



UNIVERSITEIT VAN PRETORIA
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GORDON INSTITUTE
OF BUSINESS SCIENCE

University of Pretoria

MBA 2006/7

Is permanent settlement an option for expatriate employees working in an international joint venture? An evaluation of Sasol's permanent settlement policy for the United Kingdom

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A research report submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration

14 November 2007

ABSTRACT

Globalisation, amongst other factors has resulted in many organisations pursuing their strategic intent through the use of international joint ventures (Petrovic & Kakabadse, 2003). Companies are sending more employees on expatriate assignments which tend to be extended as a means of developing their pool of global leaders. The consequence of this is that employees begin considering permanent settlement in the host country as opposed to repatriating back to their home country

The purpose of this research was to identify the conditions under which a host country permanent settlement policy is desirable for expatriate employees who work in an international joint venture by evaluating Sasol's policy of permitting expatriate employees to permanently settle in the United Kingdom. Semi-structured interviews were conducted with two groups of expatriate employees. The groups consisted of 3 employees each who either settled permanently in the United Kingdom or repatriated to South Africa during or at the end of their assignment in the United Kingdom.

The study revealed that the primary drivers for employees choosing to permanently settle in the United Kingdom were due to the push and pull factors in South Africa and the United Kingdom.

DECLARATION

I declare that this research project is my own, unaided work. It is submitted in partial fulfilment of the requirements of the degree of Master of Business Administration for the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other university.

.....

Date:.....

Anesa Naidoo

ACKNOWLEDGEMENTS

I would like to extend my thanks to the following people who contributed to the successful completion of this research project:-

Dr Albert Wocke, my supervisor for his assistance and guidance throughout the project. Thank you for your consistent assistance through e-mail, telephone and personal contact.

The six research participants for making time available to participate in the study.

My parents and family for their support.



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CHAPTER 1: INTRODUCTION TO THE RESEARCH PROBLEM

1.1 Introduction

Globalisation and the competitive nature of business have placed increasing pressure on organisations to increase the number of employees who are sent on expatriate assignment (Selmer, 2001). Sasol has been sending employees on expatriate assignments to various host countries over the past 11 years and in the recent past most expatriate assignments are within Sasol's joint venture operations.

Organisations are increasingly using international joint ventures (IJVs) as a means of pursuing their strategic intent within a multinational environment (Sparks, 1999 and Schuler, 2001 cited in Petrovic and Kakabadse, 2003 and Al-Khalifa and Peterson, 1999). The primary reasons for this are the emergence of new markets, market globalisation and the rapid pace of technological advancements (Lajara, Lillo and Sempere, 2003). The skills and resources needed to achieve their strategic objectives can no longer be provided solely from within the organisation (Petrovic and Kakabadse, 2003). In addition to this organisations cannot afford to carry the costs and risks that are linked to the size and complexity of their international activities (Petrovic and Kakabadse, 2003).

1.2 Research Scope

Most if not all of Sasol's future growth projects are based on joint venture operations with an international partner. According to Geringer and Hebert (1989 cited in Al-Khalifa and Peterson, 1999, p1064) "a joint venture may be termed International (IJV) where at least one of the parties (or parents) is based outside the country where the venture is taking place or if the joint venture is being administered on a wide level in more than one country."

Sasol currently has joint venture operations in the United Kingdom, the Middle East, Asia Pacific, the USA and China. Working within these joint venture operations means that employees have to make social, cultural and psychological adjustments in order to have successful expatriate assignments in the different host countries (Selmer 1998). Sasol expatriate assignments are generally for a period of up to three years. There are however many expatriate employees who have been on assignments for longer periods, in some cases up to 8 years. In most cases assignments have been extended due to business reasons. There are also an increasing number of expatriate employees who are moving from one assignment to another and from one host country to another.

Living and working in a host country also provides the expatriate employee with an opportunity to experience a different way of life. This sometimes leads to

the employee integrating so well with the host country that there is no desire to leave the host country at the end of the assignment and the employee would prefer to settle in the host country. On the other hand the experience in the host country is sometimes so alienating or segregating that the employee would prefer to return to the home country sooner rather than later.

This paper will only focus on those expatriate employees who have chosen to permanently settle in the United Kingdom and those who have chosen to repatriate from the United Kingdom back to South Africa.

1.3 Research Motivation

Over the past few years there have been numerous requests from expatriate employees regarding the option to permanently settle in the country of their assignment. Expatriate employees have provided various reasons for permanent settlement in the host country. Bearing in mind that some of the host countries (e.g. Qatar, Iran, Dubai, Mozambique) which employees are sent to do not allow foreigners to permanently settle, Sasol has introduced the option of allowing employees to permanently settle in those host countries where it is permissible.

An approved policy guideline currently exists within the Sasol organisation to assist with the transition from an expatriate employee to permanent settlement in the United Kingdom as a local Sasol employee on local terms and conditions. In order to support Sasol's strategic objectives, that include but are not limited to growing the talent within the organisation, retaining employees and providing continuity of skills on long term projects, the organisation had to evaluate the extension of expatriate assignment contracts versus the permanent settlement of expatriate employees on local terms and conditions. The policy guideline regarding permanent settlement in the United Kingdom was developed to address this in a consistent and competitive manner. The guideline captures the organisation's position on qualifying criteria, benefits and the administrative procedure.

1.3.1 Sasol's United Kingdom Permanent Settlement Policy

According to Sasol's United Kingdom permanent settlement policy (Sasol, 2006) the overall guidelines pertaining to permanent settlement are the following:-

- The employee's employment contract as well as benefits with the home country will be terminated.
- In order to permanently settle in the United Kingdom the employee must ensure that the employee can legally work in the United Kingdom on a

permanent basis and that his or her spouse and dependants would be able to legally reside in the United Kingdom.

