

Expatriate Management: A New Perspective, an Exploratory Case Study

Dr. Simone Margaret Martins
University of Phoenix,
USA
smartins11@email.phoenix.edu

Dr. Julie Overbey
Professor
University of Phoenix,
USA
jaoverbey@phoenix.edu

Anastasia Metros, Ph.D.
Professor
University of Phoenix,
USA
ametros@gmail.com

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Abstract

Multinational corporations are rapidly expanding worldwide, and in order to perform successfully in a global environment, there is a need to employ talents with the right skills. Usually, the organization's international footprint strategy involves expatriate employees performing business operations internationally. Expatriation is challenging due to a high level of failure, resulting in high costs, high turnover rates, and underperformance. This qualitative exploratory case study included the investigation of senior leaders' perceptions of overcoming expatriate failure. Interviews were conducted with 16 senior leaders from oil and gas organizations, which historically have a prominent presence in international markets, to obtain insight into how to overcome expatriate failure and manage international assignment strategies. The conceptual framework that underpins this study is related to three main theories, the global mindset, cultural intelligence, and cultural agility. The global mindset theory contains concepts related to cognitive, emotional, and social capital. Cultural intelligence is the ability to consider differences in a multidimensional environment behaving appropriately. Cultural agility theory is the ability to work in different countries effectively and with people from different cultures, understand the environment, and respond properly. The results included opportunities for improvement in international assignments related to talent management strategy. Recommendations include (a) defining hiring protocols, considering an assessment of employees to understand the appropriateness of the international assignment, (b) establishing solid support

for the family of the expatriate, (c) defining training and development strategies, (d) implementing cultural preparation for the assignment, and (e) focusing on succession planning and talent pipeline development.

Keywords: *Expatriates; Cultural Intelligence; Cultural Agility; Global Leadership; Global Mindset*

Introduction

Building and sustaining a global leadership pipeline is one of the challenges affecting Multinational Corporations (MNCs). According to business consulting firms, including McKinsey & Company (2020) and PricewaterhouseCoopers (2021), top leaders at MNCs recognized the importance of focusing their strategy on developing a global leadership pipeline. In a world with increasing uncertainty levels and functioning beyond geographical boundaries, the MNCs must have competent people who are skilled and adaptable to work worldwide, ensuring optimum results (Arena & Uhl-Bien, 2016; Caligiuri et al., 2020).

Available alternatives to developing global talent with the ability to compete internationally are either expatriating employees to manage business overseas or hiring and developing local and national employees to manage the business in their home country (Jooss et al., 2020). Goby and Alhadhrami (2020) and Harding (2015) reported the benefits of expatriating the organizations' employees to conduct foreign operations. The corporate knowledge that those employees possess is a competitive advantage when developing local employees; as the corporate employees have, they carry the core values of the organization. It is important to create an advantage for the global workforce operating in the international market, establish effective knowledge transfer processes, and consider the expatriation of the workforce talents (Duvivier et al., 2019; Situmorang & Japutra, 2019). The positive aspect of expatriate employees is related to the development process, allowing for the construction of a global mindset, and promoting local talents (Besic & Ortlieb, 2019; Kelly, 2019).

The problem was that many international assignments were not effective because of expatriate failure, resulting in high costs, high turnover rates, and underperformance for multinational corporations (Haile & White, 2019; Zhang et al., 2020). Expatriate failure has been a recurrent study focus of scholars and practitioners; some hypotheses considered adaptability and adjustment to the new assignment, global competencies, management programs, family support, and expatriates' personality (BGRS, 2021; Genkova & Kaune, 2018; Haile & White, 2019; Link, 2021; Yunlu et al., 2018; Zhang et al., 2020). Despite all changes and adaptations in the global mobility realm, expatriate assignments have an estimated failure rate of approximately 40% (Allianz Care, 2018; Learnlight Insights, 2018; Mulkeen, 2017; Safi & Saxena, 2020).

Conceptual Framework

The theories that underpin the study are theories related to a global mindset, cultural intelligence, and cultural agility. The global mindset theory includes the effectiveness of employees working across borders, including expatriates. According to Javidan et al. (2010), a global mindset is a differentiator for global talent. The global mindset is a set of individual characteristics that impacts the understanding of cultural differences and diversity.

The cultural intelligence theory focuses on adapting to a new cultural environment, transitioning from one culture to another, and learning while working (Earley & Ang, 2003). Cultural intelligence is not analogous to the definition of cognitive or emotional intelligence; it is the capability to engage in cross-cultural practices effectively.

