GUIDELINES FOR THE PREPARATION OF EXPATRIATES ON INTERNATIONAL ASSIGNMENTS IN SOUTH AFRICAN MULTINATIONAL ENTERPRISES

by

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Dedicated to:

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SUMMARY

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Over the years, a number of studies have identified the failure of expatriate – the early termination of an international assignment – as a major problem for multinational enterprises (MNE). MNEs in, for example the USA, have reported expatriate failure rates of as high as 40 percent for assignments to developed countries and 70 percent when assignments are in developing countries. These failures can cost the MNE three times the expatriates' annual salary plus the cost of the relocation. Even if an expatriate stays the full duration of an international assignment it has been determined that many, as much as 50 percent, operate at less than optimal levels of productivity. International studies have, however, shown that if expatriates are properly prepared, supported and trained, the success of their assignment can be ensured.

A South African study has, however, shown that South African MNEs are not providing the structured training programmes required by expatriates for an international assignment.

In order to determine the preparation, support and training needs of South African expatriates this formal study was undertaken, consisting of a literature study as well as an empirical study. At first a literature study was conducted in order to determine what was happening internationally with respect to expatriation and expatriate preparation, support and training as

well as to determine what the best practices are for expatriate preparation, support and training. The literature study was then followed by the empirical study, a link to a web site hosting the structured questionnaire was sent to expatriates working for South African MNEs currently on an international assignment.

The study has revealed that South African MNEs are not providing expatriates with the preparation, support and training they require for an international assignment, and has identified what preparation, support and training is required by South African expatriates. The study has also identified that the age of the expatriate; the duration of an international assignment; the location of the assignment and the management level of the expatriate do not influence the preparation, support and training needs of these expatriates.

Recommendations are made on how to prepare, support and train South African expatriates for an international assignment, which will not only be useful to South African MNEs but to South African universities presenting courses in international management and international human resource management as well.

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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 ads 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_{10}: South African MNEs are providing the preparation, support and training that expatriates feel they need for international assignments.

H_{1A}: South African MNEs are not providing the preparation, support and training that expatriates feel they need for international assignments.

H_{20}: Expatriates with spouses and families do not have special preparation, support and training needs.

H_{2A}: Expatriates with spouses and families do have special preparation, support and training needs.

H_{30}: 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_{3A}: 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_{40}: 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_{4A}: 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_{50}: 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_{5A}: 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_{60}: There is no difference in the preparation, support and training needs of top and middle management expatriates on an international assignment.

H_{6A}: 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. Eightyone 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.

CHAPTER 2
INTERNATIONAL HUMAN RESOURCE MANAGEMENT

2.1 INTRODUCTION

Managers are responsible for acquiring, developing, protecting, and utilising the resources that an organisation needs to be efficient and effective. One of the most important resources in all organisations is human resources – the people involved in the production and distribution of goods and services. Human resources (HR) include all members of an organisation, ranging from top managers to entry-level employees. Human resource management (HRM) includes all the activities that managers engage in to attract and retain employees and to ensure that they perform at a high level and contribute to the accomplishment of organisational goals (Jones, George & Hill, 2000:348-349). According to Griffin & Pustay (2002:575), international HR managers, however, face challenges beyond those confronting their counterparts in purely domestic companies. Specifically, differences in cultures, levels of economic development and legal systems among the countries in which a firm operates may force it to customise its hiring, firing, training and compensation programmes on a country-by-country basis. Particularly troublesome problems develop when conflicts arise between the culture and laws of the home country and those of the host country. The international firm must also determine where various employees should come from – the home country, the host country, or third countries – and faces more complex training and development challenges. Finally, because working conditions and the cost of living may vary dramatically by country, international HR managers must often tailor compensation systems to meet the needs of the host country's labour markets.

Hill (2003:606-607) agrees with Griffin & Pustay (2002:575), stating that the strategic role of HRM is complex enough in a purely domestic firm, but that it is more complex in an international business, where staffing, management development, performance evaluation and compensation activities are complicated by profound differences between countries in labour markets, culture, legal system, economic systems and the like; for example:

- Compensation practices may vary from country to country depending on prevailing management customs.
- Labour laws may prohibit union organisation in one country and mandate it in another.
- Equal employment legislation may be strongly pursued in one country and not in another.

If it is to build a cadre of managers capable of managing a multinational enterprise (MNE), the HRM function must deal with a host of issues. It must decide how to staff key management posts in the company, how to develop managers so that they are familiar with the nuances of doing business in different countries and how to compensate people in different nations. HRM must also deal with a host of issues related to expatriate managers (an expatriate manager is a citizen of one country who is working abroad in one of the firm's subsidiaries). It must decide whom to send on expatriate postings, be clear about why it is doing it, compensate expatriates appropriately and make sure that they are adequately debriefed and reoriented once they return home (Hill, 2003:607).

Briscoe & Schuler (2004:20) broadly defines the field of international human resource management (IHRM) as understanding, researching, applying and revising all human resource activities in their internal and external contexts as they impact the process of managing human resources in enterprises throughout the global environment to enhance the experience of multiple stakeholders, including investors, customers, employees, partners, suppliers, the environment and society.

2.2 THE STRATEGIC IMPORTANCE OF HUMAN RESOURCES

According to McWilliams, Van Fleet & Wright (2001), one of the keys to successful competition in the global market is the effective deployment of human resources to achieve a competitive advantage. Recent research (McWilliams et al, 2001; Peteraf, 1993:180; Barney, 1991:105-112), in the strategic management area has focused on the role of heterogeneous firm resources in achieving and sustaining competitive advantage. This emerging paradigm is called the resource-based view of the firm and has become increasingly popular for explaining why firms differ in performance. According to this view, the internal resources of the firm are responsible for competitive advantage and are the source of sustained competitive advantage. While it has been demonstrated that resources in and of themselves contribute positive returns to organisations, it is the interaction of resources and strategy that seems to form the basis of sustainable competitive advantage. For a resource to be the source of sustainable competitive advantage, it must create value (V) for the firm, it must be rare (R), it must be inimitable (I), and it must be non-substitutable (S) (McWilliams et al, 2001; Barney, 1991:105-106).

Human resources (defined as the total pool of human capital under the control of the firm) have the highest probability (among all resources) of being the source of sustained competitive advantage for the firm. This is because human resources are more likely than other resources to be inimitable and non-substitutable, as well as being valuable and rare (McWilliams et al, 2001).

2.2.1 Human resources as valuable

According to the resource-based view, a resource must first be valuable in order to provide a source of sustainable competitive advantage (McWilliams et al, 2001; Amit & Schoemaker, 1993:37-39; Barney, 1991:106). Firm-specific human capital theory provides an explanation of the conditions under which human capital can create value for the firm (McWilliams et al, 2001; Hashimoto, 1981:475-481). According to this theory, when the demand for labour is heterogeneous (that is, when the jobs of firms differ and these jobs require different skills) and the supply of labour is heterogeneous (that is, individuals differ in both the type and level of their skills), then human capital can create value for the firm. The demand for labour is more heterogeneous across countries than it is within countries, due to differences in capital availability, labour practices, and social and cultural norms relating to work. Labour supply is also more heterogeneous across countries than within countries, due to differences in such things as nutrition, sanitation, health care, training and educational opportunities. Therefore, there is more opportunity for creating value through human resources as competition becomes more global.

Empirical evidence also supports the idea that the demand for and supply of labour are heterogeneous, at least with regard to the skill levels of individuals. Virtually all of the work with regard to personnel selection, training, and utility analysis has demonstrated that more highly skilled individuals outperform lower skilled individuals and that these performance differences provide value to firms (McWilliams et al, 2001). Human resources must have power, information, knowledge and rewards to be a source of competitive advantage. More skilled individuals are more likely to possess these (McWilliams et al, 2001).

2.2.2 Human resources as rare

A resource must also be rare if it is to be a source of sustainable competitive advantage. Because human skills are normally distributed in the population, human resources with high skill levels are, by definition, rare. That is, only a relatively small proportion of individuals in any human resource pool will have high skill levels. To the extent that jobs require skills that allow for variance in individual contributions, and that human resources vary in quality, job-relevant skills will be rare. Thus, to the extent that jobs require skills that allow for variance in individual contributions, firms with high average skill levels relative to their competitors possess a rare resource. In addition, firms that, because of their international operations, can draw from more than one labour pool have a greater potential for developing this valuable and rare resource. Therefore, firms that, because of their international operations, can draw from more than one labour pool have a greater potential for developing a human-resource-based sustainable competitive advantage than do domestic firms that can draw from only one labour pool (McWilliams et al, 2001; Barney, 1991:106-107).

2.2.3 Human resources as inimitable

Unless a resource is difficult to imitate, it cannot be the source of a sustainable competitive advantage. Resources will be more difficult to imitate in the presence of causal ambiguity and social complexity (McWilliams et al, 2001; Barney, 1991:107-111). Causal ambiguity exists when the link between a firm's resources and its competitive advantage is imperfectly understood (McWilliams et al, 2001; Reed & DeFillippi, 1990:90 & 92). In the case of human resources, if competing firms cannot identify the human resources that are responsible for the competitive advantage, or the way in which the human resources create the competitive advantage, they cannot imitate the advantage. Human resources often lead to causal ambiguity because of team production. With team production, it is difficult to isolate and identify the particular human resource (individual) that produces the superior performance of the team (McWilliams et al, 2001).

Social complexity may arise from transaction-specific relationships, and the competitive advantage these relationships create may be due to transaction-specific human capital, i.e., human capital, such as knowledge, that is of value only in the focal transaction. It is possible that relationships between key personnel such as sales representatives and buying agents will develop over time and become part of a network that includes a larger group of personnel such as design and marketing staff, production and distribution workers, and management, as well as final customers. A very complex social situation may result and this may constitute a competitive advantage for the firm. Although the relationship may be too complex to dissect, it is reasonable to speculate that the value of the relationship may be due to transaction-specific human capital, that is, the knowledge and trust that are developed over time by the focal personnel and have value only in the focal relationship. Human resources and social complexity are intrinsically linked because social complexity, by definition, must result from human interaction (McWilliams et al, 2001).

Firms involved in global markets may find that causal ambiguity and social complexity may be particularly important barriers to imitation. Differences in customs and norms of behaviour may make it impossible for outsiders to understand, and therefore imitate, a competitive advantage based on human resources. Additionally, religious, cultural and political alliances may create strong webs of social complexity that make imitation of an advantage virtually impossible. On the other hand, differences in religion, culture, and politics may prevent the creation of relationships that could, otherwise, lead to a competitive advantage. Thus, causal ambiguity and social complexity strongly influence the inimitability of human resources, especially in a global marketplace (McWilliams et al, 2001).

2.2.4 Human resources as non-substitutable

A resource must also pass the test of having no good substitute if it is to be the source of a sustainable competitive advantage. This raises the question of whether or not other resources, such as technology, have the potential for off-setting any competitive advantage obtained from human resources. Good substitutes are unlikely, because human resources are one of the few firm resources which have the potential to be transferable across a variety of technologies, products and markets and not become obsolete. Many human capital resources are quite generalisable; for example, general human capital resources such as learning capability are transferable across a wide variety of technologies, products, and markets. In addition, if a firm has obtained individuals with a high level of learning capability, then constant training in state-of-the-art technological skills ensures that the resource does not become obsolete (McWilliams et al, 2001; Barney, 1991:111-112).

Therefore, it is argued that, while it might be possible to substitute other resources in the short term, it is highly unlikely that such substitution would eliminate the advantage of the human resources for long. This stems from the fact that, to the extent that the resource offsetting the advantage of human resources is not, in and of itself, rare, inimitable, and non-substitutable, then it will be imitated and human resources will once again constitute a competitive advantage (McWilliams et al, 2001).

2.3 SOURCES OF PERSONNEL

Internationally there are four sources of personnel that an MNE can use when sourcing personnel: home country nationals; host country nationals; third country nationals; and inpatriates (Ball et al, 2004:598-600; Rugman & Hodgetts, 2003:329; Hodgetts & Luthans, 2003:445-449; Phatak, Bhagat & Kashlak, 2005:477).

2.3.1 Home country nationals

Home country nationals are personnel who reside abroad but are citizens of the parent country of the MNE. These individuals are typically called expatriates; an example is a US manager assigned to head an R&D department in Tokyo for IBM Japan (Rugman & Hodgetts, 2003:329). The term "headquarters nationals" is also sometimes used to describe this source of personnel (Hodgetts & Luthans, 2003:445). According to Ball et al (2004:598), most MNEs utilise citizens of their own country, called home country nationals, in many foreign management and technical positions, even though at first such personnel are usually not knowledgeable about the host country culture and language. Many such expatriates have adapted, learned the language and become thoroughly accepted in the host country. Of course, it would not be necessary for the host country citizen to adapt, but for a variety of reasons MNE headquarters frequently needs or wants its own nationals in executive or technical positions abroad.

2.3.2 Host country nationals

According to Rugman & Hodgetts (2003:329), host country nationals are local people hired by the MNE; an example is a British manager working for the Ford Motor Company in London. According to Ball et al (2004:600), when host country nationals are employed, there is no problem of them being unfamiliar with local customs, cultures, and language. Furthermore, the original costs of employing them are generally lower (compared with the cost of employing home country nationals), although considerable training costs are sometimes necessary. If there is a strong feeling of nationalism in the host country, using nationals as managers can make the subsidiary seem less foreign.

2.3.3 Third country nationals

Third country nationals 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 (Rugman & Hodgetts, 2003:329).

According to Ball et al (2004:600), the disadvantages often encountered when using employees from the home or host country can sometimes be avoided by sending third country nationals to fill management posts. A Chilean going to Argentina would have little cultural or language difficulty, but MNE headquarters should be careful not to rely too heavily on similarities in language as a guide to similarities in other aspects of culture. Mexicans, for example, would have to make considerable adjustments if they were transferred to Argentina, and they would find a move to Spain even more difficult. This is because the Mexican culture is far less European than that of either Argentina or Chile. Although the latter two cultures are certainly not identical, they do have many similarities. A fair generalisation is that after an executive has adapted once to a new culture and language, a second or succeeding adaptation is easier.

2.3.4 Inpatriates

In recent years a new term has emerged in international management – inpatriates. An inpatriate is an individual from a host country or a third country national assigned to work in the home country. Even Japanese MNEs are now beginning to rely on inpatriates to help them meet their international challenges. The growing use of inpatriates is helping MNEs better develop their global core competencies. As a result, today a new breed of multilingual, multi-experienced, so-called global manager or transnational manager is truly emerging (Hodgetts & Luthans, 2003:449; Briscoe & Schuler, 2004:252-253).

2.4 SELECTION

Selection is the process of choosing qualified applicants from the available candidates and ensuring that the skills, knowledge, and abilities of the selected employees match the requirements of the position (Phatak, Bhagat & Kashlak, 2005:476-477). According to Briscoe & Schuler (2004:236), the selection decision is important. It needs to receive full management attention and support. Errors in selection can have a major negative impact on the success of overseas operations.

2.4.1 Selection criteria

According to Hill (2003:615) the major problem in many firms is that HR managers tend to equate domestic performance with overseas performance potential. Domestic performance and overseas performance potential are not the same thing. An executive who performs well in a domestic setting may not be able to adapt to managing in a different cultural setting.

According to Briscoe & Schuler (2004:236), it is most important that potential expatriates be seen as able to perform both the specific tasks to which they will be assigned as well as to perform well in a different cultural environment. Thus, the first consideration for MNEs is to fully understand the requirements in both technical and cultural terms of the jobs to which expatriates will be assigned as well as of the country of assignment. According to Deresky (2002a:396), the selection of personnel for international assignments is a complex process. The criteria for selection are based on the same success factors as in the domestic setting, but additional criteria must be considered, related to the specific circumstances of each international position. Unfortunately, many personnel directors have a long-standing, integrated practice of selecting potential expatriates simply on the basis of their domestic track record and their technical expertise. Too often overlooked is the need to ascertain whether potential expatriates have the necessary cross-cultural awareness and interpersonal skills for the position. It is also important to assess whether the candidate's personal and family situation is such that the family is likely to adapt to the local culture.

Hill (2003:615-616) identified four dimensions that help predict success in a foreign posting. These dimensions are:

- **Self-orientation.** The attributes of this dimension strengthen the expatriate's self-esteem, self-confidence, and mental well-being. Expatriates with high self-esteem, self-confidence and mental well-being are more likely to succeed in foreign postings. Such individuals are able to adapt their interests in food, sport and music; have interests outside of work that could be pursued (e.g. hobbies); and are technically competent.
- **Others-orientation.** The attributes of this dimension enhance the expatriate's ability to interact effectively with host-country nationals. The more effectively the expatriate interacts with host-country nationals, the more likely he or she is to succeed. Two factors seem to be particularly important here; relationship development and willingness to communicate. Relationship development refers to the ability to develop long-lasting friendships with host-country nationals. Willingness to communicate refers to the expatriate's willingness to use the host-country language. Although language fluency helps, an expatriate need not be fluent to show willingness to communicate. Making the effort to use the language is what is important. Such gestures tend to be rewarded with greater cooperation by host-country nationals.
- **Perceptual ability.** This is the ability to understand why people of other countries behave the way they do; that is, the ability to empathise. This dimension seems critical for

managing host-country nationals. Expatriate managers who lack this ability tend to treat foreign nationals as if they were home-country nationals. As a result, they may experience significant management problems and considerable frustration. Well-adjusted expatriates tend to be non-judgemental and non-evaluative in interpreting the behaviour of host-country nationals and are willing to be flexible in their management style, adjusting it as cultural conditions warrant.

- **Cultural toughness.** This dimension refers to the fact that how well an expatriate adjusts to a particular posting tends to be related to the country of assignment. Some countries are much tougher postings than others because their cultures are more unfamiliar and uncomfortable. For example, many Americans regard Great Britain as a relatively easy foreign posting, as the two cultures have much in common. But Americans find postings in non-Western cultures, such as India, South-east Asia and the Middle East, to be much tougher. The reasons are many, including lower health-care and housing standards, inhospitable climate, lack of Western entertainment and language difficulties. Also, many cultures are extremely male dominated and may prove particularly difficult for female Western managers.

Hill's view (2003:615-616) is supported by Briscoe & Schuler (2004:236-237) when stating that selection for international transfer are most successful when based on factors such as the following:

- The maturity of the candidate
- The ability to handle foreign languages
- Possession of a favourable outlook on the international assignment by the expatriate and his or her family
- Possessing appropriate personal characteristics (excellent health, desire for assignment, adaptability)

According to Hodgetts & Luthans (2003:450), making an effective selection decision for an international assignment can prove to be a major problem. Typically, this decision is based on international selection criteria, which are factors used to choose international managers. These selections are influenced by the MNE's experience and often are culturally based. Sometimes as many as a dozen criteria are used, although most MNEs give serious consideration to only five or six. Table 2.1 reports the importance of some of these criteria as ranked by Australian managers, expatriate managers and Asian managers from 60 leading Australian, New Zealand, British and USA MNEs with operations in South Asia (Hodgetts & Luthans, 2003:450; Stone, 1991:10; Arthur & Bennett, 1995: 109-111).

Table 2.1: Rank of criteria in expatriate selection

	Australian Managers n=47	**Expatriate Managers n=52**	**Asian Managers n=15**
1. Ability to adapt	1	1	2
2. Technical competency	2	3	1
3. Spouse and family adaptability	3	2	4
4. Human related skill	4	4	3
5. Desire to serve overseas	5	5	5
6. Previous overseas experience	6	7	7
7. Understanding of host country culture	7	6	6
8. Academic qualification	8	8	8
9. Knowledge of language of country	9	9	9
10. Understanding of home country culture	10	10	10

Source: Hodgetts & Luthans (2003:450)

As can be seen from the information in the table, criteria such as academic qualification, knowledge of language of the country and understanding of the home country culture were rated lowest of the ten criteria, while the ability to adapt was rated by the Australian managers and expatriate managers as the most important selection criterion. Asian managers ranked technical competency as the most important selection criterion, supporting an earlier statement by Deresky (2002a:396).

According to Hodgetts & Luthans (2003:450-451), some selection criteria are given a great deal of weight; others, at best only lip-service. A company sending people overseas for the first time will often have a much longer list of criteria than will an experienced MNE that has developed a short list. In one study (Hodgetts & Luthans, 2003:450-451), for example, it was found that personnel sent overseas by MNEs could be grouped into four categories – chief executive officer, functional head, trouble-shooter, and operative – and each category had its own criteria for selection. Chief executive officers had to be good communicators, and they had to have management talent, maturity, emotional stability, and the ability to adapt to new environmental settings. Functional heads had to be mature and have emotional stability and technical knowledge about their job. Trouble-shooters had to have technical knowledge of their business and be able to exercise initiative and creativity. Operatives had to be mature, emotionally stable, and respectful of the laws and people in the country. In short, the nature of the job determined the selection factors. Typically, both technical and human criteria are considered. Firms that fail to consider both often find that their rate of failure is quite high (Hodgetts & Luthans, 2003:450-451).

The following section examines some of the most commonly used selection criteria for overseas assignments in more depth.

- **Adaptability to cultural changes**

  Overseas managers must be able to adapt to change. They also need a degree of cultural toughness. Research show that many managers are exhilarated at the beginning of their international assignment. After a few months, however, a form of culture shock creeps in and they begin to encounter frustration and feel confused in their new environment. One analysis showed that many of the most effective international managers suffer this culture shock (Hodgetts & Luthans, 2003:451; Ratiu, 1983**;** Briscoe & Schuler, 2004:239-240). This may be a good sign, because it shows that the expatriate manager is becoming involved in the new culture and not just isolating himself or herself from the environment. As this initial and trying period comes to an end, an expatriate's satisfaction with conditions tends to increase. After the first two years, most people become more satisfied with their overseas assignment than when they first arrived. Research shows that men tend to adjust a little faster than women, although both sexes exhibit a greater deal of similarity in terms of their degree of satisfaction with overseas assignments. In addition, people over 35 years of age tend to have slightly higher levels of satisfaction after the first year; but managers under 35 have higher satisfaction during the next three to four years. Organisations examine a number of characteristics in determining whether an individual is sufficiently adaptable. Examples include (Hodgetts & Luthans, 2003: 451):

  - Work experience with cultures other than one's own
  - Previous overseas travel
  - Knowledge of foreign languages (fluency generally is not necessary)

- Recent immigration background or heritage
- The ability to integrate with different people, cultures and types of business organisation
- The ability to sense developments in the host country and accurately evaluate them
- The ability to solve problems within different frameworks and from different perspectives
- Sensitivity to the fine points of differences of culture, politics, religion and ethics, in addition to individual differences
- Flexibility in managing operations on a continuous basis despite lack of assistance and gaps in information

According to Hodgetts & Luthans (2003:452; Selmer, 1999:41-51), recent research conducted among expatriates in China found that those who were best able to deal with their new situation had developed coping strategies characterised by sociocultural and psychological adjustments, including:

- Feeling comfortable that their work challenges can be met
- Being able to adjust to their new living conditions
- Learning how to interact well with host country nationals outside of work
- Feeling reasonably happy and being able to enjoy one's day-to-day activities

It was also found that greater contact with host nationals helped with cross-cultural adjustment when the person also possessed the personality trait of openness, and that sociability was directly related to effective adjustment (Hodgetts & Luthans, 2003:452).

- **Independence and self-reliance**

  In many overseas assignments, managers must carry out responsibilities and functions at levels higher than those to which they are accustomed. At the same time, managers have fewer people to call on for assistance and guidance. At company headquarters, a large staff of technical advisors may be available to provide assistance and guidance. In foreign assignments, managers must often be more self-reliant. One analysis reported that some of the determinants of independence and self-reliance include prior field experience (domestic or foreign), special project or task force experience, a hobby or avocation that requires a high degree of self-reliance and a record of extracurricular college activities or community service activities (Hodgetts & Luthans, 2003:452; Blue & Haynes, 1977:63).

- **Physical and emotional health**

  Most organisations require that their overseas managers have good physical and emotional health. Some examples are fairly obvious. An employee with a heart condition would be rejected from an international assignment; likewise, an individual with a nervous disorder would not be considered. The psychological ability of individuals to withstand culture shock would also be considered, as would the current marital status, as this affects the individual's ability to cope in a foreign environment (Hodgetts & Luthans, 2003:452-453).

- **Age, experience and education**

  Most MNEs strive for a balance between age and experience. There is evidence that younger managers are more eager for international assignments. These managers tend to be more worldly and have a greater appreciation of other cultures than older managers do. By the same token, however, younger people often are the least developed in terms of management experience and technical skills; they lack real-world experience. To gain the desired balance, many firms send both young and seasoned personnel to the same overseas post so that each can learn from the other (Hodgetts & Luthans, 2003:453; Blue & Haynes, 1977:64-65).

  Some MNEs believe that a college degree, preferably a graduate degree, is important for international managers. However, there is no universal agreement on this point. Multinationals that sell highly technical products tend to prefer people with science degrees. Other MNEs feel that a good education helps to develop logical thinking, creative ideas, and a broad perspective of the world, so these firms prefer individuals with a liberal arts education. However, the best overall combination seems to be an undergraduate degree coupled with an MBA from a recognised business school (Rugman & Hodgetts, 2003:331-332; Hodgetts & Luthans, 2003:453).

- **Language training**

  One recognised weakness of many MNEs is that they do not give sufficient attention to the importance of language training. English is the primary language of international business and most expatriates from all countries can converse in English. Those who can speak only English are at a distinct disadvantage when doing business in non-English-speaking countries. One study asked 1100 Swedish expatriates how satisfied they were with knowledge of the other language. These Swedish managers expressed particular dissatisfaction with their understanding of Japanese and Middle Eastern languages. In other words, language can be a very critical factor, and international experts have referred to learning the language as a most effective indirect method of learning about a country, as well as the value system and customs of its people (Hodgetts & Luthans, 2003:453; Blue & Haynes, 1977:65-66). Traditionally, managers from the USA have done very poorly in the language area; for example, a survey of 1500 top managers worldwide faulted expatriates from the USA for minimising the value of learning foreign languages. Executives in Japan, Western Europe, and South America, however, place a high priority on speaking more than one language (Hodgetts & Luthans, 2003:453).

- **Motivation for foreign assignment**

  Although individuals being sent overseas should have a desire to work abroad, this usually is not sufficient motivation. International management experts contend that the candidate also must believe in the importance of the job and even have something of an element of idealism or a sense of mission. Applicants who are unhappy with their current situation at home and are looking to get away seldom make effective overseas managers (Hodgetts & Luthans, 2003:453; Briscoe & Schuler, 2004:240).

  Some experts believe that a desire for adventure or a pioneering spirit is an acceptable reason for wanting to go overseas. Other motivations that often are cited include the desire to increase one's chances of promotion and the opportunity to improve one's economic status. Many MNEs in the USA regard international experience as being critical for promotion to the upper ranks. In addition, thanks to the supplemental wage and benefits package, managers in the USA sometimes find that they can make, and especially save, more money than if they remained in the USA (Hodgetts & Luthans, 2003:454).

  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 is rather some 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.

- **Spouses and dependants or work-family issues**

  Spouses and dependants are another important consideration when a person is to be chosen for an overseas assignment. If the family is not happy, the manager often performs poorly and either the employment may be terminated or he or she may simply decide to leave the organisation. In a study conducted among 324 expatriates in 46 countries it was found that the amount of organisational support that an expatriate feels he or she is receiving, and the interplay between this person's work and family domain, have a direct and unique influence on the individual's intentions regarding staying with or leaving the enterprise (Hodgetts & Luthans, 2003:454; Shaffer, Harrison, Gilley & Luk, 2001:99). For this reason, some firms interview both the spouse and the manager before deciding whether to approve the assignment. This can be a very important decision on the part of the firm because it focuses on the importance of the family as an issue. In a survey conducted on over 400 expatriates, it was found that people had very firm views in this area regarding what they would and would not do. Table 2.2 shows how expatriates responded to selected work-family issues on a scale that ranges from 1 (strongly disagree) to 5 (strongly agree).

Table 2.2: Work-family issues

Work-family issues	**Rating**
I am willing to forego an important function at home if it conflicts with an important job-related function.	3.37
I would accept an international assignment even if it means that my spouse/partner has to make career sacrifices.	3.07
I place my career above my family.	2.21
I would accept an international assignment even if my family objected to the assignment.	1.83
I would accept an international assignment even if my family would not be able to relocate with me.	1.69

Source: Hodgetts & Luthans (2003:454)

As the information in the table indicates, family issues do play a major role in an expatriate's decision to accept an international assignment or not. One popular approach in appraising the family's suitability for an overseas assignment is called adaptability screening. This process evaluates how well the family is likely to stand up to the rigours and stress of overseas life. The company will look for a number of aspects in this screening, including (Hodgetts & Luthans, 2003:454):

- How closely knit the family is
- How well it can withstand stress
- How it can adjust to a new culture and climate

The reason the family criterion receives much attention is that MNEs have learned that an unhappy executive will be unproductive on the job and the individual will want to be transferred home long before the tour of duty is complete (Hodgetts & Luthans, 2003:454).

Harvey (1995:226), in his investigation of a classification of dual-career families and how their degree of career involvement influences decisions to relocate overseas, found a low degree of impact on domestic relocations from non-working trailing spouses, although 54 percent of his 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.

- **Leadership ability**

  Leadership can be defined from a management perspective as influencing and directing the behaviour of individuals and groups in such a way that they work willingly to pursue the goals of the organisation (Smit & de J Cronje, 2002:279). Determining whether a person who is an effective leader in the home country will be equally effective in the overseas environment can be difficult. In determining whether an applicant has the desired leadership ability, many firms look for specific characteristics, such as maturity, emotional stability, the ability to communicate well, independence, initiative, creativity and good health. If these characteristics are present and the person has been an effective leader in the home country, MNEs assume that the individual will also do well overseas (Hodgetts & Luthans, 2003:455; Rugman & Hodgetts, 2003:332).

2.4.2 Selection procedures

Besides considering the selection criteria discussed so far, MNEs use a number of selection procedures. The two most common are tests and interviews. Some international firms use one; a smaller percentage employs both. Recently, theoretical models containing the variables that are important for adjusting to an overseas assignment have been developed. These adjustment models can help contribute to more effective selection of expatriates (Hodgetts & Luthans, 2003:456).

2.4.2.1 Testing procedures

Some evidence suggests that although some firms use testing, it is not very popular. An early study found that almost 80 percent of the 127 foreign operations managers who were surveyed reported that their companies used no tests in the selection process. This contrasts with the more widespread testing these firms use when selecting domestic managers (Hodgetts & Luthans, 2003:456; Baker & Ivancevich, 1971:40).

2.4.2.2 Interviewing procedures

According to Hodgetts & Luthans (2003:457; Briscoe & Schuler, 2004:241), many firms use interviews to screen people for overseas assignments. It is generally agreed that extensive interviews of candidates and their spouses by senior executives still ultimately provide the best method of selection (Hodgetts & Luthans, 2003:457). In research surveys, 52 percent of MNEs surveyed in the USA reported that in the case of managerial candidates, MNEs conducted interviews with both the manager and his or her spouse, and 47 percent conducted interviews with the candidate alone. In the case of technically orientated positions, 40 percent of the firms interviewed both the candidate and the spouse, and 59 percent conducted interviews with the candidate alone. German MNEs followed a pattern similar to that of the USA companies. In the case of management positions, 41 percent interviewed both the candidate and the spouse, and 59 percent interviewed the candidate only; for technically oriented positions, these percentages were 62 and 39, respectively. These figures suggest that in management-type positions, which involve more extensive contact with the local community than technically oriented positions, the adaptability of the spouse to living in a foreign environment was perceived as important for successful performance abroad. However, even for technically orientated positions, a sizeable proportion of the firms did conduct interviews with both candidate and spouse. This lends support to the contention that MNEs are becoming increasingly cognisant of the importance of this factor to effective performance abroad (Hodgetts & Luthans, 2003:457; Tung, 1982:64-65).

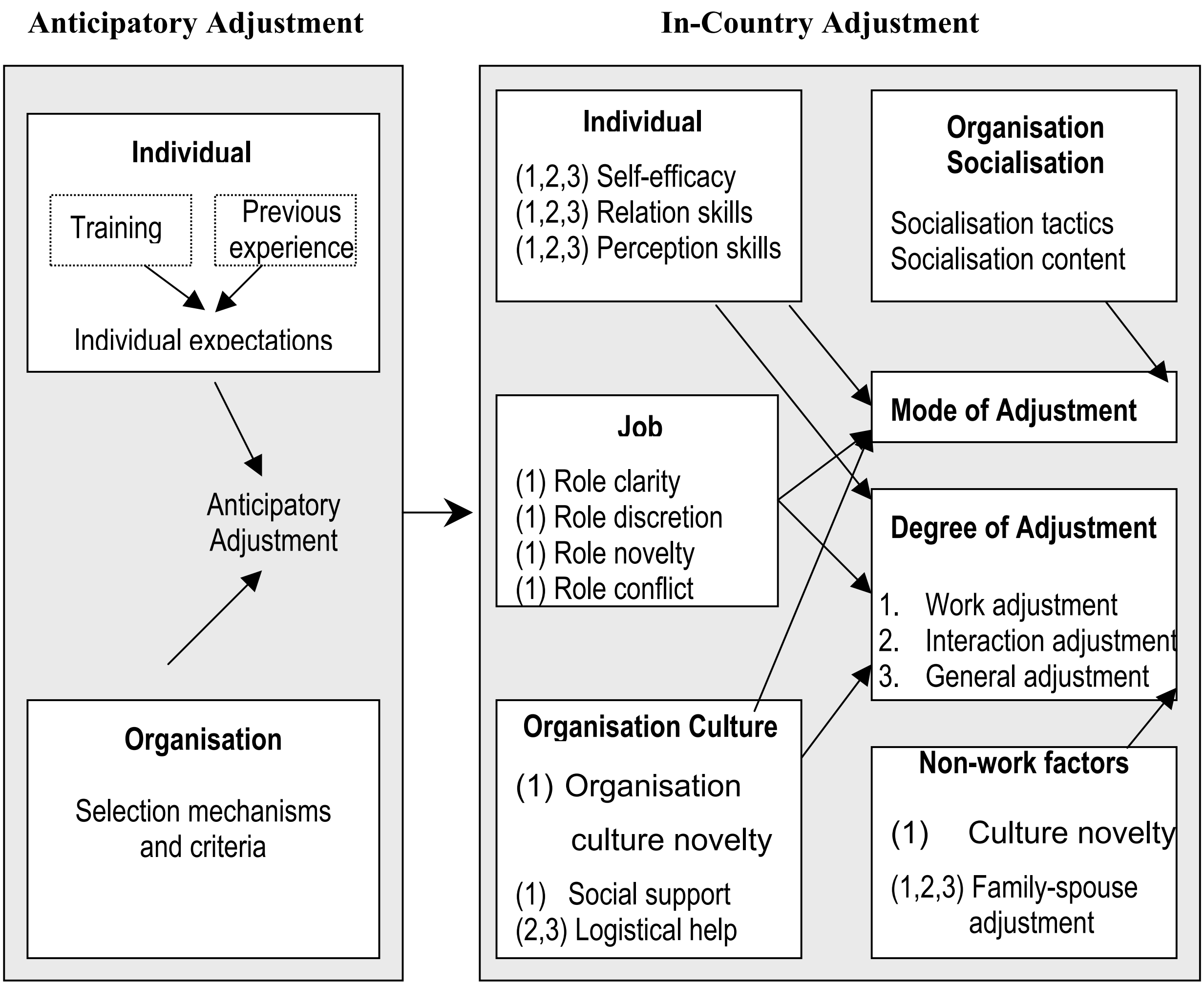
In addition, a growing number of MNEs are modifying the approaches they use in conducting their interviews. Many MNEs have found that in interviewing Chinese job applicants in the People's Republic of China it is useful to employ both expatriate and local interviewers. The expatriate is there to ensure that attention is focused on the key selection criteria, so that those who are offered jobs will indeed have the abilities, skills and training to do the work. The local person is there because this individual knows the local culture and customs and can provide insights regarding the applicant's responses and other behaviour that might go unnoticed by the expatriate. So together the two are able to identify those candidates most likely to do the best job (Hodgetts & Luthans, 2003:457; Bjorkman & Lu, 1999: 20).

