

## **MAKING SUCCESSFUL EXPATRIATES IN MULTINATIONAL CORPORATIONS**

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### **ABSTRACT**

Multinational corporations (MNCs) appear to be paying little attention to international cross-cultural training and management development for new expatriate assignments to be given to first time expatriates. Effective training of expatriate employees is needed for the success of any MNC. The extent and rigor of cross cultural training determines to a considerable extent the success or failure of the expatriate working in foreign country. The literature review provides the view that more sensitivity needs to be paid to the intense training needs for the benefit of MNCs, expatriates, and their family members. It also provides a better understanding to the merits of the unique experiences of expatriate managers in international assignments adjusting to the diverse cross-cultural conditions on global tours and confronting the challenges affecting their career goals. In order to succeed in a globally competitive environment, MNCs need to effectively train expatriates in international capabilities, including fluency in foreign languages and in the ability to adapt to different cultures. Those international assignments can lower the probability of expatriate failure through proper training programs. This paper has been developed from the same tradition that the expatriate assignment is often poorly performed in international business operation as a result of deficiencies in training and learning. It focuses on ways to improve and foster knowledge acquisition for expatriates in MNCs' training and learning programs.

## **INTRODUCTION**

In an increasingly changing business world, MNCs establish foreign-owned subsidiaries and enter into joint ventures and strategic alliances to create a presence in international competition and to take advantageous production resources. Many opportunities and challenges of the globalizations processed are creating the need for expatriates to locate managers and skilled workers in international locations. However, the task of expatriate employment is complicated by profound differences between countries in labor markets, culture, legal and economic systems (Hill, 2007). In this international environment, the quality of expatriate employees and management seems to be even more critical than in domestic operations. MNCs of all sizes (small, medium, or large) that have subsidiaries in foreign countries are facing the problem of training, selecting, compensating as well as the reintegrating expatriate managers. Despite the problem, these expatriate managers are contributing significantly to the achievement of the MNC's goals and as a result, their importance should not be overlooked (Treven, 2003). Expatriates are citizens of one country who are working and have subsidiaries in foreign countries

Inpatriates are also used to identify a subset of expatriates who are citizens of a foreign country working in the home country of their MNC employer (Hill, 2007; Harvey & Fung, 2000). These expatriates are sent to a foreign country by MNCs with the intent to control their operations and to provide technical and administrative services (Jun, et al., 2001).

A common feature of the literature is to focus on managerial employees, reflecting the assumption that MNC training and development efforts have tended to be focused on a small cadre of international managers. These cadres are mainly drawn from the home country. However, there are some suggestions in the literature of widening international training and development cadres among MNCs in their global operations (McPherson & Roche, 1997). An increasing number of MNCs are acknowledging the importance of providing training for all categories of expatriate employees. In order to have access to qualified staff at the time and place required, more MNCs are becoming aware of a need to develop international experience across a wider range of employees, from host locations as well as from the home country (McPherson &

Roche, 1997). Expatriate employees need to be selected not on technical expertise alone, but also on cross-cultural fluency in order to maximize the expatriate's effectiveness and efficiency working in a different culture (Hill, 2007; Scholes, 2003). Therefore, it becomes necessary to train the new expatriates to perform the goals and objectives set by the MNCs. The purpose of this paper is to illustrate the importance of training and learning in order to reduce the direct and indirect costs of expatriate failure rates by improving selection procedures.

### **DIRECT AND INDIRECT COSTS OF EXPATRIATE FAILURE**

Global business frequently requires the expatriation and repatriation of managers and skilled workers. Employee satisfaction with expatriation and repatriation is critical to the success of MNCs because these employees often play a pivotal role in managing and coordinating the operations of the extended enterprise (Morgan, et al., 2004). The decision of MNCs to participate in international competition raises a host of human resource issues. One must consider whether a particular location provides an environment where human resources can be successfully acquired and managed. One important issue that has been recognized over and over the past few years is the set of problems inherent in selecting, training, compensating, and reintegrating expatriate managers. The importance to an MNC's profitability is making the right expatriate assignments. A prominent issue in the international staffing literature is expatriate failure—the premature return of an expatriate manager to his or her home country (Hill, 2007). Expatriate and their families suffer high rates of poor performance and failure, each loss or failure can be extremely expensive in direct and indirect costs. The total financial costs associated with expatriation as well as premature repatriation stints are estimated to be between \$2 and \$2.5 billion (cited in Jun, et al., 2001).