The cultural agility theory focuses on building and developing the pipeline of global talents (Caligiuri, 2021). Cultural agility is the ability to work effectively in a multicultural context, including different countries and cultures. Cultural agility is essential when there is a requirement to establish trust and develop strong communication (Caligiuri, 2021). Method and Sampling

The study presented a qualitative exploratory case study focusing on 16 senior leaders who managed people globally as expatriates working for multinational organizations in the oil and gas industry. The research questions for the study were:

R1- How do multinational corporations' senior leaders overcome expatriate failure in order to combat high costs, high turnover rates, and underperformance?

R2- How do multinational corporations' senior leaders manage international assignment strategies related to expatriates?

Triangulation involved data from three sources: interview data, a set of documentation from professional consulting firms' study results on expatriate and international assignments, and documentation related to the U.S. government agencies, including deployment guides from the U.S. Department of State and Military. The three sources were analyzed individually and imported to software to identify commonalities and discrepancies, generating inputs for the definition of the categories and generation of themes for the best analysis of the research questions. The limitations of this study were (a) the focus on one type of industry for the research, (b) the population target might not be equitable balance, (c) the participants were identified based on purposive and snowballing sampling, which might generate a bias in the selection criteria, and (d) the participants were not all from the same organization.

Data collection

The semi-structured interviews were conducted online through video conference utilizing the Microsoft Teams platform. All participants sent the signed informed consent form prior to the interview. Documents were utilized from two different sources to perform triangulation. The first source was from professional consulting companies. The researcher reviewed four entities that produce professional studies related to expatriates and international assignments, including quantitative information, professional practices, and market trends. From those documents, 22 were selected related to organizations in the business industry, trends, and leadership practices. The second source of documents was from the U.S. government agencies that publicize practices and procedures of expatriate management on the websites of the U.S. Department of State and the Military. Those agencies' websites were the source of the documentation pertinent to the study due to the high impact on the international assignment indicators that were utilized in the triangulation. From those websites, 18 documents were selected related to the military's international assignment guides and practices, including the Army, Navy, and Marine Corps. The documents related to the U.S. Department of State also included practices and guides related to employee deployment, family treatment, talent planning, cultural adaptation, and workforce development.

Data Analysis

The software NVivo12 was used for data analysis. All documents were imported to the software, and five categories were created based on the deductive approach for coding. Five codes were generated aligned with the problem statement and with each one of the research questions. The codes and their relation to the research questions were as follows: (a) hiring strategies, (b) training and development strategies, and (c) support to the expatriate family to understand the overcome of the expatriate failure, which is related to the first research question. The other two codes were (d) cultural alignment and (e) talent management, aligned with research question two, related to managing expatriates. The researcher's queries in Nvivo12 produced results for each code, which facilitated understanding the outputs related to the strategies formulated to overcome expatriate failure and the best strategies to manage international assignments. The interview outputs, as well as the other two sources of documentation, generate the following codes: Hiring strategies, Training and development strategies, Support expatriates' family, Cultural alignment, and Extended international assignment approach.

Results

The findings of the research were divided into five themes.

Theme 1 – defining the right person for international assignment encompassed the following aspects: (a) the right person is the candidate that embodies the following qualities: Cultural agility, adaptability, and preparation, (b) suitable competencies for international assignments, (c) hiring strategies – define staffing goals and strategies, (d) planning, assessment, and decide. The hiring strategies for international assignments should have different considerations, including the cost associated, the assignment's length, and the assignment's end goal. The leaders must think more strategically related to staffing goals and objectives, including broad succession planning considerations for the one that will be expatriated and for the local team. The planning process to define the best approach to identify the expatriate candidate is crucial, as the leaders should define the skills and competencies of the expatriate position beyond the technical skill, which includes cultural adaptation, a desire to live abroad, and the need to assess them before deciding on the international assignment.

Theme 2- training and development strategies to overcome expatriate failure addressed the following aspects (a) training and development strategies should consider cultural adaptability, competencies, and continual progress aligned with the career process, (b) mentorship and coaching as part of the cultural adaptation process, and (c) development related to global leadership. Training and development strategies to overcome expatriate failure

included mentorship, coaching, and cultural adaptation development recommendations. According to the participants, the development process was not only restrictive for the expatriates but also for the leaders and local employees. The documentation utilized in the triangulation analysis highlighted acknowledgments of international transfers as a significant life event and shared suggestions for establishing a formal cultural mentor assigned to support the adaptation. The training and development approach addressed in this study was related to knowledge transfer for technical skills and cross-cultural training for soft skills. The training and development aspect addressed by the participants' comments considered attributes beyond the job description; it included concepts such as leadership training and global mindset development for local and expatriate employees with leadership or non-leadership roles. Identifying the drivers of training

and development from personal and company perspectives is essential, thus narrowing the gaps in disciplines. The participants considered global leadership development critical from the perspective of expatriates and organizational development.