2.4.2.3 An adjustment model

In recent years, international HR management scholars have developed theoretical models that help to explain the factors involved in effectively adjusting to overseas assignments (Hodgetts & Luthans, 2003:457; Black, Mendenhall & Oddou, 1991:303). These adjustment models help to identify the theoretical underpinning of effective selection of expatriates. Figure 2.1 provides an example of one such adjustment model (Hodgetts & Luthans, 2003:457; Bonache, Brewster & Suutari, 2001:9-13). As shown, there are two major types of adjustments that an expatriate must make when going on an overseas assignment. One is the anticipatory adjustment. This is carried out before the expatriate leaves for the assignment. The other is an in-country adjustment, which takes place on site.

The anticipatory adjustment is influenced by a number of important factors. One individual factor is the predeparture training that is provided. This often takes the form of cross-cultural seminars or workshops and it is designed to acquaint expatriates with the culture and work life of the country to which whey will be posted. Another individual factor affecting anticipatory adjustment is the previous experience that the expatriate may have had with the assigned country or those with similar cultures. These two individual factors, training and previous experience, help to determine the accuracy of the expatriate's expectations. The organisational input into anticipatory adjustment is most directly related and concerned with the selection process. Traditionally, MNEs relied on only one important selection criterion for overseas assignments: technical competence. Obviously technical competence is important, but it is only one of a number of skills that will be needed. If the MNE concentrates only on technical competence as a selection criterion, then it is not properly preparing the expatriate manager for successful adjustment to overseas assignments. Expatriates are going to go abroad believing that they are prepared to deal with the challenges awaiting them, and they will be wrong (Hodgetts & Luthans, 2003:457-458).

Figure 2.1: A theoretic model for explaining international adjustment of expatriates



Source: (Hodgetts & Luthans, 2003:458; Black, Mendenhall & Oddou, 1991:303)

Once the expatriate is on site, a number of factors will influence his or her ability to adjust effectively. One factor includes the expatriate's ability to maintain a positive outlook in the face of a high-pressure situation, to interact well with host nationals and to perceive and evaluate the host country's cultural values and norms correctly. A second factor is the job itself, as reflected by the clarity of the role the expatriate plays in the host management team, the authority the expatriate has to make decisions, the newness of the work-related challenges and the amount of role conflict that exists. A third factor is the organisational culture and how easily the expatriate can adjust to it. A fourth input is non-work factors, such as the toughness with which the expatriate faces a whole new cultural experience and how well his or her family can adjust to the rigours of the new assignment. A fifth and final factor identified in the adjustment model is the expatriate's ability to develop effective socialisation tactics and to understand "what's what" in the host organisation (Hodgetts & Luthans, 2003:458).

These anticipatory and in-country factors will influence the expatriate's mode and degree of adjustment to an overseas assignment. As indicated in Figure 2.1, these factors cover a wide continuum of considerations. They can help to explain why effective selection of expatriates is multifaceted and can be very difficult and challenging. On the other hand, if all works out well the individual can become a very important part of the organisation's overseas operation (Hodgetts & Luthans, 2003:458-459).

2.4.2.4 Genetically modified recruitment

According to Ball et al (2004:602), HR professionals are accused of overdependence on personality or intelligence tests in the selection process. They add that it is perfectly natural for people to adopt different types of behaviour for different circumstances and that such tests do not predict job performance very usefully. These days drugs can be used to alter your personality. Prozac, for example, can improve self-esteem, and Ritalin may aid the ability to concentrate. These drugs have side-effects, but advances in genomic technology could enable pharmaceutical companies to overcome such problems by tailoring drugs to genetic profiles.

2.5 TRAINING AND DEVELOPMENT

The HR managers of MNEs must provide training and development for their home and host country managers to help them perform more effectively (Griffin & Pustay, 2002:587). According to Mead (2005:397), training takes place before and during the expatriate assignment, and serves general functions of preparing the expatriate to both:

- Work in the local culture
- Live in the local culture

Griffin & Pustay (2002:587) define training and development as follows:

- **Training** is instruction directed at enhancing specific job-related skills and abilities; for example, training programmes might be designed to help employees learn to speak a foreign language, to use new equipment or to implement new manufacturing procedures. Special acculturation training is important for employees who are given international assignments.

- **Development** is general education concerned with preparing managers for new assignments and/or higher-level positions; for example, a development programme could be aimed at helping managers improve their ability to make decisions or to motivate subordinates to work harder.

As the topic of training and development will be discussed in greater depth in Chapter 4, this discussion will suffice for now.

2.6 COMPENSATION

The significance of an appropriate compensation and benefits package to attract, retain and motivate international employees cannot be over-emphasised. Compensation is a crucial link between strategy and its successful implementation – there must be a fit between compensation and the goals for which the firm wants managers to aim. Not to feel exploited, MNE employees need to perceive equity and goodwill in their compensation and benefits, whether they are home country nationals, host country nationals or third country nationals. The premature return of expatriates or the unwillingness of managers to take overseas assignments can often be traced to their knowledge that the assignment will be detrimental to them financially and usually to their career progression (Deresky, 2002a:405). Szalai (1998) adds that the formulation of the proper international benefits programme is a difficult task, as it involves adherence to legal requirements and consideration of the cultural traditions of the host country, while conforming to the corporate philosophies and strategies of the parent company. The plan designers must find the appropriate balance between the local country's requirements and those of the mother organisation.

According to Hill (2003:620-621), substantial differences exist in the compensation of executives at the same level in various countries. The results of a survey undertaken in 2000 are summarised in Table 2.3. This survey looked at average compensation for four positions across 26 countries. The figures for CEOs and HR directors include both base compensation and performance-related pay bonuses, but do not include stock options. The figure for accountants and manufacturing employees refers only to base pay. As can be seen, wide variations exist across countries.

Table 2.3: National differences in compensation

	CEO	**HR Director**	**Accountant**	**Mfg. Employee**
Argentina	$860 704	$326 874	$63 948	$17 884
Australia	$646 316	$235 316	$57 129	$29 703
Belgium	$655 390	$286 222	$63 883	$34 336
Brazil	$597 454	$287 683	$44 605	$10 480
Canada	$742 228	$188 070	$44 866	$36 289
China (Shanghai)	$93 393	$58 278	$14 552	$3 021
France	$540 260	$224 112	$69 554	$34 741
Germany	$421 622	$189 785	$61 375	$36 934
Hong Kong	$635 186	$211 321	$56 711	$16 691
Italy	$567 685	$254 138	$59 388	$29 469
Japan	$545 233	$235 536	$59 107	$51 997
Malaysia	$350 558	$130 771	$24 522	$7 453
Mexico	$648 695	$239 028	$41 582	$14 302
Netherlands	$621 153	$217 142	$48 838	$27 892
New Zealand	$258 114	$111 803	$38 382	$15 931
Singapore	$621 871	$239 367	$51 733	$16 912
South Africa	**$406 263**	**$179 268**	**$43 234**	**$7 974**
South Korea	$194 421	$109 637	$41 365	$17 904
Spain	$399 423	$196 305	$56 332	$22 746
Sweden	$440 265	$166 312	$43 438	$32 564
Switzerland	$448 422	$175 008	$66 121	$41 104
Taiwan	$179 486	$102 491	$30 652	$11 924
Thailand	$145 173	$98 120	$19 175	$6 293
United Kingdom	$719 665	$268 302	$107 839	$28 874
United States	$1403 899	$306 181	$66 377	$44 680
Venezuela	$609 097	$272 212	$41 192	$11 221

Source: Hill (2003:621)

The average compensation for a CEO in the USA was $1,4 million, compared with $545 260 in Japan and $406 263 in South Africa. These figures underestimate the true difference, because many executives from the USA earn considerable sums of money from stock options and grants (Hill, 2003:621; Longworth, 1998:C1). In 1996 stock option grants were used in only 10 of the 26 countries in the survey. By 2000, however, this figure had risen to 19 out of

26, suggesting that the compensation packages used in the USA that include stock option grants are becoming more frequent (Hill, 2003:621).

This difference in compensation raises a perplexing question for an international business: should the firm pay executives in different countries according to the prevailing standards in each country, or should it equalise pay on a global basis (Hill, 2003:621-622)?

The method favoured by the majority of MNEs in the USA has been to pay a base salary equal to that paid to a domestic counterpart and then, in the belief that no one should be worse off for accepting foreign employment, to add a variety of allowances and bonuses (Ball et al 2004:609; Briscoe & Schuler, 2004:311).

2.6.1 Salaries

Base salary is the amount of cash compensation that an individual receives in the home country. This salary is typically the benchmark against which bonuses and benefits are calculated. Survey research reveals that the salaries of expatriates are tied to their home country, so a German manager working for a MNE from the USA and assigned to Spain will have a base salary tied to the salary structure in Germany. This salary is usually paid in the home currency, local currency, or a combination of the two (Rugman & Hodgetts, 2003:337; Hill, 2003: 623).

2.6.2 Allowances

Allowances are payments made to compensate expatriates for the extra costs they must incur to live as well abroad as they did in the home country. The most common allowances are for housing, cost of living, tax differentials, education and moving (Ball, 2006:555; Phatak, Bhagat & Kashlak, 2005:486).

2.6.2.1 Housing allowances

Housing allowances are designed to permit executives to live in houses as good as those they had at home (Ball et al. 2004:610). In locations where housing is very expensive (e.g. London, Tokyo), this allowance can be substantial – as much as 10 to 30 percent of the expatriate's total compensation package (Hill, 2003:624).

2.6.2.2 Cost-of-living allowances

Cost-of-living allowances are based on differences in the prices paid for food, utilities, transportation, entertainment, clothing, personal services and medical expenses overseas compared with the prices paid for these items in the headquarters' city. In order to determine the difference in the cost of living, many MNEs take their own survey or use data from the United Nations, the World Bank, the International Monetary Fund or private consulting firms (Ball et al, 2004:610; Czinkota, Ronkainen & Moffett, 2003:490). Table 2.4 summarises cost-of-living differences for a number of international business centres.

Table 2.4: Annual cost-of-living in selected locations worldwide, 2000

Location	**Annual cost-of-living**	**Index**
Seoul, Korea	$155 485	272.3
Tokyo, Japan	$155 296	271.9
Moscow, Russia	$113 883	199.4
London, England	$97 262	170.3
Geneva, Switzerland	$74 176	129.9
Mexico City, Mexico	$71 071	124.5
Los Angeles, California	$63 921	111.9
Rome, Italy	$61 310	107.4
Sydney, Australia	$60 181	105.4
Atlanta, Georgia	**$57 107**	**100.0**
Munich, Germany	$55 516	97.2
Helsinki, Finland	$55 334	96.9
Melbourne, Australia	$49 342	86.4
Montreal, Canada	$48 780	85.4
Barcelona, Spain	$45 103	79.0

Source: Griffin & Pustay (2002:591)

The information in Table 2.4 is for a family of two from the USA with a base salary of $75 000. Total annual costs are based on a combination of housing, transportation, goods and services. The total also includes a certain amount set aside for investments and savings. Taxes are not included because actual taxes will vary greatly depending upon the tax planning techniques used. Housing costs are based on home or apartment rental and include utilities and renters' insurance. Transportation costs include both public commutation and private vehicle ownership and operating costs. Goods and services include the total amount paid (including sales tax) for food-at-home, food-away-from-home, tobacco and alcohol, household operations, clothing, domestic services, medical care and recreation (Griffin & Pustay, 2003:591; Czinkota, Ronkainen & Moffett, 2003:490; Briscoe & Schuler, 2004:316). As can be seen there is a great difference between the cost of living in Seoul, Korea, the most expensive city in the table, and Barcelona, Spain, the least expensive city. It is exactly for these differences in cost-of-living that the cost of living allowance makes provision.

2.6.2.3 Allowances for tax differentials

Unless a host country has a reciprocal tax treaty with the expatriate's home country, the expatriate may have to pay income tax to both the home- and host-country governments. When a reciprocal tax treaty is not in force, the firm typically pays the expatriate's income tax in the host country. In addition, firms normally make up the difference when a higher income tax rate in a host country reduces an expatriate's take-home pay (Hill, 2003:624; Ball, 2006:556; Phatak, Bhagat & Kashlak, 2005:487).

2.6.2.4 Education allowances

Expatriates are naturally concerned that their children receive an education at least equal to that they would get in their home countries, and many want their children taught in their native language. Primary and secondary schools with teachers from most industrialised home countries are available in many cities around the world, but these are private schools and therefore charge tuition. MNEs either pay the tuition or, if there are enough expatriate children, operate their own school (Ball et al, 2004:610-611; Hill, 2003:624; Phatak, Bhagat & Kashlak, 2005:486).

2.6.2.5 Moving and orientation allowances

Companies generally pay the total costs of transferring their employees overseas. These costs include transporting the family, moving household effects and maintaining the family in a hotel on a full expense account until the household effects arrive. Some firms find it less expensive to send the household effects by air rather than by ship, because the reduction in hotel expenses more than compensates for the higher cost of air freight. It has also been found that moving into a house sooner raises the employee's morale (Ball et al, 2004:611).

Companies may also pay for some orientation of the employees and their families. Companies frequently pay for language instruction, and some will provide the family with guidance on the intricacies of everyday living, such as shopping, hiring domestic help and sending children to school (Ball et al, 2004:611; Phatak, Bhagat & Kashlak, 2005:486; Rugman & Hodgetts, 2003:338).

2.6.3 Bonuses

Bonuses (or premiums), unlike allowances, are paid by firms in recognition of the fact that expatriates and their families undergo some hardship and inconveniences and make sacrifices while living abroad. Bonuses include overseas premiums, contract termination payments and home leave reimbursement (Ball et al, 2004:611).

2.6.3.1 Overseas premiums

Overseas premiums are additional payments to expatriates and are generally established as a percentage of the base salary. They range from 10 to 25 percent. If the living conditions are extremely disagreeable, the company may pay larger premiums for hardship posts (Ball et al, 2004:611; Griffin & Pustay, 2003:590). Briscoe & Schuler (2004:317) provides an example of what corporations provide for hardship pay as a percentage of base pay added to expatriate compensation for assignments to the Middle East: United Arab Emirates (12.5 percent), Bahrain (20 percent), Egypt (20 percent), Saudi Arabia (25 percent), and Israel (42.5 percent).

2.6.3.2 Contract termination payments

These payments are made as inducements to employees to stay on their jobs and complete the periods of their overseas contract. The payments are made at the end of the contract periods only if the employees have worked out their contract. Such bonuses are used in the construction and petroleum industries and by other firms that have contracts requiring work abroad for a specific period of time or for a specific project. They may also be used if the foreign post is a hardship one or a not particularly desirable one (Ball et al, 2004:612).

2.6.3.3 Home leave

MNEs that post home country – and sometimes third country – nationals in foreign countries make it a practice to pay for periodic trips back to the home country by such employees and their families. The reasons for this are twofold. One, companies do not want employees and their families to lose touch with the home country and its culture. Two, companies want to have employees spend at least a few days at company headquarters to renew relationships with headquarters' personnel and catch up with new company policies and practices. Some firms grant three-month home leave after an employee has been abroad about three years, but it is a more common practice to give two to four weeks' leave each year. All transportation costs are paid to and from the executive's home town and all expenses are paid during the executive's stay at company headquarters (Ball et al, 2004:612; Briscoe & Schuler, 2004:317).

2.6.4 Health benefits

One of the components covered under the cost-of-living allowance is medical expenses. But, according to Frazee (1998:19), a 1996-1997 survey shows that although expatriates place the highest importance on health care of all assignment services, only 65 percent of expatriates surveyed are satisfied with the health-care services they received. One third of the time, expatriates' most pressing concern is that health care is being handled poorly. This is not a situation the company wants to be in. It is bad for assignments, and it is bad for business. Traditionally, there have been three choices for handling expatriate benefits (Frazee, 1998:19). Consider a scenario in which an individual from the United Kingdom (UK) works for an MNE from the USA and is being sent to Australia.

- **Home-country approach.** The employee is maintained, as much as possible, in the UK benefits programme. Everything from health care to life insurance is kept in the UK.
- **Host-country approach.** This system is similar to the home-country approach except that everything shifts to Australia. The person essentially is given the same medical benefits as an Australian national working locally in Australia.
- **Headquarters-country approach.** In this case, the UK employee being transferred is given the benefits plan from the USA. If it is impossible to put the employee in a particular plan, a mirror plan is offered.

These approaches, however, carry some serious – and in many cases, avoidable – stumbling blocks. Some of the biggest are (Frazee, 1998:19-20):

- **Language and currency.** This problem applies whether the MNE is working with a home-country plan or a headquarters-country plan. Let's say an expatriate in Hong Kong receives medical treatment. The claim, written in Chinese and itemised in Hong Kong currency, is sent to a French insurer unfamiliar with dealing with this kind of paperwork.

It can be a nightmare to get the documents translated and the currency converted, drawing out the reimbursement process for months, if not years.

- **Pre-existing conditions.** What happens if an expatriate from the USA is localised into the Australian medical system for three years (host-country approach), and during that time develops a health condition? When he or she returns home, this person may have trouble going back into the benefits programme in the USA without being classified as an individual with a pre-existing condition. The employee has not switched firms, but he or she may be handicapped by the label simply because the insurers in the USA and overseas are different.
- **A family member stays behind.** If an expatriate is transferred without his or her spouse, or leaves behind a child in college, the company may have a hard time keeping everyone insured; for example, there are some policies in the USA that are hesitant to cover people not on the local payroll. If a US employee transfers to Australia and adopts an Australian insurer, the family member in the USA may not be able to stay on the insurer's plan in the USA.
- **Cost.** Another key concern, especially for expatriates in a USA headquarters-based plan, is cost. Some USA companies have noticed, for example, that when sending a UK employee to Australia, whatever insurer they use in either of those two countries, the cost will not be more than a fraction of what it would be with a US plan.
- **Consistency.** The company needs to consider where it wants equity. If it has expatriates in Australia from the UK, does it want the expatriates to have the same benefits as their Australian peers, or to have the same benefits as their UK colleagues? One can unwittingly create friction when employees working side by side have significantly different benefits packages.
- **Human resource time and attention.** When people are transferred from the UK to Australia for the first time, HR has to work out what to do with them. Later, if another UK family is sent to Australia, HR will know what to expect. But if the next transfer is from France to Australia, then HR has to research the options once again.

The so-called special expatriate plan is an approach to solving many of the problems of the other methods by creating a single programme for all international assignees. It solves the administrative difficulties of dealing with different languages and different currencies. If a Hong Kong-based employee has medical treatment in Australia, the person can probably expect to get his or her money back – and even an explanation of benefits in Chinese – within 10 to 15 days. This is a drastic improvement on the months or even years it may take with traditional methods. Insurers offering special expatriate plans, such as Cigna and Aetna, have processes in place to handle the language translation. It may be done internally or through outsourcing. They also understand that employees should not have to take the risk of currency fluctuation, so they process claims using rates applicable on the date the employee paid the bill. These insurers also offer flexibility, building in waivers for pre-existing exclusion clauses. This same flexibility exists when it comes to deductions and co-insurance premiums, and special expatriate plan providers will work with the firm to develop a programme that meets the expectations of the expatriates regardless of their nationality. This includes understanding local medical practices and covering procedures that usually would be excluded under other programmes. In the Netherlands, for example, it is common to use a midwife during childbirth. A special expatriate plan would be more likely to cover this procedure for families who are more comfortable with this while they live on assignment somewhere else. These plans are also fairly flexible regarding who can participate in them. In some cases they are used for local nationals in management positions. This allows the company to improve their benefits package without having to make arrangements for more expensive individual policies (Frazee, 1998:20).

There are, however, some cases in which the traditional methods are still the better option. This is especially true if a company is sending expatriates from the headquarters country and it rarely does the reverse – bring people in. In this case, things may already be as simple as possible. The same holds true for a company with only one or two global locations. If processes are already standardised, this new approach may not be helpful to the MNE (Frazee, 1998:23).

As with all components of the expatriate package, it is important to re-evaluate the status quo. The MNE's current way of handling benefits may seem to be working well on the surface, but it is doing the organisation a great disservice if it frustrates and burdens HR. An MNE may learn that an updated benefits programme is all that it needs to recruit and retain top expatriate candidates (Frazee, 1998:23).

In most large firms, even though responsibility for employees health and safety resides in the HR department, the HR manager responsible for international HR in the headquarters of an

MNE does not often deal with health and safety issues among foreign subsidiaries or joint ventures. Responsibility for health and safety issues is normally left to the local subsidiary or international joint venture HR manager within the constraints of local customs, culture, and regulations. Attention to these concerns varies dramatically from country to country (Briscoe & Schuler (2004:375)

2.6.5 Compensation of third country nationals

Although some companies have different compensation plans for third country nationals, there is a trend towards treating them the same as home country expatriates. In either event, there are areas in which problems can arise (Ball et al, 2004:613). Briscoe & Schuler (2004:333) supports this view when stating that the stage of the MNE's evolution or development makes a big difference in how it handles compensation of all its global employees. If it is still in stage 1 (export) or 2 (sales subsidiaries), it will differentiate between PCN, HCN, and TCN employees and most IHRM attention from headquarters will be given to compensation packages for expatriates (PCNs). Later when in stage 3 (international), 4 (multinational), or 5 (global), i.e., becoming more global in emphasis and attention, the compensation package will be more likely to be designed for all employees worldwide.

A possible problem area is the home leave bonus. The two purposes of home leave are to prevent expatriates from losing touch with their native culture and to have them visit the MNE headquarters. A third country national must visit two countries instead of only one to achieve both purposes, and the additional costs can be substantial. Compare the cost of sending an Australian employee home from Mexico with that required to send an American from Mexico to Dallas. Regardless of problems, the use of third country nationals is growing in popularity. As businesses race to enlarge their ranks of qualified international managers, third country nationals are in greater demand (Ball et al, 2004:613).

2.6.6 International status

Merely being from another country does not automatically qualify an employee for all the benefits mentioned. A subsidiary may hire home country nationals or third country nationals and pay them the same as it pays host country employees. However, management have found that although an American, for example, may agree initially to take a job and be paid on the local scale, sooner or later bad feelings and friction will develop as that person sees fellow

Americans enjoying international status perquisites to which he or she is not entitled. Sometimes firms promote host country employees to international status even without transferring them abroad. This is a means of rewarding valuable people and preventing them from leaving the company for better jobs elsewhere. Thus, international status means being paid some or all of the allowances and bonuses discussed, and there can be other sorts of payments as individual circumstances and people's imaginations combine to create them (Ball et al, 2004:613).

2.6.7 Different approaches to compensation

In formulating the compensation package, a number of approaches can be used, each of which will now be discussed in greater depth.

- **The balance sheet approach.** This approach equalises purchasing power across countries so employees can enjoy the same living standards in their foreign posting that they enjoy at home (Hill, 2003:623; Hodgetts & Luthans, 2003:463; Briscoe & Schuler, 2004:311).
- **Negotiation.** Negotiation involves working out a special, ad hoc arrangement that is acceptable to both company and the expatriate (Hodgetts & Luthans, 2003:463; Briscoe & Schuler, 2004:312).
- **Localisation.** Localisation involves paying the expatriate a salary that is comparable to those of local nationals. This approach is most commonly used with individuals early in their careers and those who are being given a long-term overseas assignment (Hodgetts & Luthans, 2003:463; Briscoe & Schuler, 2004:320-321).
- **Lump sum method.** This method involves giving the expatriate a predetermined amount of money and letting the individual make his or her own decision regarding how to spend it (Hodgetts & Luthans, 2003:463; Briscoe & Schuler, 2004:321).
- **The cafeteria approach.** This approach entails giving expatriates a series of options and then letting them decide how to spend the available funds, for example, if expatriates have children, they may opt for private schooling; if expatriates have no children, they may choose a chauffeur-driven car or an upscale apartment (Hodgetts & Luthans, 2003:463; Briscoe & Schuler, 2004:321).
- **Regional system.** Under this system the MNE sets a compensation system for all expatriates who are assigned to a particular region. Therefore, everyone going to Europe falls under one particular system, and everyone being assigned to South America is

covered by a different system (Hodgetts & Luthans, 2003:463; Briscoe & Schuler, 2004:321).

The most important thing to remember about global compensation is that the package must be cost effective and fair. If it meets these two characteristics, it will probably be acceptable to all parties. MNEs are also beginning to evaluate more carefully the cost of sending people overseas as well as to review the expense of maintaining executive talent in the international arena. Research shows that the cost of hiring senior level managers is extremely high, and that in most cases these individuals received a substantial salary raise when they moved into their new positions. Moreover, as the demand for talented executives increases, the salaries of international managers will continue to rise. This is one reason why many MNEs are now hiring people for specific locations and leaving these individuals in place for extended periods of time. This strategy is less costly than continually moving managers from one geographic location to another (Rugman & Hodgetts, 2003:349-350; Hodgetts & Luthans, 2003:463).

2.6.8 Examples of compensation policies

The following executive compensation policies serve as an example of the types of compensation policy an MNE can adopt (Hill, 2003:622):

- Hewlett-Packard (HP) transfers about 600 people a year across national borders. Although most of these transferees are on one- to two-year assignments, up to 25 percent are on indefinite assignments. HP ties the pay of short-term transferees to pay scales in their home country, but long-term HP transferees are quickly switched to the pay scale of their host country and paid according to prevailing local standards. To employees moving from high-pay countries such as Germany to lower-pay countries such as Spain, HP offers temporary bridging payments to ease the adjustment.
- The Minnesota Mining and Manufacturing Co. (3M) has a completely different type of programme for longer-term expatriates. The company developed the programme because it drastically altered its international organisation. In Europe, for example, 3M used to organise its operations on a country-by-country basis. However, 3M then established European-wide divisions, so many 3M executives who might have spent their careers in one country are now being asked to move, perhaps permanently, to another country. The 3M programme compares net salaries in both the old and new country by subtracting the major costs, such as taxes and housing, from the gross pay. The transferred executive then gets whichever pay packet is highest. Thus, when 3M transfer a German executive to

France, the German remains on her home-country pay scale. But a British employee transferring to Germany, where salaries are higher, can expect to be switched to the German pay scale. Although the policy considers local housing costs, it doesn't compensate for higher housing costs through a special payment, as many traditional expatriate pay policies did. Any housing subsidy that resulted could last for the rest of the executive's career following a transfer and this would be very expansive.

- The large oil company Phillips Petroleum has adopted yet another policy. At Phillips, the policy used to be that when a third-country national, such as a British citizen, was transferred abroad (for example, from Britain to Kuwait), he would be paid in US dollars and his salary would be raised to a level equivalent to that of someone in the USA doing a similar job. This was a very expensive policy, given the generally high level of pay prevailing in the USA. Now Phillips has a "Third-country nationals program". Under this programme, the transferred employee is given generous housing allowances and educational assistance for his children. However, his salary is now pegged to the level prevailing in his home country.

2.7 PERFORMANCE APPRAISAL

Performance appraisal is the process of assessing how effectively people are performing their jobs. The purposes of performance appraisal are to provide feedback to individuals on how well they are doing; to provide a basis for rewarding top performers; to identify areas in which additional training and development may be needed; and to identify problem areas that may call for a change in assignment. Performance appraisals of an international business's top managers must be based on the firm's clear understanding of its goals for its foreign operations. A successful subsidiary in a mature and stable foreign market will have different goals from a start-up operation in a growing but unstable market. Thus, a firm assigning two new managers to head up these different subsidiaries must understand that it cannot expect the same outcome from each of them. Similarly, managers of foreign subsidiaries that serve as cost centres must be judged by different standards from those used for managers of profit centres (Griffin & Pustay, 2002:589). According to Scullion & Linehan (2005:96), no matter how effectively goals are set for employee performance, goal-setting alone is not enough to ensure successful performance management systems. In addition, the employee's performance has to be evaluated against the goals set and the feedback given to him or her.

In assessing a manager's actual performance, the firm may consider sales, profit margin, market share growth, or any other measures or indicators it deems important. If a subsidiary has been having problems, performance may be more appropriately assessed in terms of how well the manager has helped to solve those problems; for example, reducing net losses or halting a decline in market share might be considered good performance, at least in the short term. Expected and actual performance must be compared, and differences must be addressed. This step needs to have a strong diagnostic component: Why and how has the manager's performance been acceptable or unacceptable? Are any problems attributable to the manager's lack of skill? Are some problems attributable to unforeseen circumstances? Is the home office accountable for some of the problems that may have arisen, perhaps because the manager was inadequately trained (Griffin & Pustay, 2002:589-590; Briscoe & Schuler, 2004:361)?

Circumstances will dictate how frequently performance appraisals occur. In a domestic firm they may occur as often as every quarter. Geographical factors, however, can limit the frequency with which international performance appraisals can occur. Generally, international managers are expected to submit reports on performance-based results to headquarters regularly. As long as these reports fall within acceptable parameters, the firm is likely to conduct a formal performance appraisal on perhaps an annual basis. However, if standard reports reveal a problem, performance appraisals may be done more often in an effort to get things back on track (Griffin & Pustay, 2002:590).

According to Scullion & Linehan (2005:96), the most popular practice is for employees to be appraised by their immediate supervisor. There are, however, alternatives. Employees can evaluate themselves, which is referred to as self-evaluation. Also, the employees' peers are potential evaluators. The theoretical argument in favour of peer evaluation is that because peers often work in close proximity, they have ample opportunity to observe each other's behaviour. This is particularly useful when teamwork and participation are key aspects of the employee's performance. Furthermore, outside evaluators, such as those representing upper management, internal customers or external customers, can act as evaluators. However, in order for them to be able to make appropriate evaluations, it is required that outside evaluators base their evaluations on direct observations of the employee in the work situation.

According to Hill (2003:620; Briscoe & Schuler, 2004:361; Janssens, 1994:870), unintentional bias makes it difficult to evaluate the performance of expatriate managers objectively. In most cases, two groups evaluate the performance of expatriate managers – host-nation managers and home-office managers – and both are subject to bias. The host-nation managers may be biased by their own cultural frame of reference and expectations. When a manager from the USA introduced participative decision making while working in an Indian subsidiary the manager subsequently received a negative evaluation from host-country managers, because in India the strong social stratification means managers are seen as experts who should not have to ask subordinates for help. The local employees apparently viewed the US manager's attempt at participative management as an indication that he was incompetent and did not know his job.

Home-country managers' appraisals may be biased by distance and by their own lack of experience of working abroad. Home office managers are often not aware of what is going on in a foreign operation. Accordingly, they tend to rely on hard data in evaluating an expatriate's performance, such as the subunit's productivity, profitability, or market share. Such criteria may reflect factors outside the expatriate manager's control (e.g., adverse changes in exchange rates, economic downturns). Also, hard data do not take into account many less-visible "soft" variables that are also important, such as an expatriate's ability to develop cross-cultural awareness and to work productively with local managers. Due to such biases, many expatriate managers believe that headquarters management evaluates them unfairly and does not fully appreciate the value of their skills and experience. This could be one reason why many expatriates believe a foreign posting does not benefit their careers. In one study of personnel managers in MNEs from the USA, 56 percent of the managers surveyed stated that a foreign assignment was either detrimental or immaterial to one's career (Hill, 2003:620).

According to Hill (2003:620), several things can reduce bias in the performance appraisal process. First, most expatriates appear to believe more weight should be given to an on-site manager's appraisal than to an off-site manager's appraisal. Due to proximity, an on-site manager is more likely to evaluate the soft variables that are important aspects of an expatriate's performance. The evaluation may be especially valid when the on-site manager is of the same nationality as the expatriate, since cultural bias should be alleviated. In practice, home-office managers often write performance evaluations after receiving input from on-site managers. When this is the case, most experts recommend that a former expatriate who served in the same location should be involved in the appraisal to help reduce bias. Finally, when the policy is for foreign on-site managers to write performance evaluations, home-office managers should be consulted before an on-site manager completes a formal termination evaluation. This gives the home-office manager the opportunity to balance what could be a very hostile evaluation based on a cultural misunderstanding.

2.8 REPATRIATION

Poor repatriation (the reintegration of expatriate personnel into the home country organisation) represents a serious HR management problem and a potentially large barrier to successful globalisation. Poor repatriation is costly, reduces the effective utilisation of human resources, often leads to loss of talented personnel (Allen & Alvarez, 1998:30; Black & Gregersen, 1991:672), and probably represents the number one reason for employees' hesitancy to accept overseas assignments (Allen & Alvarez, 1998:30; Feldman, 1991:507-522).

A largely overlooked but critically important issue in the training and developing of expatriate managers is to prepare them for re-entry into the home-country organisation (Hill, 2003:617; Grant, 1997:166). Repatriation should be seen as the final link in an integrated, circular process that connects good selection and cross-cultural training of expatriate managers with completion of their term abroad and reintegration into their national organisation. However, instead of coming home to share their knowledge and encourage other high-performing managers to take the same international career track, expatriates too often face a different scenario. Often when they return home after a stint abroad – where they have typically been autonomous, well compensated and celebrated as a big fish in a little pond – they face an organisation that doesn't know what they have done for the last few years, doesn't know how to use their new knowledge and doesn't particularly care. In the worst cases, re-entering employees have to scrounge for jobs, or firms will create standby positions that don't use the expatriate's skills and capabilities and fail to make the most of the business investment the firm has made in that individual (Hill, 2003:618; Briscoe & Schuler, 2004:251).

Research illustrates the extent of this problem. According to one study of repatriated employees, 60 to 70 percent didn't know what their position would be when they returned home. Moreover, 60 percent said their organisation was vague about repatriation, about their new role and about their future career progression within the company, while 77 percent of those surveyed took jobs at a lower level in their home organisation than in their international assignment. It is small wonder then that 15 percent of returning expatriates leave their firms within a year of arriving home, while 40 percent leave within three years (Hill, 2003:618-619; Grant, 1997:166**;** Welds, 1991:113; Black, 1991:17). According to Griffin & Pustay (2002:586; Beamish et al, 2000:194), one quarter of all repatriated employees leave their employer within a year after returning home.

Beamish et al (2000:194) add that the international assignment may be an important vehicle for developing global managers; achieving strategic management control; coordinating and integrating the global organisation and learning about international markets and competitors, as well as the foreign social, political and economic situations. However, this idealised goal of becoming a global, learning organisation will be reached only if the right people are selected for foreign assignments, trained properly, repatriated with care, valued for their experience and are used in a way that takes advantage of their unique background.

Many MNEs experience significant costs because of poor repatriation practices (Allen & Alvarez, 1998:30; Black, 1991:17). These can be summarised in terms of three problem areas as described below (Allen & Alvarez, 1998:30-31):

- **Loss of key personnel.** Too often, companies lose their best and brightest repatriates soon after their return from an overseas assignment. One study reported an attrition rate of 25 percent for its repatriates within the first two years of their return. The cost of losing a single repatriate employee has been estimated to be as high as $1,2 million (Allen & Alvarez, 1998:30). With the cost of each international assignment typically ranging from two to five times the annual salary, companies lose a potentially large developmental investment as well as a high-potential employee each time a repatriate leaves.
- **Under utilisation of key personnel.** The high cost of an expatriate assignment is partially squandered when repatriates are randomly placed in assignments that do not fully utilise their talents or leverage their newly acquired overseas experience. Even if the employee remains with the company, the company and the individual are precluded from realising the benefits of the international assignment (Allen & Alvarez, 1998:31; Welds, 1991:113). Even where the initial assignment is appropriate, unless expatriates' career development is tracked over time, the company may well lose much of the investment it has made in these individuals. As returned expatriates are integrated into the general

organisation, care must be taken that their special international expertise is fully recognised and valued as promotion decisions are made. Lack of overseas experience at the senior level is a strong indication that little value is placed on international assignments.

- **Inability to recruit key personnel into overseas positions.** Poor repatriation has given the offer of an overseas assignment the "kiss of death" (Allen & Alvarez, 1998:31; Black, 1991:17). Savvy employees watching what happens to repatriates may choose to avoid a career route that has had disastrous implications for the careers of other employees (Allen & Alvarez, 1998:31; Black, 1991:17). Successful recruitment of high-potential employees can only take place when repatriation is carried out more effectively and overseas assignments are perceived by employees as opportunities for career enhancement instead of career derailment (Allen & Alvarez, 1998:31; Black, 1991:17**;** Scullion & Linehan, 2005:37).

According to Allen & Alvarez (1998:31-33), executives reported a variety of issues that contributed to repatriation problems. Some of these problems arose from a tendency to sharply divide domestic and overseas operations into separate and rather unrelated businesses. Other problems resulted from the historical tendency of many companies to treat the international side of their business as secondarily important. Past tendencies have created a number of organisational practices that are widely perceived by executives as contributing to continued poor repatriation. The most commonly mentioned are described below.