- Irrespective of whether the permanent settlement has been initiated by the company or the employee there will be no difference with respect to benefits provided to these employees.
- The process of permanent settlement would be that of immediate full permanent settlement resulting in the employee changing to local remuneration and conditions of employment plus a once-off upfront payment.

1.3.1.1 Remuneration and Benefits

The Sasol United Kingdom permanent settlement policy (Sasol, 2006) also makes provision for the following remuneration benefits:-

- The local basic salary is determined on market data, performance, scarcity and experience.
- Participation in the share option scheme and incentive bonus scheme is based on the rules and tax regulations of the United Kingdom.
- Employees who qualify for car benefits will participate in the car allowance scheme.
- The employee will no longer qualify for the expatriate housing benefits therefore the employee will receive a once-off upfront payment for housing.

The employee will be bound contractually to a work back period for the upfront housing payment as well as other once-off upfront payments.

- The company will also continue to pay for schooling until the end of the current school year.
- Spouse assistance will cease in the first year of permanent settlement.
- Employees will need to become a member of the United Kingdom pension fund and medical aid scheme.
- Both vacation and sick leave benefits will be administered according to the Sasol United Kingdom policy.

The intention of this research is to identify the conditions under which a host country permanent settlement policy is desirable for expatriate employees working in an IJV by evaluating Sasol's Policy of permitting expatriate employees to permanently settle in the United Kingdom.

CHAPTER 2: LITERATURE REVIEW

Operating in foreign markets and competing on a global scale are essential if an organisation wants to remain viable (Grossman and Schoenfeldt, 2001 cited in Lloyd and Hartel, 2004). Traditional sources of competitive advantage are not as effective anymore forcing many organisations to consider other areas for information on how to gain competitive advantage (Lloyd and Hartel, 2004). As businesses become more global, multinational corporations place increasing importance on employees with international experience (Hyder and Lovblad, 2007 and Selmer, 1998).

The theory that is reviewed in this section focuses on expatriate management, international joint ventures and migration with specific reference to South Africa and the United Kingdom.

2.1 Expatriate Management

An expatriate assignment is often recommended as a tool to develop international managers (Riusala and Suutari, 2000). According to Aryee (1997 cited in Selmer, 1998) If an organisation wants a successful expatriate programme they need to make sure that expatriate assignments form an integral part of the HR development strategy. This can be done by

implementing flexible career paths for employees who take on expatriate assignments. An example of this would be various expatriate assignments with meaningful home country positions between expatriate assignments (Selmer, 1998) to enable sharing of best practice and transfer of knowledge.

Expatriate employees have to live and work in a country different to their own which sometimes leads to a stressful transition as they try to adjust to their new environments (Selmer, 1998). This transition is often unsuccessful resulting in failed expatriate assignments. Selmer (1998) states that, the adjustment to the new cultural environment can be minimised by integrating the personal career aspirations of the expatriate employee with the expatriate assignment, providing language training and pre-departure cultural sensitisation training. In addition to these measures, expatriate employees are also assisted with international taxation, relocation to the host country and work permits for the host country (Lloyd and Hartel, 2004).

2.1.1 Dual Career Couples

Today's workforce comprises a substantial number of dual career couples. Selmer (1999) maintains that this may indicate that there may be more spouses who are less likely to sacrifice their careers for a long period of time or who are willing to give up their careers altogether. According to Harvey, Buckley,

Novicevic and Wiese (1999) researchers have found that one of the most important causes of failed expatriate assignments is the inability of the spouse or family to adjust during an expatriate assignment. Harvey (1998) maintains that the majority of expatriates are men with the trailing spouse typically being the wife who has to give up her career and relocate with her husband to a foreign location. The adjustment for the spouse tends to be more difficult when spouse has had to give up a career and when the culture in the foreign location is very different (Fish and Wood, 1997). Riusala and Suutari (2000) state that recent findings indicate that spouses' unwillingness to abandon their own careers is a major reason for the rejection of expatriate assignments. Furthermore, many issues that a dual career couple face have to be resolved by the couple with no assistance from the organisation (Riusala & Suutari, 2000) even though Harvey (1998 cited in Riusala and Suutari, 2000) maintains that dual career related help is highly appreciated by both the expatriate and the spouse.

2.1.2 Repatriation

An important part of the expatriation cycle is repatriation back to the home country at the end of the expatriate assignment. Upon return to the home country, repatriates very often find themselves in a job that is not challenging and with no opportunities to utilise the competencies that they developed whilst

on assignment (Brewster and Suutari, 2005). In addition to this, both the expatriate employee and the organisation have changed during the period of the assignment (Riusala and Suutari, 2000). Zikic, Novicevic, Harvey and Breland (2006) state that a key concern for the returning expatriate is the lack of career advancement. Organisations have traditionally tried to address this problem by, for example, trying to find a position for the repatriate employee (Zikic *et al*, 2006). According to Stahl *et al*. (2002 cited in Brewster and Suutari, 2005) existing empirical evidence reveals that most repatriates are willing to move to a better job at another company after repatriation. Brewster and Suutari (2005) suggest that within global career management more attention needs to be given to international career transition.

Due to the increasing globalization of business and the corresponding need for competent global managers Selmer (1998) maintains that expatriate managers who have displayed success in handling relationships with head office, managing both host-country relations and the foreign subsidiaries can be used by organisations to develop their foreign business interests.

2.2 International Joint Ventures

In order to fulfil strategic purposes as well as deal with complex business environments many organisations, of different sizes and sectors and across

various geographical locations, are forming international joint ventures (Iles and Yolles, 2002). According to Shenkar and Zeira (1987 cited in Petrovic and Kakabadse, 2003), an IJV is a separate legal entity that represents the partial holdings of two or more parent companies. This separate legal entity is subject to the joint control of both its parent companies which are legally and economically independent of each other (Shenkar and Zeira, 1987 cited in Petrovic and Kakabadse, 2003). Given the uncertainty that surrounds international expansion companies usually look for a partner who has knowledge of the local culture and markets (Iles and Yolles, 2002) as well as providing access to resources.

