

## **CHAPTER 1**

### **INTRODUCTION AND PROBLEM STATEMENT**

#### **1.1 INTRODUCTION AND PROBLEM STATEMENT**

During the 1920s and 1930s, many of the nation-states of the world erected formidable barriers to international trade and foreign direct investment. International trade occurs when a firm exports goods and services to consumers in another country, whereas foreign direct investment occurs when a firm invests resources in business activities outside its home country. Many of the barriers to international trade took the form of high tariffs on imports of manufactured goods. The typical aim of such tariffs was to protect domestic industries from foreign competitors. One consequence, however, was “beggar thy neighbour” retaliatory trade policies, with countries progressively raising trade barriers against each other. Ultimately, this depression would contribute to the Great Depression of the 1930s (Hill, 2005:9).

Having learned from this experience, the advanced industrial nations of the West committed themselves after World War 2 to removing barriers to the free flow of goods, services, and capital between nations. This goal was enshrined in the treaty known as the General Agreement on Tariffs and Trade (GATT). Under the umbrella of GATT, eight rounds of negotiations among member states (now numbering 146) have worked to lower barriers to the free flow of goods and services. The most recent round of negotiations, known as the Uruguay Round, was completed in December 1993. The Uruguay Round further reduced trade barriers, extended GATT to cover services as well as manufactured goods, provided enhanced protection for patents, trademarks, and copyright, and established the World Trade Organisation (WTO) to police the international trade system. In late 2001, the WTO launched a new round of talks aimed at further liberalising the global trade and investment framework. For this meeting, it picked the remote location of Doha in the Gulf state of Qatar (Hill, 2005:9).

As a result, globalisation – the process through which an increasingly free flow of ideas, people, goods, services, and capital leads to the integration of economies and societies – has brought rising prosperity to the countries that have participated. It has boosted income and helped raise living standards in many parts of the world, partly by making sophisticated

technology available to less advanced countries. Since 1960, for example, life expectancy in India has risen by more than 20 years, and illiteracy in Korea has gone from 30 percent to almost zero. These improvements are due to a number of factors, but it is unlikely that they could have occurred without globalisation (Aninat, 2002:1).

Globalisation, however, would not have been possible without Multinational Corporations (MNC). An MNC can be defined as a firm that engages in foreign direct investment and owns or controls value-adding activities in more than one country. In addition to owning and controlling foreign assets, MNCs typically buy resources in a variety of countries, create goods and/or services in a variety of countries and then sell those goods and services in a variety of countries. Because some large MNCs, such as accounting partnerships and Lloyd's of London, are not true corporations, some writers distinguish between multinational corporations and multinational enterprises (MNE) (Griffin & Pustay, 2002:11). According to Hill (2003:19), an MNE can be defined as any business that has productive activities in two or more countries.

A vital component of implementing global strategy for these MNCs is international human resource management (IHRM). IHRM is increasingly being recognised as a major determinant of success or failure in international business. In a highly competitive global economy where the other factors of production – capital, technology, raw materials and information – are increasingly able to be duplicated, “the calibre of the people in an organisation will be the only source of sustainable competitive advantage”. Corporations operating internationally need to pay careful attention to the most crucial resource – one that also provides control over other resources. Most United States (US) multinationals underestimate the importance of the human resource planning function in the selection, training, acculturation and evaluation of managers assigned abroad. And yet the increasing significance of this resource is evidenced by the numbers. Over 37 000 MNCs are currently in business worldwide. They have control over 200 000 foreign affiliates and have over 73 million employees. In the USA, foreign MNCs employ three million Americans – over 10 percent of the US manufacturing workforce. In addition, about 80 percent of mid- and large-size US companies send managers abroad, and most plan to increase that number (Deresky, 2002a:389). Rugman & Hodgetts (2003:329) define IHRM as the process of selecting, training, developing and compensating personnel in international positions. There are three basic sources of personnel talent that MNEs can tap for positions. One is home country

nationals, who reside abroad but are citizens of the parent country of the multinational. These individuals are typically called expatriates. An example is a US manager assigned to head an R&D department in Tokyo for IBM Japan. A second is host country nationals, who are local people hired by the MNE. An example is a British manager working for the Ford Motor Company in London. The last is third country nationals, who are citizens of countries other than the one in which the MNE is headquartered or the one in which they are assigned to work by the multinational. An example is a French manager working for Sony in the USA.

Staffing patterns may vary depending on the length of time that the MNE has been operating. Many MNEs will initially rely on home country managers to staff their international units, gradually putting more host country nationals into management positions as the enterprise gains experience. Another approach is to use home country nationals in less developed countries and employ host country nationals in more developed regions. This pattern has been found fairly prevalent among US and European MNEs. A third pattern is to put a home country manager in charge of a new operation but, once the unit is up and running, turn it over to a host country manager (Rugman & Hodgetts, 2003:329).

The staffing policy that the MNE chooses to apply is concerned with the selection of employees for particular jobs. At one level, this involves selecting individuals who have the skills required to do particular jobs. At another level, staffing policy can be a tool for developing and promoting corporate culture – the organisation's norms and value systems (Hill, 2003:608). An MNE has three types of staffing policies to choose from (Hill, 2003:609-611):

- **The ethnocentric approach.** An ethnocentric staffing policy is one in which all key management positions are filled by parent-country nationals.
- **The polycentric approach.** A polycentric staffing policy requires host-country nationals to be recruited to manage subsidiaries, while parent-country nationals occupy key positions at corporate headquarters.
- **The geocentric approach.** A geocentric staffing policy seeks the best people for key jobs throughout the organisation, regardless of nationality.