- Employees sent abroad have too often been mediocre performers. In the past companies tended to send mediocre employees abroad. At least three major explanations can be given for this practice. First, because, overseas operations were given secondary strategic importance in many companies, the best employees were retained in the home country operation. Second, companies used international assignments as a convenient means of removing problem employees from the home country operation – at least temporarily. Third, because of the perceived riskiness of overseas assignments for one's career, many high-potential employees refused to take overseas assignments, which forced their company to assign less-qualified personnel to international posts (Allen & Alvarez, 1998:32; Scullion & Linehan, 2005:37; Black, 1991:17). The lack-lustre track record established by these mediocre employees before and perhaps during their international assignment made it more difficult to place them in desirable positions upon their return.

That, in turn, contributed to the impression that an overseas assignment would be unlikely to help an employee' s career.

- Overseas assignments often result in an "Out of sight, out of mind" situation for expatriates (Allen & Alvarez, 1998:32; Briscoe & Schuler, 2004:251). Because of the separation in many companies between home country and overseas operation, an official handover often occurs as an employee leaves a position in the home country and moves into the international side of the operation. This creates an administrative as well as physical distance from the home country operation. Administratively, HR jurisdiction for the employee is often transferred from a domestic HR function to an international HR function. The employee may even be removed from the domestic HR planning system while overseas – even though the assignment is known to be temporary. All HR support is provided by the international HR group until the employee returns and is formally handed back to the domestic HR function. Because expatriates are physically removed from the home country operation, they report being out of regular contact with the home country staff. They are removed from formal and informal communication channels that keep them in touch and give them visibility with home country colleagues and potential future supervisors. When jobs become open, expatriates are unlikely to be considered as candidates and are unlikely to know about the existence of such openings as long as they remain in the field (Allen & Alvarez, 1998:32; Feldman & Thomas, 1991:274).
- Limited job opportunities exist for repatriates. Repatriates frequently report being informed that although the company values them and would like to place them in a better job, no such jobs are available at the precise time of their return. In resent research it has been found that 40 percent of repatriates experienced this difficulty (Allen & Alvarez, 1998:32; Oddou, 1991:306; Scullion & Linehan, 2005:37). Therefore, the first job assignment the expatriate receives is often inappropriate for his or her level of capability. Lack of good job options occurs for several reasons (Allen & Alvarez, 1998:32-33):
  - Short planning horizons. Because overseas employees are "out of sight and out of mind," planning for their return often does not begin until very close to the return itself. Therefore, choice of positions is limited to a few random jobs that happen to be open at the time of return.
  - Organisational restructuring. In many companies, employees are expected to return to the same division in which they were working at the time they were recruited for the overseas assignment. As a result, job possibilities are often restricted to the few available in that division, rather than potentially more desirable jobs that might be

open in other parts of the company. Expatriates who fall victim to poor placement may well conclude that they can find better jobs outside the company. Ironically, the international experience provided by their international assignment will probably make them more marketable and facilitate their departure.

- Fulfilling overseas job responsibilities can result in "burnt bridges" between the expatriate and potential future bosses in the home country organisation. Competing priorities between headquarters' needs in the home country and local needs in the host country often place expatriates in a very difficult position in the middle. As expatriates work on behalf of the host country organisation they have been assigned to serve, they often come into conflict with headquarters' managers who may have no overseas experience and thus little context in which to understand the conflict. As a result, home country managers may perceive the expatriate as insubordinate and a rebel who is undesirable as a future employee. The result of these conflicts may be a difficult re-entry for the expatriate, as future potential bosses at headquarters misinterpret the spirit of conflict-rich interaction between the field and headquarters (Allen & Alvarez, 1998:33).
- Newly returned repatriates often experience a hostile reception from their home country colleagues. Expatriates and their families make significant sacrifices to complete international assignments, and return home with the expectation that their international experience will be valued and considered a valuable contribution to the company. Once back home, however, many repatriates report disappointment with the reception they receive from fellow colleagues. The repatriate has probably just returned from one of the most challenging and broadening experiences of his or her career. Yet, in addition to receiving a possibly disappointing job assignment, the repatriate often discovers that the organisation does not value ideas and perspectives from the international field. In some cases the repatriate may be offered patronising and remedial assistance, while in other cases the response may be more blatantly hostile (Allen & Alvarez, 1998:33).
- Repatriation problems are probable symptoms of broader HR problems. The problems outlined above are not inevitable consequences of an international assignment, but rather symptoms of ineffective HR management policies, characterised by a short-term orientation in some cases and lack of involvement and responsibility in others (Allen & Alvarez, 1998:33).

This leads us to the question; how can MNEs do a better job of selecting candidates for international assignments, plan their development and succession, retain the best performers and build a global talent pool in today's rapidly globalising marketplace? Swaak (1997:29-30) offers the following solutions:

- Involve senior managers in formulating a global succession planning process. Top management's involvement, commitment and direction are key to the successful implementation of any meaningful repatriation process. In one large electronics company in California in the USA, senior management has formulated a succession planning policy and stipulated that all key positions at the firm will be filled by individuals who have completed at least one foreign assignment. The selection and succession policies at the firm are quite elaborate. In them the company identifies three types of expatriate assignments: management development, business development, and technical. A management development assignment is a short-term assignment (typically two years) designed to expose the expatriate to foreign business practices. A business development assignment usually requires the expatriate to assist in a start-up venture in a foreign country for three years or so. Lastly, a technical assignment in one in which the expatriate travels to the foreign site in order to share his or her unique technical knowledge with the overseas office. Expatriates and their families are carefully interviewed and selected for one or other assignment. Once the individuals have been selected, their progress is meticulously monitored by a global performance management system that includes the expatriate's supervisor, peers, subordinates, mentor and internal and external customers. At the end of the international assignment, high-performing management development expatriates become part of the firm's global talent pool and then receive meaningful assignments at other locations. The reassignment of these individuals is carefully orchestrated and managed according to the succession planning process formulated by senior management (Swaak, 1997:29).
- Make selection part of the management development process. Candidates for overseas assignments should be selected for their long-term potential to the company, not just to fill a position for the short term (Swaak, 1997:29).
- Use properly trained mentors. Mentors help in many corporate activities, but they are especially valuable in expatriate situations. Often, they are used to maintain contact with the expatriate and to assist him or her with reassignment planning. The best mentors are people who have clout – such as high positions – in the organisation, people who have been expatriates themselves, people willing to put time into the mentoring process and people who have a clear understanding of the importance of creating a global talent pool for the company. At one large East Coast consumer products company in the USA,

mentors provide valuable advice to expatriates on how to develop their careers and re-enter the organisation after their overseas assignments. According to the firm, mentors must take on the following responsibilities related to the expatriate's career development:

- Schedule informal pre-departure interviews with the expatriate and his or her family.
- Provide ideas for training and development.
- Regularly keep contact with the expatriate and his or her supervisor.
- Participate in the expatriate's performance review.
- Provide home country input (about restructuring plans and the like) to the expatriate.
- Be available to the expatriate when he or she is on home leave or business trips.
- Notify the expatriate, HR and appropriate line managers of any job openings back home.
- Actively plan and implement a smooth reintegration of the expatriate into his or her home base.

The company's objective in providing such elaborate mentoring services is to create a formal communication network involving the expatriate, the mentors and corporate human resources. Such a network helps to ensure that the overseas assignments are successful, that expatriate talent is properly identified, developed and utilised and that management talent is made available to business units around the world (Swaak, 1997:30; Briscoe & Schuler, 2004:251; Rugman & Hodgetts, 2003:334; Fedman, 1991:173-174).

- Involve the expatriate in his or her own career planning process (Swaak, 1997:30; Feldman & Thomas, 1992:275-278). Career planning for expatriates is most successful when all levels of the company are involved in it – senior managers, unit managers and the expatriates themselves. One midsized financial services firm in the Midwestern USA achieves this. Its CEO regularly issues directives about the importance of overseas assignments for career enhancement at the company. Senior managers discuss the importance of international assignments with candidates being recruited from colleges and universities around the world. The expatriates themselves are actively involved in self-nomination and are encouraged to apply for overseas assignments that are openly listed on the company's electronic bulletin board. Candidates also have the opportunity to discuss their career plans with HRM. In addition, subsidiary managers are asked to take on the following tasks related to expatriate career planning (Swaak, 1997:30):

  - Identify or recruit two or three global talents a year.
  - Develop a multicultural staff.
  - Develop talented people early in their careers.

    - Share talent with others in the firm and make it available for expatriate assignments.
    - Get personally involved in the selection and development process.
- Treat expatriates as investments. Expatriates are expensive, sometimes costing three to four times base salary, and when they leave the organisation, that money is lost. The organisation should therefore think of the expatriate as an investment and take steps to protect that investment. It should have sound repatriation practices to ensure that expatriates don't become demoralised at the end of their assignments and leave the company (Swaak, 1997:30; Scullion & Linehan, 2005:142).

According to Allen & Alvarez (1998:29), there are two courses of action companies can take to increase repatriation success rates: organisation strategies and personal strategies.

2.8.1 Organisation strategies for effective repatriation

When an employee is approached about accepting an international assignment, three basic questions must be addressed before many will agree to go (Allen & Alvarez, 1998:34):

- "Will I get a good job when I return? Will my career be enhanced?"
- "Will my newly acquired skills and perspective be valued and well utilised in the home organisation?"
- "If I do my best to serve my assigned affiliate, will I burn bridges with potential future bosses back home because of the frequent conflict arising between the affiliate and headquarters?"

The ability to successfully address these questions depends, to a large extent, upon the effectiveness of a company's repatriation programme. Companies must be able to assure employees considering an international position that acceptance of an overseas assignment is likely to benefit their careers. This assurance will only carry weight as a strong repatriation track record is developed and employees witness two trends in their company (Allen & Alvarez, 1998:34; Scullion & Linehan, 2005:37):

- First, they will need to see first-hand evidence that expatriates are treated with respect upon their return, that they receive challenging assignments that utilise their newly acquired skills, and that their perspective is valued as they offer their international experience to the home country operation.

- Second, employees will be watching what happens to expatriates over time. How does their career trajectory compare with those of otherwise comparable employees who did not go overseas? When a significant number of the company's senior managers have international experience, the company will be sending an effective signal to all employees that international experience counts.

According to Allen & Alvarez (1998:34-37), the following ideas can be used by organisations to improve their repatriation success rates:

2.8.1.1 Select highly qualified employees for international assignments

Ensuring that high-quality expatriates are sent into the field is the first step towards improving a company's repatriation success rate. Employees with an outstanding track record prior to their expatriate assignment will usually be easier to place in premier positions upon their return. At the same time, sending top employees abroad will quickly attract other outstanding employees into international assignments as long as successful repatriation is visibly occurring (Allen & Alvarez, 1998:34).

When outstanding employees are sent abroad, the cost of an expatriate assignment is invested in an individual who is likely to rise quickly in the organisation. Selection of such individuals for international assignments increases the likelihood that international experience will effectively permeate the senior echelons of the company (Allen & Alvarez, 1998:34).

2.8.1.2 Assign a formal sponsor for each expatriate

Sponsors support each expatriate while in the field and assist in their successful return. Sponsors should be assigned before departure in order to allow sufficient time to establish a rapport between the two parties. A formal sponsor can act as mentor to the expatriate while he or she is in the field by watching out for his or her interests, and serving as an advisor and confidant. The mentor can communicate career interests of the expatriate to the home organisation as well as identify career opportunities that can be passed along to the expatriate while in the field (Allen & Alvarez, 1998:34; Briscoe & Schuler, 2004:251; Rugman & Hodgetts, 2003:334).

The expatriate's mentor and the HR department are two of the most important vehicles for matching an expatriate with available, good job opportunities in preparation for return. As both advocates, familiar with the expatriate's skill mix and preferences, scan the home organisation, job possibilities can be passed on to the expatriate on a timely basis. Mentors in companies with Internet or other electronic job postings can make sure that expatriates are tied into those systems as well (Allen & Alvarez, 1998:35).

To ensure consistency, a screening and training programme for mentors should be carried out. Key characteristics associated with successful mentors include personal international experience, sufficient influence or clout (Allen & Alvarez, 1998:35; Swaak, 1997:30) to act as an advocate for the expatriate – particularly during their repatriation - and energy and dedication to remaining in close contact with the expatriate throughout the field assignment and after his or her return.

2.8.1.3 Link overseas assignments to long-term career plans

Long before an employee is asked to take an international assignment, the general HR planning system can encourage high-potential employees and others to build into their long-term career plan the goal of acquiring first-hand international experience. Such a plan enables employees to look ahead to the experience, giving them a chance to gain cross-cultural and language skills and prepare their family for the overseas relocation long before it happens. This approach can reinforce the importance of international experience as a career building block and reduce the shock of such an assignment when it occurs (Allen & Alvarez, 1998:35).

When an international assignment is offered, the expatriate can be given a preview of the type of jobs he or she might be offered upon return. Specific commitments to the expatriate lead to at least two possible outcomes (Allen & Alvarez, 1998:35).

- First, the employee is more likely to accept the overseas position and experience less uncertainty and stress about his or her return to the home country.
- Second, having issued a guarantee, the company will be more likely to plan ahead and take the necessary steps to provide for the smooth repatriation of the employee.

2.8.1.4 Retain expatriates in the home country HR planning system

Retaining the expatriate in the home country HR planning system can reduce the "out of sight, out of mind" problem. Since most international assignments are temporary, it is likely that an expatriate's next job move will be back into the home country organisation. From an HR planning standpoint, his or her status as an expatriate is not significantly different from that of the domestic employee who has just accepted a new job domestically that will be kept for two years. But unless the expatriate is retained in the HR planning system, he or she will be entirely excluded from job screens, while the domestic employee will probably be included. Appearance on job screens even before a planned return can help maintain the visibility that many expatriates fear losing while in the field (Allen & Alvarez, 1998:35).

2.8.1.5 Increase the size and flexibility of the re-entry time window

Unlike most domestic assignments, many international assignments come with a fixed end-time. In some cases, this may be necessary to accommodate school schedules and assure employees that they will return to the home country in a timely fashion. The downside, however, is that a fixed return date tends to limit job opportunities that can be considered. Job choices are limited to those available at the fixed point of return. A more open time frame of perhaps three months to one year for an expatriate's return will increase the likelihood that an appropriate position can be found for the expatriate. The open time frame will give the expatriate the flexibility and freedom to explore job possibilities with selectivity, waiting for an attractive option to appear. While the certainty of a specific re-entry time may be comforting, the flexibility to exercise greater choice over the return time and position he or she accepts may be welcomed by both employee and family (Allen & Alvarez, 1998:35-36).

2.8.1.6 Transcend divisional boundaries

Organisations can also increase repatriation options for employees by allowing the possibility of cross-divisional moves. The sending division may feel temporarily hurt by this approach as it loses the service of a valued employee for an even greater period of time than the period of the international assignment. However, the company as a whole can continue to benefit from the effective retention and utilisation of a valued employee, who may at some point return to the original division (Allen & Alvarez, 1998:36).

2.8.1.7 Implement a "holding pattern" and make it count

Even after employing advanced career planning methods and attempting to build more flexibility in the placement process, occasional placement problems may occur. Under these circumstances, the creation of a temporary holding job either in the home or host country can provide a bridge for an expatriate until a suitable position is found. Repatriates can, for instance, be placed temporarily in consulting capacities within the company or assigned to a special project. This option must be implemented with care. Most HR professionals express the concern that a holding pattern may become indefinite and lead to the subsequent departure of the employee from the firm. Others suggest that the image of the employee will be harmed as others see them shuffled off onto the side. This issue can be addressed through the establishment of a strict time frame and a very clear set of objectives associated with the temporary assignment. The assignment must involve a real, substantial, value-added contribution to the company that will, in and of itself, offer an opportunity for the employee to maintain visibility and credibility within the organisation. If these criteria cannot be met, the holding position may be seen as an institutionalised "purgatory". When used on an occasional and careful basis, however, the holing position may provide a time window that allows an employee to be placed in a much more desirable position (Allen & Alvarez, 1998:36).

2.8.1.8 Foster an appreciative home country environment

As noted earlier, returned expatriates report that their international experience is often ignored or they are even ostracised as they encounter a hostile reception upon their return to the home country. A more receptive environment cannot be dictated by senior management, but several approaches can help the organisation better value and utilise expatriate background. Widespread belief exists that nothing could foster cross-cultural capabilities and a global mindset more effectively than international travel. A negative reception is generally encountered from those home country employees who lack significant overseas exposure. Employees who have themselves been overseas are more likely to appreciate others with similar experiences (Allen & Alvarez, 1998:36).

While such travel is costly, a few companies have made international travel opportunities widely available to employees. One company provided international travel opportunities to 70 percent of the 6000 employees in its manufacturing operations in the USA (Allen & Alvarez, 1998:36).

2.8.1.9 Create a repatriate directory

A repatriate directory and network can be established in order to maintain contact with former expatriates, facilitating ongoing follow-up as the repatriation process continues. A database can also help to track other important information on international assignments, such as average length of stay, percentage of completed assignments, location of early terminations, reasons for early terminations, length of stay with organisation after return, and career movement of repatriates (Allen & Alvarez, 1998:36; Chowanec & Newstrom, 1991:6). At the same time, the database can help the company to utilise former expatriates for special assignments that require their unique expertise (Allen & Alvarez, 1998:36).

2.8.1.10 Utilise repatriates to train future expatriates

Training and preparation of new expatriates is an important function that repatriates and their families can be called upon to perform. Repatriates can offer first-hand experience and empathetic advice to prospective international assignees and their families as well as to newly returned repatriates. Several expatriates noted that it was important to screen the repatriates and their families before assigning them to this preparation role. Excessive negativity could scare away prospective expatriates or set up expectations that tainted the field experience from the outset. Ideally, expatriates should be chosen for their ability to convey a realistic, but enthusiastic, account of the experience in the field (Allen & Alvarez, 1998:36-37; Shay & Tracey, 1997:35).

By singling out repatriates for special activities that call upon their international experience, companies can send a clear signal to their repatriates that they are valued and appreciated (Allen & Alvarez, 1998:37).

2.8.2 Personal expatriate strategies for effective repatriation

The organisation-level strategies suggested would take some time to implement even where companies approach them in an urgent and systematic manner. Because of this, companies need to develop a specific component in their corporate expatriate preparation programme that emphasises repatriation survival skills for employees being sent overseas. Such personal skills can increase the likelihood of successful repatriation even if the HR system is not yet sufficiently developed. The skills such a programme provides would offer backup for employees in companies with effective repatriation programmes and could make the difference between a successful or failed return for employees in the many companies that have not yet developed such programmes (Allen & Alvarez, 1998:37). The following are examples of survival skills that can help expatriates to take entrepreneurial responsibility for their own successful return (Allen & Alvarez, 1998:37-38).

2.8.2.1 Remain in close touch with sponsors and HR managers

The sponsor and HR managers (both international and domestic) may serve as significant sources of help during repatriation for most expatriates. The expatriate should attempt to develop and maintain a close rapport with each and keep them up to date on changing circumstances, ensuring that they remain abreast of the activities in which the expatriate is engaged and the type of position he or she would like to fill upon return (Allen & Alvarez, 1998:37; Briscoe & Schuler, 2004:251; Rugman & Hodgetts, 2003:334).

2.8.2.2 Develop close relations with other informal sponsors

Expatriates often find that their sponsors change while they are in the field. This occurs because of a changed assignment for the sponsor or perhaps because the sponsor has left the company (voluntarily or otherwise). Because of this, it may be useful for expatriates to develop close relations with informal sponsors who might adopt them if the primary sponsor is no longer available. In addition, the several informal sponsors can extend the expatriate's job search network, enhancing the odds that an appropriate job will be found at the time of his or her return (Allen & Alvarez, 1998:37).

2.8.2.3 Develop rapport with managers who supervise attractive positions

Expatriates often wait to be asked to be interviewed for the positions they might fill as jobs open. A more proactive approach involves the identification of jobs (filled or open) that would be desirable positions to fill at the time of repatriation. During headquarters visits the expatriate can call upon managers who supervise these positions to get to know these individuals and to inform them about his or her own skills and capabilities. By doing so, the expatriate ensures that the supervisor is aware of his or her interest in filling such a position in the future and increases the odds he or she will be invited to apply for the position when it becomes open. Because some present bosses may view such proactive job-hunting efforts negatively, it may be desirable for the expatriate to negotiate in advance an agreement that he or she will begin a job search well before the end of the overseas assignment (Allen & Alvarez, 1998:37; Richardson & Rullo, 1992).

2.8.2.4 Maintain visibility

Loss of visibility is one of the most commonly expressed fears of employees at all levels as they contemplate the possibility of being assigned to an area far from headquarters. Several steps can be taken to maintain visibility while in the field. With modern technologies such as fax, phone, voice mail, and e-mail widely adopted in many companies, it is much easier to keep in touch with fellow headquarters staff than it has been in the past. The key is to maintain regular contact for the purpose of rapport maintenance and the education of people about the expatriate's accomplishments in the field, as well as remaining up to date with developments in the home country. The most effective visibility strategy is personal visits to the headquarters, where face-to-face contact can be re-established on a fairly frequent basis (Allen & Alvarez, 1998:37-38; Rugman & Hodgetts, 2003:334).

2.8.2.5 Visit headquarters frequently during the assignment

One of the best ways to maintain visibility and avoid the "out of sight, out of mind" situation is to take advantage of home country trips, making frequent visits to the headquarters to renew contacts with key staff. Sponsors, HR managers, and the supervisors of positions to which the expatriate would like to be assigned – as well as friends and colleagues at all levels – can be visited during these trips to maintain and further develop relationships that will be useful when the expatriate later returns from the assignment (Allen & Alvarez, 1998:38; Rugman & Hodgetts, 2003:334).

2.8.2.6 Don't leave your fate in the hands of the HR system

Regardless of the quality of the HR planning system and the international policies and practices that are part of it, expatriates should be encouraged to take a proactive interest in their own career development. Expatriates who have the luxury of an effective overall HR system will be in a position to interact with it more effectively. Those without such a benefit will be in a position to proactively take responsibility for their own career advancement as they seek to leverage the powerful experience of an expatriate assignment (Allen & Alvarez, 1998:38; Briscoe & Schuler, 2004:252).

2.9 SUMMARY

One of the most important resources in all organisations is human resources – the people involved in the production and distribution of goods and services. The strategic role of human resource management is complex enough in a purely domestic firm, but it is even more complex in an international business, where staffing, management development, performance evaluation, and compensation activities are complicated by profound differences between countries in labour markets, culture, legal system, economic systems, and the like. Internationally there are four sources of personnel that an MNE can use when sourcing personnel: home country nationals; host country nationals; third country nationals; and inpatriates. It was, however, determined that the major problem in many firms when selecting employees for international assignments is that HR managers tend to equate domestic performance with overseas performance potential. Domestic performance and overseas performance potential are not the same thing. An executive who performs well in a domestic setting may not be able to adapt to managing in a different cultural setting. For this reason it is recommended that when selecting an employee for an international assignment the following criteria should be used:

- Adaptability to cultural changes
- Independence and self-reliance
- Physical and emotional health
- Age, experience and education
- Language training
- Motivation for the foreign assignment
- Spouses and dependents or work family issues
- Leadership ability

After selecting the employee the MNE wants to send on an international assignment, the focus should shift to the compensation of the expatriate. Compensation is a crucial link between strategy and its successful implementation – there must be a fit between compensation and the goals for which the firm wants managers to aim. When considering different approaches to compensation, MNEs should consider: the balance sheet approach; negotiation; localisation; the lump sum method; the cafeteria approach; or the regional system.

Once the expatriate is on the international assignment it is important to appraise his or her performance. In order to avoid any biases in the performance appraisal it was suggested that more weight should be given to an on-site manager's appraisal. However, when the policy is for foreign on-site managers to write performance appraisals, home-office managers should be consulted before an on-site manager completes a final termination evaluation. This gives the home-office manager the opportunity to balance what could be a very hostile evaluation based on a cultural misunderstanding.

Lastly it was identified that poor repatriation (the reintegration of expatriate personnel into the home country organisation) represents a serious HR management problem and a potentially large barrier to successful globalisation. Poor repatriation is costly; it reduces the effective utilisation of human resources, often leads to loss of talented personnel and probably represents the number one reason for employees' hesitancy to accept overseas assignments. It was suggested that MNEs use strategies such as the selection of high quality employees for international assignments, assigning a formal sponsor for each expatriate or linking international assignments to long-term career plans, to mention but a few. On a personal level it was suggested that the expatriate can use strategies such as remaining in close touch with sponsors and HR managers, maintaining visibility or developing close relations with several other informal sponsors, in order to ensure more effective repatriation.

Whether an MNE will be using expatriates, and the extent to which the MNE will make use of expatriates, will all depend on the staffing policy used by the MNE. The staffing policy being used will in turn be influenced by the international strategy used by the MNE. The following chapter will focus on the different staffing policies available to an MNE, and the latest trends and changes in staffing policies.

CHAPTER 3
INTERNATIONAL STAFFING

3.1 INTRODUCTION

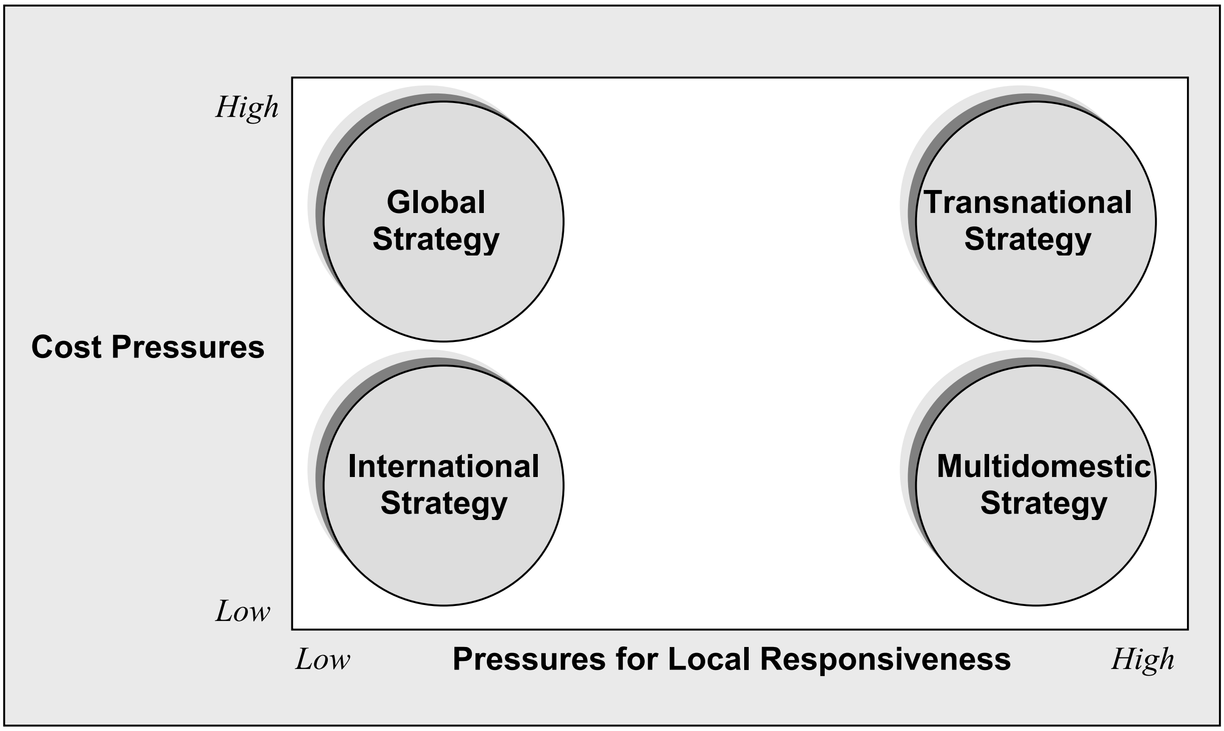
The last decade has witnessed an accelerated growth of large multinational enterprises, many of which operate in 25 or more countries. In 1994, the top 25 MNEs had sales ranging from US$55 to US$175 billion a year. Increasingly, these large MNEs have shifted sales and production operations to countries closer to their widespread global markets. A number of them now garner more sales internationally than in their home country (e.g. IBM). The same often holds true of share of corporate profit. An important corollary to this location of sales and manufacturing operations outside the home country is the assignment of expatriates to key positions in international units. In the early years, almost all such movement was from the home country to the international subsidiaries or joint ventures. For example, several decades ago one MNE had over 40 000 employees and managers on expatriate status at the same time. However, today a growing number of MNEs are using third country nationals to staff foreign subsidiaries or are bringing key staff of their foreign operations into corporate headquarters (inpatriates), or are making intra-region transfers for career development and other purposes (Peterson, Sargent, Napier & Shim, 1996:215).

The international staffing process is of considerable importance to an international enterprise. Virtually any type of international problem, in the final analysis, is either created by people or must be solved by people. Hence, having the right people in the right place at the right time emerges as the key to a company's international growth. The staffing problems facing international enterprises are more complex than those in domestic enterprises, and inappropriate staffing policies may lead to difficulties in managing international operations. The international literature indicates that expatriate failure is a persistent and recurring problem, particularly for multinationals in the USA. Frequently, the human and financial costs of failure in the international business arena are more severe than in domestic business. In particular, indirect costs such as loss of market share and damage to international customer relationships may be considerable. The shortage of international managers is becoming an increasing problem for international enterprises. A survey of 440 executives in European enterprises claimed that a shortage of international managers was the single most important factor constraining corporate efforts to expand abroad. Almost one-third of the executives surveyed had experienced difficulties in finding managers with the necessary international experience and orientation. The findings of the survey suggest that the successful implementation of global strategies depends, to a large extent, on the existence of an adequate supply of international experienced managers (Scullion, 1994:86). In support of Scullion's statement above, Peterson et al (1996:215) state that there is growing literature that argues the need for a link between international corporate strategy and human resource management policies that apply to expatriate staff in foreign subsidiaries. As a result this chapter will focus not only on the different staffing policies available to MNEs and recent changes in international staffing, but also on some international strategies that may influence the global staffing decision.

3.2 INTERNATIONAL STRATEGIES

MNEs use four basic strategies to enter and compete in the international environment: an international strategy, a multidomestic strategy, a global strategy and a transnational strategy. The appropriateness of each strategy varies according to the extent of pressures for cost reduction and local responsiveness. Figure 3.1 illustrates when each of these strategies is most appropriate (Hill, 2003:422).

Figure 3.1: Four basic strategies



Source: Hill (2003:422)

A link can be drawn between the internationalisation strategy and the staffing policy being followed by MNEs (Hill, 2003:611; Deresky, 2002a:391-392; Ball et al, 2006:546-549). MNEs following an international strategy will most probably implement an ethnocentric staffing policy, MNEs following a multidomestic strategy will most probably implement a polycentric staffing policy, while MNEs following a global or transnational strategy will most probably be implementing a geocentric staffing policy. Each of these strategies will be discussed in more detail in this section.

3.2.1 International strategy

MNEs that pursue an international strategy try to create value by transferring valuable skills and products to foreign markets where indigenous competitors lack those skills and products. Most international enterprises have created value by transferring differentiated product offerings developed at home to new markets abroad. Accordingly, they tend to centralise product development functions, such as R&D at home. However, they also tend to establish manufacturing and marketing functions in each major country in which they do business. But while they may undertake some local customisation of product offering and marketing strategy, this tends to be limited. In most international enterprises, the head office retains tight control over marketing and product strategy (Hill, 2003:422; Phatak, Bhagat & Kashlak, 2005:196).

An international strategy makes sense if an enterprise has a valuable core competence that indigenous competitors in foreign markets lack and if the enterprise faces relatively weak pressures for local responsiveness and cost reductions. In such circumstances, an international strategy can be very profitable. However, when pressures for local responsiveness are high, enterprises pursuing this strategy lose out, to enterprises that emphasise customising the product offering and market strategy to local conditions (Hill, 2003:422; Phatak, Bhagat & Kashlak, 2005:196). This strategy is also sometimes referred to as the home replication strategy (Griffin & Pustay, 2002:288).

3.2.2 Multidomestic strategy

MNEs pursuing a multidomestic strategy orientate themselves towards achieving maximum local responsiveness. A key distinguishing feature of multidomestic enterprises is that they extensively customise both their product offering and their marketing strategy to match different national conditions. Consistent with this, they also tend to establish a complete set of value-creation activities, including production, marketing and R&D, in each national market in which they do business. As a consequence, they are generally unable to realise value from experience curve effects and location economies. Accordingly, many multidomestic enterprises have a high cost structure. They tend to do a poor job of leveraging core competencies within the enterprises (Hill, 2003:423; Griffin & Pustay, 2002:288; Mellahi, Frynas & Finlay, 2005:303; Phatak, Bhagat & Kashlak, 2005:197-198).

A multidomestic strategy makes most sense when there are high pressures for local responsiveness and low pressures for cost reduction. The high cost structure associated with the duplication of production facilities makes this strategy inappropriate in industries where cost pressures are intense. Another weakness associated with this strategy is that many multidomestic enterprises have developed into decentralised federations in which each national subsidiary functions in a largely autonomous manner (Hill, 2003:423; Griffin & Pustay, 2002:288; Mellahi, Frynas & Finlay, 2005:303; Phatak, Bhagat & Kashlak, 2005:197-198).

3.2.3 Global strategy

MNEs that pursue a global strategy focus on increasing profitability by reaping the cost reductions that come from experience curve effects and location economies. That is, they are pursuing a low-cost strategy. The production, marketing and R&D activities of firms pursuing a global strategy are concentrated in a few favourable locations. Global enterprises tend not to customise their product offering and marketing strategy to local conditions because customisation raises costs (it involves shorter production runs and the duplication of functions). Instead, global enterprises prefer to make a standardised product worldwide so they can reap the maximum benefits from the economies of scale that underlie the experience curve. They also use their cost advantage to support aggressive pricing in the world market (Hill, 2003:423; Griffin & Pustay, 2002:289; Phatak, Bhagat & Kashlak, 2005:197).

This strategy makes most sense where there are strong pressures for cost reductions and where demands for local responsiveness are minimal. Increasingly, these conditions prevail in many industrial goods industries. However, these conditions are not found in many consumer goods markets, where demands for local responsiveness remain high (e.g. processed food products). The strategy is inappropriate when demands for local responsiveness are high (Hill, 2003:423; Griffin & Pustay, 2002:289; Phatak, Bhagat & Kashlak, 2005:197).

3.2.4 Transnational strategy

In today's environment competitive conditions are very intense. To survive in the global marketplace, enterprises must exploit experience-based cost economies and location economies, they must transfer core competencies within the enterprise and they must do all this while paying attention to pressures for local responsiveness. In the modern MNEs, core competencies do not only reside in the home country. Valuable skills can develop in any of the enterprise's worldwide operations. Thus, the flow of skills and product offerings should not be all one way, from home enterprise to foreign subsidiary, as in the case of enterprises pursuing an international strategy. Rather, the flow should also be from foreign subsidiary to home country, and from foreign subsidiary to foreign subsidiary – a process referred to as global learning. The strategy pursued by enterprises that are trying to simultaneously create value in these different ways is referred to as a transnational strategy (Hill, 2003:424; Griffin & Pustay, 2002:289; Mellahi, Frynas & Finlay, 2005:306; Phatak, Bhagat & Kashlak, 2005:198).

A transnational strategy makes sense when a firm faces high pressures from cost reductions, high pressures for local responsiveness and where there are significant opportunities for leveraging valuable skills within a multinational's global network of operations. In some ways, enterprises that pursue a transnational strategy are trying to simultaneously achieve cost and differentiation advantages. As attractive as this may sound, the strategy is not easy to pursue. Pressures for local responsiveness and cost reductions place conflicting demands on an enterprise (Hill, 2003:424; Griffin & Pustay, 2002:289; Mellahi, Frynas & Finlay, 2005:306; Phatak, Bhagat & Kashlak, 2005:198).

3.3 STAFFING POLICIES

Staffing policy 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 (Hill, 2003:608). Four different staffing policies can be distinguished for global operations (Deresky, 2002a:391-396; Biscoe & Schuler, 2004:54-55; Ball et al, 2006:546-549): ethnocentric, polycentric, regiocentric and global staffing policies.