Even though joint ventures are gaining momentum and popularity as well as being of strategic importance there is also a high failure rate of IJVs, especially with regard to the strategic objectives of the parent company not being met (Petrovic and Kakabadse, 2003). Iles and Yolles (2002) maintain that human resources management plays a key role in the success or failure of IJVs. Schuler (2001) states that human resource management within an IJV is of considerable importance to the IJV (profitability and survival), its employees, the society it operates in as well as customers and suppliers.

2.2.1 Managerial Competencies within an IJV

According to Novicevic and Harvey (2001) research findings suggest that global leadership and international assignments are becoming the differentiators within organisations that have a global strategic focus therefore developing competent global managers should be a key focus area within these organisations. Expatriate assignments may be used as a tool to develop global leaders (Novicevic and Harvey, 2001). Brewster and Suutari (2005) maintain that many companies are experiencing a shortage of competent global managers and suggest that competition for competent managers in international operations will intensify in the future.

Lorange (1986 cited in Cheah-Liaw *et al*, 2003) proposes that the JV should be used as an opportunity to develop managerial capabilities. Training and development is essential in JVs, as this improves the skills of workers and reduces the differences between parent country nationals (PCNs) and host country nationals (HCNs) (Cheah-Liaw *et al*, 2003). PCNs can transfer management skills to HCNs (Bender and Fish, 2000) especially in a JV between developed and developing countries.

In addition to the above, it is imperative that managers in an IJV know how to manage people in a multicultural context as this has a significant impact upon

IJV performance (As-Saber, Dowling and Liesch, 1998). Lajara *et al* (2002) recommend that the best executives within the parent company should be assigned to the joint venture since this is a demonstration of the parent company's commitment to the joint venture.

2.2.2 Staffing and Selection Policies

The staffing policies of a JV are dependant on what the JVs philosophy is with regard to appointing either parent country nationals (PCNs), host country nationals (HCNs) or third country nationals (TCNs) in key positions in the JV. Thus these policies could be either ethnocentric, polycentric or geocentric (Cheah-Liaw *et al*, 2003). The political and economic situation in developing countries often necessitates the adoption of a polycentric strategy (Namazie, 2003).

According to Kabst (2004) most human resource problems are linked to the fact that PCNs are appointed in the IJV. From a control perspective many companies tend to send PCNs as expatriates into key IJV positions. PCNs however can be used to transfer technical knowledge to enable the training of HCNs as well as to transfer the corporate culture of the parent company (Bender and Fish, 2000).

Lajara *et al* (2002) maintain that it is important to rotate the executives who are assigned to a joint venture to prevent becoming too dependent on a specific individual who in the long term can become irreplaceable but also to facilitate organisational learning and the transfer of knowledge. This may prove to be a conflict between commitment to the joint venture as well as continuity within the joint venture and providing opportunities for the transfer of knowledge.

2.3 Global Migration

Crush and Frayne (2007, p3) state that “since the end of the colonial period, international migration has become a truly global phenomenon” which has affected all parts of the world in varying degrees. According to The Futurist (1997) international migration was at a high in 1997 and was forecast to increase even further in the future (Crush and Frayne, 2007). Political instability, wage differences and structural forces were some of the reasons given for the future increase in migration numbers (The Futurist, 1997 and Crush and Frayne, 2007). There are numerous causes of migration that are unpredictable and very often country – specific (Crush and Frayne, 2007).

The Futurist (1997) also stated that migrants established themselves in countries with growing industries and an immense supply of natural resources.

Crush and Frayne (2007) maintain that in the last five years there has been a significant increase in global attention to migration. They also state that the value that migrants bring to the national, regional and local economic development of a migrant receiving country is not acknowledged (Crush and Frayne, 2007).

Davies (2007) states that globalisation and the increased competition for skills have focussed attention on the migration of highly skilled workers. According to Davies (2007) within the developing world, where there is a considerable need for skills, the migration of labour has become a controversial political issue. Given the opportunities that globalisation provides highly skilled workers will be the first to seize these opportunities even if it means migrating to another country (Davies, 2007).

2.3.1 Host Country Pull Factors

HR can influence the economic success of a company; therefore it is vital that country-specific HR factors be taken into account. HR management is significantly influenced by the regulatory framework of a country (Gomez and Sanchez, 2005). The political landscape, labour movements and legislation as well as culture all affect HR within JV operations (Cheah-Liaw *et al*, 2003; Namazie, 2003; As-Saber *et al* 1998 and Al-Khalifa and Peterson, 1999).

The environmental (political, economic and cultural) factors within the host country play a key role during the initial consideration of establishing a joint venture (Al-Khalifa and Peterson, 2004). According to Gomez and Sanchez (2005) HR practices are noticeably affected by the different laws within different countries. Despite all these challenges companies still need to transfer strategic HR practices that give them a competitive advantage (Gomez and Sanchez, 2005). The transfer of strategic practices must however be done in a culturally sensitive manner bearing in mind the challenges of the host country (Gomez and Sanchez, 2005).

2.3.1.1 United Kingdom

According to Hatton (2005, p719) “the United Kingdom has become a country of net immigration” in the last 20 years. The Immigration Act of 1971 governs the British immigration policy and the Home Office Immigration and Nationality Department administers the immigration policy (Hatton, 2005). People who are not entitled to work in Britain must have a work permit that is applied for by their prospective employer. The work permit system has undergone major revisions in 2000 and 2002 (Hatton, 2005). A significant relaxation in policy by the labour government since 1997 led to a steep rise in the number of work permits that were issued; this is evident in the following figures - 15 000 work permits were issued in 1982 and 80 000 in 1999 (Hatton, 2005).

Indefinite leave to remain or to be accepted for settlement and eventual qualification for United Kingdom citizenship is available for migrants under the work permit system (Hatton, 2005). According to Hatton (2005), subject to certain criteria, spouses and children of migrants can also obtain permission to settle and work in Britain.

