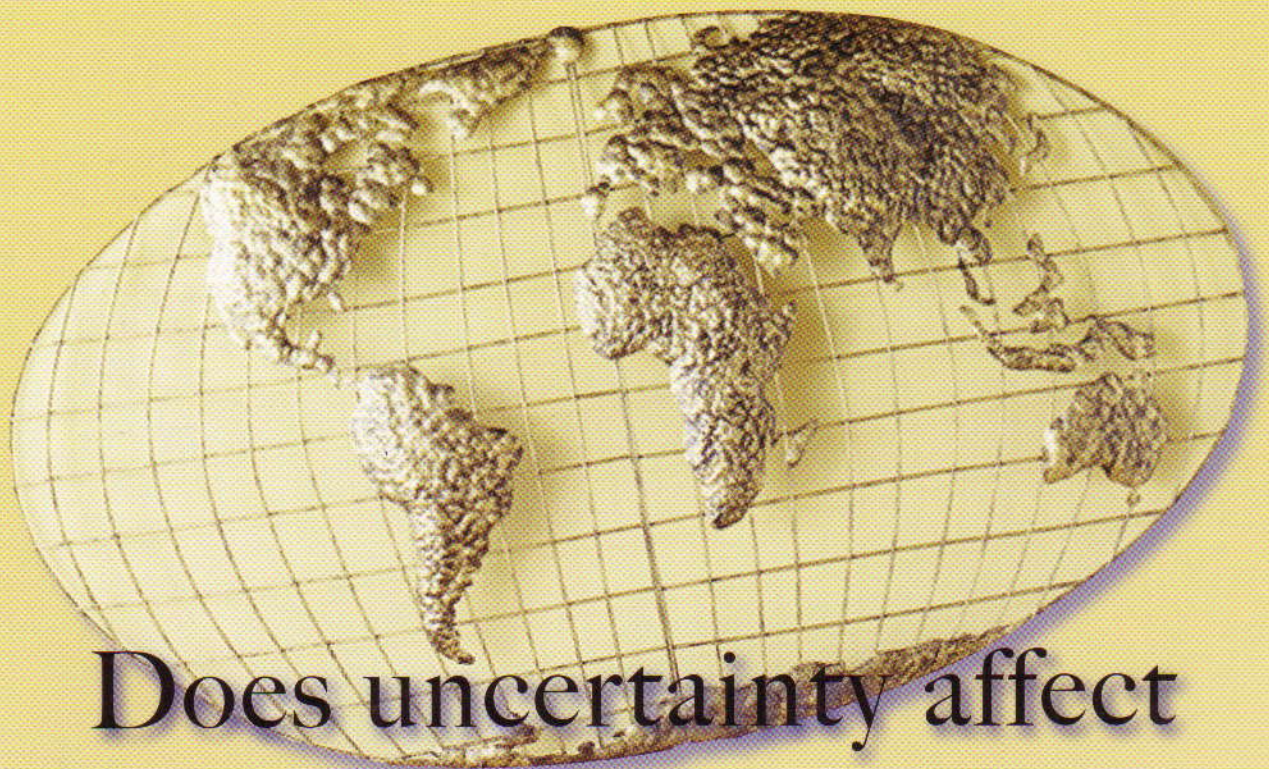


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