3.3.1 Ethnocentric staffing policy

MNEs using an ethnocentric staffing approach fill key managerial positions with people from headquarters – that is, parent country nationals (PCNs). Among the advantages of this approach are that PCNs are familiar with company goals, products, technology, policies and procedures – and they know how to get things accomplished through headquarters. This policy is likely to be used where a company notes the inadequacy of local managerial skills and determines a high need to maintain close communication and coordination with headquarters. It is also the preferred choice when the organisation has been structured around a centralised approach to globalisation and is primarily at the internationalisation stage of strategic expansion (Deresky, 2002a:391; Biscoe & Schuler, 2004:54; Scullion & Linehan, 2005:156; Hill, 2003:609-610; Ball et al, 2006:546).

Frequently, companies use PCNs for the top management positions in the foreign subsidiary – in particular, the chief executive officer (CEO) and the chief financial officer (CFO) – to maintain close control. PCNs are usually preferred when a high level of technical capability is required. They are also chosen for new international ventures requiring managerial experience in the parent company and where there is a concern about loyalty to the company rather than to the host country – in cases, for example, where proprietary technology is used extensively (Deresky, 2002a:391).

Disadvantages of the ethnocentric approach include the lack of opportunities or development for local managers, thereby decreasing their morale and their loyalty to the subsidiary, and the poor adaptation and lack of effectiveness of expatriates in foreign countries (Deresky, 2002a:391). According to Hill (2003:610), an ethnocentric policy can lead to "cultural myopia", the enterprise's failure to understand host country cultural differences that require different approaches to marketing and management. The adaptation of expatriate managers can take a long time, during which they may make major mistakes.

3.3.2 Polycentric staffing policy

With a polycentric staffing approach, local managers – host country managers (HCNs) – are hired to fill key positions in their own country. This approach is more likely to be effective when implementing a multidomestic strategy. If a company wants to "act local" there are obvious advantages to staffing with HCNs. These managers are naturally familiar with the local culture, language and way of doing business and they already have many contacts in place. In addition, HCNs are more likely to be accepted by people both inside and outside the subsidiary and they provide role models for other upwardly mobile personnel (Deresky, 2002a:391; Biscoe & Schuler, 2004:54-55; Scullion & Linehan, 2005:156; Hill, 2003:610; Ball et al, 2006:546-548).

With regard to cost, it is usually less expensive for a company to hire a local manager than to transfer one from headquarters, frequently with a family and often at a higher rate of pay. Transferring from headquarters is a particularly expensive policy when it turns out that the manager and his or her family do not adjust and have to be transferred home prematurely. Rather than building their own facilities, some companies acquire foreign enterprises as a means of obtaining qualified local personnel. Local managers also tend to be instrumental in staving off, or more effectively dealing with, problems in sensitive political situations. Some countries, in fact, have legal requirements that a specific proportion of the enterprise's top managers must be citizens of the country (Deresky, 2002a:391-392; Ball et al, 2006:547-548).

One disadvantage of a polycentric staffing policy is the difficulty of coordinating activities and goals between the subsidiary and the parent company, including the potentially conflicting loyalties of the local managers. Poor coordination among subsidiaries of MNEs could constrain strategic options. An additional drawback of this policy is that the headquarters managers of MNEs will not gain the international experience necessary for any higher positions in the enterprise that require the understanding and coordination of subsidiary operations (Deresky, 2002a:392).

3.3.3 Global staffing policy

In the global staffing approach the best managers are recruited from within or outside the company, regardless of nationality – a practice which has been used for some time by many European multinationals. Recently, as more major companies from the USA adopt a global strategic approach, they are also considering foreign executives for their top positions (Deresky, 2002a:392; Biscoe & Schuler, 2004:55; Scullion & Linehan, 2005:156; Hill, 2003:611; Ball et al, 2006:549).

A global staffing approach has several important advantages. First, this policy provides a greater pool of qualified and willing applicants from which to choose, which, in time, results in further development of a global executive cadre. The skills and experience that those managers use and transfer throughout the company result in a pool of shared learning that is necessary for the company to compete globally. Second, where third country nationals are used to manage subsidiaries, they usually bring more cultural flexibility and adaptability – as well as bilingual or multilingual skills – to a situation than parent country nationals, especially if they are from a similar cultural background to the host country co-workers and are accustomed to moving around. In addition, when third country nationals (TCNs) are placed in key positions, they are perceived by employees as an acceptable compromise between headquarters and local managers, and thus their appointment works to reduce resentment. Finally, it can be more cost-effective to transfer and pay managers from some countries than from others because their pay scale and benefits packages are lower. Those enterprises with a truly global staffing orientation are phasing out their entire ethnocentric concept of a home or host country. As part of that focus, the term “transpatriates” is increasingly replacing that of expatriate (Deresky, 2002a:392).

3.3.4 Regiocentric staffing policy

In a regiocentric staffing approach, recruiting is done on a regional basis – within Latin America for a position in Chile for example. This staffing approach can produce a specific mix of PCNs, HCNs and TCNs, according to the needs of the company or the product strategy (Deresky, 2002a:392-393; Biscoe & Schuler, 2004:54-55; Ball et al, 2006:548).

3.4 CHOICE OF STAFFING POLICY

As stated earlier, a link can be drawn between the internationalisation strategy being followed and the staffing policy being implemented by MNEs (Hill, 2003:611; Deresky, 2002a:391-392; Ball et al, 2006:546-549). MNEs following an international strategy will most probably implement an ethnocentric staffing policy, MNEs following a multidomestic strategy will most probably implement a polycentric staffing policy and MNEs following a global or transnational strategy will most probably implement a geocentric staffing policy. This correlation can be explained as follows:

- If an MNE is trying to create value by transferring core competencies to a foreign operation, as enterprises pursuing an international strategy are, it may believe that the best way to do this is to transfer PCNs who have knowledge of that competency to the foreign operation. Imagine what might occur if an enterprise tried to transfer a core competency in marketing to a foreign subsidiary without supporting the transfer with a corresponding transfer of home-country marketing management personnel. The transfer would probably fail to produce the anticipated benefits because the knowledge underlying the core competency cannot easily be articulated and written down (Hill, 2003:609; Ball et al, 2006:546).

- As indicated above, an MNE pursuing a multidomestic strategy aims for maximum local responsiveness. These enterprises extensively customise both their product offering and their marketing strategy to match different national conditions. If a company wants to "act local" there are obvious advantages to staffing with HCNs. These managers are naturally familiar with the local culture, language and way of doing business and they already have many contacts in place. In addition, HCNs are more likely to be accepted by people both inside and outside the subsidiary and they provide role models for other upwardly mobile personnel (Deresky, 2002a:391; Hill, 2003:610; Ball et al, 2006:546).
- A geocentric staffing policy enables an enterprise to make best use of its human resources, and perhaps more importantly, enables an enterprise to build a cadre of international executives who feel at home working in a number of cultures. Creating such a cadre may be a critical first step towards building a strong, unifying corporate culture and an informal management network, both of which are required for global and transnational strategies (Hill, 2003:611; Ball et al, 2006:549).

While the different policies described here are well known and widely used among both practitioners and scholars of international businesses, recently some critics have claimed that the typology is too simplistic and that it obscures the internal differentiation of management practices within international businesses. The critics claim that within some international businesses, staffing policies vary significantly from national subsidiary to national subsidiary; while some are managed on an ethnocentric basis, others are managed in a polycentric or geocentric manner (Hill, 2003:612; Rosenzweig & Nohria, 1994). Other critics note that the staffing policy adopted by an enterprise is primarily driven by its geographic scope, as opposed to its strategic orientation. Enterprises that have a very broad geographic scope are the most likely to have a geocentric mind-set (Hill, 2003:612; Kobrin, 1994:507-508).

According to Deresky (2002a:393), the following factors influence the choice of staffing policy being used by a MNE:

- The strategy and structure of the enterprise

- Factors related to the particular subsidiary, such as the duration of the particular foreign operation, the types of technology used and the production and marketing techniques necessary
- Factors related to the host country also play a part, such as the level of economic and technological development, political stability, regulations regarding ownership and staffing and the sociocultural setting

As a practical matter, however, the choice often depends on the availability of qualified managers in the host country. Most MNEs use a greater proportion of PCNs (also called expatriates) in top management positions, staffing middle and lower management positions with increasing proportions of HCNs as one moves down the organisational hierarchy (Deresky, 2002a:393).

3.5 REASONS FOR EMPLOYING EXPATRIATES

As was seen in the literature above, some staffing policies such as the ethnocentric staffing policy promote the use of expatriates, whilst other staffing policies such as the polycentric staffing policy promote the use of HCNs. In research conducted through structured interviews with the corporate personnel or human resource directors of 45 MNEs based in the UK and Ireland, Scullion (1994:90-93) identified a number of principal reasons for employing expatriates.

- The first was the lack of availability of management and technical skills in some countries. There was a greater tendency for companies to use expatriates in less developed countries due to the weak pool of available local management talent (Scullion, 1994:90; Hill, 2003:609).
- The second major reason for using expatriates is the objective of control of local operations. In Scullion's study 33 out of 45 enterprises identified control as a key reason for their use of expatriates. Expatriates were felt to be more familiar with the corporate culture and the control system of headquarters, and this was felt to result in more effective communication and coordination (Scullion, 1994:90; Hill, 2003:609).
- A further key reason for using senior expatriates was to maintain trust in key foreign businesses, following large international acquisitions. This finding is particularly interesting, because previous research has suggested that the employment of expatriates will be lower in acquisitions in comparison with Greenfield sites (Scullion, 1994:91;

Hamill, 1989:22) – building an enterprise from the ground up (Czinkota, Ronkainen & Moffett, 2003:138). The emergence of trust as a major factor is related to the rapid growth in the number and scale of foreign acquisitions by British companies in the 1980s. For example, in the late 1980s, a UK brewing and leisure company emerged as one of the world's leading hotel groups, following a massive £2 billion acquisition of a global hotel chain. In this example, a major reason given for using expatriates to run the acquisition was the need to have the peace of mind which comes from having your own people running such a large and strategically important investment (Scullion, 1994:91).

- The research also found that using expatriates for management development purposes was important and was increasing in significance for British multinationals. Out of 45 companies, 34 reported that expatriates were used for development purposes, and 25 of these enterprises claimed that use of expatriates for this purpose was becoming more important. This reflects the tendency of British companies to see expatriation as part of the career-development process. In this context, it is interesting to note that, in most cases, the management of expatriates was the responsibility of the corporate human resource function. This was the case even in some highly decentralised organisations (e.g. engineering companies) where the corporate human resource role was rather limited (Scullion, 1994:90; Ball et al, 2006:546).
- One very recent trend identified by the research was the tendency for companies to give younger managers international experience much earlier in their careers than previously. Over half of the companies in the survey (26 out of 45 companies) reported significant changes in this respect. This was linked to the growing problem of mobility (spouse's job, childrens' education and others) for older managers. This also reflect the strategy of some companies to broaden the opportunities for international development, and the growing recognition in some quarters that the payback on the investment of a developmental assignment may well be greater with a younger manager (Scullion, 1994:91-92).
- The performance of foreign subsidiaries also emerged as a significant factor influencing the use of expatriates. There was a greater tendency for the companies in the sample to use senior expatriates where the acquired business had been underperforming before the foreign acquisition. Similarly, poor performance by host country managers in the post acquisition phase was cited as an important reason for replacing them with expatriates (Scullion, 1994:90).

- Another factor influencing the approach adopted by companies was a strong expectation on the part of major foreign customers (and sometimes foreign governments) that the top managers in their country should be PCNs. Some 13 out of 16 international enterprises in the service sector and a minority of manufacturing firms (6 out of 26) said they had taken this into account in deciding their policy. Public relations and marketing were usually the key roles in this context (Scullion, 1994:92).
- There is also strong evidence from the present research that expatriates are more likely to be used in the early stages of new foreign operations. This is consistent with previous research that shows this practice is common in the early stages of internationalisation, where a company is setting up a new business, process, or product in another country and prior experience is considered essential (Scullion, 1994:93; Ball et al, 2004:598). A majority of firms indicated that control and trust were particularly important in the early stages of internationalisation. In Scullion's study, this factor had become more significant due to the rapid growth of international business in the last decade (Scullion, 1994:93).
- Nearly half of the companies (21 out of 45) also cited weaknesses in their training and development of HCN and TCN managers to explain their continued use of expatriates, despite a formal policy to replace expatriates with host-country managers after the start-up phase (Scullion, 1994:90; Ball et al, 2006:546).

In a small benchmark study involving fewer than 40 companies, Groh & Allen (1998:1) attempted to answer the question: "Are global staffing strategies delivering as much as they cost?" Their study revealed that companies with greater numbers of globally mobile employees – expatriates from the USA and developing company nationals – generally had lower total returns to shareholders. In contrast, better performing companies had the following in common:

- They are large and global, in terms of worldwide revenues, number of employees and countries.
- They have 50 percent fewer expatriates (in terms of total employment).
- They tend to use regional transfers and TCNs to a much greater extent.
- They have more comprehensive expatriate policies (e.g., frequent home leave and better educational benefits) that provide greater financial rewards (e.g., higher foreign service premiums and housing benefits).

3.6 STAFFING DECISIONS SUPPORTING GLOBAL DEVELOPMENT

The following five steps can foster careful staffing decisions that better support the global development of the organisation (Groh & Allen, 1998:1-2):

3.6.1 Link staffing strategies to global business goals

According to Groh & Allen (1998:1), rather than viewing international assignments as a means for developing global players and a global corporate culture, MNEs tend to view them as isolated projects. To change this mind-set, HR must understand a company's short- and long-term financial goals. Hiring, training and performance activities must support financial targets. A study by the National Foreign Trade Council Inc. (NFTC) revealed that in global HR activities, no more than one in five MNEs links selection with the preparation of employees for assignments. Likewise, few organisations emphasise career or succession planning. The following factors should be considered by MNEs in terms of the way they staff their global operations (Groh & Allen, 1998:1):

- The revenue and profit forecasts by country/region
- The likely pattern of growth (international or by acquisition)
- The degree of managerial autonomy extended to the local operation

3.6.2 Develop compensation and benefits policies

The following probing questions should be asked by MNEs in order to determine the gaps in their current policy (Groh & Allen, 1998:2).

- **Cost.** "What is the total cost of our expatriate policy? Do we understand the difference between and totals of direct and indirect costs? What controls are in place? Should these change over time?"
- **Fairness.** "How should the organisation define fair? Do employees and their families think the policies are fair? Are the policies equitable to expatriates in different countries and to local nationals? What level of internal equity is needed or desired? What are hiring managers' perspectives?"
- **Fitness.** "Are the policies integrated with other HR policies and solutions? Are they easily managed and administered? How are they linked to the business goals? Are they flexible enough to meet organisational needs, yet firm enough to limit individual negotiations?"

- **Competitiveness.** "How are the policies benchmarked and how frequently? What are the results of the benchmarking? What are the reactions to the policies from new hires and other service providers?"

Using HR's analysis, management can determine which policies are appropriate in terms of cost and other objectives and where the trade-offs may be (Groh & Allen, 1998:2).

3.6.3 Develop a performance management structure

Getting the right employee in the right place at the right time results from a solid HR staffing strategy. While home-country performance goals should be a solid foundation for building a performance management structure for international assignments, assignment-related goals should also be targeted as part of the global performance management structure. For example, completing the assignment on budget is important, but completing it six or eight months ahead of schedule could result in significant cost savings that could be shared with employees. The ideal staffing model and gap analysis enables management to link performance management to business objectives (Groh & Allen, 1998:2).

3.6.4 Create a communication strategy

It is important to recognise that management and employees will have conflicting points of view. Expatriates tend to look at each item in the compensation package separately, calculating any gain or loss. Management views the compensation package as a unit that addresses the financial needs of the expatriate. Management should address this at the start to avoid conflict that can interfere with employee productivity and corporate objectives. HR should help both the expatriate and family members understand what is in the compensation package, the reason for its structure, how it is designed to address specific issues and how it integrates components to provide total compensation specific to the location. Without a communication strategy designed to listen and respond to employees' needs at the beginning of the transfer, many international managers spend the duration of an employee's assignment on the defensive (Groh & Allen, 1998:2).

3.6.5 Monitor results

Without this step it is difficult to capture the return on the investment. This can be done through surveys of expatriates, returning expatriates, line managers and operations/marketing executives. HR should monitor repatriation activities, ensuring that the organisation utilises the skills and experiences of returning employees (Groh & Allen, 1998:2).

It is no secret that HR managers need to play a key role in the global business plan. After analysing staffing strategies, it might make good business sense to use fewer expatriates and treat them well, rather than using a scaled-down policy for more people and risk losing them in the end anyway. At the very least, management will know it is getting the most out of its global human capital investment (Groh & Allen, 1998:2).

3.7 INTERNATIONAL STAFFING PROBLEMS

Companies that have ventured abroad are sharing their experiences through the National Foreign Trade Council Inc. (NFTC), a New York based organisation that studies international management issues. The following are problems that are commonly encountered in international staffing reported to the NFTC – along with some solutions (McNerney, 1996:1-6).

- **A dearth of qualified locals.** Managers in emerging markets – China, Eastern Europe, Southeast Asia, the Middle East and Africa – often complain that they cannot find enough qualified local people to staff their operations. Positions remain unfilled for months as managers search for local people with the right mix of skills. There is, however, no shortage of brainpower in these regions, just a shortage of people with the right mix of technical skills and a willingness to accept the Western style of doing business (McNerney, 1996:4; Hill, 2003:609; Deresky, 2002a:391).

  To address the shortage of local talent, MNEs should develop a "farm team" of foreign nationals from sources outside the local market, such as Western and US business schools. These students represent another talent stream – above and beyond what is available in the local labour market – to which Western enterprises have unique access. They also are immersed in Western business practices and capable of filling high-skills jobs in their home countries (McNerney, 1996:4).

- **High turnover amongst locals.** Given the scarcity of local talent, it is not surprising that Western companies experience high employee turnover in foreign markets. This is especially true of highly trained professionals with in-depth technical skills. Talented locals often get lured away to other enterprises by sweeter compensation packages.

Sometimes employees go to other Western enterprises that offer them more cash or a more prestigious title. Otherwise they go to a local company that not only increases their remuneration and benefits, but also offers them an equity stake in one of its local subsidiaries (McNerney, 1996:4; Hill, 2003:610).

Western enterprises cannot compete with equity ownership, because they are not going to open up subsidiaries in order to give equity participation to locals. But there are some tricks Western enterprises can use to reduce employee turnover in foreign markets. For instance, they can offer stock options with long maturity – three to five years for example – to top performers. Large Western multinationals can also offer a job-rotation programme to talented local personnel, giving them an opportunity to gain experience at foreign offices around the world. Not only do they enjoy that, but also job-rotation is something that many local companies cannot do because they do not have subsidiaries around the world (McNerney, 1996:4).

- **Escalating local payrolls.** Many people assume that hiring local personnel in developing countries is cheap, but this is not always the case. With qualified locals in such short supply, their cost is rising. This trend is quite evident throughout Asia, where salaries have been rising by more than 10 percent a year in most labour markets since the early 1990s – and by even larger amounts for skilled professionals and managers. This phenomenon is happening in other developing markets as well. The bidding war is not limited to salaries, however. Benefits costs are also escalating for Western companies as they try to match the offerings of local companies and outflank their Western competition. In Indonesia, for instance, where employees commonly subsidise mortgages for valued employees, Western companies have been forced to do the same thing. Citibank is a case in point. They are carrying a portfolio of employee loans in Indonesia of US$25 million. The street rate for these housing loans is about 13 percent and is subsidised at 5 percent, so the employee pays about 5 percent and Citibank picks up the difference – 8 percent. To get the best compensation and benefits package, local workers in foreign countries may cherry pick the offerings of various employers, trying to convince one company to match the individual pieces of the other employers' packages (McNerney, 1996:4-5; Briscoe & Schuler, 2004:349).

While it is difficult to resist the basic laws of supply and demand that are driving up certain labour costs in developing countries, Western companies can take some steps to ameliorate escalating local payrolls. At the very least, they can stop the practices of their own that contribute to the problem: for instance, not allowing people to cherry pick. They can understand the compensation and benefits packages of their competitors and make sure their total package equals the competition's total package, but not try to match the best parts of every package out there. If an enterprise does, it will have such an inflated total compensation programme that it will go out of business. Employers are also cautioned that pirating employees from one another will only lead to higher salary standards down the road. When Western companies pirate people away at double or triple their salary they inflate salaries scales (McNerney, 1996:5).

- **Lack of corporate culture.** When a Western company hires too many local people in its foreign office, it risks losing the unique set of values and operating procedures that defines its corporate culture. If an enterprise relies too heavily on locals, the enterprise is going to have a local culture, not the corporate culture it wants, and the local culture may be totally foreign to the way the enterprise operates (McNerney, 1996:5; Hill, 2003:609; Ball et al, 2006:548).

  In order to solve this problem it is important to bring in a critical mass of expatriates who carry the culture with them at the beginning of the start-up. Then the enterprise can leave one or two behind to oversee the locals and ensure that they are following corporate policies (McNerney, 1996:5; Hill, 2003:609).

- **Poor expatriate selection.** Many companies haven't established sound processes for selecting employees to send abroad. In some enterprises, in fact, the process is little more than a random lottery. "We look up and down the hallway and we send Sheridan off to Japan – because we see him". Clearly, though, such a careless approach is inadequate. An employee might have all the technical skills to do the job, and might have been very successful in his or her role in the USA, but might not have the skills to adapt to a foreign market (McNerney, 1996:5).

  To improve the chances of success, companies must develop a more rigorous selection process. Sensible companies interview the candidates carefully, and may even interview the spouse, to find out if they are going to be adaptable. Ideally, the interview process is a two-way dialogue in which the candidate learns about the challenges of working abroad and the company narrows the field of promising candidates. It's a self-elimination process. Candidates are given a pretty open and honest assessment of where the challenges will be and the individual has the opportunity, if he or she wishes, to withdraw from consideration or pick up some skills that will be needed for the new assignment (McNerney, 1996:5-6; Briscoe & Schuler, 2004240-241; Hodgetts & Luthans, 2003:456-457).

- **Overcompensating expatriates.** Companies that do not have well thought-out global compensation policies often overcompensate their expatriates. They tend to give expatriates what they ask for – generous foreign-service premiums and cost-of-living allowances, for example – rather than what they need, and sometimes, mistakenly, they try to preserve the expatriates' home-country standard of living in a foreign country where doing so is impractical. It is really not possible, nor does it make sense, for somebody who is going to Tokyo to expect to be able to rent a four-bedroom Colonial home. It just does not exist, and even if it did exist, it would be prohibitively expensive (McNerney, 1996:6).

  In order to overcome this problem, an MNE should start out with a modest compensation package and be prepared to increase it, if necessary. It should try not to start out over generous, as it is very difficult to scale back packages once they are in place. It is important that MNEs realise that they don't have to automatically assume that they have to preserve the expatriate's home-country standard of living. Chubb & Son, which has a well-developed expatriate compensation policy, does not guarantee that all of its expatriates will maintain their home-country standard of living while abroad. The home country is used as a reference point, but they look at what is possible and affordable in the location the expatriate is moving to (McNerney, 1996:6).

- **Inadequate attention to the soft issues.** Many companies focus on the hard issues surrounding expatriate assignments – taxes, cost-of-living allowances, premiums and the like – and overlook the soft issues. These issues include employment for the expatriate's spouse, schooling for his or her children and the family's adjustment to a new culture. "Will the trailing spouse be able to work, how are you going to keep that spouse happy and what can the company do to help the family be more accepting of the assignment" (McNerney, 1996:6; Sievers, 1998:S9)?

If the trailing spouse has to give up a job in the home country, the expatriate's employer can give him or her a stipend to use in finding employment in the new country or acquire new skills through continuing education. In some cases, the employer may assist the spouse in finding employment in the new country or even subsidise the loss of income. To help the family make a smooth adjustment to the new culture, the employer should offer cultural training. Usually, this is done with the assistance of a specialised consulting firm (McNerney, 1996:6; Sievers, 1998:S9).

3.8 CHANGES IN INTERNATIONAL STAFFING POLICY

In his study of 45 international personnel management professionals in MNEs based in the UK and Ireland, Scullion (1994:89) found that a majority of the companies continued to rely heavily on PCNs to run their operations. The research findings showed that, while almost 50 percent of companies had formal policies favouring the use of host country managers to run their foreign operations, in practice just over one-third operated with HCNs in senior management positions in their foreign operations. In other words, two-thirds of the companies relied primarily on expatriates to run their foreign operations. Furthermore, the trend has moved in the direction of greater use of expatriates. Half of the companies in the sample (22 out of 45) reported an increase in the use of expatriates over the previous decade and only 20 percent indicated that they had reduced their use of expatriates. The remainder reported no significant change.

The findings of the study on staffing practices in UK and Irish enterprises reveal sharp differences with MNEs from the USA. MNEs from the USA have tended to substitute HCNs to replace expatriates, primarily in response to the difficulties managers from the USA have experienced in adjusting to other cultural environments. The increased use of host country managers may in part reflect the cost of maintaining expatriates abroad, the greater sensitivity of local managers to local cultures and local market needs and the growing international maturity of some multinationals. It is suggested, however, that expatriate reduction may result in multinationals from the USA facing reduced identification with the worldwide organisation and its objectives, difficulties in exercising control and a lack of opportunities for managers from the USA to gain international experience abroad. The principal concern is that multinationals from the USA could face major strategic management control problems where managers identify with local units rather than with global corporate objectives (Scullion, 1994:89-90; Kobrin, 1988:68-73).

In a more recent study amongst 60 mainly European companies, it was found that 53 percent had more than 50 employees on long-term assignments of a year or more, but only 18 percent had more than 50 abroad for fixed periods of less than a year or so. However, short-term assignments were the ones most companies expected to grow. In a comparative study between 1997 and 2000 it was found that the growth in short-term assignments was quite astounding. One of the reasons for this change is cost. Sending employees abroad long term generally costs three to four times as much as employing local staff. Another reason is the way that companies run international operations. The growth in shorter postings can be traced to the early 1990s, when executives increasingly acquired global and functional, rather than regional and geographic, responsibilities. A manager with responsibility for, example, information, is expected to work in all the countries in which the company operates. As a result, people with specific skills, often much lower down the company ladder than the typical expatriate of the past, now work abroad for a few weeks or months at a time (Anon, 2000b:80).

Employees' lives have altered too, in ways that make long-term foreign postings less attractive. Professionals marry other professionals: dual-career couples risk losing half their income if one has to move. Half the companies surveyed said the employee's partner was one of the main reasons for failed or unsuccessful postings. Short assignments, of up to a year, solve several of these problems. They often cost a company less, partly because the employee usually continues to be paid the same salary as he or she would have earned at home. Short postings also avoid uprooting a career-minded spouse, and may give high-fliers a more rounded perspective (Anon, 2000b:80).

As well as posting staff abroad for months or years, more and more companies expect people to be prepared to nip across the Atlantic or the Pacific for a few days at a time. There has been a sharp rise in long-distance commuting and one-off business trips over the past three years. But managing frequent fliers tends to be the purlieu of line managers, not the human resources department (Anon, 2000b:82).

3.9 SUMMARY

MNEs can choose between four different staffing policies to follow when staffing their international operations. These include: the ethnocentric, the polycentric, the global and the regiocentric staffing policies. These policies can, however, in most cases be directly linked to the internationalisation strategy being followed by MNEs. MNEs following an international strategy will most probably implement an ethnocentric staffing policy, MNEs following a multidomestic strategy will most probably implement a polycentric staffing policy and MNEs following a global or transnational strategy will most probably implement a global staffing policy. Three of the four staffing policies require the use of expatriates: the ethnocentric, global and regiocentric staffing policies. It was pointed out that the lack of available management and technical skill in some countries and the need to control the local operations were among the main reasons why MNEs use expatriates.

Apart from determining which international staffing policy to implement, MNEs encounter some problems as far as international staffing is concerned. These include a dearth of qualified local managers in emerging markets, high turnover amongst local or host-country managers and an escalating payroll for host-country managers as well as the overcompensating of expatriates.

Internationally there seems to be a shift in the staffing policies being followed by MNEs. More and more MNEs are opting to make use of short-term assignments – up to a year - as opposed to long-term assignments. One of the main reasons for this change is the resistance of expatriate's spouses to leaving their careers behind and relocating internationally. These short-term assignments often also cost a company less, partly because the employee usually continues to be paid the same salary as they would have earned at home.

If an MNE has decided to follow a staffing policy requiring the utilisation of expatriates, the MNE must decide on the type and amount of preparation, support and training it should provide the expatriate and his or her family with. These issues will be discussed in the next chapter.

CHAPTER 4
THE PREPARATION, SUPPORT AND TRAINING OF EXPATRIATES

4.1 INTRODUCTION

Though many larger companies are attempting to stabilise or reduce their number of international assignments, the expatriate workforce is growing because of the steady increase in small- and medium-sized companies entering the international marketplace. Considering the fact that failure rates for international assignments average 45 percent, employers should understand how to best support expatriates (Fitzgerald-Turner, 1997:70).

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 socio-cultural, physical, and biological environments. That certainly is the case with assignments to, from, or in a region as ecologically diverse in these respects as Asia and the Pacific: from Perth to Tokyo, Chiang Mai to Auckland, Suva to Calcutta, Honolulu to Jakarta, Beijing to Los Angeles, Seoul to Kuala Lumpur, Singapore to Cebu. Those new ecologies present several significant challenges to assignment success. To the degree that assignees are able to deal effectively with these challenges, their assignments will be successful. To the degree that they are unable to meet one or more of them, their success will be less than optimal – often they fail altogether. Thus effective preparation, support and training for international assignments need to be based on sound research-supported models of the skills required to meet the challenges of those assignments for the assignees, themselves, their families accompanying them, those managing them and the host with whom they are working (Fontaine, 1997:631).

According to Britt (2002:22), the second annual Global Expatriate Study, a survey posted on the Internet in five languages to which 709 expatriates from more than 200 MNEs responded, found that expatriates want their employers to:

- Provide cross-cultural and language training for employees and offer cultural assistance to employees' families
- Communicate on health and safety issues for most host countries
- Provide generous benefits packages tailored to international workers' needs

- Help executives balance personal and professional responsibilities while on assignment

To reach “strategic partner status” in globalisation, employers must focus on the difficult problems of integrating expatriates and their families into their host country – not just the “easy” issues of moving households and managing tax implications. They must recognise the difference between expatriates, then use that recognition as a departure point for developing expatriate policies. The cost/benefit ratio of serving a small pool of expatriates may seem high, but the company’s investment in expatriates may be the key to future success (Fitzgerald-Turner, 1997: 74).

4.2 PREPARATION

According to the second annual Global Expatriate Study, nearly 40 percent of the 709 expatriates who responded to the survey said they were not prepared adequately for an international assignment, 56 percent cited poor coordination between local-country and home-office HR departments, and 35 percent said they expected to leave their current employer within five years (Britt, 2002:22; Briscoe & Schuler, 2004:242).

According to Fitzgerald-Turner (1997:70-72; Ball et al, 2006:554), MNEs should hire a relocation service in the host country to relocate expatriates. A relocation service can make the difference between productive employees able to focus on challenges at work and distracted and frustrated individuals who feel the company has deserted them. Services provided may include obtaining immigration and work permits, car and home insurance and drivers’ licences; locating housing; negotiating leases; facilitating connection of residential utilities; finding doctors and sorting out health-care issues; selecting schools and helping clients assimilate into the new culture. She further adds (Fitzgerald-Turner, 1997:72; Sievers, 1998:S9; Briscoe & Schuler, 2004:242) that MNEs should provide pre-departure assistance and ongoing consultation for expatriates and their families. Expatriates rarely get any pre-departure assistance beyond tax advice and relocation of household goods. It is crucial that, at the very least, basic language skills and cross-cultural training be provided. Pre-departure assistance should also address critical family issues such as what the partner will do, children’s schools, medical coverage and making friends. In addition, basic households issues such as temporary living accommodation, obtaining appliances compatible with foreign electrical services, banking needs and shipment logistics should be addressed. The most successful expatriate families develop action plans for the first two weeks, one month, three months and nine months, with key milestones they are striving to achieve.

According to Halcrow (1999:44-48), a recent survey entitled Measuring Expatriate Success, a survey of HR professionals to which 337 HR professionals responded, it was found that although the average expatriate assignment lasts 2.7 years and costs hundreds of thousands of dollars, there is still a large gap between identifying the broad business purposes (such as opening a new market or facilitating a merger) and setting specific goals for the assignment. Just 33.5 percent of respondents say their organisation always sets measurable goals for assignments. Another 22.5 percent set measurable goals 75 percent of the time. But almost a third (31 percent) set measurable goals half the time or less, while 13 percent say measurable goals are never set for expatriate assignments. Respondents to the survey acknowledge that inadequate planning is a problem. Almost two-thirds of the respondents say that the lack of a defined goal has impeded the success of assignments and another 57 percent say ambiguity in communicating the goal to the assignee has been a problem.

According to the same survey (Halcrow, 1999:44-48), one in four MNEs does not begin formal repatriation discussions (to address not only the move home, but next job assignments as well) until three to six months (Black, 1991:17) before the end of the assignment. But 4 percent wait until only two months before the return to discuss it, while 27 percent of respondents say their organisation may not have a repatriation discussion at all. According to one respondent, their organisation gives expatriates information about their return before they leave. Allen & Alvarez (1998:37) suggest that companies develop a specific component in their corporate expatriate preparation programme that emphasises repatriation survival skills for employees being sent on international assignments.

According to Sievers (1998:S9), the majority of global companies do not have formal policies to address the needs of their expatriates' families, and that it is imperative that companies respond to these issues by developing comprehensive, flexible and interactive programmes specifically for spouses and families. She suggests that the spouse be involved from the beginning. More and more companies now include spouses in informational sessions with relocation managers prior to the transfer (Hill, 2003:616; Solomon, 1994:3; Shay & Tracey, 1997:33). DuPont, for example, invites the employee and spouse to attend an orientation session where they can ask specific questions about any aspect of the transfer. Their intent is to recognise that the international move is very much a family dislocation and the extent that the spouse can feel a part of each step is important. Another way companies help employees and their families feel informed about the transfer is to put them in touch with other families who have already made the move. Shell International employees simply contact Outpost, a network of 40 information centres set up for Shell expatriates and their families in 30 countries around the world. Staffed by the spouses of Shell's expatriate employees, Outpost centres provide a comprehensive and personal briefing service to anyone who is considering or has accepted an international assignment. Outpost staff answer questions ranging from "What should I pack into my air freight?" to "Are there other families there with a disabled child like mine?" In addition to providing information before a family move, the Outpost centres have structured welcome groups who help new families settle in after their arrival (Sievers, 1998:S9-S10).

According to Frazee (1998:23; Briscoe & Schuler, 2004:387), before an MNE puts an expatriate family on an aeroplane, it is important that it helps them take preventative measures to safeguard their health. In the 1996-1997 International Assignee Research Project, 65 percent of international transferees surveyed were not provided with a pre-departure medical briefing about benefits and in-country practices, and 38 percent were not offered pre-departure medical exams or immunisations (Frazee, 1998:23). In order to better prepare expatriates for international assignments Frazee (1998:23; Briscoe & Schuler, 2004:386-391) recommends the following:

- Expatriate families should have full physical and dental examinations before leaving their home countries.
- A doctor should review their medications. The expatriates should be able to leave with a year's worth of necessary medications.
- Expatriates should be adequately immunised against illnesses that exist in the destination country.
- Expatriates should have access to an international employee-assistance programme.
- Instructions should be provided about food and water precautions.
- Expatriates should be informed about local driving practices and motor vehicle safety, as well as personal safety in the host country.
- Expatriates should be provided with local medical referrals and a procedure for emergency medical situations.