2.3.2 Home Country Push Factors – South Africa

Although South Africa had a relatively smooth transition to democracy, fears relating to the implementation of specific legislation such as the Employment Equity Act led to increasing emigration figures in South Africa (Business Africa, 1998, Economist, 2005). Most of the emigrants were managers, technicians or professionals (Economist, 1998). In addition to this a survey conducted by FSA/Contact in 1998 “revealed that 96% of South African emigrants cited fear of criminal violence as a reason for packing their bags” (Economist, 1998, p43).

Even though South Africa has recently displayed strong economic performance one of the weakest aspects of this performance is the ever-increasing rate at which executive level skills emigration is taking place (Country Monitor, 2006). A survey conducted by Deloitte’s Consultancy in 2006 identified better jobs and salaries as the main reason for the increasing exodus (Country Monitor, 2006). According to Finweek (2006, p10), emigration is accelerating the reduction of

“the most productive segment of SA’s white population”. This will result in the reduction of both the country’s skill base and tax revenue (Finweek, 2006, Crush and Frayne, 2007). According to Alana Bailey, (cited in Theunissen, 2006) approximately 10 direct as well as indirect job opportunities are lost when one skilled person emigrates from South Africa. Mattes and Mniki (2007) maintain that the brain drain is especially damaging to a country’s economy when skilled people leave soon after their training in the country since the country fails to obtain a considerable return on its investments.

On the one hand, crime and affirmative action tend to strongly influence the decision to emigrate from South Africa, while on the other hand South Africans with exportable skills are enticed to migrate to countries that pay better, offer superior working conditions, and more appealing career prospects as well as lifestyle (Theunissen, 2006 and Economist, 2005).

According to Mattes and Mniki (2007) although there has been much debate on the South African government’s immigration policies, there are no accurate estimates of the level of emigration from South Africa or the reasons for emigration. This evident in the following data, Statistics SA, for example, estimated total emigration in the region of 82 000 for the period 1989 to 1997; however, a study of South Africans living abroad revealed that 232 000 South

Africans were living in just five countries abroad (Brown *et al.*, 2002 cited in Mattes and Mniki, 2007).

2.3.2.1 Brain drain - Concerns for South Africa

According to Country Monitor (2006), the skills bottleneck is inhibiting the achievement of an average annual GDP growth of 6% for South Africa. The deputy – president, Phumzile Mlambo-Ngcuka has stated that “the most fatal constraint to shared growth is skills” (cited in Country Monitor, 2006, p6). A study of “The ‘Scatterlings’ of (South) Africa” by Research Surveys has revealed that only about one third of those who left South Africa “could realistically be expected to entertain the idea of returning” (Theunissen, 2006, p11). Gwede Mantashe, chairman of the Jipsa technical working committee states that the focus for South Africa must be on growing the skills base at home since importing people is an unsustainable process (Theunissen, 2006). If this is to be the focus going forward we need to address how we retain people within our talent pool.

2.4 Conclusion

Globalisation has resulted in the urgent need for global leaders with global competencies (Brewster and Suutari, 2005). In addition to this, organisations

with global strategies have had to enter foreign markets via international joint ventures in order to maintain their competitive advantage (Iles and Yolles, 2002).

There are many human resources management issues within the joint venture environment such as managerial competencies of parent company nationals who are on expatriate assignment in a host country. According to Brewster and Suutari (2005) while working in global teams managers are able to acquire international experience and learn cross-cultural interaction skills. In light of the concerns raised regarding the resignation of expatriates after repatriation and the suggestion by Brewster and Suutari (2005) to give more attention to international career transition may be an option would be to consider providing expatriates with the option to permanently settle in a host country if it is permissible and fits in with the expatriate's career path and personal life. A positive outcome of this would be the retention of skills and competencies for the organisation but this option needs to be investigated and may not necessarily address the individual needs of the expatriate.

International migration is also a phenomenon that is impacting countries, organisations and individuals (Crush and Frayne, 2007). There are multiple reasons for migration and these are often varied and country – specific (Crush and Frayne, 2007). Different countries have different immigration policies, with

some being more relaxed than others and therefore influencing the extent of migration to that country (Hatton, 2005).

CHAPTER 3: PROPOSITIONS

The following propositions are based on the preceding literature:-

- **Proposition 1:** Working in an IJV weakens the grip of the parent company on the expatriate employee.
- **Proposition 2:** Working in an IJV provides more career opportunities for the expatriate employee.
- **Proposition 3:** Providing IJV expatriate employees with the option to permanently settle in a host country leads to retention of competent global managers.
- **Proposition 4:** The capacity of the spouse of a dual career couple to work in the host country influences the success of the expatriate assignment and the decision to permanently settle in a host country.
- **Proposition 5:** A favourable host country culture and environment positively influences the decision of the expatriate employee to permanently settle in the host country.
- **Proposition 6:** Unfavourable home country conditions lead expatriate employees to consider permanent settlement instead of repatriation.
- **Proposition 7:** The career of an expatriate employee is affected when an expatriate employee chooses to permanently settle in a host country.

The objective of the study is to evaluate whether the propositions that have been posed are correct and if there are other factors that may need to be considered.

CHAPTER 4: RESEARCH METHODOLOGY

4.1 Research Methods

According to Zikmund (2003) a research design details what methods and procedures will be used to collect and analyse the information that is needed. The research design is the plan that stipulates all the actions for the research project.

The qualitative methodological approach was used for the purposes of this research. This has assisted in providing an understanding of why some expatriate employees chose to permanently settle in the United Kingdom. Telephonic or personal face-to-face expert interviews were conducted with employees who had permanently settled in the United Kingdom and employees who had repatriated back to South Africa. Semi-structured questionnaires were used in the interviews. The researcher decided not to send out electronic questionnaires to employees as these are often ignored due to other more urgent and important matters that demand the attention of employees.