Hodgetts & Luthans (2003:483-484) supports the three approaches mentioned by Hill (2003:609-611), but adds a fourth approach, the regiocentric approach – a regiocentric

approach relies on local managers from a particular geographic region to handle operations in and around that area.

Three of the four staffing policies just discussed – the ethnocentric, regiocentric, and the geocentric – rely extensively on the use of expatriate managers. Expatriates, as indicated above, are citizens of one country who are working in another country. According to Özbilgin (2005:132), one indication for the problem career systems face when dealing with international assignments relate to failure and according to Özbilgin (2005:132), the literature indicates that the failure rates are high. Hill (2003:612) adds that a prominent issue in the international staffing literature is expatriate failure. According to the most recent Global Relocation Trends Survey, it is more common than ever for an international assignment to be turned down or interrupted because of spouse and family issues. The survey's respondents cited family adjustments (65%), spousal resistance (53%) and spouse's career (45%) as the most critical roadblocks to acceptance and success of international assignments (Sievers, 1998:1). In a study by Tung (1982:68; Hill, 2003:612-613) surveying US, European and Japanese multinationals, it was found that 7 percent of US multinationals experienced expatriate failure rates of 10-40 percent, 69 percent had a recall or failure rate of 10-20 percent, and the remaining 24 percent experienced a failure rate of less than 10 percent. Tung's (1982:68) work also suggested that US-based multinationals experienced a much higher expatriate failure rate than either Western European or Japanese multinationals. According to Briscoe & Schuler (2004:243-244), the rate of early return for US expatriates varies in different companies (and in different surveys) from 10 percent to 80 percent (with a common failure rate in the 30-40 percent range). On the other hand, European and Japanese multinationals rarely experience failure rates over 10 percent, which seems to have to do with, in the case of the Europeans, more exposure to different cultures and languages, and, in the case of the Japanese, the generally longer adjustment periods accommodated with the longer assignments (and, possibly, to the unwillingness in the culture to offend someone by cutting their assignment short due to performance or adjustment problems).

The sample of multinational managers in Tung's (1982:67; Hill, 2003:612-613) study was asked to indicate the reasons for expatriate failure. For US multinationals, the reasons in order of importance were:

- Inability of spouse to adjust
- Manager's inability to adjust

- Other family problems
- Manager's personal or emotional lack of maturity
- Inability to cope with larger overseas responsibility

According to Tung's (1982:67-68; Hill, 2003:613) study, managers of Western European enterprises gave one reason in particular to explain expatriate failure: the inability of the manager's spouse to adjust to a new environment. For the Japanese firms, the reasons for failure were:

- Inability to cope with larger overseas responsibilities
- Difficulties with new environment
- Personal or emotional problems
- Lack of technical competence
- Inability of spouse to adjust

According to Griffin & Pustay (2002:583), the cost of expatriate failure to a firm can range from \$40 000 to as much as \$250 000 (these figures include the expatriate's original training and moving expenses, as well as lost managerial productivity, but do not include the decreased performance of the foreign subsidiary itself). According to Hill (2005:624), the average cost of expatriate failure for the parent firm can be as high as three times the expatriate's annual domestic salary plus the cost of relocation. Estimates of the cost of each failure run between \$250 000 and \$1 million. McNerney's (1996:1) findings support those of Hill (2005:624), indicating that a failed expatriate assignment can carry a price tag of \$1 million. These costs are associated with an extreme form of international assignment failure – early termination. Failed assignments, however, may vary in degree. Expatriates who remain on the assignment but psychologically withdraw may also incur indirect losses for their enterprise, including reductions in productivity, market share, and competitive position, as well as damaged staff, customer and supplier relations, and discredited corporate images and reputations. In addition, withdrawal from international assignments can also be costly for expatriates and their families, in terms of diminished self-esteem, impaired relationships, and interrupted careers (Shaffer & Harrison, 1998:87).

More specifically, Shay & Tracey (1997:31) indicate that cross-industry studies have estimated US expatriate failure at between 25 and 40 percent when the expatriate is assigned

to a developed country and about 70 percent when the expatriate is assigned to a still-developing country. When those rates are considered in the light of estimates that the direct cost of each failure is between \$250 000 and \$1 million, the situation becomes alarming. In fact, according to Shay & Tracey (1997:31), one study estimates that the cost of failure for US multinationals is over \$2 billion a year. It is further estimated that between 30 and 50 percent of the expatriates who do complete their assignments are considered ineffective or only marginally effective.

It is thus important that enterprises must select those managers who, with their families, will be most able to adapt internationally and who also possess the necessary expertise to get the job done in that foreign environment. Many enterprises that lack experience in international operations, while trying to increase their foreign sales, overlook the importance of the cultural variation in other countries. This attitude, combined with the enterprise's inclination to choose employees for the expatriate experience because of their technical abilities, generally leads to international assignments being made without the benefit of training or help in acculturation. This may – and all too often does – lead to failure in the foreign assignment, with premature return to the parent company and country, or even dismissal in the foreign locale (Briscoe & Schuler, 2004:242). Scullion & Linehan (2005:125) add that the success depends to a large extent on cross-cultural adaptation, as well as selection and training practices.

In order to avoid the costly failure of expatriates it is important to realise that psychological and emotional peace of mind is the single most important element for the successful relocation of an employee and members of his/her family abroad. It is important to select the right employees and then provide them with the proper cross-cultural training, support and services that will position them to be successful (Anon, 2002a:61). Fontaine (1997:631) echoes this view, stating that the success of international assignments could be ensured if effective preparation, support and training were provided.