4.3 TRAINING

Training is the process of altering an employee's behaviour and attitudes in a way that increases the probability of goal attainment. This training process is particularly important in preparing employees for international assignments because it helps ensure that their full potential will be tapped (Hodgetts & Luthans, 2003:481). Hill (2003:616) adds that an intensive training program might be used to give expatriate managers the skill required for success in a foreign posting. Training programmes are useful in preparing people for international assignments for many reasons. These can be put into two categories: organisational and personal (Hodgetts & Luthans, 2003:485-487):

- **Organisational reasons.** Organisational reasons for training relate to the enterprise at large and its efforts to manage international operations more effectively. One primary reason is to help overcome ethnocentrism; the belief that an individual's way of doing things is superior to that of others. Ethnocentrism is common in many large MNCs where managers believe that the home office's approach to doing business can be exported intact to all other countries because this approach is superior to anything at the local level. Training can help home-office managers to understand the values and customs of other countries so that when they are transferred internationally they have a better understanding of how to interact with local personnel. This training can also help managers to overcome the common belief among many personnel that expatriates are not as effective as host-country managers. Another organisational reason for training is to improve the flow of communication between the home office and the international subsidiaries and branches. Quite often, international managers find that they are not adequately informed regarding what is expected of them, while the home office places close control on their operating authority. This is particularly true when the international manager is from the host country. Effective communication can help to minimise these problems. Finally, another organisational reason for training is to increase overall efficiency and profitability. Research shows that organisations that closely tie their training and human resource management strategy to their business strategy tend to outperform those that do not (Hodgetts & Luthans, 2003:485-486; Bird & Beechler, 1995:40).
- **Personal reasons.** Although there is overall organisational justification, the primary reason for training international managers is to improve their ability to interact effectively with local people in general and their personnel in particular. One early study that surveyed 75 companies in England, Holland, Belgium and Germany found that some of

the biggest complaints about managers by their personnel revolved around personal shortcomings in areas such as politeness, punctuality, tactfulness, orderliness, sensitivity, reliability, tolerance and empathy (Hodgetts & Luthans, 2003:486; Zeira & Harari, 1979:42). As a result, an increasing number of training programmes now address social topics such as how to take a client to dinner, effectively apologise to a customer, appropriately address one's international colleagues, communicate formally and politely with others and learn how to help others save face. Another common problem is expatriate managers' overruling of decisions, often seen at lower levels of the hierarchy. When a superior who is from the host country takes a decision and the expatriate does not agree with it, the expatriate may appeal to higher authority in the subsidiary. Host-country managers obviously resent this behaviour because it implies that they are incompetent and can be second-guessed by expatriate subordinates. Still another problem is the open criticising by expatriate managers of their own country or the host country. Many expatriates believe that this form of criticism is regarded as constructive and shows them to have an open mind. Experience has found, however, that most host-country personnel view such behaviour negatively and feel that the managers should refrain from such unconstructive criticism. It simply creates bad feelings and lack of loyalty. In addition to helping expatriates to deal with these types of personal problems, training can be useful in improving overall management style. Research shows that many host-country nationals would like to see changes in some of the styles of expatriate managers, including their leadership, decision-making, communication and group work (Hodgetts & Luthans, 2003:486-487).

The training that a person undergoes before expatriation should be a function of the degree of cultural exposure that he or she will be subjected to. Two dimensions of cultural exposure are the degree of integration and the duration of stay. The integration dimension represents the intensity of the exposure. A person could be sent to a foreign country on a short-term, technical, trouble-shooting matter and experience little significant contact with the local culture. On the other hand, a person could be in Japan for only a brief visit to negotiate a contract, but the cultural interaction could be very intense and might require a great deal of cultural fluency to be successful. Similarly, an expatriate assigned abroad for a period of years is likely to experience a high degree of interaction with the local culture from living there (Beamish et al, 2000:193).

One set of guidelines suggests that for short stays (less than a month) and a low level of integration, an information-giving approach would suffice. This includes area and cultural briefings and survival-level language training, for example. For longer stays (2–12 months) and a moderate level of integration, language training, role-plays, critical incidents, case studies and stress reduction training are suggested. For people who will be living abroad for one to three years and/or will have to experience a high level of integration into the culture, extensive language training, sensitivity training, field experiences and simulations are the training techniques recommended. Effective preparation would also stress the realities and difficulties of working in another culture and the importance of establishing good working relationships with the local people (Beamish et al, 2000:193-194; Wild, Wild & Han, 2003:461-462). Griffin & Pustay (2002:587) adds that before an enterprise can undertake a meaningful training or development program, it must assess its exact training and development needs. This assessment involves determining the difference between what managers and employees can do and what the firm feels they need to be able to do.

Two of the most common reasons for expatriate failure are the inability of a manager's spouse to adjust to a foreign environment and the manager's own inability to adjust to a foreign environment (Hill, 2003:617; Shay & Tracey, 1997:33). Training can help the manager and spouse cope with both these problems. Cultural training, language training and practical training all seem to reduce expatriate failure. Despite the usefulness of these kinds of training, evidence suggests that many managers receive no training before they are sent on foreign postings. One study found that only about 30 percent of managers on one- to five-year expatriate assignments received training before their departure (Hill, 2003:617; Briscoe & Schuler, 2004:274; Black, 1988:282; Deresky, 2002a:399; Baliga & Baker, 1985:34-36).

4.3.1 Cultural training

Cultural training seeks to foster an appreciation for the host country's culture. The belief is that understanding a host country's culture will help managers empathise with the culture, which will enhance their effectiveness in dealing with host-country nationals (Hill, 2003:617; Shay & Tracey, 1997:32). It has been suggested that expatriates should receive training in the host country's culture, history, politics, economy, religion and social and business practices (Hill, 2005:629; Baliga & Baker, 1985:37; Shay & Tracey, 1997:34-35). If possible, it is also advisable to arrange for a familiarisation trip to the host country before the formal transfer, as this seems to ease culture shock. Given the problems related to spouse adaptation, it is important that the spouse and perhaps the whole family be included in cultural training programmes (Hill, 2003:617; Shay & Tracey, 1997:33).

According to Shay & Tracey (1997:34), the following questions must be answered to develop cross-cultural training programmes that adequately prepare managers for international assignments:

- What should be the content of a cross-cultural training programme?
- How should the programme be structured?
- Who should do the training?

One of the most economical and useful models for cross-cultural training delineates objective and subjective characteristics of culture. Objective characteristics are tangible and observable: currency, government system, architecture, language and so on. 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. The information should create an awareness of the general dimensions on which culture differ and the likely effects of the differences on expatriates (Shay & Tracey, 1997:34).

Objective-based programmes typically focus on managing change and coping with the stress that accompanies an international assignment (Shay & Tracey, 1997:34-35; Harrison, 1994:22). The preparation and adjustment associated with cross-cultural assignments can induce a great deal of anxiety and pressure. Expatriates must therefore have an opportunity to acquire knowledge and skills that will help them manage the culture shock, prepare them for the initial and continuous challenges they will face and reduce the likelihood of premature returns (Shay & Tracey, 1997:35).

It is not enough, however, for expatriates to learn about the salient objective characteristics that distinguish the host culture from that of their home country. Expatriates must also understand the more elusive subjective characteristics: customs, values, beliefs, norms and so on. 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 (e.g., individualism versus collectivism), authority (e.g., relevance of organisational hierarchy) and punctuality (e.g., "island time"). The importance of subjective cultural characteristics cannot be overstated.

Without a thorough grounding in those aspects, an expatriate may arrive at the host property and mistakenly think that because the front desk, kitchen equipment and room furnishings look the same as those in New York City, the property should function as it might in New York City. While the objective aspects (e.g., the reservations system) may operate the same, the people will not necessarily perform their jobs the same way. Understanding the objective aspects should help to make the expatriate feel comfortable in the new environment, and a comprehensive understanding of the subjective aspects of the host culture will facilitate acculturation and enhance performance. Cross-cultural training programmes should include both objective and subjective aspects of culture (Shay & Tracey, 1997:35).

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. Managers who have a broad understanding of a culture can generalise that knowledge to many cultural contexts. Once they learn about general cultural issues, they are ready to acquire the various social-interaction skills necessary to be effective in the host country. The format, proceeding from the general to the specific, is an effective strategy for achieving desired learning outcomes in any training programme (Shay & Tracey, 1997:35).

To facilitate an understanding of the objective culture, passive methods, such as lectures, reading and videos can be used. Those methods can be effective for learning about history, geography, climate, population demographics and the economy of the host culture. For developing more specific knowledge and skills, experiential methods, such as cultural assimilators and role-playing, are most appropriate ("cultural assimilators" refers to communication exercises or practice involving brief intercultural interactions to assist members of one culture in adjusting to members of another culture). The behavioural skills are acquired through practice, repetition and immediate feedback about performance. In this stage of training the managers not only learn about the culture but practise their newly acquired understanding and skills in situations that don't carry the risks involved with learning on the job and in the culture (Shay & Tracey, 1997:35).

It is suggested that trainers should have the following characteristics and qualifications (Shay & Tracey, 1997:35):

- Previous experience of living abroad

- Personal experience with the challenges associated with culture shock
- A comprehensive knowledge of the host country
- A clear understanding of the values of the home culture and the host culture and the ability to differentiate between the two on various dimensions
- A positive attitude about experiencing new cultures and value systems

Trainers should have a thorough grounding in both the empirical and the theoretical literature on expatriate acculturation and should interact one-on-one with the trainees throughout the programme. The best source of trainers may in fact be a company's present and former expatriate staff (Shay & Tracey, 1997:35).

4.3.2 Language training

English is the language of world business; it is quite possible to conduct business all over the world using only English. Despite the prevalence of English, however, an exclusive reliance on English diminishes an expatriate manager's ability to interact with host-country nationals. A willingness to communicate in the language of the host country, even if the expatriate is far from fluent, can help build rapport with local employees and improve the manager's effectiveness (Hill, 2003:617; Ball et al, 2006:553-554). Despite this, a study of 74 executives of USA multinationals found that only 23 believed knowledge of foreign languages was necessary for conducting business abroad (Hill, 2003:617; Baliga & Baker, 1985:35; Hodgetts & Luthans, 2003:453). Those enterprises that did offer foreign language training for expatriates believed it improved their employees' effectiveness and enabled them to relate more easily to a foreign culture, which fostered a better image of the firm in the host country (Hill, 2003:617; Rugman & Hodgetts, 2003:346).

Another benefit of language training is for monitoring competition. MNEs often locate near their competitors because new developments by these enterprises are most likely to be reported in local newspapers and in other sources. It is frequently possible to learn more about what a competitor is doing through local news media than one could ever find out if the investigation were conducted from MNE headquarters (Rugman & Hodgetts, 2003:346).

4.3.3 Practical training

Practical training is aimed at helping the expatriate manager and family ease themselves into day-to-day life in the host country. The sooner a routine is established, the better are the prospects that the expatriate and his or her family will adapt successfully. One critical need is a support network of friends for the expatriate. Where an expatriate community exists, enterprises often devote considerable effort to ensuring that the new expatriate family is quickly integrated into that group. The expatriate community can be a useful source of support and information and can be invaluable in helping the family adapt to a foreign culture (Hill, 2003:617; Sievers, 1998:S9).

According to Fitzgerald-Turner (1997:74; Hodgetts & Luthans, 2003:216), MNEs should monitor their internal systems and people in order to determine whether they really are a global company. MNEs should make sure that they are not so "headquarters centric" that they unknowingly create barriers for expatriates. Questions such as the following should be asked:

- Can the accounting staff translate foreign currency?
- Are phone conferences scheduled with faraway time zones in mind?
- Do procedures accommodate entirely different systems internationally?

Companies operating internationally need to invest in global awareness training and education for employees at all levels in the organisation that are involved with global operations. This modest expenditure will result in a much greater return on all the investments being made in the enterprise's global expansion (Fitzgerald-Turner, 1997:74).

4.4 SUPPORT

According to the second annual Global Expatriate Study (Britt, 2002:21-22), companies should do more to support their expatriates and relieve those employees' fears about growing political tensions around the world in order to shore up the productivity of employees sent on international assignments. Expatriates who believe they are not getting enough information about health and safety issues have less peace of mind and feel less productive, according to 55 percent of the 709 international workers who responded to the survey. Employees working in other countries want their companies to provide them with security bulletins, contingency plans and emergency guidelines to keep them up to date about potential adverse conditions. Only 20 percent of the respondents said their companies were keeping them informed (Britt, 2002:21-22).

According to Hanrehan & Bentivoglio (2002; Briscoe & Schuler, 2004:382), family members accompanying employees assigned to foreign worksites have always been a major focus of international HR programmes, and the September 11 terrorist attacks and the conflict in Afghanistan have increased concerns for their safety. Assignees in at-risk areas are not requesting an early return home, but some workers are asking employers to send their family members home or move them to a more secure environment. Many enterprises are trying to accommodate these requests, but such a change in the family's residence raises a number of HR and international assignment programme issues, some of which have a potential tax impact. If the assignee's family is relocated from the international work location to their home or another location, the organisation must decide whether to allow increased home leave for assignees. This may appear to be strictly an international HR issue, but the organisation and the assignee also face tax implications of more frequent trips home, as well as the cost of maintaining dual households. Regardless of the tax implications, HR managers must determine the number and duration of reimbursable home leave trips they will provide. Prior to September 11, most North American based companies allowed one trip home per year, but that policy generally assumed that the family would be travelling together. If the assignee (with family) remains in a potentially unsafe work location, the company may be required to re-evaluate and upgrade security arrangements, which could increase expenses: for example, providing a car and driver to employees (Hanrehan & Bentivoglio, 2002).

MNEs should never assume that "no news is good news" – and should maintain regular contact with expatriates. It is suggested that an expatriate should be telephoned weekly during the first 60 days of expatriation and monthly thereafter for the first year (Fitzgerald-Turner, 1997:72; Chowanec & Newstrom, 1991:70). It is further recommended that flexible expatriate policies should be designed. Instead of allowances and premiums governed by arbitrary rules, MNEs could provide a fair budget and a choice of support services. This approach spends employers' money more wisely and gives expatriates the sense that the MNE understand the challenges their families will face (Fitzgerald-Turner, 1997:72-74).

MNEs are also likely to offer much less help to employees as they return home than they were given at the outset of the assignment, despite the fact that experts say the return home can be just as great an adjustment. Almost three-quarters of respondents to the Measuring Expatriate Success survey say that expatriates are given home-finding assistance when they return. Only 30 percent say that employees receive orientation counselling (to address such issues as the financial implications of a return) and only 21 percent report the providing of career counselling (Halcrow, 1999:48).

Sievers (1998:S9) makes recommendations on how MNEs can support the trailing spouse and families of expatriates while on an international assignment. According to her, the MNEs should help the spouses find employment. The issue of spouse's employment grows more significant as the number of dual career couples rises. Many women do not want to sacrifice their careers for the sake of their husbands' overseas transfers. In addition, though the majority of trailing spouses are still women, it is becoming more common to find a trailing husband who is possibly derailing his career by moving (Sievers, 1998:S9; Scullion & Linehan, 2005:144; Hill, 2003:616). She further recommends that MNEs provide support to their expatriates' families by helping to establish clubs and social organisations. BASF, the multinational chemical corporation, provides financial and administrative support for Deutsche-Auslaender Verbindung (the German-American Connection), a group started by a few BASF expatriate families living in Germany. The DAV, as it is called, has developed into a fully chartered organisation with a roster of programmes to help families settle in and enjoy their experience in Germany to the fullest. It has also published a practical manual which covers every aspect of living and working in Germany as an expatriate (Sievers, 1998:S9). Sievers (1998:S9-S10; Ball et al, 2006:556) lastly recommends that MNEs ensure local education options for children. The question of education in another country has always been a critical factor in employees' decisions about international assignments. In the past, many companies offered boarding school as the only viable educational option. These days, fewer families are willing to send their children away to school during an assignment. In response, companies with significant expatriate populations in particular locations are working to ensure that there are local schools offering internationally accepted curricula. For example, many multinational corporations promote the use of the International Baccalaureate system of pre-collegiate education, which is recognised in 70 countries.

McNerney (1996:6; Sievers, 1998:S9) adds that if the trailing spouse has to give up a job in the home country, the expatriate's employer can give him or her a stipend to use in finding employment in the new country or acquiring new skills through continuing education. In some cases, the employer may assist the spouse in finding employment in the new country or even subsidise the loss of income.

4.5 SUMMARY

Effective preparation, support and training for international assignments need to be based on sound research-supported models of the skills required to meet the challenges of those assignments for the assignees, themselves, their families accompanying them, those managing them and the host with whom they are working. However, 40 percent of 709 expatriates who responded to a survey said they were not prepared adequately for an international assignment. According to the same survey, 55 percent of the 709 respondents felt that they were not getting enough information about health and safety issues and as a result had less peace of mind and felt less productive.

In order to better prepare expatriates for an international assignment, MNEs should focus on aspects such as hiring a relocation service to help with finding work permits, car and home insurance, locating housing and negotiating leases, finding doctors and sorting out health care issues. MNEs should also ensure that expatriates have a clear understanding of the objectives of the assignment as well as make sure that they are adequately prepared for repatriation even before they leave on the assignment. One of the major causes of expatriate failure is the inability of the spouse or family to adapt to the international environment. As a result it is imperative that MNEs respond to these issues by developing comprehensive, flexible and interactive programmes specifically for spouses and families.

By training expatriates for an international assignment MNEs are attempting to alter employees' behaviour and attitudes in a way that increases the probability of goal attainment. When providing training to expatriates MNEs should focus on providing cross-cultural training, language training and practical training. Specifically, cross-cultural training should start by focusing on the tangible and observable objective characteristics of culture, such as architecture and language, and then move on to the more subjective characteristics of culture such as customs and values.

Lastly it is important to provide expatriates on an international assignment with proper support. After the September 11 terrorist attacks the safety of expatriates has grown in importance, forcing MNEs to re-evaluate their expatriate policies. MNEs should consider moving the families of expatriates out of unsafe regions and increase the home leave trips offered to expatriates to go and visit their families. The support offered to spouses and the family of expatriates should also receive special attention. If a trailing spouse has to give up a job in the home country, for example, the expatriate's employer can give him or her a stipend to use in finding employment in the new country or acquire new skills through continuing education. MNEs should also ensure that there are local education options for expatriates' children.

Having focused on what the literature says should be done in terms of preparation, support and training of expatriates, we still need to answer the question: What are South African MNEs doing in terms of preparation, support and training in order to better prepare their expatriates for international assignments? But before this can be answered it is important to look at the methodology that was used to answer this question.

CHAPTER 5
RESEARCH METHODOLOGY

5.1 INTRODUCTION

The research process can be compared to a guide or a map. On a map some paths are better charted than others. Some are difficult to travel on and some are more interesting and scenic than others. Rewarding experiences may be gained during the journey. It is important to remember there is no single right path or best path for all journeys. The road one takes depends on where one wants to go and the resources (money, time, labour and so on) one has available for the trip (Zikmund, 2003:60).

The Longman dictionary of contemporary English (1993:655) defines methodology as the set of methods used for study or action in a particular subject, as in science or education.

According to Cooper & Schindler (2003:663), the section of a study describing the methodology is an important one, describing at least five parts:

- Sampling design
- Research design
- Data collection
- Data analysis
- Limitations

For the purpose of comprehensiveness this chapter will not only cover the five sections identified above, but will also discuss the problem statement and research objectives of this study.

5.2 PROBLEM STATEMENT AND OBJECTIVES

The adage "a problem well defined is a problem half solved" is worth remembering. This adage emphasises that an orderly definition of the research problem gives a sense of direction to the investigation. Careful attention to problem definition allows a researcher to set the proper research objectives. If the purpose of the research is clear, the chances of collecting the necessary and relevant information will be much greater (Zikmund, 2003:60-61).

5.2.1 Problem statement

According to Cooper & Schindler (2003:662), the problem statement includes the need for the research project. The problem is usually represented by a management question, and is followed by a more detailed set of objectives.

As indicated in Chapter 1, it is important that enterprises must select 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, as they try to increase their foreign sales, overlook the importance of the cultural variation in other countries. This attitude, combined with the enterprises' 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 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 or her family abroad. It is important to select the right employee and then provide the individual with the proper cross-cultural training, support and services that will position him or her to be successful (Anon, 2002a:61). Fontaine (1997:631) echoes this view, stating that the success of international assignments can be ensured if effective preparation, support and training are provided.

As stated in Chapter 1, the full extent of the problem in South Africa is not known, as determining the failure rate and the reasons for failure of South African expatriates are predominantly done by research houses on behalf of individual MNEs or a particular industry. 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.

5.2.2 Objectives of the study

After identifying and clarifying the problem, researchers should make a formal statement of the problem and the research objectives. A decision must initially be made as to precisely what should be researched, so as to delineate the type of information that should be collected and provide a framework for the scope of the study, or the research project. The best expression of a research objective is a well-formulated, testable research hypothesis (Zikmund, 2003:65).

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 chapters, ill-prepared expatriates tend to fail – come home from international assignments early – and as a result are incurring direct and indirect losses for their enterprises.

The following hypotheses will be tested in this study:

H_{10}: South African MNEs are not providing the preparation, support and training that expatriates feel they need for international assignments.

H_{1A}: South African MNEs are providing the preparation, support and training that expatriates feel they need for international assignments.

H_{20}: Expatriates with spouses and families do not have special preparation, support and training needs.

H_{2A}: Expatriates with spouses and families do have special preparation, support and training needs.

H_{30}: There is no difference between the preparation, support and training needs of expatriates on an international assignment in Africa and those expatriates on an international assignment in the rest of the world.

H_{3A}: There is a difference between the preparation, support and training needs of expatriates on an international assignment in Africa and those expatriates on an international assignment in the rest of the world.

H_{40}: There is no relationship between the age group that expatriates fall in and the type of preparation, support and training that they feel they need for international assignments.

H_{4A}: There is a relationship between the age groups that expatriates fall in and the type of preparation, support and training that they feel they need for international assignments.

H_{50}: 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_{5A}: 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_{60}: There is no difference in the preparation, support and training needs of top and middle management expatriates on an international assignment.

H_{6A}: There is a difference in the preparation, support and training needs of top and middle management expatriates on an international assignment.

5.3 SAMPLING DESIGN

The basic idea of sampling is that by selecting some of the elements in a population – the total collection of elements about which we wish to make some inferences – we may draw conclusions about the entire population. There are several compelling reasons for sampling, including: lower costs, greater accuracy of results, greater speed of data collection and availability of population elements (Cooper & Schindler, 2003:179).

5.3.1 Target population

According to Zikmund (2003:373), the first question related to sampling concerns identifying the target population, that is, the complete group of specific population elements relevant to the research project. At the outset of the sampling process, it is vitally important to carefully define the target population so that the proper source from which the data are to be collected can be identified. Answering questions about the critical characteristics of the population is the usual technique for defining the target population. For instance does the term "comic book reader" include children under six years who do not actually read the words?

The target population for this research includes all expatriates working for South African Multinational Enterprises currently on an international assignment abroad.

5.3.2 The sampling frame

Zikmund (2003:373) states that in actual practice the sample will be drawn from a list of population elements that is often somewhat different from the target population that has been defined. A sample frame is the list of elements from which the sample may be drawn. A simple example of a sampling frame might be a list of all members of the American Banking Association. It is generally not feasible to compile a list that does not exclude some members of the population. For example, if the student telephone directory is utilised as a sampling frame listing of a university's student population, the sampling frame may exclude those students without phones, or those who have their telephones listed only under their room-mates' or pets' names.

The sampling frame used in this study was all known South African private MNEs, thus excluding governmental departments as well as non-governmental organisations. All non South African enterprises were also excluded. The sampling frame used for this study was all expatriates working for these MNEs currently on an international assignment abroad. This excludes all expatriates who have finished and have returned to South Africa. The sampling frame was obtained from the South Africa MNEs approached in the first sampling frame.

5.3.3 Sampling units

During the actual sampling process, the elements of the population must be selected according to a certain procedure. The sampling unit is a single element or group of elements subject to selection in the sample. For example, if an airline wishes to sample passengers, every 25th name on a complete list of passengers may be taken. In this case the sampling unit is the same as the element. Alternatively, the airline could first select flights as the sampling unit, and then select certain passengers on the previously selected flight. In this case defining the sample unit occurs in two stages. If the target population has first been divided into units, such as airline flights, additional terminology must be used. The term primary-sampling units designates units selected in the first stage of sampling. If successive stages of sampling are conducted, sampling units are called secondary sampling units or tertiary sampling units (if three stages are necessary)(Zikmund, 2003:375).

In this study the primary sampling units are South African MNEs that make use of expatriates, while the secondary sampling units are all the expatriates currently on an international assignment abroad in the sampling frame provided by the South African MNEs.

5.3.4 Probability versus nonprobability sampling

There are several alternative ways of taking a sample. The major alternative sampling plans may be grouped into probability techniques and nonprobability techniques. In probability sampling, every element in the population has a known nonzero probability of selection. The simple random sample is the best-known probability sample, in which each member of the population has an equal probability of being selected. In probability sampling the probability of any particular member of the population being chosen is unknown. The selection of sampling units in nonprobability sampling is, on the other hand, quite arbitrary, as researchers rely heavily on personal judgment. It should be noted that there are no appropriate statistical techniques for measuring random sampling errors from a nonprobability sample. Thus, projecting the data beyond the sample is statistically inappropriate (Zikmund, 2003:379-380).

As only known South African MNEs were approached in this study, nonprobability sampling was used to determine the primary sampling units. Questionnaires were then sent to all the expatriates whose information could be obtained from these MNEs, meaning that in order to determine the secondary sampling units nonprobability sampling was again used.

5.3.4.1 Convenience versus judgment/purposive sampling

Convenience sampling refers to sampling by obtaining units of people who are most conveniently available. For example, it may be convenient and economical to sample employees in companies in a nearby area.

Judgment or purposive sampling is a nonprobability sampling technique in which an experienced individual selects the sample based on his or her judgment about some appropriate characteristic required for the sample members (Zikmund, 2003:381-382).

For this research judgment sampling was used, as only South African MNEs who make use of expatriates could be used. Only South African MNEs were phoned – at random – and asked if they made use of expatriates; if they did not they were not included in the sample. If they did they were included. Judgement sampling was also used in determining the secondary sampling units. The chosen MNEs from the primary sampling units were asked to provide a list of their expatriates currently on an international assignment abroad.

5.3.5 Sample size

Because expatriates who were currently on an international assignment abroad needed to answer the questionnaire, it was decided that an electronic questionnaire would be the best approach. Due to fears that the MNE's e-mail firewalls might not allow the attachment to the e-mail containing the questionnaire to reach the expatriates, a web page hosting the questionnaire needed to be created. For this purpose the Informatics Department at the University of Pretoria was approached. This meant that a link to the web page containing the questionnaire could be sent to the expatriates with an instruction that the web page could best be viewed using Outlook Express. In total 48 South African MNEs were approached. These organisations were approached using phone calls, faxes, e-mails, personal visits and sometimes a combination of these methods in order to determine whether these MNEs made use of expatriates. If they did, they were asked if they would be willing to provide the e-mail addresses of their expatriates currently on an international assignment abroad so that the link to the web site containing the questionnaire could be sent to them. Of these MNEs, five did not make use of expatriates. In total eight MNEs were willing to provide the e-mail addresses for their expatriates, and 102 links to the web site containing the questionnaire were sent out. Of these only 80 were still active addresses. A further six MNEs indicated that either they were afraid that their expatriates' information might reach their competitors, or that the information might be used for other purposes than the research and as a result they offered to send the link to the web site themselves, meaning that an undisclosed number of links was sent out by these six MNEs.

Apart from the original 48 MNEs, one London-based enterprise specialising in expatriate research and other IHRM matters, upon hearing of the research, offered to send the link to the web site to its South African members with a letter asking them to participate in the research. As their membership records are confidential, no numbers or MNE names were divulged and as a result, again it is not known what the response from their members was. However, of the 65 responses to the questionnaire, 30 could be traced back to the 80 links sent out by the researcher, meaning that the remaining 35 responses came from the eight MNEs who sent the links themselves, and from the members of the enterprise specialising in expatriation consulting.

5.4 RESEARCH DESIGN

This was a formal study, as the research objective and hypotheses had already been determined through a literature study. 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, making this an interrogation study. No attempt was made to control and/or manipulate any variables in the study and the researcher only reported what was currently happening as far as expatriate preparation, support and training were concerned. This means this was an ex post facto design. As it was attempting to determine what expatriates from South African MNEs need in terms of preparation, support and training, as well as what was being offered to them this was a descriptive study. This was moreover a cross-sectional study, as the current experiences of expatriates in South African MNEs were surveyed. As the research tested the six hypotheses identified under the research objectives using quantitative, techniques this study can be classified as a statistical study. Lastly, 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.

5.5 DATA COLLECTION

Once the research design (including the sampling plan) has been formalised, the process of gathering information from respondents can begin. Obviously, because there are many research techniques, there are many methods of data collection. Often there are two phases to the process of collecting data: pretesting and the main study. A pretesting phase, using a small subsample, may determine whether the data collection plan for the main study is an appropriate procedure. Thus, a small-scale pretest study provides an advance opportunity for the investigator to check the data collection form and minimise errors due to improper design, such as poorly worded or organised questions. There is also the chance to discover confusing interviewing instructions, learn if the questionnaire is too long or too short and to uncover other such field errors (Zikmund, 2003:72).

5.5.1 Questionnaire design

According to Diamantopoulos & Schlegelmilch (2000:24-27), the following types of measurement scales can be distinguished:

- **Nominal scale**

A nominal scale, as the name implies, is a scale in name only and represents the simplest type of scaling. In nominal scaling, the numbers used have no mathematical properties in themselves and serve only as labels for identification and/or classification. For example, assigning a unique number to each athlete in a sporting event serves only to identify the individual athlete taking part (otherwise how would you know who won?). This is the most elementary nominal scale (sometimes referred to as a label nominal scale); there is a strict one-to-one correspondence between each number and each athlete and as long as this correspondence is preserved, any set of numbers could be assigned.

A more common nominal scale is the category nominal scale, whereby the number assigned represents mutually exclusive and collectively exhaustive categories of persons, objects and others. For example, classifying individuals according to their nationality, eye colour or sex is done by means of category nominal scales.

The first seven questions in this questionnaire were demographic questions, which included both unstructured response as well as structured response questions using a nominal scale.

- **Ordinal scale**

An ordinal scale establishes an ordinal relationship between persons or objects being measured. In ordinal scaling, numbers are used to indicate whether a person or object has more or less of a given characteristic than some other person or object. However, the numbers do not provide information as to how much more or less of the characteristic is possessed by the person or object concerned. For example, a consumer may be asked to try out and rank four brands of cornflakes (A, B, C and D) according to digestibility, as follows: 1 = most digestible, 2 = second most digestible, 3 = third most digestible, 4 = least digestible.

After the first seven demographic questions, the next 59 questions were structured response questions on the preparation, support and training of expatriates using a four-point Likert scale. The Likert scale is the most frequently used variation of the summated rating scale. Summated scales consist of statements that express either a favourable or unfavourable attitude towards the object of interest (Cooper & Schindler, 2003:253).

- **Interval scale**

An interval scale possesses all the characteristics of an ordinal scale (i.e. equivalence and order) and in addition, is characterised by equality of intervals between adjacent scale values. In interval scaling, the numbers used permit inferences to be made concerning the extent of differences that exist between the measured persons, objects and the like, with regard to a particular characteristic. The distance between the numbers corresponds to the distance between the persons, objects and the like, on the characteristic concerned. For example, when we measure temperature on the Fahrenheit scale, we can say that the difference between 70 degrees Fahrenheit and 50 degrees Fahrenheit is the same as the difference between 40 degrees Fahrenheit and 20 degrees Fahrenheit, and that both are twice the difference between 10 degrees Fahrenheit and 0 degrees Fahrenheit; however, we cannot say that 50 degrees Fahrenheit is five times as hot as 10 degrees Fahrenheit (i.e. suggest a 5:1 ratio). The reason for this is that the zero point on the Fahrenheit scale is arbitrary and does not reflect the true zero of the underlying characteristic (i.e. absence of heat).

- **Ratio scale**

Finally, a ratio scale has all the features of an interval scale (i.e. equivalence, order, equality of intervals) plus an absolute zero point (also known as true or natural zero). In ratio scaling the numbers assigned enable comparisons to be made between the measured persons, objects and the like, in terms of absolute magnitude on a give characteristic; equal ratios between the scale values correspond to equal ratios among the persons or objects concerned (which is not the case with interval scales). For example, we can measure the speed of a motorcycle in kilometres or miles per hour. On either scale, a reading of zero actually corresponds to absence of speed (i.e. the motorcycle is static). Moreover we can say that driving at 240 kph is twice as fast as at 120 (a ratio of 2:1).

Most financial research that deals with monetary values utilises ratio scales. Because the scale of measurement is ratio, financial researchers are allowed to construct ratios derived from the original scale. However, for most behavioural research, interval scales are typically the highest form of measurement (Zikmund, 2003:298).

The scale of measurement on which the data are based or the type of measurement reflected in the data determines the permissible statistical techniques and the appropriate empirical operations that may be performed, as can be seen in table 5.1 (Zikmund, 2003:505).

Table 5.1: Measures of central tendency and dispersion permissible with each type of measurement scale.

Type of scale	Measure of central tendency	Measure of dispersion
Nominal	Mode	None
Ordinal	Median	Percentile
Interval or ratio	Mean	Standard deviation

Source: Zikmund (2003:505)

According to Cooper & Schindler (2003:373) another major decision area in question design is the degree and form of structure imposed on the participants. The various response strategies offer options that include unstructured responses (or open-ended response, the free choice of words) and structured response (or closed response, specified alternatives provided). Free response, in turn, ranges from those in which the participants express themselves extensively to those in which participants' latitude is restricted by space, layout or instructions to choose one word or phrase, as in a "fill-in" question. Closed responses typically are categorised as dichotomous, multiple-choice, checklist, rating or ranking response strategies.

The questionnaire was ended with two unstructured response questions to cover any areas that might not have been covered in the structured response questions.

5.5.2 Testing of the questionnaire

The data-gathering phase of the research process typically begins with pilot testing. One form of pilot testing, pretesting, may rely on colleagues, respondent surrogates or actual respondents to refine a measuring instrument. This important activity has saved countless survey studies from disaster by using the suggestions of the respondents to identify and change confusing, awkward or offensive questions and techniques (Cooper & Schindler, 2003:86).

The pilot testing and validation of the questionnaire was undertaken using 10 lecturers in the field of management at the University of Pretoria, the University of South Africa and the University of Cape Town in order to determine whether the questionnaire was properly structured and whether the questions were understandable. This pilot test was also used to determine how long it took to complete the questionnaire.

5.5.3 Response rate

The basic calculation for obtaining a response rate is to count the number of questionnaires returned or completed, then divide this total by the number of eligible people who were contacted or asked to participate in the survey (Zikmund, 2003:215). In total 65 responses were received (n = 65). Because expatriates currently on an international assignment abroad needed to complete the questionnaire it was necessary to first approach South African MNEs in order to obtain a list of e-mail addresses for their expatriates. Next the link to the web site hosting the questionnaire needed to be e-mailed to these expatriates.

A total of 48 South African MNEs were approached. These organisations were first approached using phone calls in order to determine whether they made use of expatriates and, if they did, to obtain the e-mail addresses or fax numbers of the expatriate managers working with the expatriates. A letter stating the purpose of the research and giving the link to the questionnaire was then sent to these managers with a request to look through the information. Within a week these managers were again phoned in order to speak to them about the research and to find out if they would be willing to participate in the research. The managers were visited personally where required, in order to try and persuade them to participate.

Of these MNEs five did not make use of expatriates. Only eight MNEs were willing to provide the e-mail addresses for their expatriates, and 102 links to the web site containing the questionnaire were sent out. Of the e-mail addresses received from the MNEs, only 80 were operational; the other 22 were no longer active. The 80 addresses that were still operational were followed up three times during the following six months in an attempt to ensure a high response rate; however, only 30 of these expatriates responded to the questionnaire.

A further six MNEs indicated that they were afraid that either their expatriates' information might reach their competitors or that the contact information might be used for other purposes than the research and as a result they offered to send the link to the web site themselves. This meant that an undisclosed number of links were sent out by these six MNEs, which made it impossible for the researcher to follow up on the questionnaires. These MNEs were, however, contacted again within the following six months as a follow-up, and asked whether the links to the web site had been sent out to the expatriates.

Apart from the original 48 MNEs, one London-based enterprise specialising in expatriate research and other IHRM matters, upon hearing of the research, offered to send the link to the web site to its South African members with a call to participate in the research. As their membership records are confidential, no numbers or MNE names were divulged and as a result, again it is not known how many links their members sent out. A follow-up e-mail was sent to the CEO of the enterprise in order to ensure that the link and letter had been sent out to its members.