4.2. Population

The population of relevance consisted of all expatriate employees who had chosen to permanently settle in the United Kingdom and a sample of employees who had repatriated to South Africa at the end of their expatriate assignment in the United Kingdom.

4.3 Sampling

The sample consisted of 3 employees who had permanently settled in the United Kingdom and 3 employees who had repatriated from the United Kingdom to South Africa. Convenience sampling was used to determine the respondents for the study. This type of sampling was utilised to find those people who were most conveniently available (Zikmund, 2003). Convenience sampling was also the most appropriate for this research since the researcher had access to the sample.

4.4 Unit of Analysis

The unit of analysis for this study were the opinions and views of employees who had chosen either to permanently settle in the United Kingdom or repatriate to South Africa.

4.5 Interview Schedule Design

The questions in the interview questionnaire were based on the propositions that had been identified. Since this was a semi-structured questionnaire respondents were allowed to express their opinions regarding their entire expatriate assignment experience and the repatriation or permanent settlement that followed.

Once the questionnaire was designed it was pre-tested. This was done to determine if the questions were appropriate and if the questions targeted the propositions that had been identified. Design errors were corrected after the pre-test.

4.6 Data collection

The researcher first compiled a list of possible respondents who had either settled permanently in the United Kingdom or had repatriated from the United Kingdom. These individuals were contacted via the telephone and the purpose of the research was explained to them. They were then asked if they would be willing to be part of the sample for the study. Possible respondents were also contacted via e-mail since some had been travelling and were in different time zones. The e-mail provided the purpose of the study and why the individual was

chosen as a possible respondent. The individuals who were sent e-mails were requested to advise the researcher if they were willing to participate in the study.

Once the researcher received confirmation of participation, interviews were arranged with the respondents according to their availability. Many of the interviews were conducted over the telephone due to the geographical location of the respondents. Notes were made by the researcher during the interview and respondents were requested to make themselves available for a follow-up discussion if clarification was needed during the analysis of data stage.

4.7 Data Analysis Process

All the interview notes were captured electronically. Both hard and soft copies of the interview notes were filed. Information from all the interviews was captured in tabular form. This enabled the comparison of responses from those respondents who had repatriated and those who had permanently settled.

Themes were identified whilst interview notes were captured. This was done based on the words that were used by the respondent. The iterative process was used to work through the interview notes. This ensured that all themes

which addressed the propositions were identified. Other themes that were identified were also noted since these could be used for future research.

4.8 Assumptions

Due to the fact that responses would be presented anonymously the assumption that all the respondents responded honestly to the questions that were posed to them was made. Since the times for interviews were pre - booked another assumption was that each respondent had given their full attention to the interview. The pre – booking was done to prevent disturbances or distractions during the interview.

4.9 Limitations

The first limitation of the research study was the fact that there were not many employees who had decided to permanently settle or who were approached by the company to permanently settle in the United Kingdom, This reduced the number of people who could be considered for this study. This limitation prevented the researcher from making generalisations about permanent settlement in host countries. Next, convenience sampling was used to determine which respondents were to be interviewed.

A third limitation was the fact that interviews were conducted telephonically. Although interviews times were pre – booked the researcher could not control for unexpected distractions to the respondent during the interview. Telephonic interviews also prevented the researcher from applying observational techniques during the interview.

These limitations may impact on the validity and reliability of the study.

CHAPTER 5: RESULTS

The information gathered from the interviews that were conducted will be presented in tabular form. Results will be presented per proposition. For the purpose of presenting the results of the interviews, expatriate employees who permanently settled in the United Kingdom will be referred to as Group 1 and employees who repatriated from the United Kingdom will be Group 2. A comparison will be made of the responses that were gathered from each of the two groups.

Proposition 1: Working in an IJV weakens the grip of the parent company on the expatriate employee.

Table 1 Summary of Responses – Proposition 1

Group 1 – Permanent Settlement	Group 2 – Repatriate
<ul style="list-style-type: none"> • Weakened significantly • Retained a strong link to Sasol • Relationship with Sasol did not change 	<ul style="list-style-type: none"> • It did not change significantly • benefits remained that of the parent company • It does weaken, loyalty is to the IJV • No

The responses indicate a mixed reaction within each group. Two of the three respondents in Group 1 indicate that they still retained either a strong link to the parent company or the relationship with the parent company did not change. One respondent from Group 1 however revealed that the grip of the parent company did weaken significantly. Responses within Group 2 mirror that of Group 1. Respondents indicated that the grip of the parent company either weakened whilst working in an IJV or that there was no weakening in the grip of the parent company

Proposition 2: Working in an IJV provides more career opportunities for the expatriate employee.

Table 2 Summary of responses - Proposition 2

Group 1 – Permanent Settlement	Group 2 – Repatriate
<ul style="list-style-type: none"> • Relative – more about job satisfaction & working conditions • More exposure but not more opportunities • Not more opportunities but more exposure 	<ul style="list-style-type: none"> • No; development of skills unique to working in an IJV yes; but not more opportunities • No, not necessarily – case specific • Not really

The majority of respondents in Group 1 indicated that working in an IJV did not provide them with more career opportunities but did increase their exposure. All of the respondents in Group 2 stated that working in an IJV did not afford them

more career opportunities. One respondent from Group 2 did however indicate that although working in an IJV did not make more career opportunities available it did offer the chance to develop skills that are unique to working in an IJV.

Proposition 3: Providing IJV expatriate employees with the option to permanently settle in a host country leads to retention of competent global managers.