The full extent of the problem in South Africa is not known, as determining the failure rate, and the reasons for the failure of South African expatriates are predominantly done by research houses on behalf of individual MNEs or particular industries. As a result this information is treated as confidential. However, according to Sapa (2004), the University of South Africa has determined that South African MNEs are falling short in terms of the

structured training programmes they offer to expatriates, as well as on their repatriation upon completion of an international assignment. In the light of the fact that the success of expatriates on an international assignment is influenced by the preparation, support and training they receive, the lack of such support could contribute towards the current and future failure of expatriates on international assignments.

## **1.2 RESEARCH OBJECTIVES**

The research objectives address the purpose of the investigation, and lay out exactly what is being planned by the proposed research. This section serves as the basis for judging the remainder of the proposal and ultimately, the final report (Cooper & Schindler, 2003:101; Cooper & Emory, 1995:84).

The objective of this research is to determine what South African MNEs should do – in terms of preparation, support and training - in order to better prepare their expatriates for international assignments. As was seen in the previous section, ill-prepared expatriates tend to fail – come home from international assignments early – and as a result incur direct and indirect losses for their enterprises.

The following hypotheses will be tested in this study:

- H<sub>10</sub>: South African MNEs are providing the preparation, support and training that expatriates feel they need for international assignments.
- H<sub>1A</sub>: South African MNEs are not providing the preparation, support and training that expatriates feel they need for international assignments.
- H<sub>20</sub>: Expatriates with spouses and families do not have special preparation, support and training needs.
- H<sub>2A</sub>: Expatriates with spouses and families do have special preparation, support and training needs.
- H<sub>30</sub>: There is no difference between the preparation, support and training needs of expatriates on an international assignment in Africa and those of expatriates on an international assignment in the rest of the world.

H<sub>3A</sub>: There is a difference between the preparation, support and training needs of expatriates on an international assignment in Africa and those of expatriates on an international assignment in the rest of the world.

H<sub>40</sub>: There is no relationship between the age group that expatriates fall into and the type of preparation, support and training that they feel they need for international assignments.

H<sub>4A</sub>: There is a relationship between the age group that expatriates fall into and the type of preparation, support and training that they feel they need for international assignments.

H<sub>50</sub>: There is no relationship between the duration of international assignments and the type of preparation, support and training that expatriates feel they need for these assignments.

H<sub>5A</sub>: There is a relationship between the duration of international assignments and the type of preparation, support and training that expatriates feel they need for these assignments.

H<sub>60</sub>: There is no difference in the preparation, support and training needs of top and middle management expatriates on an international assignment.

H<sub>6A</sub>: There is a difference in the preparation, support and training needs of top and middle management expatriates on an international assignment.

### 1.3 LITERATURE REVIEW

Expatriate failure has been a contentious topic in international management literature for many years and as a result a lot of research has been done on this topic around the world. Harvey (1995:224), in an exploratory study entitled “The impact of dual-career families on international relocation”, attempted to:

- Investigate a classification of dual-career families and how their degree of career involvement influenced decisions to relocate internationally
- Examine the frequency of selecting another candidate due to the reluctance of dual-career families to relocate
- Analyse the relative importance of key family/career issues on the relocation decision in dual-career families
- Determine the type of assistance provided by MNEs to trailing spouses and family members in the dual-career family
- Explore issues related to the dual-career international relocation

Harvey (1995:224) made use of self-administered questionnaires, which were distributed to personnel administrators, all belonging to the Society for Human Resource Management: International. In his investigation of a classification of dual-career families and how their degree of career involvement influenced decisions to relocate internationally, Harvey (1995:226) found a low degree of impact on domestic relocations from non-working trailing spouses, although 54 percent of the sample respondents indicated that a spouse attending college posed more of a potential problem than the traditional in-home spouse. Harvey also found that in both the dual-income/dual-career categories nearly 50 percent of the personnel administrators surveyed indicated that the trailing spouse might have a significant impact on even domestic relocations.

When examining the frequency of selecting another candidate due to the reluctance of dual-career families to relocate, Harvey (1995:229) determined that several different selection decisions could be observed relative to the rate of refusal of international assignments and the level of managers in the organisation. First, the higher the rate of refusal of executives to relocate, the less human resource managers attempted to select candidates from other home country nationals. It would appear that personnel directors shift from home country nationals to third country nationals where refusal rates are above 10 percent. With lower-level managers, particularly at supervisory level, however, they continue to select second-choice candidates from the home country national pool. An additional observation made by Harvey is that it would appear that third country nationals are probable candidates for executive-level positions only. The second choice for managers other than executive level appears to be host country nationals. The rationale for this decision might be the fact that middle managers and supervisors are the operating managers of the subsidiary, and therefore the host country nationals may be the best equipped to address day-to-day operations of the foreign organisation. An additional issue may be that the relative compensation and benefit packages by labour pool can be varied, thereby reducing costs by using host country nationals. Third country nationals have been identified as the more costly alternative to home country nationals, and therefore are used less at lower management levels in the foreign operations.