As 30 of the 65 respondents could be traced to the 80 links sent out by the researcher, it can be assumed that the remaining 35 responses came from the six MNEs who sent out the link themselves and from the members of the enterprise specialising in expatriation consulting.

5.5.4 Coding

Coding involves assigning numbers or other symbols to answers so the responses can be grouped into a limited number of classes or categories. The classifying of data into limited categories sacrifices some data detail but is necessary for efficient analysis. Instead of requesting the word male or female in response to a question that asks for the identification of one's gender, the codes "M" or "F" can be used (Cooper & Schindler, 2003:456).

In this study the coding was done electronically as soon as the respondent finished the questionnaire and pressed the finish button at the end of the electronic questionnaire. The fact that the questionnaire was electronic and hosted on a web site made it possible to write software that would automatically code the responses to the questions and save them to a separate file in the comma delimited format. This format made it very easy for the statistician to do the data analysis, and substantially reduced the chance of human error in coding the questionnaires and transferring the codes onto computer (Cooper & Schindler, 2003: 536).

5.6 DATA ANALYSIS

Data analysis usually involves reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. Scaled responses on questionnaires and experimental instruments often require the analyst to derive various functions, as well as to explore relationships among variables (Cooper & Schindler, 2003:87).

5.6.1 Characteristics of sound measurement

According to Cooper & Schindler (2003:231), the characteristics of a good measurement tool are that the tool should be an accurate counter or indicator of what you are interested in measuring. In addition, it should be easy and efficient to use. There are three major criteria for evaluating a measurement tool: validity, reliability and practicality.

5.6.1.1 Validity

Validity is the ability of the measuring instrument (for example an attitude-measuring instrument) to measure what it is supposed to measure. If it does not measure what it is designated to measure, there is a problem (Zikmund, 2003:215). Cooper & Schindler (2003:231) define validity as the extent to which differences found with a measuring tool reflect true differences among respondents being tested. The measurement tool should be sensitive to all the nuances of meaning in the variable and to changes in nuances of meaning over time. Table 5.2 provides a summary of validity estimates.

Table 5.2: Summary of validity estimates

Type	What is measured	Methods
Content	Degree to which the content of the items adequately represents the universe of all relevant items under study.	Judgemental or panel evaluation with content validity ratio.
Criterion-related	Degree to which the predictor is adequate in capturing the relevant aspects of the criterion.	Correlation
Concurrent	Description of the present; criterion data are available at same time as predictor scores.	
Predictive	Predictor of the future; criterion data are measured after the passage of time.	
Construct	Answer the question, "What accounts for the variance in the measure?" Attempts to identify the underlying construct(s) being measured and determine how well the test represents it (them).	Judgmental Correlation of proposed test with established one. Convergent-discriminant techniques

		Factor analysis Multitrait-multimethod analysis

Source: Cooper & Schindler (2003:232)

5.6.1.2 Reliability

Reliability means many things to many people, but in most contexts the notion of consistency emerges. A measure is reliable to the degree that it supplies consistent results. Reliability is a necessary contributor to validity but is not a sufficient condition for validity. The relationship between reliability and validity can be simply illustrated with the use of a bathroom scale. If the scale measures your weight correctly (using a concurrent criterion such as another scale known to be accurate), then it is both reliable and valid. If it consistently overweighs you by six kilograms, then the scale is reliable but not valid. If the scale measures erratically from time to time, then it is not reliable and therefore cannot be valid. In this context, reliability is not as valuable as validity, but it is much easier to assess (Cooper & Schindler, 2003:236). Table 5.3 provides a summary of reliability estimates.

Table 5.3: Summary of reliability estimates

Type	Coefficient	What is measured	Method
Test-retest	Stability	Reliability of a test or instrument inferred from examinee score. Same test is administered twice to same subjects over an interval of less than six months.	Correlation
Parallel forms	Equivalence	Degree to which alternative forms of the same measure produce same or similar results. Administered simultaneously or with a delay. Interrater estimates of the similarity of judges' observations or scores.	Correlation
Split-half KR20 Cronbach's alpha	Internal consistency	Degree to which instrument items are homogeneous and reflect the same underlying construct(s).	Specialised correlation formulas

Source: Cooper & Schindler (2003:237)

5.6.1.3 Practicality

The scientific requirements of a project call for the measurement process to be reliable and valid, while the operational requirements call for it to be practical. Practicality has been defined as economy, convenience and interpretability (Cooper & Schindler, 2003:240).

5.6.1.4 Reliability of this measure

The internal-consistency reliability of the measurement tool used in this research was tested using Cronbach's coefficient alpha. According to Statsoft (n.d.[a]), if several subjects respond to certain items, the variance for each item could be computed as well as the variance for the sum scale. The variance of the sum scale will be smaller than the sum of the item variance if the items measure the same variability between subjects, that is, if they measure some true score. Technically, the variance of the sum of two items is equal to the sum of the two variances minus (two times) the covariance, that is, the amount of true score variance common to the two items.

The proportion of true score variance that is captured by the items could be estimated by comparing the sum of item variances with the variance of the sum scale. The formula for calculating Cronbach's coefficient alpha (α), the most common index of reliability, is:

$$\alpha = (k/(k-1))^{*}[1 - \Sigma(s^{2}_{i})s^{2}_{sum}]$$

Where:

$S_i^{**}2$ = denotes the variance for the k individual items; and

$S_{sum}^{**}2$ = denotes the variance for the sum of all items.

If there is no true score but only error in the item (which is esoteric and unique and, therefore, uncorrelated across subjects), then the variance of the sum will be the same as the sum of variances of the individual items. Therefore, coefficient alpha will be equal to zero. If all items are perfectly reliable and measure the same thing (true score), then coefficient alpha is equal to 1. Specifically, $1-\Sigma(s_i^{**}2)/s_{sum}^{**}2$ will become equal to $(k-1)/k$; if we multiply this by $k/(k-1)$ we obtain 1.

Cronbach's alpha, when computed for binary (e.g., true/false) items, is identical to the so-called Kuder-Richardson-20 formula of reliability for sum scales. In either case, because the reliability is actually estimated from the consistency of all items in the sum scale, the reliability coefficient computed in this manner is also referred to as the internal-consistency reliability.

Ehlers (2000:141) states that users of Cronbach's alpha have often wondered whether the reliability they have obtained is good. It is suggested that a reliability level of 0.70 will be enough on predictor tests or hypothesised measures of a construct. It is, however, acknowledged that a minimum 0.90 should be tolerated in those applied settings where important decisions are made. It is thus suggested that a minimum of 0.70 for exploratory work and a standard 0.90 for advanced practice should be applied. However, according to Cooper & Schindler (2003:216-217), a Cronbach's alpha value of above 0.50 is regarded as an indication of reliability. In this case the latter (0.50) was used as an indication of reliability.

5.6.2 *t*-Test

According to Zikmund (2003:524-525), the *t*-test may be used to test a hypothesis stating that the mean scores on some variable will be significantly different for two independent samples or groups. It is used when the number of observations (sample size) is small and the population standard deviation is unknown. To use the *t*-test for difference of means, we assume that the two samples are drawn from normal distributions. Because σ is unknown, we assume the variances of the two populations or groups are equal (homoscedasticity). Further we assume interval data. The null hypothesis about differences between groups is normally stated as: $\mu_1 = \mu_2$ or $\mu_1 - \mu_2 = 0$. In most cases comparisons are between two sample means. A verbal expression of the formula for t is:

$$t = \frac{Mean\ 1 - Mean\ 2}{Variability\ of\ random\ means}$$

Thus the *t*-value is a ratio with the information about the difference between means (provided by the sample) in the numerator and the random error in the denominator. The question is whether the observed difference has occurred by chance alone. To calculate t, the following formula is used:

$$t = \frac{\overline{X}_1 - \overline{X}_2}{S_{\overline{X}_1 - \overline{X}_2}}$$

Where:

$\overline{X}_1$ = Mean for group 1

$\overline{X}_2$ = Mean for group 2

$S_{\overline{X}_1 - \overline{X}_2}$ = Pooled, or combined, standard error of difference between means

Antonites (2004:172) adds that the appropriate inferential test when comparing two means obtained from different groups of subjects is a *t*-test for independent groups. The *t* for independent groups is defined as the difference between the sample means divided by the standard error of the means difference. The p-level reported with a *t*-test represents the probability of error involved in accepting the research hypothesis about the existence of a difference. The null hypothesis is that of no difference between the two categories of observations (corresponding to the groups).

Some researchers suggest that if the difference is in the predicted direction, you can consider only one half (one "tail") of the probability distribution and thus divide the standard p-level reported with a *t*-test (a "two-tailed" probability) by two. Others, however, suggest that you should always report the standard, two-tailed *t*-test probability. In this study the *t*-test was used to test the first two hypotheses.

5.6.3 Chi-Square test

Probably the most widely used nonparametric test of significance is the chi-square (χ^2) test. It is particularly useful in tests involving nominal data, but can be used for higher scales. Typical are cases where persons, events or objects are grouped in two or more nominal categories such as "yes-no", "favour-undecided-against" or class "A, B, C or D". Using this technique it is possible to test for significant differences between the observed distribution of data among categories and the expected distribution based on the null hypothesis. Chi-square is useful in cases of one-sample analysis, two independent samples or *k* independent samples. It must be calculated with actual counts rather than percentages (Cooper & Schindler, 2003: 536).

According to Berenson & Levine (1996: 622), for the test to give accurate results, the χ^2 test for 2 x 2 tables assumes that each expected frequency is at least five. If this assumption is not satisfied, other procedures, such as Fisher's exact test, can be used. This test is only available for 2 x 2 tables; it is based on the following rationale: given the marginal frequencies in the table and assuming that in the population the two factors in the table are not related, how likely is it to obtain cell frequencies as uneven or worse than the ones that were observed? For small *n*, this probability can be computed exactly by counting all possible tables that can be constructed based on the marginal frequencies. Thus, the Fisher exact test computes the exact probability under the null hypothesis of obtaining the current distribution of frequencies across cells, or one that is more uneven (Statsoft, [n.d.(b)].). Fisher's exact test was used to test the last four hypotheses in this study.

5.7 LIMITATIONS

The greatest limitation of this study was the sample size. In total only 65 responses were received (n = 65). As can be seen from 5.5.3 above, for nearly a year the researcher first had to try to convince the HR manager in charge of the expatriates at South African MNEs to participate in the research, and then had to try to convince the expatriates to complete the questionnaire. In most cases the HR managers in charge of the expatriates used the following excuses for why they did not want to participate in the research:

- They did regular surveys themselves and as a result did not want to overload their expatriates with too many questionnaires.
- Their expatriates had just completed a questionnaire and would not want to complete another one so soon.
- They did not want to participate in the research because they were afraid that the information on their expatriates might leak out and another MNE might steal their expatriates.
- They would consider the request; but when the MNE was called back the employee could not be found or would not respond.

Some MNEs simply refused to participate without providing a reason.

5.8 SUMMARY

Six hypotheses were tested in this study; however, before the hypotheses could be tested the reliability of the measure had to be tested. In order to do this Cronbach's coefficient alpha was used. Due to the small sample size the validity of the measure could, however, not be tested.

After the reliability of the measure was tested, the data analysis was done. First a *t*-test was used in order to look for statistically significant differences between the mean scores of what was provided to expatriates by the MNEs they worked for and the mean scores of what they required from these MNEs. The *t*-test was also used in order to determine whether expatriates with a trailing spouse and children have special needs in terms of preparation, support and training.

The last five hypotheses were tested using Fisher's exact test, which is a refined version of the Chi-square test. This test was used in order to determine whether there were statistically significant differences between what expatriates required from the MNE and:

- the location of the international assignment;
- the age of the expatriate;
- the duration of the assignment; and
- the management level of the expatriate.

The results of the data analysis will be discussed in the next chapter.

CHAPTER 6
ANALYSIS AND INTERPRETATION OF RESULTS

6.1 INTRODUCTION

This chapter will include an analysis and interpretation of the results of the empirical research findings. It will start with the presentation and discussion of the demographic data from the questionnaire, which will be followed by the findings of the reliability test. Lastly the findings of the *t*-test and Fisher's exact test, testing the six hypotheses on the preparation, support and training of expatriates working for South African MNEs, will be presented.

6.2 DEMOGRAPHIC PROFILE OF THE SAMPLE

The first section of the questionnaire, Section A, focused on the demographic information of the respondents. The following information was gained from this section.

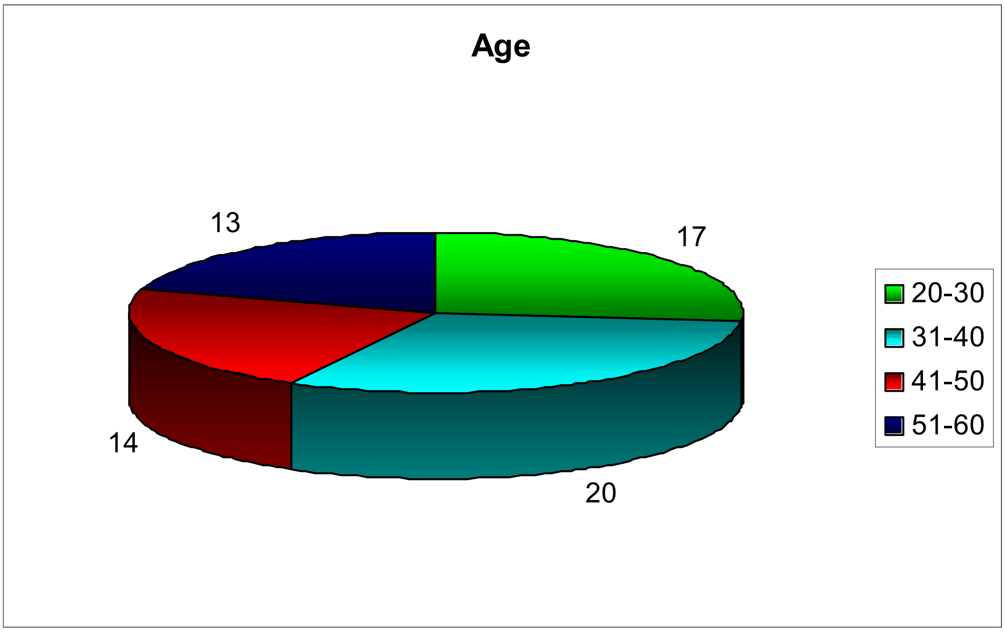
6.2.1 Age profile of respondents

Of the 64 respondents who answered this question the ages of the expatriates varied dramatically from 23 to 60 years of age. Though there is not a great difference in the frequency of responses in each age group, three ages do have four respondents each, which is slightly more than the other age groups. There are four respondents in each of the age groups: 30, 33 and 37.

If the ages are grouped in four groups as in figure 6.1, namely 20-30, 31-40, 41-50 and 51-60, it can be seen that there is again a fairly even spread within these groupings, with seventeen respondents between the ages of 20 and 30, twenty respondents between the ages of 31 and 40 and fourteen respondents between the ages of 41 and 50. Lastly there are thirteen respondents between the ages of 51 and 60.

What we see for South African MNEs is, however, not in line with recent trends. A very recent trend is the tendency for companies to give younger managers international experience much earlier in their careers than previously. This can be linked to the growing problems of mobility (spouse's job, childrens' education and others) for older managers. This also reflects the strategy of some companies to broaden the opportunities for international development, and the growing recognition in some quarters that the payback on the investment of a developmental assignment may well be greater with a younger manager (Scullion, 1994:88-89).

Figure 6.1: Age profile of the respondents



6.2.2 Gender profile of the respondents

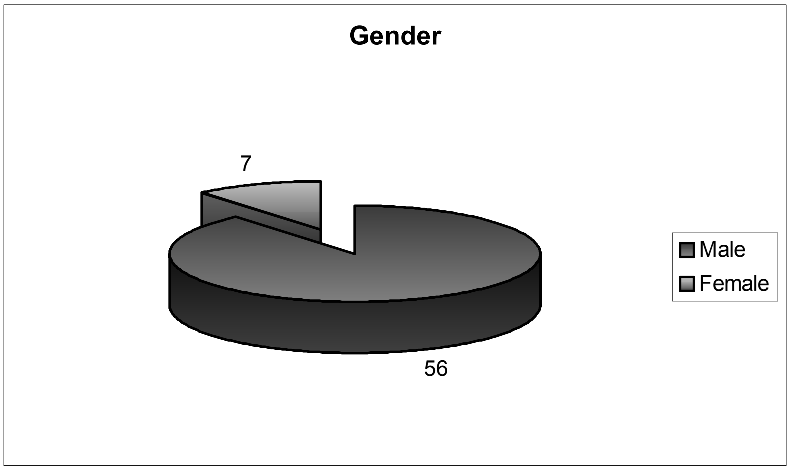
Table 6.1 indicates to us that of the 63 respondents who answered the gender question the great majority, namely 56, were male, while only 7 were female. From these data it can be seen that the great majority of South African expatriates are male.

Table 6.1: Gender profile of the respondents

	Frequency	**Percentage**
Male	56	88.89
Female	7	11.11
Total	**63**	**100.00**

This shows that South Africa is in line with international tendencies, as the literature shows that the majority of trailing spouses are still women, though it is becoming more common to find a trailing husband, who is possibly derailing his career by moving (Sievers, 1998:S9-S10).

Figure 6.2: Gender profile of the respondents



6.2.3 Marital status of respondents

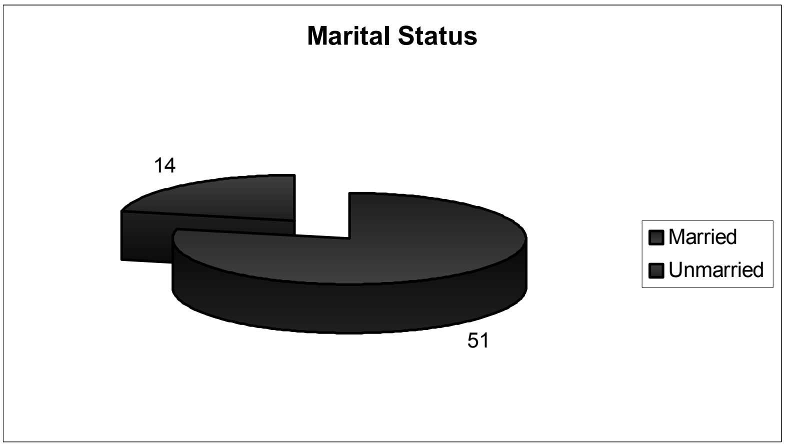
The data in table 6.2 show that of the 65 respondents who answered the question on marital status, 51 respondents were married while only 14 were unmarried.

Table 6.2: Marital status of the respondents

	Frequency	**Percentage**
Married	51	78.46
Unmarried	14	21.54
Total	**65**	**100.00**

The data in table 6.2 are graphically presented in figure 6.3 to provide a visual illustration of the size of the difference in responses.

Figure 6.3: Marital status of the respondents



6.2.4 Hierarchical position of respondents

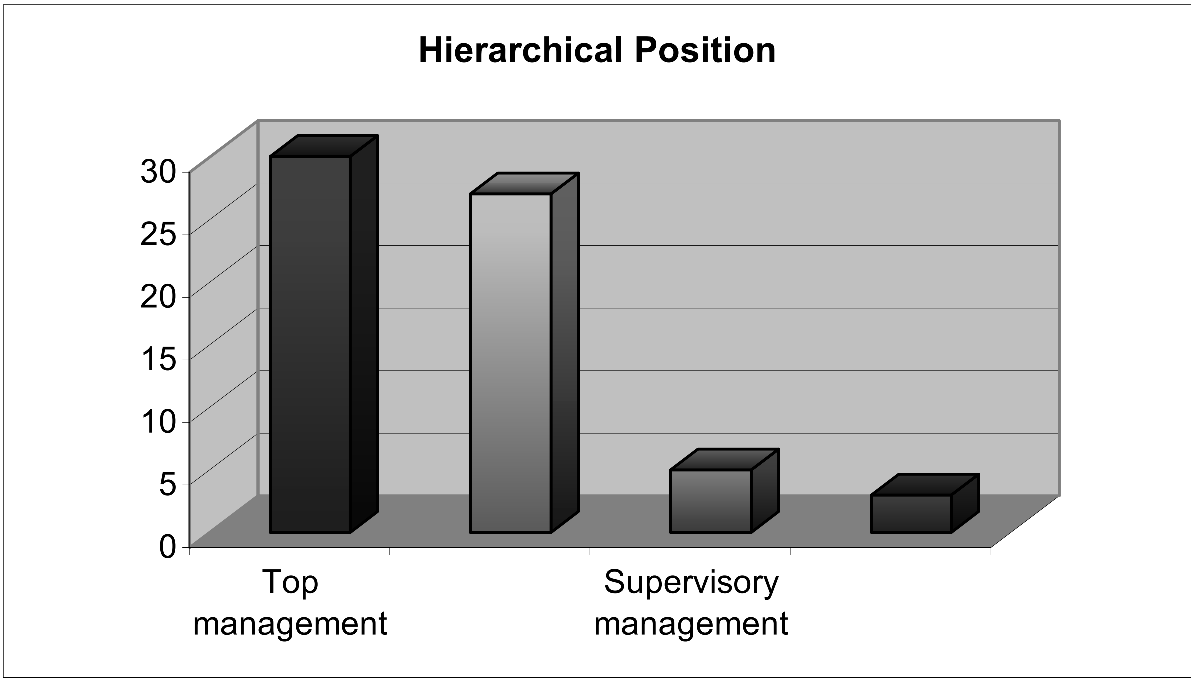
From table 6.3 it can be seen that 30 of the respondents hold top management positions, 27 hold middle management positions, while only 5 are in a supervisory position and 3 in non-managerial positions.

Table 6.3: Hierarchical position of the respondents

Position	Frequency	Percentage	Cumulative Frequency	Cumulative Percentage
Top management	30	46.15	30	46.15
Middle management	27	41.54	57	87.69
Supervisory management	5	7.69	62	95.38
Non-managerial	3	4.62	65	100.00

Thus by far the largest percentage of the respondents, namely 87.69 percent, are either in a top or middle management position. The use of top and middle mangers as expatriates is in line with international tendencies, as can be seen from the work of Scullion (1994:87). In his study of 45 international personnel management professionals in MNEs based in the UK and Ireland, Scullion found that a majority of the companies continued to rely heavily on PCNs to run their operations. The research findings showed that, while almost 50 percent of companies had formal policies favouring the use of host country managers to run their foreign operations, in practice just over one-third operated with HCNs in senior management positions in their foreign operations. In other words, two-thirds of the companies relied primarily on expatriates to run their foreign operations.

Figure 6.4: Hierarchical position of the respondents



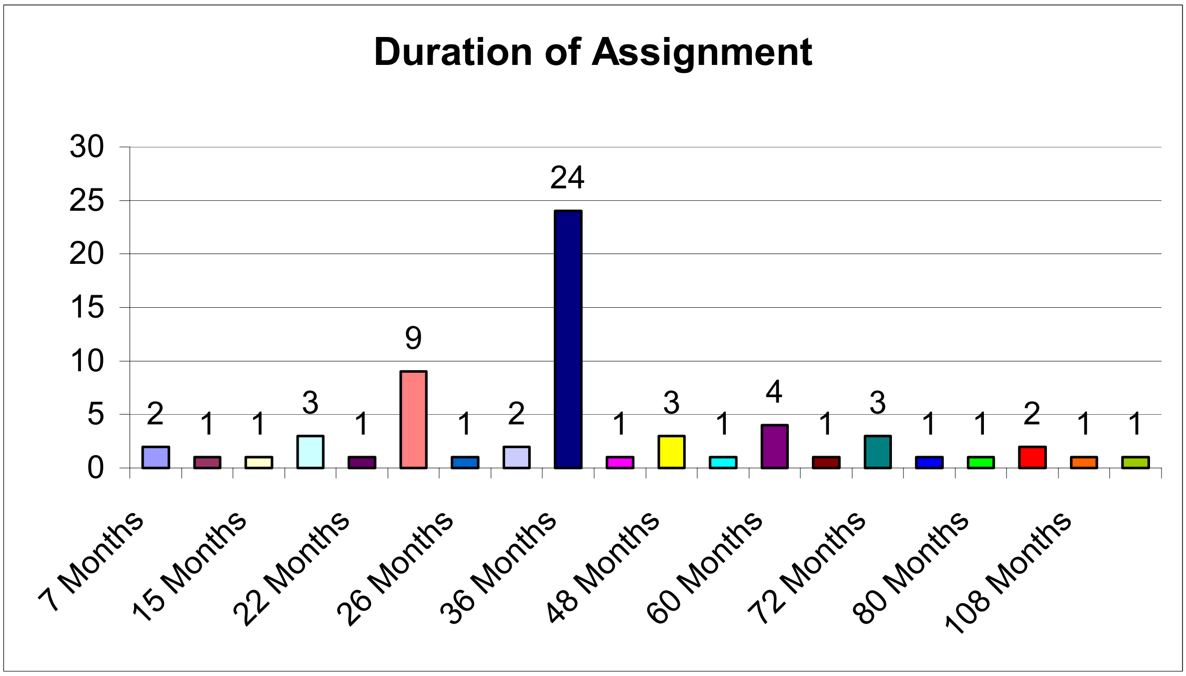
6.2.5 Duration of the international assignment

The 63 respondents responding to this question indicated that the duration of their international assignments ranged from as short as 7 months to as long as 120 months. The largest number, namely 24 respondents, indicated that their international assignment would last for 36 months, whilst 9 respondents indicated that their international assignment would last for 24 months.

According to the Measuring Expatriate Success survey (Halcrow, 1999:44-48), a survey of HR professionals to which 337 HR professionals responded, it was found that the average expatriate assignment lasts 2.7 years. When comparing the duration of South African expatriate assignments with this it would seem that we are on a par with the international tendencies. In a more recent study amongst 60 mainly European companies, it was found that 53 percent had more than 50 employees on long-term assignments of a year or more, but only 18 percent had more than 50 abroad for fixed periods of less than a year or so. However, short-term assignments were the ones most companies expected to grow. In a comparative study between 1997 and 2000 it was found that the growth in short-term assignments was quite astounding. One of the reasons for this change is cost. Sending employees abroad long term generally costs three to four times as much as employing local staff. Another reason is the way that companies run international operations. The growth in shorter postings can be traced to the early 1990s, when executives increasingly acquired global and functional, rather than regional and geographic, responsibilities. A manager with responsibility for, example, information, is expected to work in all the countries in which the company operates. As a result, people with specific skills, often much lower down the company ladder than the typical expatriate of the past, now work abroad for a few weeks or months at a time. Employees' lives have altered too, in ways that make long-term foreign postings less attractive. Professionals marry other professionals: dual-career couples risk losing half their income if one of them has to move (Anon, 2000b:80-82).

This would mean that as the majority of South African expatriate assignments are for two or three years, South African MNEs are behind the most recent trends in the duration of expatriate assignments. As indicated above, when looking at figure 6.5, it can be seen that the two most popular assignment lengths for an international assignment for South African expatriates are either 36 months or 24 months.

Figure 6.5: Duration of an international assignment



6.2.6 Location of an international assignment

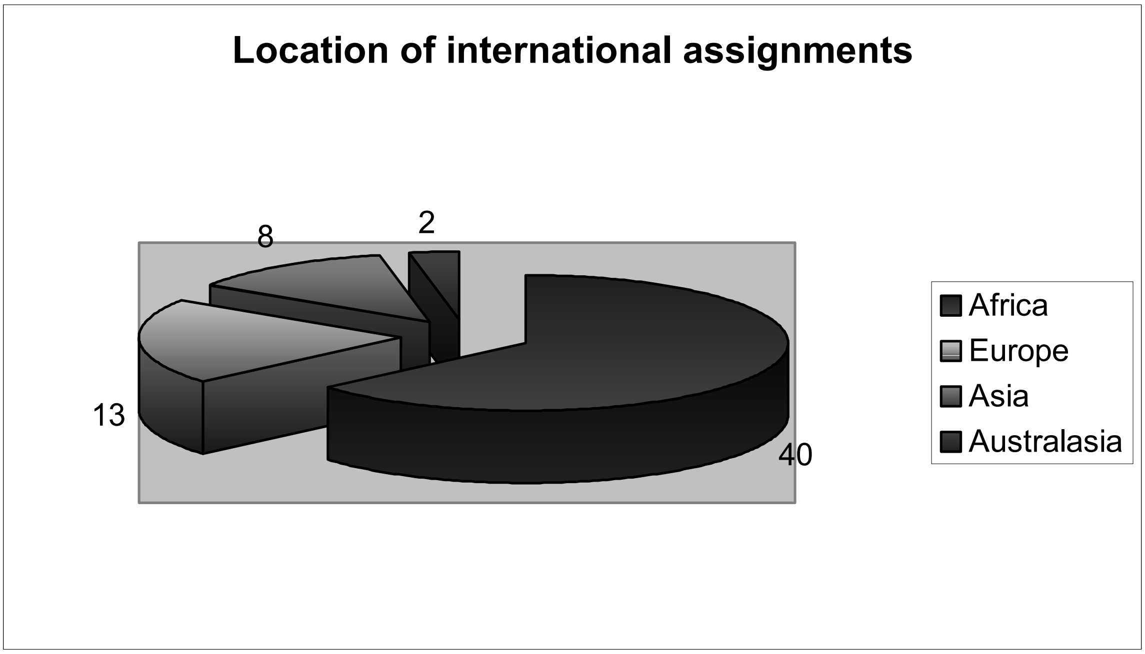
Respondents were asked to indicate the country of their international assignment. The 65 responses were then further grouped into four continents, which resulted in the following:

- 40 respondents were assigned to Africa.

- 13 respondents were assigned to Europe.
- 8 respondents were assigned to Asia.
- 2 respondents were assigned to Australasia.

As can be seen in figure 6.6, the largest number of South African expatriates in this study were assigned to Africa, while the smallest number were assigned to Australasia. It can also be seen that more expatriates are being sent to Africa than are being sent to the rest of the world combined, namely 40 compared with 23.

Figure 6.6: Location of international assignments



6.3 RELIABILITY

Reliability applies to a measure which produces similar results over time and across situations. Broadly defined, reliability is the degree to which measures are free from error and therefore yield consistent results (Zikmund, 2003:300). The reliability of responses in this study was tested using Cronbach's alpha. Because of the sample size and the circumstances discussed in chapter 5, factor analysis and structural equivalence could not be tested.

Factor analysis is a general term for several specific computational techniques. All have the objective of reducing to a manageable number many variables that belong together and have overlapping measurement characteristics. The predictor-criterion relationship that was found in the dependence situation is replaced by a matrix of intercorrelations among several variables, none of which is viewed as being dependent on another. For example, one may have data on 100 employees with scores on six attitude scale items. Factor analysis begins with the construction of a new set of variables based on the relationship in the correlation matrix. While this can be done in a number of ways, the most frequently used approach is principal components analysis. This method transforms a set of variables into a new set of composite variables or principal components that are not correlated with one another. These linear combinations of variables, called factors, account for the variance in the data as a whole. The best combination makes up the first principal component and is the first factor. The second principal component is defined as the best linear combination of variables for explaining the variance not accounted for by the first factor. In turn, there may be a third, fourth and *k*th component, each being the best linear combination of variables not accounted for by the previous factor. The process continues until all the variances are accounted for, but in practice it is usually stopped after a small number of factors have been extracted (Cooper & Schindler, 2003:635).

According to Sudman & Blair (1998:557), the main applications of factor analytic techniques are firstly to reduce the number of variables and secondly to detect structure in the relationship between variables, that is to classify variables. Therefore, factor analysis is applied as a data reduction or structure detection method.

6.3.1 Cronbach's Alpha

According to Cooper & Schindler (2003:237), Cronbach's alpha measures the degree to which instrument items are homogeneous and reflect the same underlying construct(s). Cooper & Schindler (2001:216-217) add that a Cronbach's alpha value of above 0.5 is regarded as an indication of reliability. Cronbach's alpha is regarded as one of the most important reliability estimates.

6.3.1.1 Preparation of expatriates

As can be seen from table 6.4, a Cronbach coefficient alpha value of 0.839459 was achieved for the 24 variables measuring what was provided to South African expatriates in order to prepare them for an international assignment. A Cronbach coefficient alpha value of 0.819536 was achieved for the same 24 variables measuring what South African expatriates require in order to be better prepared for an international assignment. As the Cronbach's alpha value for the responses to the preparation construct on both counts were above the required 0.5 value to test for reliability, the responses to this construct can be considered to be reliable.

Table 6.4 Cronbach's alpha results for Preparation

Preparation	**Provided**	**Required**
Raw Variables	0.839459	0.819536
Standardised Variables	0.839581	0.823428

6.3.1.2 Support of expatriates

From table 6.5 it can be seen that a Cronbach coefficient alpha value of 0.814811 was achieved for the 16 variables measuring the amount of support provided to South African expatriates on international assignments, while a value of 0.773405 was achieved for the same variables measuring what these expatriates require from the MNEs in terms of support. As the Cronbach's alpha value for the responses to the support construct on both counts were above the required 0.5 value to test for reliability, the responses to this construct can be considered to be reliable.

Table 6.5 Cronbach's alpha results for Support

Support	**Provided**	**Required**
Raw Variables	0.814811	0.773405
Standardised Variables	0.816977	0.787953

6.3.1.3 Training of expatriates

Table 6.6 indicates that the 7 variables measuring the training provided to South African expatriates scored a Cronbach coefficient alpha value of 0.880700, while the same 7 variables measuring what training the expatriates require scored a value of 0.849970. As the Cronbach's alpha value for the responses to the training construct on both counts were above the required 0.5 value to test for reliability, the responses to this construct can be considered to be reliable.

Table 6.6 Cronbach's alpha results for Training

Training	Provided	Required
Raw Variables	0.880700	0.849970
Standardised Variables	0.887249	0.862973

6.3.1.4 Expatriate spouses

From table 6.7 it can be seen that the Cronbach coefficient alpha value of the 8 variables measuring what was provided to expatriates' trailing spouses in terms of preparation, support and training is 0.790118. The alpha value of the same 8 variables measuring what expatriates require in terms of support and training for their trailing spouses is 0.802050.

Here also the Cronbach's alpha values for both the responses to the spouse construct were above the required 0.5 value for reliability and as a result the responses to this construct can be considered to be reliable.

Table 6.7 Cronbach's alpha results for Spouses

Spouse	Provided	Required
Raw Variables	0.790118	0.802050
Standardised Variables	0.821845	0.807187

6.3.1.5 Expatriates' children

Table 6.8 shows that the Cronbach coefficient alpha value of the last 5 variables measuring what was provided to expatriates' children is 0.827206, while the value of the same 5 variables measuring what expatriates require for their children is 0.782243.

As the Cronbach's alpha value for both the responses to the last construct, children, were above the required 0.5 value to test for reliability, the responses to this construct can also be considered to be reliable.

Table 6.8 Cronbach's alpha results for Children

Children	Provided	Required
Raw Variables	0.827206	0.782243
Standardised Variables	0.831936	0.762969

6.4 PROVIDED VERSUS REQUIRED

The *t*-test may be used to test a hypothesis stating that the mean scores on some variables will be significantly different for two independent samples or groups. It is used when the number of observations (sample size) is small and the population standard deviation is unknown (Zikmund, 2003:524). However, in this study the samples are not independent but the same respondents responding to the same variables, based on what they received and what they required from the South African MNE they worked for.

When looking at the results of the *t*-test for the individual variables it can be seen that there are statistically significant differences for all the variables between what was provided to expatriates and what the expatriates required from the MNEs. In other words, the mean scores for what expatriates required were higher than the mean scores for what they received for all the variables in the questionnaire.

6.4.1 Preparation of expatriates

On a 99 percent confidence interval when looking at the preparation of expatriates, 16 of the 24 variables scored a p-value of p<.0001, indicating statistical significance for the variables. As indicated in table 6.9, for all the variables the mean scores for what was required was greater than the mean scores for what was provided.