Table 3 Summary of responses - Proposition 3

Group 1 – Permanent Settlement	Group 2 – Repatriate
<ul style="list-style-type: none"> • Only if there are long term opportunities within the IJV • Yes, especially if in last phase of career. Also retention due to work back period tied to once-off payments. • Yes, for the short to medium term 	<ul style="list-style-type: none"> • Not really, dependant on job content • No, challenging job as opposed to permanent settlement. • Not sure. Opportunities in the UK may be more enticing than to remain with Sasol

All of the respondents in Group 2 indicated that the option of permanent settlement will not necessarily lead to the retention of competent global managers since the job content is just as important as the option to permanently settle in a host country. One respondent from Group 1 stated that the option to permanently settle will only lead to retention if there are long

term opportunities available within the IJV; whilst the other two respondents stated that the option of permanent settlement will lead to the retention of competent global managers especially if the employee is in the last phase of their career. Reference was also made to the fact that the retention of competent global managers may only be for the short to medium term.

Proposition 4: The capacity of the spouse of a dual career couple to work in the host country influences the success of the expatriate assignment and the decision to permanently settle in a host country.

Table 4 Summary of responses - Proposition 4

Group 1 – Permanent Settlement	Group 2 – Repatriate
<ul style="list-style-type: none"> • No influence • Yes • Yes, major role 	<ul style="list-style-type: none"> • No • No • No

Responses from all of the respondents in Group 2 reveal that the capacity of the spouse to work in the host country did not influence the success of their expatriate assignment and will not have played a role had they decided to permanently settle. The capacity of the spouse to work in a host country did however play a role for two of the respondents in Group 1.

Proposition 5: A favourable host country culture and environment positively influences the decision of the expatriate employee to permanently settle in the host country.

Table 5 Summary of responses – Proposition 5

Group 1 – Permanent Settlement	Group 2 – Repatriate
<ul style="list-style-type: none"> • Yes • Yes • Yes 	<ul style="list-style-type: none"> • Maybe • Not really • Yes

All of the respondents in Group 1 stated that a favourable host country culture and environment did positively influence their decision to permanently settle. The respondents in Group 2 provided mixed responses ranging from not really to yes.

Proposition 6: Unfavourable home country conditions lead expatriate employees to consider permanent settlement instead of repatriation.

Table 6 Summary of responses – Proposition 6

Group 1 - Permanent Settlement	Group 2 – Repatriate
<ul style="list-style-type: none"> • Yes • Yes • Yes 	<ul style="list-style-type: none"> • Not necessarily • No • Yes

Respondents in Group 1 are all unanimous in their responses that unfavourable home country conditions do lead to expatriate employees to consider permanent settlement instead of repatriation. Responses from Group 2 cover the spectrum from no to yes regarding the role that unfavourable home country conditions play when considering permanent settlement instead of repatriation.

Proposition 7: The career of an expatriate employee is affected when an expatriate employee chooses to permanently settle in a host country.

Table 7 Summary of responses – Proposition 7

Group 1 - Permanent Settlement	Group 2 – Repatriate
<ul style="list-style-type: none"> • Dependant on the individual • Longer to progress up the career ladder • Career depth will increase but promotion is limited within Sasol 	<ul style="list-style-type: none"> • Limited opportunity for promotion • Career limited to what is available in the UK – new projects?? • Career growth likely to be limited

Only one respondent indicated that the career of the employee is dependant on the individual. The majority of respondents indicate that the career of the employee will definitely be affected by the decision to permanently settle in a host country since career paths are limited to what is available within the local company in the host country.

CHAPTER 6: DISCUSSION OF THE RESULTS

The results of this study will be discussed according to the propositions that have been proposed.

6.1 Proposition 1:

Working in an IJV weakens the grip of the parent company on the expatriate employee.

This proposition was not totally supported by the study. The views expressed by both groups of respondents were similar. Respondents who indicated no change in their relationship to the parent company did relate it to the fact that all their remuneration benefits (both expatriate and permanent settlement) remained linked to the parent company even though they worked within an IJV. The fact that two of the respondents indicated a significant weakening in the grip of the parent company may be attributed to the positions that they held within the IJV and their levels of authority within the IJV. One of these respondents made the following comment with regard to the relationship to the parent company, "It's supposed to weaken since there is a fiduciary obligation to the IJV. A person's loyalty does shift when working in an IJV".

According to Lajara *et al* (2003) there is usually a lack of loyalty to the parent company when an employee is assigned to work in an IJV. In addition to this due to the fact that these employees will most likely not return to the positions they left to take up the IJV assignment their dedication is to the current position in the IJV (Lajara *et al*, 2003).

6.2 Proposition 2:

Working in an IJV provides more career opportunities for the expatriate employee.

This proposition was not confirmed by the study. Respondents from both groups pointed out that working in an IJV may provide more exposure and lead to the development of skills but this does not necessarily result in the expatriate employee having more career opportunities. This could be due to the fact that employees are usually assigned to work in an IJV for a specific period of time and to fulfil particular job requirements. At the end of the assignment period the expatriate employee has to repatriate to the home country. Delays in projects have also resulted in expatriate assignments being extended. This however does not translate into more career opportunities for the expatriate employee.

6.3 Proposition 3:

Providing IJV expatriate employees with the option to permanently settle in a host country leads to retention of competent global managers.

This proposition was not fully verified by the study. Respondents provided mixed feedback regarding the proposition. While only one of the respondents from Group 1 indicated that the option to settle permanently would lead to retention only if there were long term opportunities available within the IJV; the other two respondents in Group 1 indicated that permanent settlement would definitely lead to retention. However, when considering the time frame given for retention - short to medium term, the inference could be made that as soon as the employee is able to gain citizenship the likelihood of resigning and joining one of the many other companies that would then be accessible is high.

A similar assumption can be made when looking at the reason given for retention – the work back period that is linked to the once-off payment that is made to the expatriate employee to assist with the transition to a local employee. Employees may use the opportunity that permanent settlement provides them with to gain citizenship in the United Kingdom and then move on to pursue their own dreams and career aspirations that they may not be able to fulfil within Sasol.