When analysing the relative importance of key family/career issues on the relocation decision in dual-career families, Harvey (1995:231-232) identified the following issues as of primary importance to executive expatriates who were transferred or offered transfers by their companies:

1. Career attractiveness of international position
2. Stage of career life cycle
3. Stage of family life cycle
4. Trailing spouse's career orientation
5. Significant increase in real income

Middle managers were thought to have similar concerns, but in a different order of importance:

1. Career attractiveness of international position
2. Significant increase in real income
3. Stage of career life cycle
4. Duration of international assignment
5. Stage of family life cycle

The most significant difference found in the survey in evaluating issues related to the dual-career relocation was observed in the supervisory level management. These personnel administrators shifted the importance of issues to:

1. Significant increase in real income
2. Career attractiveness of the international position
3. Duration of the assignment
4. Perceived quality of corporate support during relocation
5. Perceived competitiveness of filling position

These managers were thought to have greater concern with tactically related issues, rather than the family/career-stage concerns of managers at higher levels in the organisation. It could be argued that while the percentage of working spouses might not vary by the level in the organisation, their dedication to career might vary. In higher socio-economic groups, the significance of dual-career orientation increases above that of their counterparts with less education and professional experience.

In order to determine the type of assistance provided by MNEs to trailing spouses and family members in the dual-career family unit, Harvey (1995:233) asked respondents to appraise the quality of support provided to dual-career families before, during and after an international

relocation. Prior to relocation, executive level expatriate trailing spouses/families are provided with:

1. Training programmes
2. Educational support
3. Introductions/recommendations to other companies in host countries
4. Assistance with government requirements and/or restrictions, e.g. employment visas

The middle-level and supervisory managers receive less attention prior to international relocation. Every form of assistance to the trailing spouses is less in the case of the lower level managers. There is a significant difference in support to supervisory managers even when compared with that of their middle management counterparts.

Interestingly, there was a high degree of support for executive and middle managers during their international assignments, with the most frequently mentioned support systems being:

1. Educational opportunities
2. Extended adjustment time during relocation
3. Introduction/recommendations to other companies in the host country
4. Assistance in job search and obtaining work permits.

The supervisory personnel appear to receive significantly less support during their international relocation. Other than training and assistance with government requirements, it would appear that they and their spouses/families receive 50 percent less assistance during the actual assignment.

After the international assignment is concluded, it would appear that very little assistance is provided beyond repatriation training to family members. The revitalisation of a career is entirely up to the trailing spouse and there is minimal attention to rekindling the career of that individual.

The final section of the questionnaire explored issues that might compound, or occur concomitantly with, the problems associated with dual-career families and international relocation. Personnel managers indicated that the anticipated increase in female expatriate managers would increase the complications already associated with dual-career families. The reluctance to accept international relocation was another concern of the respondents. Eighty-

one percent of those included in the sample indicated that it was going to become more difficult to attract top candidates to take international assignments. There seemed to be a strong set of negative attitudes towards international relocations if the spouses could not find employment during the assignment. Related issues that increased in dual-career families were the anticipated increase in time/cost of administering these individuals, as well as an increased failure rate of expatriates due to their dual-career family status (Harvey, 1995:236-237).

Harvey's study deals predominantly with the issue of the impact of dual-career families on international relocation: not only the impact of dual-career families on the failure of expatriates on an international assignment, but also the influence of the family on the choice of whether to accept an international assignment or not. Though Harvey's study differs significantly from this study, it does make a definite contribution in attempting to understand the influence of spouses and families on the reasons for expatriate failure, and the relocation requirements of expatriates and their trailing spouses.

In a study by Shay and Tracey (1997:31), the authors point out that though the problems associated with expatriate failure have appeared in management literature for nearly three decades, it is difficult to draw useful conclusions for a particular industry, such as the hotel industry. Most studies have been conducted across a variety of industries, and because they fail to consider the specific requirements of hospitality management, the studies are not specifically relevant to hotel managers. In order to remedy this shortcoming, these authors examined how the general findings of these studies might apply to hospitality managers; they further conducted a study on expatriate issues in the hotel industry, and proposed a training plan for improving the likelihood of expatriate success. In their research they attempted to answer the following three general questions (Shay and Tracey, 1997:32):

1. Are perceived failure rates for expatriates in the hotel industry similar to failure rates in other industries?
2. Are the reasons for failure and the desirable attributes for expatriates in the hotel industry similar to the reasons for failure and the desirable attributes in other industries?
3. Is cross-cultural training necessary, and what are the perceived benefits of training?

In attempting to answer these questions questionnaires were sent to managers who were employed in large multinational hotel companies and had been assigned to an international position during the previous two years (Shay and Tracey, 1997:32).

In answering the first question the respondents indicated that the failure rate for expatriates in the hotel industry was about 30 percent. That result is similar to that for US expatriates in cross-industry studies. However, as 75 percent of Shay and Tracey's respondents were from European countries, they expected a failure rate closer to that found for the European expatriates, i.e., 5 to 10 percent. Thus their findings suggest that failure rates in the lodging industry may be higher than those in other industries and that expatriate failure may be even more important than first thought (Shay and Tracey, 1997:33).

On the second question the study found that the spouse's inability to adapt to the host culture and the manager's inability to adapt to it were the two most prominent reasons for failure. However, the respondents indicated that the third most important reason for failure was the manager's lack of personal or emotional maturity. These findings highlight the importance of relational and social skills for hotel expatriates and suggest that technical skills (which may be more important for expatriates in other industries) are not as important as other factors (Shay and Tracey, 1997:33).

On the last question all respondents agreed or strongly agreed that cross-cultural training was necessary in the expatriation process. The respondents also reported that such training could improve job satisfaction and performance and provide a competitive advantage over other global players. Although training appears to have several important benefits, only 25 percent of the respondents felt that they had received adequate and relevant training. The reasons for this, according to them, were: high costs; the trend towards employment of local nationals; and lack of time (Shay and Tracey, 1997:34).