Theme 3 – providing support to expatriate families included (a) the importance of providing support to family adjustment, (b) ongoing support to the family, (c) communication, (d) the creation of a transition center and a foreign service community, and (e) dual-career support. Support for expatriate families is one of the critical components that would influence the outcome of the expatriate assignments. The data collected from the participants and triangulation documentation analysis included the critical components of the international assignments' stages, starting with the assignment planning and continuous monitoring program, as well as the establishment of network communities for the expatriates and their families. The family support included actions starting before the international assignment, including a look-and-see trip, followed by full support on understanding the local market, schooling, real estate, medical, and local community. Family support does not end with the start of the international assignment, as it requires continuous investment and constant monitoring from the organization.

Theme 4 - preparing for cultural change, which addresses the adaptation to country culture, development of cultural values and behaviors of the organization, and cultural agility, which includes self-development and cultural awareness. The cultural change preparation was inserted in several answers by the participants. There was a type of reference to cultural change related to adaptation, development, and alignment in each of the themes, aligned with the theoretical framework considered in this study was related to cultural intelligence, cultural agility, and global mindset. The participants mentioned the importance of developing cultural knowledge when adapting to international assignments. The cultural change theme encompassed expatriates, leaders, and local employees.

Theme 5- focusing on succession planning and talent pipeline development, included considerations related to (a) management of talent holistically, (b) cost management in the equation of international assignments versus local talent development, and (c) considering new ways of work post-COVID-19 pandemic – focus on the purpose of the international assignments. The management of expatriate assignment strategies was addressed by the participants, considering the talent management aspect of the expatriation, including succession plans for the expatriate and local talents. The documentation also included a perspective of critical components of internal and external ecosystems to manage expatriates, from home or host country strategy, building or buying talent focusing on business requirements. The COVID-19 pandemic accelerated the work remotely and predicted that expatriate assignments would suffer a decrease. However, for the Oil and Gas industry, the expatriate positions are critical due to the nature of the business. Employees must be on-site in isolated and offshore locations; therefore, the researcher returned to the literature review and identified two recent studies about the pandemic's effects on expatriate assignments. Also, the telecommuting approaches adopted by the organizations due to COVID-19 accelerated the development need for a global mindset to collaborate virtually with international teams effectively. The concentration on career development for local and expatriate talents was the subject of the participants' recommendations and was supported by the literature. The inquiries associated with the future of talent management related to international assignments also included the concept of local talent development.

Discussions

The following are recommendations for leaders and practitioners related to managing the international assignment strategies related to expatriates and how to overcome expatriate failure to combat high costs, high turnover rates, and underperformance. It is critical to develop a clear understanding of the global business needs for the international assignment, answering the question of why send a talent internationally. The understanding of the purpose of the expatriation will impact the definition of the right profile of the talent that will be expatriated, which comprises the skills requirements and appropriate assessment of the candidate. The assessment should include technical and soft skills to determine the adaptability of the talent to the new assignment. Secondly, the leaders should focus on training and development for employees, not only related to technical training but also competencies related to diversity and cultural agility for employees that would work internationally and consider building an individualized training and development strategy based on employee needs, including mentorship and coaching. Thirdly, the leaders should consider the talent holistically, not only professionally but personally, as international assignments impact the entire family. Therefore, relocation planning, full support to expatriates and their families, constant communication, and follow-up are essential for the success of the assignment. The fourth recommendation to leaders is to consider cultural readiness for international assignments, not only in adapting to the new country's culture but also in the organizational culture. For this reason, engaging with the expatriate candidate and understanding the openness to work in different countries with different cultures is fundamental. Finally, the fifth recommendation to the leaders is that they should have a clear talent management strategy, including global function understanding, assessing skill shortages globally, evaluating talents, and developing a solid long-term talent pipeline utilizing succession planning strategies to build talents globally.

Conclusions

The results of this qualitative exploratory case study will contribute to the body of knowledge considering expatriate and global talent management. Leaders of organizations who are struggling with challenges related to international assignments could benefit from this study by implementing a protocol to manage the expatriation process appropriately and, in doing so, minimize failures and focus on talent management. The study results provide insights not only to leaders but also to human resources professionals that manage global mobility in organizations, establishing an effective protocol for the function and improvement of the diversity in the organization. In addition, based on documentation and the participants' contributions, the new ways of working globally could bring ideas on how to manage talents globally, including new opportunities for developing a global mindset and cultural intelligence within the workforce.

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