All of the respondents in Group 2 revealed that the option to settle permanently will not lead to the retention of competent global managers. Two respondents in this group stated that it is also important for the job or position post permanent settlement to be challenging and meaningful. One respondent in this group indicated that other career opportunities in the United Kingdom may be more enticing than to remain with the parent company. This may lead to the assumption that expatriate employees are using the option to permanently settle as a means of gaining citizenship of the United Kingdom which then provides them with access to a much larger job market.

Lajara *et al*/ (2003) maintain that it is natural for an employee that is assigned to work in an IJV to feel unsure about his career since there is uncertainty about the stability of his job and how his career will evolve at the end of his assignment in the IJV. They therefore recommend that career planning be designed to address how employees who have worked in an IJV are reincorporated into the organisation when the IJV comes to an end. The option of permanent settlement then becomes attractive to these employees especially if they have been on an expatriate assignment for an extended period of time. Furthermore, according to the Sasol policy for permanent settlement if an employee decides to permanently settle in a host country and thereafter needs to go on an expatriate assignment the host country then becomes the home

base for the new expatriate assignment. This is financially advantageous to the employee

The option of permanent settlement is also beneficial to the company since research indicates that the majority of expatriates are ready to leave their company and move to another company for a better, more challenging job after repatriation (Brewster & Suutari, 2005). One of the respondents in Group 1 commented that “to move an employee from an IJV back to Sasol would kill him since the employee would not fit the profile of a typical Sasol manager anymore”.

6.4 Proposition 4:

The capacity of the spouse of a dual career couple to work in the host country influences the success of the expatriate assignment and the decision to permanently settle in a host country.

This proposition was not entirely endorsed by the study. For two of the three respondents in Group 1 the capacity of the spouse to work in the United Kingdom definitely influenced their decision regarding permanent settlement whilst this was a non-issue for the other respondent. Respondents for whom this factor did play a role made the following comments regarding this – “it did play a role, since my spouse is a professional person who wanted to pursue her

own career” and “it played a major role since the opportunities for work are good”.

When the respondents in Group 2 were asked if this factor would influence their decision to permanently settle in the United Kingdom had they been given the option to do so all three respondents indicated that it would not influence their decision. For the duration of their expatriate assignments the spouses of these respondents did not work in the United Kingdom.

The differences between Group 1 and Group 2 could be ascribed to the families being at different phases in their family life-cycle or just personal preferences with regard to employment.

According to the Riusala & Suutari (2000) the current reality is that most marriages today are dual career relationships in which both partners are employed and committed to their respective careers. Research indicates that the reluctance of spouses’ to give up their own career is an increasing reason for declining expatriate assignments (Riusala & Suutari, 2000). The capacity of the spouse to work in the United Kingdom due to being a dependant of a work visa holder will definitely play a positive role in persuading the spouse to consider their partners’ offer of an expatriate assignment in the United Kingdom.

6.5 Proposition 5:

A favourable host country culture and environment positively influences the decision of the expatriate employee to permanently settle in the host country.

This proposition was found to be true for the group of expatriate employees who had decided to permanently settle in the United Kingdom. The following are some of the comments made by this group of respondents regarding the host country culture and environment:-

- No exchange control limitations in the UK - this is very advantageous from an investment perspective.
- We are also based in a rural area in the UK which is safe and secure.
- The UK functions in an international environment.
- Lifestyle is a huge plus / quality of life is good
- First world infrastructure
- Gain citizenship to a first world country
- Similar time zone to South Africa enables us to keep contact with family and friends
- More career opportunities for White male. No employment equity or age discrimination
- The world has opened up
- UK qualifications are accepted worldwide

The comments and unanimous affirmative response from the respondents in Group 1 indicate that there was a careful thought, evaluation and planning process from these respondents with regard to their decision to permanently settle.

There was a mixed reaction from Group 2 regarding the influence of the host country culture and environment on the decision to settle permanently. Some of the comments made by this group of respondents regarding the influence that the host country culture and environment has on the decision to permanently settle are:-

- The quality of life as an expatriate was good but I'm not sure that it would be of the same standard if I decided to permanently settle in the UK.
- The weather in the UK was a negative factor.
- My kids would have had wider options regarding tertiary studies.
- Stability and security of the UK.
- Being based in the UK provided excellent opportunities to travel.

The afore-mentioned comments reveal that some respondents did evaluate and compare the host and home and country culture and environment and had they been given the option to permanently settle some may have chosen to do so whilst others would have still chosen to repatriate.

Bhorat, Meyer & Mlatsheni (2002) state that since it is relatively easy to fit into British society the United Kingdom has always been a trendy destination for South Africans. They claim that many South Africans have dual citizenship or residency that enables them to move between South Africa and the United Kingdom. Also, cultural similarities such as language, sport and historical ties make the United Kingdom more appealing to South Africans who are looking for better working and living conditions (Bhorat *et al*, 2002).

6.6 Proposition 6:

Unfavourable home country conditions lead expatriate employees to consider permanent settlement instead of repatriation.

This proposition was supported by the study for the respondents who decided to settle permanently in the United Kingdom. Respondents clarified their affirmative responses with the following statements:-

- A critical concern was the exchange control limitations in South Africa.
- South Africa is limited from a personal interest perspective.
- South Africa's approach to the situation in Zimbabwe is indicative of an unsafe political environment.
- Crime is a major deterrent
- Career opportunities in South Africa are limited for my spouse.

Responses from Group 2 were varied and thus did not fully support the proposition. This could suggest that some of the respondents had reservations about returning to South Africa at the end of their expatriate assignment and would have given serious consideration to permanent settlement had they been offered the option. Another reason for the varied responses could be that respondents in Group 2 had a realistic picture of what to expect upon their return to South Africa and had made a conscious and deliberate effort to prepare for the transition. The following statements made by the respondents offer support to the above interpretation of responses:-

- When you abroad you only hear the negative or bad things about South Africa, in particular crime and politics.
- Although it took time for us to reacclimatise in South Africa, it is going well – our faith also played a role during the transition period.
- There are warts in any city – you need to overlook them in order to move on.