According to Shay & Tracey (1997:34-35), there are a variety of models that may serve as a foundation for cross-cultural training programmes. One of the most economical and useful models delineates objective and subjective characteristics of culture. Objective characteristics are tangible and observable: currency, government system, architecture, language and others. Programmes that emphasise the objective aspects of culture help managers understand what to expect in their daily routine and the social dynamics they will encounter. Expatriates must also understand the more elusive subjective characteristics, such as customs, values, and beliefs. Cross-cultural training programmes that incorporate subjective cultural characteristics help trainees develop a deeper understanding of the values and beliefs that influence behaviour in the host country; for example attitudes about work (individualism

versus collectivism), authority (relevance of organisational hierarchy) and punctuality. According to the authors the more general, objective cultural characteristics should be presented before the more specific, subjective cultural characteristics. It is important to develop a general awareness of cross-cultural issues first. The format, proceeding from the general to the specific, is an effective strategy for achieving desired learning outcomes in any training programme.

Though the study by Shay & Tracey is focused primarily on expatriate hotel managers, it provides valuable insight into the extent of and reasons for expatriate failures, the training needs of expatriate managers and the type and sequence of such training programmes.

In a study on the success of international assignments to, from and within Asia and the Pacific, Fontaine (1997:631) found that the success of international assignments can be ensured if effective preparation, support and training are provided to the assignees themselves, their families accompanying them, those managing them and the hosts with whom they are working. According to Fontaine (1997:631), international assignments from anywhere, to anywhere – whether in business, diplomacy, employment, technology transfer, education, or whatever – typically involve journeys to “strange lands”. They are encounters with new ecologies: new and diverse sociocultural, physical, and biological environments. The ecology might involve, for instance, the skills, expectations, and relationships of the task participant, the characteristics of the physical resources available, and the health, safety and security conditions of the assignment site, respectively. There are several characteristics common to the ecology of most international assignments. For example such assignments are usually characterised by travel to a place different from home; they typically involve special problems associated with time differences and communication; there are important cultural differences in the people and how they live and do business – particularly in how they resolve conflict, since some conflict is almost unavoidable interculturally; there is often less organisational, social, and technological support than at home and assignees usually are more responsible for providing the structure of their daily, weekly, and monthly activities. These characteristics essentially define what international assignments are and set them apart from their domestic counterparts.

According to Fontaine (1997:631-639), these new ecologies present assignees with at least three key challenges: coping with ecoshock; developing strategies to effectively complete tasks in a new ecology; and maintaining the motivation to continue.

Ecoshock is caused by more than simply encountering a new culture, and thus this first challenge requires more than coping with culture shock alone. Though cultural differences are often very important on international assignments, they represent only part of the new ecology encountered. The ecology of an international assignment presents us with new arrays of activities and experiences in a number of different categories. Initially, at least, these new arrays can produce a change in our physiological state away from normal. Assignees to, from, or in Asia and the Pacific area are likely to encounter major ecological changes ranging from travel distance to climate and topography, to foods and smells – particularly if they are travelling between temperate and tropical latitudes – in addition to the myriad cultural differences associated with the region. The new stimulus arrays presented on international assignments also produce changes in stress levels from those optimal for performance and satisfaction (Fontaine, 1997:632).

In addition (Fontaine, 1997:632-633), the new ecology of an assignment often changes assignees attention focus away from the specially favoured activities and experiences with which their optimal moods are associated. Individuals may be deprived of specially favoured activities and experiences because:

- They simply are not available in the destination.
- They are available but culturally inappropriate to participate in.
- The assignees may be distracted from them by other experiences or activities.
- They might find that the extra burdens of surviving and getting the job done abroad place such activities at a lower priority.

Individuals may not normally participate in their specially favoured activities and experiences daily, weekly, or even monthly – but frequently enough for their lives to be satisfying and to keep going. Consequently, on an assignment they may not notice their absence for many months – perhaps not for a year or more. Thus, long after their bodies have adjusted to physiological reactions to the new ecology and long after ambient stress levels have diminished as the destination becomes familiar and predictable, they still just don't like the

place or the people. There is ample evidence that serious symptoms of ecoshock are more likely after one or two years than one month (Fontaine, 1997:633).

Coping with physiological reactions produced by the new ecology principally involves time and patience for the body to adjust itself. Coping with the stress produced principally involves time and patience to allow the ecology to become more predictable (though stress management skills may help). On the other hand coping with mismatches identified above requires more than time or patience alone. Without active intervention these mismatches can produce an increasing deterioration of adjustment over time. Intervention should involve improving assignees' skills of attentional regulation and attentional flexibility (Fontaine, 1997:633).

According to Fontaine (1997:633), attentional regulation is the skill of re-establishing participation in specially favoured activities and experiences by manipulating the ecology to reduce the distraction, finding situations in which their cultural inappropriateness is less of a problem, or organising time or special networks to allow participation in them sufficiently. Joining a golf club can, for example, commit them to play golf when there may be more important things to do. But attentional regulation may still not be enough to maintain optimal moods abroad. One frequently hears the complaint from those abroad that there is "nothing to do here" (and they may be talking about Hong Kong, Singapore, Los Angeles or Sydney), or they are bored and going crazy. What they often really mean is that there is nothing familiar to do. None of their familiar specially favoured activities exist. The new ecology abroad may simply not provide the kinds of activities and experiences that assignees or their families enjoy, however well they can regulate their attention. In such cases they need to be more flexible. They need to have or develop the skill to derive optimal moods from a broad variety of activities and experiences. The attentional flexibility allows them to adapt their preferences to those supported by the international ecologies they encounter. There may not be any golf courses there, but assignees may find that strolls in a wooded park or table tennis can functionally replace golf. The key here is to learn what it is about golf that provides the optimal mood and then to find it in other activities.