The expatriate failure rate is an important indicator for measuring the effectiveness of expatriation management. Results showed that the costs of expatriate failure are high and involve both direct and indirect elements. In the case of expatriate recalls, the direct costs include salary, training costs, and travel and relocation expenses (Shen, 2005). In addition to finances, the early returns can be also costly for MNCs with respect to good will and reputation (Dowling &

Schuler, 1990). In many cases, this high failure rate of expatriate managers is becoming a persistent and recurring problem in the MNCs.

One of the difficulties encountered by expatriates has been blamed on inadequate training programs before departure to the host country. On the other hand, the indirect costs may be considerable and unqualified. Indirect costs may include damaging relation with the host country government and other local organizations and customers. Also, indirect costs include loss of market share, damage to corporate reputation and lost business opportunities (Shen, 2005).

The use of more effective training programs is to improve the expatriate's performance in an overseas environment, thus minimizing the incidence of failure (Shen, 2005). Because of the increasing pace of global challenges in the workplace environment, employees may have to attend training and development programs offered by their employers on a regular basis (Rowold, 2007). For example, Honeywell surveyed 347 managers who lived abroad or traveled regularly and found that increased training was critical for executives and employees for international assignments. It is also noted that cross cultural training has been found to reduce the severity of culture shock and reduced the time necessary or expatriate managers to adjust to the culture, reach a level of cultural proficiency, and become effective and productive in their international assignments (Ronen, 1989).

### **THE NEED FOR EXPATRIATE TRAINING AND PREPARATION**

An analysis for the needs of expatriate training analysis has attracted considerable attention in the international literature of expatriate failure. Expatriate failure is always regarded as a result of lack of adequate training for expatriates and their spouses (Shen, 2005). Reviewing of the literature led the authors of this article to propose that training methods and MNC's support both have an impact on the process of training and learning acquisition (Rowold, 2007). Training aims to improve current work skills and behavior, whereas development aims to increase abilities in relation to some future position or job, usually a managerial one (Shen, 2005). Training can involve the changing of skills, knowledge, attitudes, or behavior. Also, training may mean changing what employees know, how they work, their attitudes toward work, or their interaction with their co-workers or supervisor (Treven, 2003). An emphasize is put on the importance of

training and educating for expatriate managers in preparation for MNCs to minimize culture shock and maximize the manager's effectiveness and efficiency while working in a different culture (Scholes, 2003). In her area of concentration, Scholes also provided a brief overview of the current practices of MNCs based in South Korean culture and suggested for further improvement in cross culture training and education for MNCs to become effective and productive in the global market. In fact, training characteristics (methods) and MNCs characteristics (management support) impact on the process of training and learning acquisition (Rowold, 2007).

Training should be considered as a life-long endeavor to learn about other cultures due to the increasing use of expatriate assignments by MNCs. A successful expatriate manager must be sensitive to the host country's cultural norms. Also, this expatriate must be flexible enough to adapt to those cultural norms, and strong enough to make it through the inevitable culture shock. In addition, the expatriate manager's family must be familiarly capable of adapting to the new culture. To adapt to this new culture, MNCs will have to invest more heavily in international training programs (Aycn, 1997; Tung, 1998; Boles, 1997). The key to successfully competing in the globalization business may be staffing by key expatriate positions that has accomplished leadership (Harvey, 1996). These expatriate managers must have technical competence in the area of operation; otherwise, they will be unable to earn the respect to subordinates.