Bhorat *et al* (2002) reveal the results of a study conducted by the Southern African Migration Project to assess the factors that contribute to the desire of skilled South African to leave the country. The results reveal that people leave South Africa because of the declining quality of life, dissatisfaction with safety and security, the level of taxation and the government's affirmative action policy.

- These factors are similar to those provided by respondents in Group 1 indicating that the reasons for leaving South Africa are consistent.

6.7 Proposition 7:

The career of an expatriate employee is affected when an expatriate employee chooses to permanently settle in a host country.

This proposition was supported by the study since the majority of respondents in Group 1 and all the respondents in Group 2 indicated that career growth and opportunity for promotion is likely to be limited when an expatriate employee permanently settles in a host country. This is due to the number of positions that are available in the host country. One respondent from Group 1 specified that the extent to which the career of the expatriate employee is affected is dependant more on the employee as opposed to the influence of permanent settlement in a host country.

In Sasol, when an employee decides to permanently settle employment in the host country even though on local terms and conditions is with the Sasol employing entity in the host country. The employee remains linked to the parent company.

CHAPTER 7: CONCLUSION AND RECOMMENDATIONS

7.1 Conclusion

Sasol's permanent settlement policy was implemented to address some of the Company's strategic objectives such as retention of employees and to grow the talent pool within the company. Permanent settlement is an option that may be offered to employees working in an IJV but the findings of the study however indicate that this may not necessarily lead to the retention of employees in the long term.

The permanent settlement option may help with retention of employees who are in either the last phase of their career or in the short to medium term with employees who are waiting to obtain citizenship in the United Kingdom. In the long term however, the employees who fall into the latter group will most likely seek opportunities in the external labour market as there is a wider choice of jobs available to them. Also, the fact that there are limited career opportunities available to employees within the company when they choose to permanently settle will also influence the decision to look elsewhere in the long term.

7.2 Recommendations

A major concern for some expatriate employees is where they fit in again within the South African business units upon repatriation. In addition to this there is a danger that they would become a specialist in a particular field whilst on an expatriate assignment. To address this concern, the company should consider a maximum expatriate assignment period of 3 years. Only in exceptional cases should extension of expatriate assignments be considered. This concern can also be addressed by mentors and line managers having open and regular communication with their employees who are on expatriate assignment so that there is no feeling of out of sight out of mind.

A maximum expatriate assignment period will also afford other employees the opportunity as well for going on an expatriate assignment and in this way the company can grow a bigger pool of employees for future assignments.

The company needs to have a clear global strategy that is linked to retention and employees who fit the profile of an expatriate employee should be developed so that they can move from one assignment to another.

Expatriate assignments and permanent settlement should fit in with the individual employee's career aspirations and personal career development plan. Therefore, it is important to have regular discussions with employees regarding

their aspirations and development plans to monitor any changes in both their personal and professional lives.

The company needs to assist employees with understanding the difference in service conditions and policies between repatriation and permanent settlement so that they can make an informed decision about the choices available to them.

The company needs to investigate ways in which to retain employees in the long term once they have permanently settled in a host country since the option of permanent settlement is not automatically a guarantee of retention.

Since the company is now active in the international arena a global frame of reference needs to be adopted by the company to address the concerns surrounding areas such as expatriation, career development and retention.

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APPENDIX A: Blank Questionnaires

Interview Questionnaire

PERMANENT SETTLEMENT IN THE UK

NAME:

DURATION OF EXPAT ASSIGNMENT PRIOR TO PERMANENT SETTLEMENT:

- 1. Did you request permanent settlement in the UK or did the company offer this option to you?*
- 2. How did working in an IJV influence your relationship with your parent company?*
- 3. What were the factors regarding the culture and environment in the UK that influenced your decision to permanently settle?*
- 4. What were the unfavourable conditions in South Africa that influenced your decision to permanently settle in the UK as opposed to repatriating?*
- 5. Spouses of work permit holders are allowed to work in the UK. To what extent did this influence your decision to accept an expatriate assignment to the UK?*

- a. *Did your spouse work in SA prior to your assignment to the UK?*
 - b. *Did your spouse work in the UK during your assignment?*
6. *Do you think that you have more career opportunities available to you when working in an IJV?*
 7. *Do you think that providing IJV expatriate employees with the option of permanent settlement would lead to retention of competent global managers?*
 8. *How is the career of an expatriate employee affected when the employee chooses to permanently settle?*
 9. *Any other comments:*

Interview Questionnaire

REPATRIATE FROM THE UK

NAME:

DURATION OF EXPAT ASSIGNMENT PRIOR TO REPATRIATION:

- 1. What factors influenced your decision to repatriate back to South Africa at the end of your assignment?*
- 2. How did working in an IJV influence your relationship with your parent company?*
- 3. If you were given the option to permanently settle in the UK as opposed to repatriating to South Africa would you have accepted it and why?*
- 4. What were the favourable factors regarding the culture and environment in the UK that would have influenced your decision to permanently settle had you decided to do so?*
- 5. What were the unfavourable conditions in South Africa that would have influenced your decision to permanently settle in the UK as opposed to repatriating?*



6. *Spouses of work permit holders are allowed to work in the UK. To what extent did this influence your decision to accept an expatriate assignment to the UK?*
 - a. *Did your spouse work in SA prior to your assignment to the UK?*
 - b. *Did your spouse work in the UK during your assignment?*
7. *What effect has your expatriate assignment had on your career?*
8. *Do you think that you have more career opportunities available to you when working in an IJV?*
9. *Do you think that providing IJV expatriate employees with the option of permanent settlement would lead to retention of competent global managers?*
10. *How is the career of an expatriate employee affected when the employee chooses to permanently settle?*
11. *If you were offered another expatriate assignment would you accept it?*
12. *Any other comments:*