On the second challenge of developing strategies to effectively complete tasks in new ecologies, Fontaine (1997:633-634) points out that the shared perceptions of the world and strategies for completing the tasks of living and working in it are developed at home within a

familiar, relatively stable ecology. Here international assignees are faced with the challenge: Given that we expect to do and are skilled in doing tasks one way and those in the new culture expect to do and are skilled in doing them another way, how are we going to do them well together. Do we continue to do things our way, or try to adapt their way, or compromise, or what?

Fontaine (1997:634) suggests that rather than selecting specific strategies based on doing things our way, their way or compromising, dealing with the second challenge requires a more generic strategy in which these – or frequently other – specific strategies are selected based on what is most appropriate to the new, international task ecology. This is necessary because the international character of the new ecology makes it somewhat of a strange land to all participants and thus habitual strategies developed at home are unlikely to be optimally effective. Fontaine labels shared perceptions by task participants about specific strategies for completing particular tasks as micro-cultures, and if they are tailored to the characteristics of the international assignment ecology they are called international micro-cultures (IMCs).

An IMC is not just some mixture of “our way” or “their way” to do a particular task. These would only comprise an IMC if they were ecologically appropriate. More commonly IMCs require inclusion of perceptions for doing tasks that extend beyond simply ours or theirs to include a broader range of others, as might be appropriate to the task ecology. An IMC, in other words, is not a generalised strategy applied to many occurrences of a task. For example, the IMC used to negotiate a particular petroleum rights treaty will nearly always differ from that used with other petroleum rights treaties negotiated at other times and with other participants. Because an IMC is tailored to a particular task ecology, participants’ perceptions and behaviour in it are not necessarily consistent with those across this and other types of tasks at the level of national or even organisational culture (Fontaine, 1997:635-636).

According to Fontaine (1997:636-637), assignees can, to some degree, prepare in advance for the culture they will encounter on an assignment through some form of cross-cultural training. However, the development and use of IMCs typically require knowledge of the task ecology abroad at a level of detail far in excess of what is available in advance. Assignees may need to know, for instance, the task objectives and their importance from all participants’ perspectives, details of the facility in which the task takes place and the resources available, the participants’ personalities, motives, skills, relationships with each other and so forth. To a

significant degree, assignees must assess what is necessary in terms of these or other characteristics, identify a broad range of possible options for dealing with them, and select the most desirable options to constitute an IMC on the spot. The key skill in doing it on the spot involves effective use of assignees' sense of presence – the experience all assignees commonly have on an international assignment in which they have a heightened awareness of everything around them. The use of a sense of presence is certainly not the only skill associated with an IMC development. Because an IMC, like any culture, involves shared perceptions in task relationships, assignees need social skills to build relationships and maintain them long enough for an IMC to develop. Because IMCs are most commonly negotiated among diverse members, communication skills – particularly those critical to intercultural communication – are needed. The latter include ritual exchanges, perspective sharing, context matching, agenda matching, and language skills. Together with the use of a sense of presence, they represent the central skills in a package necessary for the second challenge.

The last challenge facing expatriates on an international assignment, according to Fontaine (1997:637), involves the motivation to continue dealing with the first two challenges in the face of almost inevitable ecoshock and performance difficulties, fatigue and frustration. This may continue to be challenging long after much of the stress produced by the unfamiliar ecology is gone, but the depression, mood changes, irritability, poor performance and so forth produced by changes in attentional focus remain and grow. According to Fontaine (1997:637), maintaining motivation is particularly critical in international assignments because the development and use of IMCs to meet the second challenge may take much more time and effort than relying on the habitual “our way” of home.

There is a vast range of motives that send people abroad, keep them there, and lure them back abroad again. Some of these motives are more extrinsic in nature, i.e. the assignment provides some benefits apart from the international character of the ecology itself. These might include the official reason for the assignment (“it is part of the job”), or the money, promotion opportunities, or acquisition of new knowledge or skills. Other motives might be more intrinsic, i.e. the benefit is inherent in the international character of the assignment. These might include the business activity itself, sightseeing, trying new foods, exploring or adventure, the special treatment and status often received abroad, or the heightened experience of the sense of presence (Fontaine, 1997:637-638). Fontaine (1997:638) identifies

six factors – or clusters – of reasons given by assignees for why they go abroad in contexts such as business and foreign study. In a sense each factor constitutes a type of traveller, although, of course, any given assignee will usually be characterised by more than one of these types. These factors are:

- **A job-motivated traveller.** Job-motivated travellers go abroad for career benefits such as higher salaries, promotions, training, education, or business or professional contacts.
- **A rest and recreational traveller.** Recreational travellers go abroad for the entertainment, sports, hobbies, or recreational activities.
- **An explorer.** Explorers go abroad to see and experience different people – their appearance, values, life-style and culture.
- **A presence seeker.** Presence seekers go abroad because when abroad their experiences are real and vivid; they seem aware of everything happening around them every minute.
- **A collector.** Collectors concentrate on bringing things back home – clothes, paintings, slides and stories of adventure and friendships.
- **A family traveller.** Family travellers go abroad to be with family members who are also abroad or to accompany friends or co-workers.