Technical competence has been almost the sole variable used in deciding whom to send on overseas assignments, despite the fact that multiple skills are necessary for successful performance in international assignments (Mendanhall, et al., 1987). In fact, expatriate failure is seldom a result of a lack of technical skills (Shen, 2005). Greater technical sophistication of the MNC allows for less reliance on language and culturally based norms that make international assignments difficult and confusing (Morgan, et al., 2004). In fact, the expatriate's material life dissatisfaction is strongly associated with turnover tendencies (Jun, et a., 2001). With an appreciation of the role of culture in organizations comes a better understanding of management and organizational behavior around the world (Treven, 2003). Thus, U.S. firms have begun to realize that to be successful in overseas operations, they need to prepare their expatriate

employees to work in international assignments. MNCs that are serious about succeeding in international business are providing intensive training to achieve the desired level of performance. Companies such as AMP, Texas Instruments, Procter & Gamble, Bechtel, and others with large international staffs prepare employees for international assignments. The biggest mistake expatriate managers can make is to assume that people are the same globally. An MNC that makes a concerted effort to train its employees to understand and respect cultural differences will realize the impact of its effort on its sales, costs, and productivity (Kemper, 1998; Kaeter, 1995).

### **THE IMPORTANCE OF TRAINING FOR INTERNATIONAL ASSIGNMENT**

Training and orientation for international assignments are more common today. It is estimated that 50 percent of companies who sent employees overseas were conducting pre-training and orientation. Other countries, such as Japan, are more committed to the importance of training for international assignments. This may explain the low (less than 10 percent) failure rate cited for most of Japan's MNCs. In Japanese firms, international training is typically conducted over a one-year period where expatriate employees are taught about the culture, customs, and business techniques of the host country (Hogan & Goodson, 1990).

A growing number of MNCs have also shown a strong commitment to international training and orientation (Lubin, 1992). More increasingly companies are also outsourcing expatriate training (Allerton, 1997). Federal Express sends future expatriates and their families on "familiarization" trips, which also serve as "realistic job previews." Over 70 percent of companies now pay for similar trips. Gillette is a leader on familiarization trips for international assignments as a part of its junior trainee program. This program is aimed at building careers with a global perspective and experience (Lubin, 1996). American Express provides U.S. business school students summer jobs in a host country. Also, Colgate-Palmolive trains recent graduates for multiple international assignments. A topic for discussion in recent training programs has been safety of personnel issues due to increased violence experienced by business people working in foreign countries (Bensimon, 1998).

If businesses are to be managed effectively in an international setting, managers need to be educated and trained in international management skills (Quality, 1998; Rothwell, 1993). It is important to understand the kinds of skills expatriate managers and employees will need for international assignments. In addition to good technical skills, expatriate employees who will be working overseas need to be adaptable and have skills in languages and an understanding of social customs, cultural values, codes of conduct, and motivation and reward systems in the host country (Kemper, 1998). For Middle Eastern assignments for example, Bechtel places great emphasis on the importance of religion in the culture. Expatriates also need assistance in the practical aspects of international assignments (e.g., housing, schools, currency, and health issues). Visits to the host country can aid in reassuring expatriate employees and their families about their home, hospitals, dentists, and schools. These training programs are important for expatriates and their families, particularly in cultures where women are excluded culturally from doing a variety of things during the day. For instance, in Saudi Arabia women have many restrictions about dress and proper behaviors. Therefore, successful cultural adaptation can be conceptualized as an individual's general satisfaction with one's personal situation in the host country (Jun, et al., 2001).