Table 6.9: *t*-Test for preparation required vs. provided

Variable	**DF**	***t*-Value**	**Pr > |t|**
Orientation visits to the international destination.	52	6.02	<.0001**
Expatriates currently at the international destination.	50	6.26	<.0001**
Accommodation in the host country.	51	2.36	0.0221**
Property rental agents in the host country.	51	4.38	<.0001**
Assistance with a lease agreement.	50	3.09	0.0033**
Buying houses in the host country.	51	6.32	<.0001**
Shipping arrangements for expatriates.	48	3.76	0.0005**
Payment of shipping and insurance expenses.	51	2.13	0.0383**
Payment for storage and insurance.	51	4.22	0.0001**
MNEs should limit shipping and insurance costs.	51	1.93	0.0586*

Table 6.9: (Continues)

Variable	DF	*t*-Value	Pr > |t|
Storage of belongings.	51	2.49	0.0160**
MNEs should ship expatriates' personal automobile.	51	5.43	<.0001**
Loss due to early sale of an automobile.	51	8.06	<.0001**
Rental of a home in the home country.	50	5.79	<.0001**
Assistance in the sale of a home country residence.	51	6.26	<.0001**
Loss due to the sale of a home in the home country.	51	7.17	<.0001**
Shipping expenses of pets.	51	6.45	<.0001**
Assistance with drawing up a will.	51	6.15	<.0001**
Tax consultation for expatriates.	51	10.08	<.0001**
Full medical examination prior to the assignment.	51	6.37	<.0001**
Hotel expenses prior to departure of the expatriate.	50	3.56	0.0008**
Expatriates' long-term career path.	50	8.48	<.0001**
A mentor should be assigned to an expatriate.	51	7.39	<.0001**
Reading material on the host country.	51	5.58	<.0001**

Statistical significance, $\alpha = 0.1^{*}$ and $\alpha = 0.05^{**}$

The following 16 variables have, however, shown the greatest statistically significant differences:

- Prior to the assignment the expatriate and his or her spouse should be allowed to visit the host country for an orientation visit at the MNE's expense (*t*-value = 6.02; p<.0001).
- The MNE should put the expatriate in touch with expatriates who have already made the move (*t*-value = 6.26; p<.0001).
- The MNE should provide a list of property rental agents in the host country that the expatriate can use to find a rental property (*t*-value = 4.38; p<.0001).
- The MNE should allow expatriates to purchase foreign housing (*t*-value = 6.32; p<.0001).
- The MNE should be required to ship a personal automobile to or from the host country (*t*-value = 5.43; p<.0001).
- The MNE should reimburse the expatriate for any losses he or she incurs due to the sale or early lease cancellation of an automobile prior to relocation (*t*-value = 8.06; p<.0001).

- The MNE should administer or assist with the administration of the rental of the primary residence of an expatriate while on an international assignment (*t*-value = 5.79; p<.0001).
- The MNE should provide assistance to expatriates with the sale of a primary residence before an international assignment (*t*-value = 6.26; p<.0001).
- The MNE should reimburse an expatriate for any losses he or she incurs due to the sale of the primary residence prior to an international assignment (*t*-value = 7.17; p<.0001).
- The MNE should be required to pay for the shipping expenses of pets (*t*-value = 6.45; p<.0001).
- The MNE should provide the expatriate with legal assistance in order to make or update a will prior to departure (*t*-value = 6.15; p<.0001).
- The MNE should provide tax consultation to an expatriate prior to departure (*t*-value = 10.08; p<.0001)
- Expatriates and their families should have full physical and dental examinations before leaving their home country (*t*-value = 6.37; p<.0001).
- MNEs should stipulate the long-term career plan with expatriates before an international assignment is undertaken (*t*-value = 8.48; p<.0001).
- The MNE should assign a mentor to an expatriate on an international assignment who can aid in maintaining contact with the home country and repatriation (*t*-value = 7.39; p<.0001).
- The MNE should provide the expatriate with reading material such as newspapers from the host country in order to prepare the expatriate for the new location (*t*-value = 5.58; p<.0001).

6.4.2 Support for expatriates

When looking at section C in the questionnaire – support for expatriates – again all the variables showed statistically significant differences between what was provided and what was required. However, 13 of the16 variables in this section scored a p-value of p<.0001, as can be seen in table 6.10, where the mean score for what was required was greater than the mean score for what was provided.

Table 6.10: *t*-Test for support required vs. provided

Variable	DF	*t*-Value	Pr > |t|
Tour of the new location upon arrival.	51	6.86	<.0001**
Assistance with opening a bank account.	51	5.31	<.0001**
Accommodation prior to long-term accommodation.	51	2.84	0.0064**
One-time relocation allowance upon arriving.	50	4.59	<.0001**
Furniture/appliance allowance to expatriates.	51	6.13	<.0001**
Medical aid cover.	51	5.66	<.0001**
Doctors and dentists in the host country.	51	8.18	<.0001**
Expatriate clubs/organisations in the host country.	51	7.97	<.0001**
Club memberships in the host country.	51	7.67	<.0001**
Plane tickets for home leave.	51	2.28	0.0265**
Sick or dead relatives.	50	5.81	<.0001**
Shipping costs of returning to the home country.	50	2.85	0.0064**
Customs duties upon returning to the home country.	51	5.54	<.0001**
Excess baggage penalties of expatriates.	51	5.83	<.0001**
Temporary accommodation upon repatriation.	50	5.98	<.0001**
Once-off settlement allowance upon repatriation.	50	7.15	<.0001**

Statistical significance, $\alpha = 0.1^{*}$ and $\alpha = 0.05^{**}$

The 13 variables with a p-values of p<.0001 are:

- On arrival the MNE should arrange for the expatriate to be taken on a tour of the area he or she will be working and living in (*t*-value = 6.86; p<.0001).
- The MNE should provide the expatriate with assistance with tasks such as opening a bank account and obtaining a driver's licence (*t*-value = 5.31; p<.0001).
- MNEs should provide expatriates with a one-time relocation allowance to pay for miscellaneous costs associated with the relocation (*t*-value = 4.59; p<.0001).
- The MNE should provide furniture and/or household appliance allowances where shipping or rental of such items is impractical (*t*-value = 6.13; p<.0001).
- The MNE should ensure that expatriates are provided with the same quality of medical aid cover as they received in the home country (*t*-value = 5.66; p<.0001).

- The MNE should provide the expatriate with a list of reputable doctors and dentists in their immediate vicinity (*t*-value = 8.18; p<.0001).
- The MNE should provide support to expatriates and their families by helping to establish expatriate clubs and social organisations in the host country (*t*-value = 7.97; p<.0001).
- The MNE should pay for club memberships (e.g., golf, gym etc.) for the expatriate in the host country (*t*-value = 7.67; p<.0001).
- The MNE should provide round-trip aeroplane tickets to the expatriate and his or her spouse in the case of illness or death in their immediate family (*t*-value = 5.81; p<.0001).
- Upon repatriation the MNE should pay all customs duties on items purchased in the host country on behalf of the expatriate (*t*-value = 5.54; p<.0001).
- Upon repatriation the MNE should pay any excess baggage penalties payable to the airline on behalf of the expatriate (*t*-value = 5.83; p<.0001).
- If the expatriate cannot move into his or her own home immediately upon repatriation the MNE should provide the expatriate with temporary accommodation (*t*-value = 5.98; p<.0001).
- The MNE should provide the expatriate with a once-off settlement allowance to compensate for additional expenses incurred upon repatriation (*t*-value = 7.15; p<.0001).

6.4.3 Training of expatriates

The importance of training expatriates for an international assignment is emphasised by the fact that all seven of the variables measuring the training of expatriates scored a p-value of p<.0001, as can be seen in table 6.11 below, indicating statistically significant differences between the training provided to expatriates and the training they require.

Table 6.11: *t*-Test for training required vs. provided

Variable	DF	*t*-Value	Pr > |t|
Local driving practices in the host country.	51	7.05	<.0001**
Security briefing on the host country.	51	7.86	<.0001**
Overview on doing business in the host country.	51	7.39	<.0001**
Objective cross-cultural training for expatriates.	51	8.72	<.0001**
Subjective cross-cultural training for expatriates.	51	8.86	<.0001**
Language training for expatriates.	51	6.95	<.0001**
Repatriation seminar prior to repatriation.	50	6.98	<.0001**

Statistical significance, $\alpha = 0.1^{*}$ and $\alpha = 0.05^{**}$

The following variables scored a p-value of p<.0001:

- Expatriates should be informed of local driving practices and motor vehicle safety in the host country (*t*-value = 7.05; p<.0001).
- MNEs should provide expatriates and their families with security awareness briefings (*t*-value = 7.86; p<.0001).
- MNEs should provide expatriates with an overview of the basic requirements for doing business in the host country (*t*-value = 7.39; p<.0001).
- Expatriates should receive cross-cultural training focusing on objective characteristics of the host culture such as: currency, language and government system (*t*-value = 8.72; p<.0001).
- Expatriates should receive cross-cultural training focusing on subjective characteristics of the host culture such as: customs, values and beliefs (*t*-value = 8.86; p<.0001).
- Expatriates should receive language training where the host country language is different from the language spoken in the home country (*t*-value = 6.95; p<.0001).
- Prior to repatriation the expatriate and his or her spouse should attend a repatriation seminar to help them prepare mentally for the repatriation (*t*-value = 6.98; p<.0001).

6.4.4 Spouses of expatriates

As was the case with the training of expatriates, all eight of the variables measuring what preparation, support and training was offered and should be offered to the trailing spouses of expatriates, scored high for statistical significance (p<.0001). Here the mean scores for what was required were higher than the mean scores for what was provided.

Table 6.12: *t*-Test for required vs. provided for trailing spouses

Variable	**DF**	***t*-Value**	**Pr > |t|**
Spouses should attend information and orientation sessions prior to accepting the assignment.	40	6.73	<.0001**
Work permits for spouses.	39	9.69	<.0001**
Job for spouses in the host country.	40	7.66	<.0001**
MNE should provide spouses with work.	39	6.17	<.0001**
MNEs should pay for spouses to study.	40	7.01	<.0001**
Objective cross-cultural training for spouses.	40	7.59	<.0001**
Subjective cross-cultural training for spouses.	40	7.59	<.0001**
Spouses should receive language training.	40	6.88	<.0001**

Statistical significance, $\alpha = 0.1^{*}$ and $\alpha = 0.05^{**}$

The following eight variables were tested:

- MNEs should involve the spouse of an expatriate in the original information and orientation sessions prior to accepting the assignment (*t*-value = 6.73; p<.0001).
- The MNE should assist spouses of expatriates in acquiring a work permit for the host country (*t*-value = 9.69; p<.0001).
- The MNE should aid expatriates' spouses in finding work in the host country (*t*-value = 7.66; p<.0001).
- If the trailing spouse cannot find work in the host country the MNE should provide the spouse with work (*t*-value = 6.17; p<.0001).
- The MNE should provide the expatriate's spouse with financial support for further study in the host country (*t*-value = 7.01; p<.0001).
- Spouses should receive cross-cultural training focusing on objective characteristics of the host culture such as: currency, language and government system (*t*-value = 7.59; p<.0001).
- Spouses should receive cross-cultural training focusing on subjective characteristics of the host culture such as: customs, values and beliefs (*t*-value = 7.59; p<.0001).

- Spouses should receive language training where the host country language is different from the language spoken in the home country (t-value = 6.88; $p<.0001$).

6.4.5 Children of expatriates

The last section focused on the preparation, support and training of expatriates' children. In this section all the variables showed statistically significant differences between what was provided and what was required.

Table 6.13: *t*-Test for required vs. provided for expatriate children

Variable	DF	*t*-Value	Pr > |t|
Education allowance for children.	25	2.21	0.0362**
Plane tickets for children in tertiary institutions.	25	3.24	0.0034**
Objective cross-cultural training for children.	25	4.03	0.0005**
Subjective cross-cultural training for children.	25	3.63	0.0013**
Language training for children.	25	3.83	0.0008**

Statistical significance, $\alpha = 0.1^{*}$ and $\alpha = 0.05^{**}$

Here also the mean scores for what was required were higher than the mean scores for what was provided. In this section two of the five variables showed a greater statistical significance than the others, namely:

- Expatriate children should receive cross-cultural training focusing on objective characteristics of the host culture such as: currency, language and government system (t value = 4.03; $p = 0.0005$).
- Expatriate children should receive language training where the host country language is different from the language spoken in the host country (t value = 3.83; $p = 0.0008$).

6.4.6 Paired *t*-test section totals

Now that it has been identified that there are statistically significant differences for the individual variables between what has been provided and what is required, the t-values and the p-values of the total scores for each section in the questionnaire can be looked at.

- From table 6.14 it can be seen that there is statistical significance in the difference between the mean score for the preparation provided to expatriates (BTOTP) and the mean score for preparation (BTOTR) required by expatriates (*t*-value = 9.61; p<.0001).
- In section C, measuring the support offered to expatriates, there is a statistically significant difference between the mean score for support provided to expatriates and the mean score for support required by expatiates (CTOTP – CTOTR) (*t*-value = 10.23; p<.0001).
- In section D of the questionnaire there is statistical significance in the difference between the mean score for training provided to expatriates and the mean score for the training required by expatriates (DTOTP – DTOTR) (*t*-value = 9.17; p<.0001).
- There is also a statistically significant difference between the mean score for the preparation, support and training provided to the expatriates' trailing spouse and the mean score for the preparation, support and training required by the expatriate for his or her trailing spouse (ETOTP – ETOTR) (*t*-value = 10.13; p<.0001).
- Lastly there is a statistically significant difference between the mean score for the preparation, support and training provided for the expatriate's children and the mean score for the preparation, support and training required by the expatriate for his or her children (FTOTP – FTOTR) (*t*-value = 4.24; p = 0.0003).

In all the above-mentioned cases (Sections B – E) the mean score for what was required was higher than the mean score for what was provided.

Table 6.14: Paired *t*-test section totals

Difference	**DF**	***t*-Value**	**Pr > | *t* |**
BTOTP - BTOTR	44	9.61	< .0001**
CTOTP - CTOTR	47	10.23	< .0001**
DTOTP - DTOTR	50	9.17	< .0001**
ETOTP - ETOTR	38	10.13	< .0001**
FTOTP - FTOTR	25	4.24	0.0003**

Statistical significance, $\alpha = 0.1^{*}$ and $\alpha = 0.05^{**}$

As the *t*–test has shown statistical significance in all five of the sections tested in the questionnaire, the null hypothesis - H_{10}: South African MNEs are providing the preparation, support and training that expatriates feel they need for international assignments – cannot be accepted.

However, due to the statistical significance in the mean scores of all five sections of the questionnaire, the alternative hypothesis - H_{1A}: South African MNEs are not providing the preparation, support and training that expatriates feel they need for international assignments - is accepted.

6.5 SPOUSE AND FAMILY NEEDS

The *t*-test was also used in determining whether expatriates with trailing spouses and children do have special needs when on an international assignment. Table 6.15 below lists all the variables in the questionnaire testing the requirements of expatriates with trailing spouses with each variable's *t*- and p-value. As can be seen in table 6.15, all the variables showed statistically significant differences between what was provided and what was required, with p-values of $p<.0001$. For all the variables the mean scores for what was required were higher than the mean scores for what was provided.

Table 6.15: *t*-Test for required vs. provided for trailing spouses

Variable	**DF**	***t*-Value**	**Pr > $\lvert t \rvert$**
Spouses should attend information and orientation sessions prior to accepting the assignment.	40	6.73	$<.0001^{**}$
Work permits for spouses.	39	9.69	$<.0001^{**}$
Job for spouses in the host country.	40	7.66	$<.0001^{**}$
MNE should provide spouses with work.	39	6.17	$<.0001^{**}$
MNEs should pay for spouses to study.	40	7.01	$<.0001^{**}$
Objective cross-cultural training for spouses.	40	7.59	$<.0001^{**}$
Subjective cross-cultural training for spouses.	40	7.59	$<.0001^{**}$
Spouses should receive language training.	40	6.88	$<.0001^{**}$

Statistical significance, $\alpha = 0.1^{*}$ and $\alpha = 0.05^{**}$

There is also statistical significance between the mean score for the preparation, support and training provided to the expatriates' trailing spouse and the mean score for the preparation, support and training required by the expatriate for the trailing spouse for all the variables combined in section E (ETOTP – ETOTR) (*t*-value = 10.13;p <.0001).

The last five variables in the questionnaire focused on the preparation, support and training needs of expatriates with children. The following five variables were tested:

- An education allowance (tuition only) should be provided for schooling to expatriate children equal to that offered in the home country (*t*-value = 2.21; p = 0.0362).
- Children attending a tertiary institution in the home country should receive plane tickets to visit their parents in the host country (*t*-value = 3.24; p = 0.0034).
- Expatriate children should receive cross-cultural training focusing on objective characteristics of the host culture such as: currency, language and government system (*t*-value = 4.03; p = 0.0005).
- Expatriate children should receive cross-cultural training focusing on subjective characteristics of the host culture such as: customs, values and beliefs (*t*-value = 3.63; p = 0.0013).
- Expatriate children should receive language training where the host country language is different from the language spoken in the home country (*t*-value = 3.83; p = 0.0008)

As can be seen, at a significance level of $p \leq 0.05$ all the variables in this section show statistically significant differences between what was provided to them and what is required by them, as the mean scores for what was provided were lower than the mean scores for what was required.

When looking at the *t*-value and the p-values for all the variables in section F combined, it can be seen that there is statistical significance in the difference between the mean score for the preparation, support and training provided for the expatriate's children and the mean score for the preparation, support and training required by the expatriate for his or her children (FTOTP – FTOTR) (*t*-value = 4.24; p = 0.0003).

As there are statistically significant differences in all the variables in both sections, it can be said that the expatriates do have special needs for their trailing spouses and children, and as a result the null hypothesis – H_{20}: Expatriates with spouses and families do not have special preparation, support and training needs – is rejected. But the alternative hypothesis –

H2A: Expatriates with spouses and families do have special preparation, support and training needs – is accepted.

6.6 LOCATION NEEDS

Fisher's exact test was used to test for statistical significance between the location of the expatriates and the preparation, support and training they require from the MNEs they work for. Fisher's exact test had to be used as the χ^2 test for 2 x 2 tables assumes that each expected frequency is at least five. If this assumption is not satisfied, other procedures, such as Fisher's exact test should be used (Berenson & Levine, 1996: 622). The Fisher exact test computes the exact probability under the null hypothesis of obtaining the current distribution of frequencies across cells, or one that is more uneven (Statsoft, [n.d.(b)]). As is required by the Fisher exact test, the response categories needed to be combined (collapsed) into two columns and two rows. In order to use the Fisher exact test the locations (independent variable) were divided into two groups (rows) namely, Africa and the rest of the world, and the four-point Likert scale (columns) were combined (collapsed) into Agree and Disagree (dependent variable).

When looking at the results of the Fisher exact test, statistical significance at a significance level of $p \leq 0.05$ was found in only one of the 60 variables, namely V16. When the significance level was, however, reduced to $p \leq 0.10$, statistical significance was found in an additional three of the 60 variables.

At a significance level of $p \leq 0.05$ the only statistically significant difference between expatriates being sent to Africa and expatriates being sent to the rest of the world was:

- The MNE should provide a list of property rental agents in the host country that the expatriates can use to find a rental property ($p<0.0444$). While 75 percent of expatriates on an assignment in Africa agreed with this statement, 95.65 percent of expatriates on assignment to the rest of the world agreed with this statement.

At a significance level of $p \leq 0.10$ the following three variables also showed statistically significant differences:

- The MNE should be required to ship a personal automobile to or from the host country ($p<0.0697$). While 60 percent of expatriates on an assignment in Africa agreed with this statement, only 34.78 percent of expatriates on assignment in the rest of the word agreed with this statement.

- The MNE should provide the expatriate with legal assistance in order to make or update a will prior to departure ($p<0.0542$). Only 57.50 percent of expatriates on assignment in Africa agreed with this statement, while 82.61 percent of expatriates in the rest of the world agreed with this statement.
- The MNE should assist spouses of expatriates in acquiring a work permit for the host country ($p<0.0754$). While 81 percent of the expatriates in Africa agreed with the statement, 100 percent of the expatriates in the rest of the world agreed with the statement.

When looking at the differences between the requirements of expatriates in Africa and the rest of the word, there were five variables where both the expatriates in Africa and the expatriates in the rest of the world were in one hundred percent agreement with the statements in the questionnaire. These statements were:

- The MNE should pay for the shipment and insurance of household goods to the host country.
- The MNE should cover temporary living expenses of expatriates and their dependants living in a hotel or furnished apartment prior to moving into their new residence in the host country.
- Once a year the MNE should provide the expatriate with plane tickets to the city in the home country where the expatriate is from in order to take home leave.
- The MNE should provide round-trip plane tickets to the expatriate and his or her spouse in the case of illness or death in their immediate family.
- An education allowance (tuition only) should be provided to provide schooling to expatriate children equal to that offered in the home country.

As there are statistically significant differences in only one of the 60 variables at an significance level of $p \leq 0.05$, the null hypothesis – H_{30}: There is no difference between the preparation, support and training needs of expatriates on an international assignment in Africa and those expatriates on an international assignment in the rest of the world – is accepted.

6.7 REQUIREMENTS AND AGE

As was the case with the location requirements in section 6.6 above, the Fisher exact test was used in determining whether there is a statistically significant relationship between the age of expatriates (independent variable) and the preparation, support and training needs required (dependent variable) by them. As is required by the Fisher exact test, the response categories needed to be combined (collapsed). The ages of the respondents in this study ranged from 23 to 60, but in order to use the Fisher exact test were divided into two age groups (rows), namely 35 and under; and older than 35, and the four-point Likert scale was combined (collapsed) into Agree and Disagree (columns).

When looking at the results of the Fisher exact test, statistical significance at a significance level of $p \leq 0.05$ was found in three of the 60 variables in the questionnaire. At a significance level of $p \leq 0.10$ an additional two variables could be added to the list of variables with significant differences.

At a significance level of $p \leq 0.05$ the following three variables showed a statistically significant relationship between the age of an expatriate and the preparation, support and training he or she requires from an MNE:

- The MNE should pay for the storage and insurance of those household goods and other belongings remaining in the home country ($p<0.0302$). While 85.71 percent of the expatriates 35 years and under agreed with the statement, 100 percent of the expatriates older than 35 agreed with the statement.
- The MNE should provide the expatriate with legal assistance in order to make or update a will prior to departure ($p<0.0357$). While 82.14 percent of expatriates 35 and under agreed with the statement, only 56.76 percent of expatriates over 35 agreed with the statement.
- The MNE should aid expatriates' spouses in finding work in the host country ($p<0.0011$). While 90 percent of expatriates 35 and under agreed with this statement, only 43.75 percent of expatriates over 35 agreed with this statement.

At a significance level of $p \leq 0.10$ the following variables can be added to the list of variables with a statistically significant difference:

- The MNE should provide the expatriate with reading material such as newspapers from the host country in order to prepare the expatriate for the new location ($p<0.0614$). While 82.14 percent of expatriates 35 years and under agreed with this statement, only 59.46 percent of the expatriates over 35 agreed with this statement.
- Expatriates should receive cross-cultural training focusing on subjective characteristics of the host culture such as: customs, values and beliefs ($p<0.0662$). While 96.43 percent of expatriates 35 and under wished to receive subjective cross-cultural training, only 78.38 percent of expatriates over 35 wished to receive the same training.

As was the case with the location needs in section 6.6, both the expatriates 35 years and under and the expatriates over 35 were one hundred percent in agreement with the following five variables:

- The MNE should pay for the shipment and insurance of household goods to the host country.
- The MNE should cover temporary living expenses of expatriates and their dependants living in a hotel or furnished apartment prior to moving into their new residence in the host country.
- Once a year the MNE should provide the expatriate with plane tickets to the city in the home country where the expatriate is from in order to take home leave.
- The MNE should provide round-trip plane tickets to the expatriate and his or her spouse in the case of illness or death in their immediate family.
- An education allowance (tuition only) should be provided for schooling to expatriate children equal to that offered in the home country.

As there are statistically significant differences in only 3 of the 60 variables at a significance level of $p\leq0.05$, the null hypothesis – H_{40}: 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 – is accepted.

6.8 REQUIREMENTS AND DURATION

Fisher's exact test was again used in determining whether there is a statistically significant relationship between the duration of an international assignment and the preparation, support and training required by an expatriate. As is required by the Fisher exact test, the response categories were combined (collapsed) into two duration periods, namely 0-4; years and longer than 4 years (rows) (independent variable), and the four-point Likert scale was combined (collapsed) into Agree and Disagree (columns) (dependent variable).

When looking at the results of the Fisher exact test, statistical significance at a significance level of $p \leq 0.05$ was found in two of the 60 variables in the questionnaire, while at a significance level of $p \leq 0.10$ an additional variable could be added to the list of variables with significant differences.

At a significance level of $p \leq 0.05$ the following two variables showed a statistically significant relationship between the duration of an international assignment and the preparation, support and training required by an expatriate:

- Prior to the assignment the expatriate and his or her spouse should be allowed to visit the host country for an orientation visit at the MNE's expense ($p < 0.0356$). While 98 percent of expatriates on an assignment of four years or less agreed with this statement, 80 percent of the expatriates on an assignment of over four years agreed with this statement.
- Spouses should receive cross-cultural training focusing on subjective characteristics of the host culture such as: customs, values and beliefs ($p < 0.0352$). Of those expatriates on an assignment of four years or less, 81.58 percent agreed with this statement, while only 50 percent of the expatriates on an assignment of more than four years agreed.

At a significance level of $p \leq 0.10$ the following variable can be added to the list of variables with a statistically significant difference:

- The MNE should provide assistance to the expatriate in negotiating the terms of the property lease agreement ($p < 0.0749$). While 83.67 percent of the expatriates on an assignment of four years or less agreed with this statement, only 60 percent of the expatriates on an assignment of longer than four years agreed.

Both the expatriates on an assignment of four years or less and the expatriates on an assignment of longer than four years were one hundred percent in agreement with the following five variables:

- The MNE should pay for the shipment and insurance of household goods to the host country.
- The MNE should cover temporary living expenses of expatriates and their dependants living in a hotel or furnished apartment prior to moving into their new residence in the host country.
- Once a year the MNE should provide the expatriate with plane tickets to the city in the home country where the expatriate is from in order to take home leave.
- The MNE should provide round-trip plane tickets to the expatriate and his or her spouse in the case of illness or death in their immediate family.
- An education allowance (tuition only) should be provided for schooling to expatriate children equal to that offered in the home country.

As there are statistically significant differences in only two of the 60 variables at a significance level of $p \leq 0.05$, the null hypotheses – H_{50}: 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 – is accepted.

6.9 REQUIREMENTS AND MANAGEMENT LEVEL

The last hypothesis tests whether there is a difference between the preparation, support and training requirements of top and middle managers on an international assignment. In order to test this hypothesis, the Fisher exact test was again used, as was the case with the previous three hypotheses. As is required by the Fisher exact test, the response categories needed to be combined (collapsed) into two rows and two columns, but as the hypothesis only focuses on two management levels there was no need to combine any response categories for the rows, as top and middle managers were used here (independent variable). The four-point Likert scale was, however, combined (collapsed) into Agree and Disagree (columns) (dependent variable).

When looking at the results of the Fisher exact test, statistical significance at a significance level of $p \leq 0.05$ was found in only one of the 60 variables in the questionnaire, while at a significance level of $p \leq 0.10$ an additional three variables could be added to the list of variables with statistically significant differences.

At a significance level of $p \leq 0.05$ the following variable showed a statistically significant difference between the preparation, support and training required by top and middle managers:

- The MNE should assist spouses of expatriates in acquiring a work permit for the host country ($p<0.0099$). One hundred percent of middle managers agreed with this statement, while only 72 percent of top managers agreed.

At a significance level of $p \leq 0.10$, the following three variables can be added to the list of variables with a statistically significant difference:

- The MNE should administer or assist with the administration of the rental of the primary residence of an expatriate while on an international assignment ($p<0.0644$). While 70.37 percent of middle managers agreed with this statement, only 44.83 percent of top managers agreed.
- MNEs should involve the spouses of an expatriate in the original information and orientation sessions prior to accepting the assignment ($p<0.0507$). All the middle managers agreed with this statement, while 80 percent of the top managers agreed.
- The MNE should aid expatriates' spouses in finding work in the host country ($p<0.0832$). While 73.91 percent of middle managers agreed with this statement, only 48 percent of top managers agreed with the statement.

Both the top and the middle managers were in one hundred percent agreement on the following variables:

- The MNE should pay for the shipment and insurance of household goods to the host country.
- The MNE should cover temporary living expenses of expatriates and their dependants living in a hotel or furnished apartment prior to moving into their new residence in the host country.
- Once a year the MNE should provide the expatriate with plane tickets to the city in the home country where the expatriate is from in order to take home leave.
- The MNE should provide round-trip plane tickets to the expatriate and his or her spouse in the case of illness or death in their immediate family.
- An education allowance (tuition only) should be provided for schooling to expatriate children equal to that offered in the home country.

As there are statistically significant differences in only one of the 60 variables at a significance level of $p \leq 0.05$, the null hypotheses – H_{60}: There is no difference between the preparation, support and training needs of top and middle management expatriates on an international assignment – is accepted.

6.10 OPEN-ENDED QUESTIONS

As it is not possible to cover all the possible variables included in the preparation, support and training of expatriates, the expatriates were also given two open-ended questions. In the first question they were asked to indicate what other preparation, support and training they received from the MNE that might not have been covered in the statements in the questionnaire. In the second open-ended question they were asked if there was any other preparation, support and training they might need from the MNE that might not have been covered in the statements in the questionnaire. The following responses were received to the open-ended questions:

6.10.1 Provided

- Travel time is not deducted from annual leave.
- Transport/vehicle/driver is provided in the host country.
- Electricity bill is covered.
- Mobile phone is covered in the host country.
- The cost of cancelling mobile phone subscription in the home country was covered.
- Courses relevant to the new position were offered and completed e.g. finance for non-financial managers and human resource fundamentals. Language was not an issue but the company would have agreed to language courses if required.
- A relocation agency was provided to help with the expatriation.

6.10.2 Required

- A session with a psychiatrist should be arranged for the expatriate and his or her spouse.
- Bonus incentives should be discussed with the expatriate prior to leaving for the assignment.
- First-time expatriates should have a thorough induction from a senior staff member/expatriate on the new job functions two weeks prior to the assignment.

- Help the expatriates with information on travel clinics; rent a vehicle if one is not available immediately, help the expatriates obtain a visa, etc. It is the little things that make a difference to relocating to another country. Do not leave everything in the hands of the person relocating; the MNE should assist 24/7.
- Expatriates need exposure to the international business and legal systems that are applicable in the host countries; equally the financial complexities of cross-currency trading and foreign exchange controls need to be considered and additional training where necessary should be given. Ongoing development and training should be given so that the expatriate when returning is up to date on where the company is at that point in time. Development should be looked at also in the context of the host country and its trading requirements.
- Expatriates and their spouses should be allowed home leave and assistance to achieve this twice a year. Many things crop up and need attention and it is insufficient to attend thereto once a year.
- Better communication of lessons learnt from expatriates that are already operational in the same environment. The more you know before the time the better you can adapt and the sooner you can start to add value.
- If you are going to a politically unstable area, information such as the location of "friendly" embassies, evacuation procedures, contact people in the case of political or military instability and others.
- Information relating to the stability/instability of neighbouring countries and how this may or may not affect the expatriates; if it does affect them, then what steps are being taken to mitigate the risk?
- Guidance on how much local currency will be required to purchase the same type (functional and quality wise) of household goods as is prevalent in the home country.
- The only information that could be obtained prior to arrival had to be obtained by doing own Internet research.
- Expatriates should be provided with assistance with the importation of firearms, pets, vehicles and other personal objects that require additional documentation by customs of that country but which are non-work related.
- As an expatriate you miss out on the training provided to your colleagues back in South Africa, so when you return you are at a disadvantage.

- Training should be provided to expatriates on how to handle situations where despair and extreme loneliness set in. The management of the MNE should also go through training to understand and create an awareness of the host country, its business and social environment and to understand what the expatriate is experiencing and going through.
- Conversion to local drivers licence paid for, including compulsory driving lessons.
- Where the assignment results in a child going to university in the host country, the completion of which goes beyond the assignment term, some provision for the child to return to the home country at the cost of the MNE should be arranged.
- MNEs should make sure that the expatriate, upon arriving, has the necessary tools – getting to work, training, hardware etc. – before the person reports for work.
- Immediate provision of transport rather than leaving the employee to sort this out.
- Employee should be allowed the option of housing or a housing allowance and to be allowed to pocket the difference if they chose to stay in cheaper accommodation.
- The documentation requirements of the country, i.e. work permits/residence visas, what is required, what the country normally provides and a plan for when visas expire, how to go about getting visas renewed. We found ourselves in a difficult situation having to renew visas every 10 days without any knowledge of how to go about doing it.
- Advice on medical issues – doctors/dentists/hospitals, what to do in an emergency in the country. Inoculations required before arrival. Threats of disease in the country and how to avoid them. No guidance or information on malaria were given, all research on if we should take prophylactics was established ourselves.
- We had problems and continue to have problems with water, electricity, the MNE should provide a guide on what the company is responsible for and what the expatriate is personally responsible for.
- Local currency should be provided prior to arrival, sufficient for transport and supplies for the entire family for a period of one week.
- All expatriate candidates and their spouses should be questioned by qualified personnel to ascertain if they can live away from their family.
- When expatriate's children need to go back to the home country for tertiary education, it is very costly to keep the family in contact and together. If one considers the cost element, if the MNE could make a contribution towards the tertiary education locally this would save large costs for the expatriate and is usually lower than the normal high school costs paid by the MNE, plus it allows the family to be kept together.

- Ensure that the expatriate does not receive a worse package than local staff as the salary scales are worked off an African salary scale worked off some nebulous CRG scale. The African is always worse off! Make sure that there are standards set in the expat deals: some pay for animal costs, others get the cost taken care of; some are allowed to get school buses but others not.
- Home leave should be changed to international leave. The expatriate may wish to visit another destination. This should be an entitlement as with most international companies. The costs are always based on the home leave flight costs.

6.11 SUMMARY

There were 65 expatriates who responded to the research on the preparation, support and training of expatriates. Of these expatriates the majority are male, the majority are married and almost 88 percent of the expatriates are either in middle or top management positions.

The research findings have indicated that these expatriates are not getting the preparation, support and training that they require from the MNEs that they work for, and it has also been determined that those expatriates with a trailing spouse and children have special needs in terms of the preparation, support and training they require for their trailing spouses and children. These needs have, however, not been satisfied by the MNEs.

Lastly it was determined that the duration of an international assignment, the age of the expatriate, the location of the international assignment and the management level held by the expatriate do not make a significant difference in the preparation, support and training expatriates require from the MNE they work for.

The next chapter will provide an in-depth discussion of the research findings as well as recommendations to South African MNEs on how better to prepare, support and train their expatriates.

CHAPTER 7
CONCLUSION AND RECOMMENDATIONS

7.1 INTRODUCTION

According to Cooper & Schindler (2003:665), the summary is a brief statement of the essential findings. Findings state facts; conclusions represent inferences drawn from the findings. Recommendations, on the other hand, are usually a few ideas about corrective actions. In academic research, the recommendations are often suggestions for further study that would broaden or test understanding of the subject area. In applied research the recommendations will usually be for managerial action rather than research action. The writer may offer several alternatives with justification.

This chapter will start with a short overview of the literature study, after which a brief discussion of the most important research findings will be presented. Finally the chapter will conclude with recommendations based on the research findings as well as the identification of future research topics that were identified while undertaking this research.

7.2 LITERATURE REVIEW

Chapter 1 provided the introduction and problem statement to the research. In chapter 1 it was shown that the failure of expatriates was a major problem worldwide with failure rates in the USA of up to 70 percent. In the problem statement it was postulated that through the preparation, support and training of expatriates their failure rate – early termination of an assignment – could be reduced. However, according to a University of South Africa study, South African MNEs are not offering the structured training programmes required by expatriates. Chapter 1 further identified the hypothesis that was tested in this research, which focused on determining whether South African MNEs are providing the preparation, support and training that expatriates feel they need. Next, the research focused on determining if expatriates with a trailing spouse and children have special preparation, support and training needs, and lastly the research attempted to determine whether the location of the international assignment, the duration of the assignment, the age of the expatriate and the management level of the expatriate influenced the preparation, support and training the expatriate requires from the MNE.