As noted above, in reality any given assignee is not usually just one type of traveller, but rather a combination of types. That combination constitutes his or her motivation profile. According to Fontaine (1997:638), recent data indicate that the motivation profile of the average international assignee is strongest in explorer, rest and recreation, and presence seeking. While job-oriented issues are certainly important to these assignees, they do not appear to be the ones most significant in assignees' self report of why they go abroad on assignments. When there is a mismatch between an assignee's motivational profile and the activities and experiences actually encountered, ecoshock, with its associated physiological, psychological, and social consequences, can occur. Without active intervention the mismatch between the motivation to go abroad and the activities and experiences encountered is likely to continue to erode the motivation to stay.

According to Fontaine (1997:639-641), much more research is needed on the skills associated with maintaining motivation. It would seem apparent, however, that these skills would include at least the following:

- The skill to pick the right assignment based on the match between the assignee's motivational profile and the assignment ecology. Careful use of both organisational screening and assignee self-selection is thus implied.
- The skill to adapt an assignee's motivational profile to the assignment ecology, i.e., we don't adapt the ecology, we adapt the assignee.
- Skills of attentional regulation and flexibility can help assignees either to find innovative ways to satisfy the package of motives they brought with them, or to expand that package to include motives better supported by the ecology they encounter.

The initial motive that brought an assignee abroad may be insufficient to keep him or her there long enough to deal successfully with the first two challenges. Useful organisational intervention can include supporting existing social support groups (e.g. the family, co-workers) so that an assignee is not motivated to return home early because of relationship problems or dissatisfaction; and enmeshing the assignee in new social groups from which new motives to remain can evolve, stemming from rewarding group activities, relationships with its members, or other benefits of participation. Assignees can also be screened for, or trained in the social skills necessary to develop and maintain support groups abroad (Fontaine, 1997:639).

An important skill in establishing relationships abroad is being able to put oneself in the right place at the right time. Assignees need to know where the behaviour settings are that provide opportunities to meet relevant others and develop relationships. These settings vary considerably from culture to culture and the skill of finding them is usually based more on clever planning than spontaneity. Further, assignees need to know how to access the setting (e.g. get invitations or tickets). A prerequisite for initiating interaction, once in the appropriate behaviour settings, is having sufficient high self-confidence – at a time when it is often eroded by ecoshock. Some assignees seem to be skilled at quickly personalising a place and having a sense of belonging that bolsters their confidence. This is particularly important for those who must relocate frequently to very different ecologies (Fontaine, 1997:641).

Finally, assignees need to remember that their assignment will end. They will need to say goodbye. Thus, they need to have relationship dissolution (or transition) skills as well. How they say goodbye can be important. It will affect how those in the expatriate community and in the host culture remember the assignee. International communities are small and mobile –

assignees may run into the people elsewhere and need them again. And how assignees say goodbye can also impact on how those left behind – particularly host-culture groups – treat the next person who comes along on assignment to that destination (Fontaine, 1997:641). Though this study focuses on Asia and the Pacific region, it – like the other two – provides great insight into the reasons for expatriate failure as well as the skills, preparation, support and training needed by expatriates on international assignments.

According to Sievers (1998:10), Shell International in 1993 began with interviews of more than 200 expatriate employees and their spouses to determine their biggest concerns. The results formed the basis of a questionnaire later distributed to expatriate employees and spouses in 35 countries with the largest Shell expatriate population. Shell International is a global corporation, headquartered in both London and The Hague. It employs 100 000 people and approximately 5500 of these employees are living and working as expatriates. The response rate to their questionnaire was a staggering 70 percent, clearly indicating the importance of these issues. The results revealed that the following six issues have the greatest impact on the mobility of Shell's workforce:

- Children's secondary and primary education and implied separation
- Spouse's career and employment
- Recognition and involvement of spouses
- Staff planning and consultation
- Assistance and information regarding relocation
- Health

Though this was an in-house study compiled by Shell for a better understanding of their expatriates, it nonetheless, showed the same results as the other studies mentioned above.

Though the above studies do not focus on expatriates from South African MNEs, but rather on areas such as expatriate failure and training in the US and European hotel industry or US expatriates in Asia and the Pacific, they still offer valuable insight into the main reasons for expatriate failure, as well as what type of skills, preparation, support and training expatriates require in order to successfully complete an international assignment. These and other similar studies will be used as a starting point in this research to form an understanding of expatriate

failure in general, and serve as guidelines when formulating a questionnaire in order to determine the preparation, support and training needs of South African expatriates.

#### **1.4 RESEARCH DESIGN**

Cooper and Schindler (2003:146) define research design as the plan and structure of investigation so conceived as to obtain answers to research questions. The plan is the overall scheme or programme of the research. It includes an outline of what the investigator will do, from writing hypotheses and their operational implications to the final analysis of data. A structure is the framework, organisation, or configuration of the relations among variables of a study. A research design expresses both the structure of the research problem and the plan of investigation used to obtain empirical evidence on relations of the problem. According to Davis (2000:18), the research design is the structure of the research project to solve a particular problem. Design is largely concerned with controlling potential sources of error in the study. The following research design was used to conduct this research.

- **Degree of research question crystallisation**

A study may be viewed as exploratory or formal. The essential distinctions between these two options are the degree of structure and the immediate objective of the study. Exploratory studies tend towards loose structures with the objective of discovering future research tasks. The immediate purpose of exploration is usually to develop hypotheses or questions for further research. The formal study begins where the exploration leaves off – it begins with a hypothesis or research question and involves precise procedures and data source specifications. The goal of a formal research design is to test the hypotheses or answer the research questions posed (Cooper & Schindler 2003:146).

As the research objective and hypotheses had been determined through a literature study, this study was a formal study.