There are several examples of cross-cultural training programs used by MNCs. Cross-cultural training prepares expatriate managers to live and work in a different culture. For the expatriate, coping with a new environment is a much greater issue than dealing with a new job (Treven, 2005). It is important to remember that when the expatriate employees arrive, they are foreigners in the host country. Therefore, it is important to provide much cultural and practical background before the employee and family are relocated for international assignment. In recognition of expatriate family issues, some MNCs have also begun to prepare and assist their families. Assistance may take the form of training in the culture and language of the host country. An example for this case is ARAMCO, a Saudi Arabian corporation, who uses an extensive orientation program for expatriate employees and their families. The program includes practical housekeeping information such as local transportation, shopping, day-to-day finances, and comparisons of the beliefs and customs of the Saudi and American people. The research on cross cultural training showed that expatriates perform better and are more satisfied with their

assignments after intense training (Black & Mendenhall, 1990). Also, research evidence shows that an MNC that provides training for expatriates believe that it improved their employees' effectiveness and enabled them to relate more easily to a foreign culture, which fosters a better image of the firm in the host country (Hill, 2007).

Acquiring the skills necessary to be successful in an international assignment can be accomplished through the use of a variety of training techniques. Procter & Gamble use several methods to training and learning language skills and to improve intercultural awareness among international assignees (Copeland, 1987). The "P&G College" for new and mid-level expatriate managers recommends that the expatriate employee and his or her family should be actively involved in the training to ease the transition and build a supportive environment. It is further suggested that the training for expatriates should be led by people who have served in the specific country and that the training should begin a year before the new expatriate employee's move to the host country's environment (McCrea, 1997).

Field experiences are recommended to provide a more in-depth view of the host country's customs, values, and behaviors. The value of such experiences is to provide a realistic preview of what is to be expected in the international assignment (Tung, 1998). Finally, language skill classes and cassettes are recommended for use in developing skills in interpersonal communication and the day-to-day dealings that the family will encounter in the host country. In a 12-country study of 3,000 executives, respondents from many countries viewed foreign language skills as critical to a firm's competitive advantage (Tung, 1998). This should include not only verbal communication skills, but also nonverbal messages and meanings.

In addition to providing training for expatriates, U.S. firms are increasingly providing training for inpatriates (foreign national who are coming to the United States to work). For example, SC Johnson Wax has been bringing employees into the United States for the past 10 years. Eli Lilly and Company brings in about 20 people a year, typically in the fields of science, finances, and marketing. Their training needs are very similar to those of expatriates. If they succeed in



adjusting and contributing to the MNC as planned, the organization will benefit. If they continually struggle or fail, the employee, family and MNC suffer (Boles, 1997).

## **CONCLUSION**

It is argued that a prominent issue in the international staffing literature is expatriate failure—the premature return of an expatriate manager to his or her home country (Hill, 2007). This argument is based on the notion that MNC provide insufficient expatriate training and therefore, expatriates and their families suffer high rates of poor performance and failure. This paper has examined the training and learning of culture since it is essential for expatriate managers and employees to succeed in today's global business competitive environment. The role of MNCs is to select expatriate managers that require careful evaluation of the personal characteristics of the candidate and his or her spouse. Once an individual is selected, an intensive training and learning program is essential to qualify that person for an international assignment. It is during the face-to-face interviews that the diversity and significance of learning and training practices become clear for international assignment. Development should also extend beyond information and orientation training to include sensitivity training and field experiences that will enable the expatriate manager to understand cultural differences better. Those in charge of the MNCs' international training and learning program should provide training needed to protect expatriate managers and employees from career development risks, reentry problems, and culture shock. It is the role of the MNC to understand in terms of encouraging expatriate employees to learn knowledge, skills and attitudes congruent with its objectives in global business operations, which are important to job and business performance.

Successful training and learning depends upon a systematic approach involving a careful needs assessment, relevant program design and complete evaluation of results. MNC's have greater influence over the content and process of expatriate training and learning programs designed to meet its particular needs as well as the expatriate employees. MNC have greater power to design training programs and structure for expatriate managers to stay current and anticipate future needs to view training as a continuous learning endeavor. Expatriate employees who receive

training not only will be more valuable to their MNCs, but also will earn 30 percent more than those who don't receive such training (Galagan & Wulf, 1996).

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