In chapter 2, the first of the three literature chapters, it was seen that human resources are a sustainable source of competitive advantage to MNEs as they are valuable, rare and difficult to imitate. It was also seen that MNEs have four sources of personnel to use when sourcing personnel, namely: home country nationals, host country nationals, third country nationals and inpatriates. However, one of the biggest problems facing MNEs is the selection of employees for an international assignment, as very often domestic performance is equated with international performance potential. Instead of just focusing on domestic performance it is recommended that MNEs use different criteria such as self-orientation, others-orientation, perceptual ability and cultural toughness when evaluating an employee for an international assignment. But even if the MNEs were able to select a suitable candidate for an international assignment, the MNE should still be aware of the significance of an appropriate compensation and benefits package to attract, retain and motivate international employees. Lastly, chapter 2 highlighted the importance of successful repatriation or the reintegration of an expatriate back into the home country. MNEs invest hundreds of thousands of rands in expatriates and developing their international knowledge and management skills through international assignments. Yet if these expatriates are not properly repatriated, they leave the employment of the MNE and will apply their new-found skills and knowledge at another MNE that values these skills and knowledge.

Chapter 3 showed that MNEs could use four different types of internationalisation strategies, namely an international strategy, a multidomestic strategy, a global strategy and a transnational strategy. It was also stated that MNEs can and do use a combination of these strategies. The internationalisation strategies in turn influence the type of staffing policy an MNE uses or at least contribute to the choice of a staffing policy. In general the international strategy will go hand in hand with the ethnocentric staffing policy, the multidomestic strategy with the polycentric staffing policy and the global and transnational strategies with the global staffing policy. Lastly, the chapter provided some reasons why MNEs use expatriates, as well as some of the major international staffing problems facing MNEs.

In the last literature chapter, chapter 4, it was identified that the success or failure of expatriates can be attributed to the amount and type of preparation, support and training that they receive from the MNE. The chapter provides guidelines on how expatriates should be prepared for an international assignment, supported while on an international assignment and trained for the international assignment. All these guidelines were used in drawing up the questionnaire used in the research.

Lastly chapter 5 explained the methodology used in the research, while chapter six presented and discussed the findings of the empirical research.

7.3 CONCLUSION

The following section will provide a brief summary of the findings of the empirical research in chapter 6.

7.3.1 Demographic profile

When looking at the ages of South African expatriates there is no particular age group that stands out as the most prominent. The ages vary between 23 and 60 years of age. This is, however, not in line with the most recent trends in international staffing, where MNEs are sending younger employees on international assignments. The reasons are that younger employees do not, in most cases, have trailing spouses and children who will add to the cost of an international assignment and, as was seen in a number of studies in the USA, are a major contributor to the early termination of an international assignment. Lastly MNEs, when sending younger employees on an international assignment, are seeing the assignment as an investment in the employee and the enterprise's future, as the employee will be able to use that knowledge to the MNE's advantage in the future. Having said this, many MNEs are striving for a balance between younger and more experienced managers, as younger managers tend to appreciate other cultures more and as a result can adapt to the new environment a lot quicker but they lack experience. By sending a combination of youth and experience on an international assignment these managers can learn from each other. This will mean that the age spread of South African MNEs could work in their favour.

When looking at the gender profile of South African expatriates, the male expatriates make up the biggest group, with 89 percent of the responses, with only 11 percent of the respondents being female. The literature has shown that male expatriates tend to adjust a little faster to international assignments than their female counterparts. This may contribute to the success of an international assignment, as the literature has shown that the faster an expatriate can adjust to the new environment, the faster he or she can become a productive employee.

Next it was determined that the majority of South African expatriates are married, with 78.46 percent of the expatriates being married while only 21.54 percent are unmarried. This can be linked to the fact that the ages of South African expatriates vary greatly between 23 and 60 years, and differs from the international trend of sending younger employees on international assignments as they do not yet have trailing spouses and children. According to the literature, the reason the family criterion should receive much attention is that MNEs have learned that an unhappy executive will be unproductive on the job and the individual will want to be transferred home long before the tour of duty is complete. In a study conducted among 324 expatriates in 46 countries it was found that the amount of organisational support that an expatriate feels he or she is receiving and the interplay between this person's work and family domain have a direct and unique influence on the individual's intentions regarding staying with or leaving the enterprise. For this reason, some enterprises interview both the spouse and the manager before deciding whether to approve the assignment. This can be a very important decision on the part of the enterprise because it focuses on the importance of the family as an issue (Hodgetts & Luthans, 2003:454). For South African MNEs the fact that so many of their expatriates are married could be a major factor in the success or otherwise of an international assignment, but as will be seen later this can be overcome through preparation, support and training.

When looking at the hierarchical position of South African expatriates, it is seen that 87.69 percent of expatriates are in either top or middle management positions. The use of top and middle mangers as expatriates is in line with international tendencies, as can be seen from the work of Scullion (1994:87). In the study of 45 international personnel management professionals in MNEs based in the UK and Ireland, Scullion found that a majority of the companies continued to rely heavily on PCNs to run their operations. The research findings showed that, while almost 50 percent of companies had formal policies favouring the use of host country managers to run their foreign operations, in practice just over one-third operated with HCNs in senior management positions in their foreign operations. In other words, two-thirds of the companies relied primarily on expatriates to run their foreign operations. The literature has also found that a further key reason for using senior expatriates was to maintain trust in key foreign businesses, following large international acquisitions. This finding is particularly interesting because previous research has suggested that the employment of expatriates will be lower in acquisitions in comparison with Greenfield sites – building an enterprise from the ground up (Czinkota, Ronkainen & Moffett, 2003:138).

The decision to use PCNs to head up foreign operations is closely tied to the ethnocentric staffing policy. It is usually used where MNEs wish to maintain close communication and coordination with headquarters. It is also used by MNEs when they feel that the local managers lack the skills required to head up their foreign operation. This could be a major contributor to the decision of South African MNEs to use such a large percentage of top and middle managers, as the majority of South African expatriates in this study are working in African countries which are less developed than the headquarter country, and as a result might not have the skilled managers that South African MNEs might need.

The research has also indicated that the duration of expatriate assignments was spread between seven-month assignments and ten-year assignments, with the two-year assignments (14.29 percent) and the three-year assignments (38.10 percent) being the most prominent. In a recent survey entitled Measuring Expatriate Success, a survey of HR professionals to which 337 HR professionals responded, it was found that the average expatriate assignment lasts 2.7 years (Halcrow, 1999:44-48). When comparing the duration of South African expatriate assignments to this it would seem that South African MNEs are on par with the international tendencies.

In a more recent study amongst 60 mainly European companies, it was found that 53 percent had more than 50 employees on long-term assignments of a year, but only 18 percent had more than 50 employees abroad for fixed periods of less than a year or so. However, short-term assignments were the ones most companies expected to grow. In a comparative study between 1997 and 2000 it was found that the growth in short-term assignments was quite astounding. One of the reasons for this change is cost. Sending employees abroad long term generally costs three to four times as much as employing local staff. Another reason is the way that companies run international operations. The growth in shorter postings can be traced to the early 1990s, when executives increasingly acquired global and functional, rather than regional and geographic, responsibilities. A manager with responsibility for, example, information, is expected to work in all the countries in which the company operates. As a result, people with specific skills, often much lower down the company ladder than the typical expatriate of the past, now work abroad for a few weeks or months at a time. Employees' lives have altered too, in ways that make long-term foreign postings less attractive. Professionals marry other professionals: dual-career couples risk losing half their income if one of them has to move (Anon, 2000b:80).

This would mean that as the majority of South African expatriate assignments are for two and three years, South African MNEs are behind the most recent trends in the duration of expatriate assignments

It should be kept in mind that the duration of an international assignment can also influence the training needs of expatriates. According to Beamish et al (2000:193), the training that a person undergoes before expatriation should be a function of the degree of cultural exposure that he or she will be subjected to. Two dimensions of cultural exposure are the degree of integration and the duration of stay. The integration dimension represents the intensity of the exposure. A person could be sent to a foreign country on a short-term, technical, troubleshooting matter and experience little significant contact with the local culture. On the other hand, a person could be in Japan for only a brief visit to negotiate a contract, but the cultural interaction could be very intense and might require a greater deal of cultural fluency to be successful. Similarly, an expatriate assigned abroad for a period of years is likely to experience a high degree of interaction with the local culture from living there.

One set of guidelines suggests that for short stays (less than a month) and a low level of integration, an "information-giving approach" would suffice. This includes area and cultural briefings and survival-level language training, for example. When the stays are longer (2-12 months) with a moderate level of integration, language training, role-play, critical incidents, case studies, and stress reduction training are suggested. When people will be living abroad for one to three years and/or will have to experience a high level of integration into the culture, extensive language training, sensitivity training, field experience, and simulations are the training techniques recommended.

MNEs should also link the duration of an international assignment to the age of their expatriates, as research suggests that expatriates over the age of 35 years tend to have slightly higher levels of satisfaction after the first year, while managers under 35 have higher levels of satisfaction during the next three to four years (Hodgetts & Luthans, 2003:451).

Lastly, this research found that the majority of South African expatriates are being sent to African countries, followed by Europe, Asia and Australasia, in that order. In fact, nearly double (40 respondents) the number of expatriates were sent to African countries than the number being sent to the rest of the world combined (23 respondents), indicating the need to focus specifically on the preparation, support and training needs of expatriates on assignment in Africa.

7.3.2 Preparation, support and training provided versus required

In order to determine whether expatriates working for South African MNEs are being provided with the preparation, support and training that they require, a *t*-test was done on the 60 variables in the questionnaire. Each individual section was tested first with 24 variables for preparation, 16 variables for support, 7 variables for training, 8 variables for spouses' needs and 5 variables for the needs of children. The test results revealed that in all five sections there were statistically significant differences between what expatriates require from the MNE and what the MNE is providing them with. In other words, in none of the five sections did the South African MNEs provide their expatriates with what the expatriates required from the MNEs.

Next a paired *t*-test was done, by looking at the mean scores for the combined total results of the variables under each of the five sections, and here too it was revealed that there is a statistically significant difference between what the expatriates required and what they were provided with. The results of the paired *t*-test supported the results of the *t*-test in showing that South African MNEs are not providing their expatriates, spouses and children with the preparation, support and training that they require.

This means that the null hypothesis – H_{10}: South African MNEs are providing the preparation, support and training that expatriates feel they need for international assignments – cannot be accepted, and that the alternative hypothesis – H_{1A}: South African MNEs are not providing the preparation, support and training that expatriates feel they need for international assignments – is accepted.

7.3.3 Spouse and family needs

The last two of the five sections in the questionnaire focused on the preparation, support and training of the trailing spouse of the expatriate (eight variables) and the children of the expatriate (five variables). Here also a *t*-test was done on the variables in each section as well as a paired *t*-test of each section in order to determine if the expatriates with a trailing spouse and a family have special preparation, support and training needs.

As was seen in section 7.3.2 above, the *t*-test revealed that there were statistically significant differences between what was required and what was provided for all the variables in the section focusing on the spouse and the section focusing on the children of expatriates. There were also statistically significant differences between what was required and what was provided in the paired *t*-test focusing on all the variables combined for each of the two sections. This means that expatriates have preparation, support and training needs for their spouses and children that are not being met by the MNE they work for.

As a result the null hypothesis – H_{20}: Expatriates with spouses and families do not have special preparation, support and training needs – is rejected. But the alternative hypothesis – H_{2A}: Expatriates with spouses and families do have special preparation, support and training needs – is accepted.

7.3.4 Location needs

From the literature it was seen that the failure rate of expatriates from the USA differs depending on whether they are being sent to a developing nation or a developed nation, with the highest failure rate (nearly twice as high) occurring when they are sent to developing nations. As part of the compensation offered to expatriates it was seen that expatriates on an international assignment in an extremely disagreeable location (hardship posts) were paid overseas premiums as compensation for the location. MNEs also make contract termination payments to expatriates on an international assignment in a hardship or disagreeable location. This indicates that certain locations are more agreeable than others. For this purpose the research focused on the location of an international assignment in order to determine whether the location (independent variable) influenced the preparation, support and training required by the expatriates (dependent variable).

Fisher's exact test was used to test for statistical significance between the location of the expatriates and the preparation, support and training they require. Due to the small size of the sample (n = 65), as well as the fact that almost half the expatriates were on an international assignment in Africa, it was decided to compare the preparation, support an training needs (dependent variable) of expatriates on an international assignment in Africa with expatriates on an international assignment in the rest of the world (independent variable).

When looking at the results of the Fisher exact test, statistical significance at a significance level of $p \leq 0.05$ was found in only one of the 60 variables. When the significance level was, however, reduced to $p \leq 0.10$, statistical significance was found in an additional three of the 60 variables. At a significance level of $p \leq 0.05$ the only statistically significant difference between expatriates being sent on an assignment in Africa and expatriates being sent on assignment to the rest of the world was:

- The MNE should provide a list of property rental agents in the host country that the expatriates can use to find a rental property ($p<0.0444$). While 75 percent of expatriates on an assignment in Africa agreed with this statement, 95.65 percent of expatriates on assignment to the rest of the world agreed with this statement.

At a significance level of $p \leq 0.10$ the following three variables also showed statistically significant differences:

- The MNE should be required to ship a personal automobile to or from the host country ($p<0.0697$). While 60 percent of expatriates on an assignment in Africa agreed with this statement, only 34.78 percent of expatriates on assignment in the rest of the word agreed with this statement.
- The MNE should provide the expatriate with legal assistance in order to make or update a will prior to departure ($p<0.0542$). Only 57.50 percent of expatriates on assignment in Africa agreed with this statement, while 82.61 percent of expatriates in the rest of the world agreed with this statement.
- The MNE should assist spouses of expatriates in acquiring a work permit for the host country ($p<0.0754$). While 81 percent of the expatriates in Africa agreed with the statement, 100 percent of the expatriates in the rest of the world agreed with the statement.

When looking at the differences between the requirements of expatriates in Africa and the rest of the world, it was significant to note that there were five variables in which both the expatriates on assignment in Africa and the expatriates on assignment in the rest of the world were in one hundred percent agreement with the statements in the questionnaire. These statements were:

- The MNE should pay for the shipment and insurance of household goods to the host country.

- The MNE should cover temporary living expenses of expatriates and their dependants living in a hotel or furnished apartment prior to moving into their new residence in the host country.
- Once a year the MNE should provide the expatriate with aeroplane tickets to the city in the home country where the expatriate is from in order to take home leave.
- The MNE should provide round-trip aeroplane tickets to the expatriate and his or her spouse in the case of illness or death in their immediate family.
- An education allowance (tuition only) should be provided for schooling to expatriate children equal to that offered in the home country.

As there is a statistically significant difference in only one of the 60 variables at a significance level of $p \leq 0.05$, the null hypotheses – H_{30}: There is no difference between the preparation, support and training needs of expatriates on an international assignment in Africa and those expatriates on an international assignment in the rest of the world – is accepted.

7.3.5 Requirements and age

As identified in the literature, age can influence the success of an international assignment. It was determined that MNEs are attempting to increase the use of younger expatriates as they are more appreciative of foreign cultures and as a result are able to adapt to the new environment more quickly. It was also identified that employees over the age of 35 found their first year of an international assignment more enjoyable, while expatriates under the age of 35 found the next three to four years more enjoyable. The literature has thus indicated that age does play a role in expatriation. As a result this research focused on determining if the age of expatriates on an international assignment for South African MNEs influenced the preparation, support and training they required from the MNE.

As was the case with the location requirements, the Fisher exact test was used in determining if there was a statistically significant relationship between the age of expatriates (independent variable) and the preparation, support and training required (dependent variable) by them. The ages of the expatriates - which ranged from 23 to 60 years – were divided into 35 years and under, and older than 35 years of age. When looking at the results of the Fisher exact test, statistical significance at a significance level of $p \leq 0.05$ was found in three of the 60 variables in the questionnaire, while at a significance level of $p \leq 0.10$ an additional two variables could be added to the list of variables with significant differences.

At a significance level of $p \leq 0.05$ the following three variables showed statistically significant differences between the age of an expatriate and the preparation, support and training he/she requires from the MNE:

- The MNE should pay for the storage and insurance of those household goods and other belongings remaining in the home country ($p<0.0302$). While 85.71 percent of the expatriates 35 years and under agreed with the statement, 100 percent of the expatriates older than 35 agreed with the statement.
- The MNE should provide the expatriate with legal assistance in order to make or update a will prior to departure ($p<0.0357$). While 82.14 percent of expatriates 35 and under agreed with the statement, only 56.76 percent of expatriates over 35 agreed with the statement.
- The MNE should aid expatriates' spouses in finding work in the host country ($p<0.0011$). While 90 percent of expatriates 35 and under agreed with this statement, only 43.75 percent of expatriates over 35 agreed with this statement.

At a significance level of $p \leq 0.10$ the following variables can be added to the list of variables with a statistically significant difference:

- The MNE should provide the expatriate with reading material such as newspapers from the host country in order to prepare the expatriate for the new location ($p<0.0614$). While 82.14 percent of expatriates 35 years and under agreed with this statement, only 59.46 percent of the expatriates over 35 agreed with this statement.
- Expatriates should receive cross-cultural training focusing on subjective characteristics of the host culture such as: customs, values and beliefs ($p<0.0662$). While 96.43 percent of expatriates 35 and under wished to receive subjective cross-cultural training, 78.38 percent of expatriates over 35 wished to receive this training.

Both the expatriates 35 years and under and the expatriates over 35 were one hundred percent in agreement with the same five variables as in section 7.3.4 above, namely:

- The MNE should pay for the shipment and insurance of household goods to the host country.

- The MNE should cover temporary living expenses of expatriates and their dependants living in a hotel or furnished apartment prior to moving into their new residence in the host country.
- Once a year the MNE should provide the expatriate with aeroplane tickets to the city in the home country where the expatriate is from in order to take home leave.
- The MNE should provide round-trip aeroplane tickets to the expatriate and his or her spouse in the case of illness or death in their immediate family.
- An education allowance (tuition only) should be provided for schooling to expatriate children equal to that offered in the home country.

As there are statistically significant differences in only three of the 60 variables at a significance level of $p \leq 0.05$, the null hypotheses – H_{40}: 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 – is accepted.

7.3.6 Requirements and duration

In the literature it was identified that the duration of an assignment can influence the type and amount of training that an expatriate should receive. According to Beamish et al (2000:193) the training that a person undergoes before expatriation should be a function of the degree of cultural exposure to which he or she will be subjected. Two dimensions of cultural exposure are the degree of integration and the duration of stay. The integration dimension represents the intensity of the exposure. A person could be sent to a foreign country on a short-term, technical, troubleshooting matter and experience little significant contact with the local culture. On the other hand, a person could be in Japan for only a brief visit to negotiate a contract, but the cultural interaction could be very intense and might require a greater deal of cultural fluency to be successful. Similarly, an expatriate assigned abroad for a period of years is likely to experience a high degree of interaction with the local culture from living there.

One set of guidelines suggests that for short stays (less than a month) and a low level of integration, an "information-giving approach" would suffice. This includes area and cultural briefings and survival-level language training, for example. When the stays are longer (2-12 months) with a moderate level of integration, language training, role-play, critical incidents, case studies, and stress reduction training are suggested. When people will be living abroad for one to three years and/or will have to experience a high level of integration into the culture, extensive language training, sensitivity training, field experience, and simulations are the training techniques recommended.

As was identified in the literature, the duration of an international assignment can influence the type and amount of training that should be offered to an expatriate. This research also aimed to determine if the duration of expatriates' international assignments (independent variable) influences the preparation, support and training they require from South African MNEs. Fisher's exact test was again used in determining if there are statistically significant differences between the duration of an international assignment and the preparation, support and training required by an expatriate. As the duration of an international assignment in this study ranged between seven months and ten years, the duration of assignments (independent variable) were divided into two duration periods, namely 0-4 years and longer than 4 years. When looking at the results of the Fisher exact test, statistical significance at a significance level of $p \leq 0.05$ was found in two of the 60 variables in the questionnaire, while at a significance level of $p \leq 0.10$ an additional variable could be added to the list of variables with significant differences.

At a significance level of $p \leq 0.05$ the following two variables showed statistically significant relationship between the duration of an international assignment and the preparation, support and training required by an expatriate:

- Prior to the assignment the expatriate and his or her spouse should be allowed to visit the host country for an orientation visit at the MNE's expense ($p<0.0356$). While 98 percent of expatriates on an assignment of four years or less agreed with this statement, 80 percent of the expatriates on an assignment of over four years agreed with this statement.
- Spouses should receive cross-cultural training focusing on subjective characteristics of the host culture, such as customs, values and beliefs ($p<0.0352$). Of those expatriates on an assignment of four years or less, 81.58 percent agreed with this statement, while only 50 percent of the expatriates on an assignment of more than four years agreed.

At a significance level of $p \leq 0.10$, the following variable can be added to the list of variables with a statistical significant difference:

- The MNE should provide assistance to the expatriate in negotiating the terms of the property lease agreement ($p<0.0749$). While 83.67 percent of the expatriates on an assignment of four years or less agreed with this statement, only 60 percent of the expatriates on an assignment of longer than four years agreed.

Both the expatriates on an assignment of four years or less and the expatriates on an assignment of longer than four years were one hundred percent in agreement with the same five variables as in the location and age sections of the research.

As there is statistically significant differences in only two of the 60 variables at a significance level of $p \leq 0.05$, the null hypothesis - H_{50}: 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 - is accepted.

7.3.7 Requirements by management level

Through the literature study it was identified that the hierarchical position held by the expatriate influenced the amount and type of support offered to his or her trailing spouse and children by the MNE. In order to determine the type of assistance provided by MNEs to trailing spouses and family members in the dual-career family units, Harvey (1995:233) asked respondents in a study to appraise the quality of support provided to dual-career families before, during and after an international relocation. In the study Harvey made use of self-administered questionnaires, which were distributed to personnel administrators all belonging to the Society for Human Resource Management: International.

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 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 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.

As a result of these findings it was decided to determine if the hierarchical position of South African expatriates (independent variable) influenced the preparation, support and training they required (dependent variable) from the MNEs they work for. However, as only five of the respondents held a supervisory management position and only three of the respondents were non-managerial employees, it was decided to focus on the middle and top management positions, comprising nearly 88 percent of the respondents. In order to test the last of the hypotheses the Fisher exact test was again used.

When looking at the results of the Fisher exact test, statistical significance at a significance level of $p \leq 0.05$ was found in only one of the 60 variables in the questionnaire, while at a significance level of $p \leq 0.10$ an additional three variables could be added to the list of variables with statistically significant differences. At a significance level of $p \leq 0.05$ the following variable showed a statistically significant difference between the preparation, support and training required by top and middle mangers:

- The MNE should assist spouses of expatriates in acquiring a work permit for the host country ($p<0.0099$). One hundred percent of middle managers agreed with this statement, while only 72 percent of top managers agreed.

At a significance level of $p \leq 0.10$ the following three variables can be added to the list of variables with a statistically significant difference:

- The MNE should administer or assist with the administration of the rental of the primary residence of an expatriate while on an international assignment ($p<0.0644$). While 70.37 percent of middle managers agreed with this statement, only 44.83 percent of top managers agreed.
- MNEs should involve the spouses of expatriates in the original information and orientation sessions prior to accepting the assignment ($p<0.0507$). All the middle managers agreed with this statement, while 80 percent of the top managers agreed.
- The MNE should aid expatriates' spouses in finding work in the host country ($p<0.0832$). While 73.91 percent of middle managers agreed with this statement, only 48 percent of top managers agreed with the statement.

Both the top and the middle managers were in one hundred percent agreement on the same five variables as discussed in sections 7.3.4, 7.3.5 and 7.3.6.

As there was a statistically significant difference in only one of the 60 variables at a significance level of $p \leq 0.05$, the null hypotheses – H_{60}: There is no difference in the preparation, support and training needs of top and middle management expatriates on an international assignment - is accepted.

7.4 RECOMMENDATIONS

The research has found that the age of the expatriate, the management level held by the expatriate, the location of the assignment and the duration of the assignment do not significantly influence the preparation, support and training needs of expatriates. In other words, South African expatriates should receive the same preparation, support and training irrespective of the age of the expatriate, the management level held by the expatriate, or the location or duration of the international assignment.

It has also been determined that without exception, for all 60 variables in the questionnaire, the South African expatriates indicated that they did not receive the preparation, support and training they required for an international assignment. In the next section recommendations will be made on the preparation, support and training where the biggest needs were identified.

7.4.1 Preparation

In preparing an expatriate for an international assignment it is recommended that prior to the assignment the expatriate and his or her spouse should be allowed to visit the host country for an orientation visit at the MNE's expense. It will also be helpful to put the expatriates in touch with expatriates who have already made the move to the host country in order for them to get a more realistic idea of what to expect of the new location. In doing this the expatriates can bring their expectations of the new location closer to the reality and as a result experience less culture shock in the international assignment.

Expatriates would prefer to use their housing allowances to buy property in the host country rather than rent a property. It is, however, understandable that MNEs want their expatriates to be flexible in order to take up a new assignment or come back to South Africa on short notice. MNEs should carefully communicate their decision to allow expatriates only to rent a property in the host country in order to avoid any confusion.

As transport can be a problem to expatriates, especially in less developed countries, expatriates would prefer that the MNE pay for the shipment of their personal automobiles to and from the host country. If, however, this cannot be provided, the MNE should reimburse the expatriate for any losses incurred due to the sale or early lease cancellation of an automobile prior to relocation. The expatriates do not want to be worse off by accepting the assignment than they would have been had they not accepted it. This is also the case with the primary residence of the expatriate in the home country. The MNE should assist expatriates with the lease or sale of a primary residence prior to the relocation, and if they should incur any losses due to the sale of their primary residence prior to the relocation, the MNE should reimburse the losses.

Most authors on the topic of expatriation are of the opinion that the sooner the expatriates can settle into a routine similar to the one they had in the home country, the sooner they can become productive. This will also reduce the culture shock of the new location. In order to allow them to feel more at home in the new location, expatriates want, and should be allowed, to take their pets with them to the host country. In order to help them do this the MNE should pay for the relocation of the pets to the host country.

As most of the host locations are foreign to the expatriates and could be dangerous, the MNE should provide expatriates with legal assistance in order to make or update their will prior to the departure. Expatriates will also be receiving different allowances and bonuses, all of which will have a tax implication; for this reason the MNE should provide the expatriates with tax consultation services. Again the expatriates would want to make sure that accepting an international assignment does not place them in a worse position than before.

As the medical facilities in the new location might not be on a par with those which are available in South Africa, the MNE should ensure that the expatriates and their family have a full physical and dental examination before leaving the home country. In doing so any problems will be picked up prior to the assignment and can either be sorted out before departure, or if a health problem is picked up that might lead to the early termination of the assignment, the expatriate can be replaced with another. This will save the MNE the costs of premature termination due to ill health.

As shown in the literature study, a number of expatriates leave the employment of the MNE after returning to the home nation due to the fact that there are no proper repatriation plans put in place. In order to avoid this the MNE should stipulate the long-term career plans that the MNE has for the expatriate before the international assignment. The expatriates must know exactly where in the enterprise they will slot in upon returning to the home country. In order to facilitate the repatriation process by keeping the expatriate in regular contact with the home country as well as ensuring that the expatriate has a proper position to slot into when returning, a mentor should be assigned to the expatriate. This should be someone with enough authority to ensure that the interests of the expatriate are looked after and should preferably be someone who has been an expatriate themselves, who knows the challenges of such an assignment.

Lastly in preparing the expatriate for the international assignment, the MNE should provide the expatriates with reading material such as newspapers from the host country in order to better prepare them for the new location. Surfing the Internet is not enough; newspapers contain small stories and advertisement of the local butcher and corner store for example that will provide the expatriate with a much better impression of the new location and its people.

7.4.2 Support

Upon arrival in the host country the expatriate and his or her family should be taken on a tour of the area where they will be working and living. The MNE should also assist the expatriate with tasks such as opening a bank account and obtaining a driver's licence.

In order to allow the expatriate to settle in as soon as possible the MNE should provide him or her with a one-time relocation allowance to pay for miscellaneous costs associated with the relocation, as well as providing a furniture and/or household appliance allowance where shipping or rental of such items is impractical.

Health care is proving to be a major concern to expatriates on international assignments. In order to assist the expatriates in this regard the MNE should ensure that expatriates are provided with the same quality of medical aid cover as they received in the home country. If acceptable medical aid cover for employees on international assignments cannot be obtained in the host or home country, the MNE should investigate the world market for medical aid cover tailormade to expatriates. Upon arrival in the host country the MNE should also provide the expatriates with a list of reputable doctors and dentists in their immediate vicinity. If the MNE put the expatriates in touch with expatriates who had already made the move to the host country prior to the relocation, expatriates would be able to determine for themselves which of these doctors and dentists were being used by other expatriates and would be getting a first-hand reference to a doctor or dentist. This process would be made a lot easier should the MNE assist expatriates in establishing clubs or social organisations in the host country. The expatriates currently on an assignment in the host country could serve as support networks for new expatriates prior to their relocation, upon arrival and during the assignment.

MNEs should also pay for expatriates to join clubs such as golf clubs, gyms and others. As indicated earlier, the sooner the expatriates can settle into a normal routine similar to what they would have had in the home country, the sooner they will become productive and adapt to the new culture. These club memberships will also allow the expatriates to make business connections and form new friendships to help them adapt to the new location more quickly.

Because the expatriates are far from their family while on an international assignment, the MNE should provide round-trip aeroplane tickets for them and their families in case of illness or death in their family.

Upon repatriation the expatriates feel strongly about the fact that they want the MNE to pay for all customs duties on items purchased in the host country as well as pay any excess baggage penalties payable to the airline. This might be considered by MNEs as being excessive and as such should be negotiated with the expatriates prior to the assignment.

Lastly, the MNE should provide expatriates with temporary accommodation if they cannot move into their own home immediately upon repatriation. The MNE should also provide expatriates with a once-off settlement allowance to compensate for additional expenses incurred upon return.

7.4.3 Training

As security is becoming a major concern all over the world with incidents such as the terrorist attacks on the World Trade Centre in New York City and the recent bomb attacks on the London Underground, expatriates are requiring MNEs to provide them with security awareness briefings on the host location prior to and during the assignment. If expatriates are going to a politically unstable area, information such as the location of "friendly" embassies, evacuation procedures and a contact person in the case of political or military instability should be provided. Information relating to the stability/instability of neighbouring countries and how this may or may not affect the expatriates should also be provided.

Expatriates and their families should also be provided with information on local driving practices and motor vehicle safety in the host country. The expatriate should also be provided with an overview of the basic requirements for doing business in the host country. The more different the host country is from South Africa, the more intense the training should be. Information such as the host countries' perceptions on time and differing leadership styles as well as acceptable and unacceptable topics of conversation during meetings and social events should be provided to expatriates.

When providing cross-cultural training on the new location it is advised to start with objective characteristics of the host culture, such as currency, language, government systems and architecture. These characteristics are more easily observable and understandable. The focus can next shift to the more subjective characteristics of culture, such as customs, values and beliefs. Cross-cultural training is best offered by individuals who have spent time in the host country and know and understand the culture very well. Using expatriates who have spent a considerable amount of time in the host location can ensure that the new expatriate gains first-hand knowledge from someone who has successfully completed the assignment. This will also make the returning expatriates feel wanted by sharing their knowledge with other employees, thus helping with the repatriation process. It is, however, important that the returning expatriate offering the training should not harbour negative feelings towards the host country and the assignment, as this could negatively influence the new expatriates. If the language spoken in the host country differs from the languages spoken in South Africa, the expatriate should be provided with language training as well. As indicated earlier, the duration of the assignment as well as the intensity of interaction between the expatriate and the host country employees should be used as a guideline in determining the amount of cross-cultural training offered to the expatriate.

Lastly the expatriate and his or her spouse should attend a repatriation seminar to help them prepare mentally for the repatriation. It is often thought that the repatriation is no problem as the expatriate and spouse are returning to their home country, but a lot can change in the home country and headquarters in the years that they have been away; friends have moved away, colleagues have been promoted or moved on to other enterprises, and so forth.

7.4.4 Spouses

A couple of the recommendations in this section were discussed as part of the preparation, support and training of the expatriate. Due to the importance of the trailing spouse in ensuring the success of the international assignment, they will be discussed separately here as well.

It is important that the trailing spouse be involved in the original information and orientation sessions prior to accepting the assignment. As was indicated in the literature study, research in the USA and Europe has shown that the greatest reason for the failure of an international assignment is the fact that the trailing spouse cannot adapt to the new environment. As a result it is important to ensure that the trailing spouse is interested in the new environment as well.

The society we live in has changed a lot in the last couple of decades; as a result the amount of dual-career couples has increased substantially. In order to ensure that the trailing spouse does not become bored and can continue with his/her career development/path in the new location, the MNE should not only help the trailing spouse obtain a work permit/visa in the host country, but also aid him or her in finding work in the host country. If work cannot be found, the MNE should provide the expatriate's spouse with a job. If this is, however, also not possible – if work permits/visas cannot be obtained, for argument sake – the MNE should provide the trailing spouse with financial support for further studies in the host country. The whole focus here is on ensuring that the trailing spouse does not become bored and can adapt to the new environment as quickly as possible, as well as ensuring that his or her career development/progress does not fall behind as a result of the international assignment of his or her spouse.

As was the case with the expatriate, the trailing spouse should also receive cross-cultural training. Here too the training should start with the more objective characteristics of the host culture such as the host currency, language and architecture, but must then progress towards the more subjective characteristics, such as the host country's customs, values and beliefs. Here, too, if the language of the host country is different from the language spoken in South Africa the MNE should provide language training to the trailing spouse.

7.4.5 Children

MNEs should provide training to the children of expatriates in order to ensure that they will be able to adapt to the new environment as well. As was the case with a trailing spouse, if the children of the expatriate cannot adapt to the new environment, the expatriate might or will probably return to the home country sooner than expected.

In order to ensure that the children of expatriates adapt to the new environment, the MNE should provide them with objective cross-cultural training of the host culture, focusing on aspects of the host cultures such as currency, language and architecture. The MNE should also provide language training to the children of expatriates where the host language is different from the language spoken in South Africa.

A lot of the preparation, support and training needs of expatriates can be met through the use of expatriation agencies in the host country. When looking at the cost of an expatriate failure it might be worth the costs of appointing such an agency in order to improve the chances of a successful expatriate assignment.

7.5 FUTURE RESEARCH

Even though a number of studies have been done on the topic of expatriation all over the world, almost no information is available on what is happening in South Africa. A few private enterprises are conducting research on expatriation on behalf of their paying customers, but this information is for the exclusive use of these customers. As a result no proper information is available to universities to properly train future HR and expatriate managers. With the use of the Internet, many small MNEs are also entering the world market and are starting to use expatriates. As they do not always have the money to pay for the expatriate research done by these private enterprises, their chances of success with an expatriate assignment are reduced substantially.

This research focused on the preparation, support and training of expatriates working for South African MNEs. There are, however, a number of other areas that could influence the success of an international assignment that need to be further researched.

Firstly, the selection of expatriates for international assignment needs to be researched further. As indicated in the literature, expatriates are often selected on the grounds of their domestic performance, but this is not enough to ensure the successful completion of an international assignment.

A second factor that needs more research is the topic of expatriate compensation. Expatriates often live in expatriate compounds in the host country where they are in contact with expatriates from other MNEs and countries. Comparing their compensation with that of these other expatriates can often lead to unhappiness and a drop in productivity. These expatriates might cherry-pick the best of the compensation packages from the packages offered to other expatriates and demand a compensation package containing these components. This is, however, unrealistic but does offer a huge challenge to HR managers in charge of these expatriates. As a result research and recommendations on the best compensation practice need to be carried out with special emphasis on South African expatriates.

A third topic for future research is the topic of repatriation. The success of an international assignment cannot be measured on whether the expatriate stayed for the full duration of the assignment alone. The expatriates should be retained for the MNE to use and share the skills and knowledge they have picked up in the host country with other employees. If an expatriate leaves the employment of the MNE shortly after repatriation, this is still a failure for the MNE. The MNE invested a substantial amount of money in the expatriate through the international assignment, and by leaving the expatriate is now using the new-found skills and knowledge to improve the competitive position of another MNE. As a result the topic of repatriation of expatriates should receive attention.

Lastly it should be stated that this research itself could be further refined. With a much larger sample (if at all possible), the hypotheses focusing on age, duration of assignment, location of the assignment and management level of the expatriate could be much further refined as opposed to the two groups of independent variables used to test each hypothesis.

Any future research must, however, focus on the South African situation to further build on and strengthen the current body of knowledge, in order to help the small emerging South African MNEs and universities.

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