- **Method of data collection**

This classification distinguishes between monitoring and interrogation/communication processes. The former includes studies in which the researcher inspects the activities of the subject or the nature of some material without attempting to elicit responses from anyone. In the interrogation/communication study, the researcher questions the subjects and collects their responses by personal or impersonal means. The collected data may

result from: interviews or telephone conversations; self-administered or self-reported instruments sent through the mail, left in convenient locations, or transmitted electronically or by other means; or instruments presented before and/or after a treatment or stimulus condition in an experiment (Cooper & Schindler, 2003:147-149).

This was an interrogation study, as self-administered questionnaires were used by sending the link to the web site where the questionnaire was hosted via e-mail to expatriates currently on an international assignment at an international destination.

- **Control of variables**

In terms of the researcher's ability to manipulate variables, one can differentiate between experimental and ex post facto designs. In an experiment, the researcher attempts to control and/or manipulate the variables in the study. With an ex post facto design, investigators have no control over the variables in the sense of being able to manipulate them. They can only report what has happened or what is happening (Cooper & Schindler, 2003:149).

This was an ex post facto design as no attempt was made to control and/or manipulate any variables in the study. The researcher only reported what is currently happening as far as expatriate preparation, support and training was concerned.

- **The purpose of the study**

The essential difference between descriptive and causal studies lies in their objective. If the research is concerned with finding out who, what, where, when, or how much, then the study is descriptive. If it is concerned with learning why - that is, how one variable produces changes in another - it is causal (Cooper & Schindler, 2003:149).

This was a descriptive study, as the research attempted to determine what expatriates from South African MNEs need in terms of preparation, support and training, and what South African MNEs are providing for their expatriates in terms of preparation, support and training.

- **Time dimension**

Cross-sectional studies are carried out once and represent a snapshot of one point in time. Longitudinal studies are repeated over an extended period (Cooper & Schindler, 2003:149).

This was a cross-sectional study, as the current experiences of expatriates in South African MNEs were surveyed.

- **Topical scope**

Statistical studies are designed for breadth rather than depth. They attempt to capture a population's characteristics by drawing inferences from a sample's characteristics. Hypotheses are tested quantitatively. Generalisations about findings are presented based on the representativeness of the sample and the validity of the design. Case studies place more emphasis on a full contextual analysis of fewer events or conditions and their interrelationship. Although hypotheses are often used, the reliance on qualitative data makes support or rejection more difficult (Cooper & Schindler, 2003:150).

This was a statistical study, as the research tested the six hypotheses identified under the research objectives using quantitative techniques.

- **Research environment**

Designs also differ as to whether they occur under actual environmental conditions (field conditions) or under staged or manipulated conditions (laboratory conditions) (Cooper & Schindler, 2003:150).

As the research did not attempt to stage or manipulate any conditions but rather conducted the research under actual environmental conditions, this research was conducted under field conditions.

## 1.5 CHAPTER OUTLINE

This study will consist of seven chapters, each of which will briefly be discussed below:

- **Chapter 1: Introduction and Problem Statement**

Chapter 1 provides an introduction to the subject of expatriates in multinational enterprises and states the problem associated with expatriate failure, preparation, support and training. It also provides a brief explanation of the methodology used in this research, which will be discussed in full in Chapter 5.

- **Chapter 2: International Human Resource Management**

This chapter provides an overview of the major challenges facing the human resources function/department of a multinational enterprise.

- **Chapter 3: International Staffing**

Chapter 3 provides a discussion of the main staffing policies available to multinational enterprises, and focuses on the major changes occurring in staffing policies worldwide.

- **Chapter 4: The Preparation, Support and Training of Expatriates**

This chapter provides a theoretical discussion of how multinational enterprises should prepare, support and train expatriates for international assignments.

- **Chapter 5: Research Methodology**

Chapter 5 provides an overview and discussion of the methodology used in collecting and analysing the data for this research.

- **Chapter 6: Analysis and Interpretation of Results**

Chapter 6 provides an analysis and interpretation of the results of the empirical research findings.

- **Chapter 7: Recommendations and Conclusion**

The last chapter provides a discussion of the research findings, states the conclusions that can be drawn from the findings and ends off with recommendations to South African MNEs based on the research findings.

## **1.6 ABBREVIATIONS**

The following abbreviations were used in the text:

• Chief Executive Officer	CEO
• Chief Financial Officer	CFO
• Deutsche-Auslaender Verbindung	DAV
• General Agreement on Tariffs and Trade	GATT
• Hewlett-Packard	HP
• Host Country National	HCN
• Human Resources	HR
• Human Resource Management	HRM
• International Human Resource Management	IHRM
• International Micro Culture	IMC
• Masters in Business Administration	MBA
• Minnesota Mining and Manufacturing	3M
• Multinational Corporation	MNC
• Multinational Enterprise	MNE
• National Foreign Trade Council Inc.	NFTC
• Parent Country National	PCN
• Research and Development	R&D
• Section B total for provided	BTOTP
• Section B total for required	BTOTR
• Section C total for provided	CTOTP
• Section C total for required	CTOTR
• Section D total for provided	DTOTP
• Section D total for required	DTOTR
• Section E total for provided	ETOTP
• Section E total for required	ETOTR
• Section F total for provided	FTOTP
• Section F total for required	FTOTR
• Third Country National	TCN
• United Kingdom	UK
• United States	US
• United States of America	USA
• World Trade Organisation	WTO

Note: Following the literature, the word “overseas” has frequently been used as a synonym for “international”, without necessarily implying a change of continent. - AJV

### **1.7 REFERENCE TECHNIQUE**

The Harvard referencing technique was used in this study.