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## Factors Influencing the Expatriate's Work<sup>1</sup>

### 1. Introduction

According to J.H. Dunning, one of the most important tasks faced by international enterprises is the attempt to reconcile the global corporate strategy with different factors (cultural, political, economic, legal) specific to a country or a region where local units operate [Schaffer 2005, p. 59].

Therefore, it seems that the most important corporate resources which are a decisive factor in long-term success in the international arena is the staff of managers-expatriates capable of managing the branch in a country other than that of the person's residence.

Therefore, the goal of this article is to define the factors which determine the expatriate's work in the country to which they have been sent.

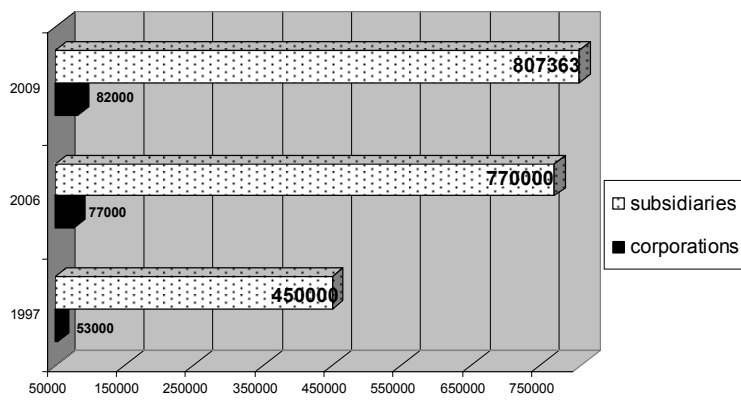
### 2. Conditions of Operation of International Enterprises

Throughout the world, there are at present about 82,000 corporations having 807,363 branches and employing nearly 77 million employees (**Figure 1**).

Such a huge number of foreign units is connected with the issues of employing the expatriates. However, the decision about staffing managerial positions in foreign branches depends on the economic situation and worldwide trends in economy which have been influenced by the crisis and the necessity to economise during the last few years.

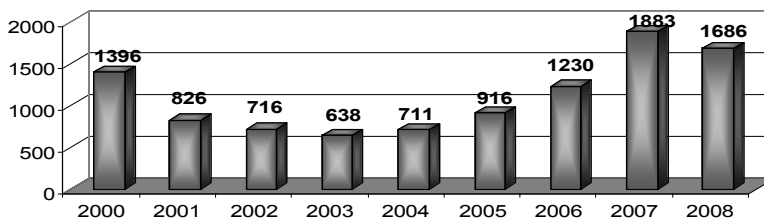
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<sup>1</sup> **Expatriate** – also *expat*, is a manager who comes from the country of origin of a headquarter company or from the third country and is ultimately transferred by the headquarters for long or short contracts to foreign branches of the company or he/she travels among different branches of a given corporation: [Przytuła 2009, p. 476].

**Figure 1.** Amount of corporation and their subsidiaries in the world

Source: UNCTAD World Investment Report 2009, Overview, p. 21

As shown in the chart below, after the record increase in foreign direct investments (FDI-foreign direct investment)<sup>2</sup> in 2000, the next three years were marked by significant decrease in those flows. According to the experts, it was influenced by such factors as [Adamczyk 2009, p. 11]: a slowdown in the economy of the developed countries, decrease in trust in international corporations in connection with the bankruptcy of numerous enterprises and the so-called “creative accounting”. The next growth of the inflow of FDI in the years 2004–2007 occurred due to relatively high economic growth in many parts of the world. Furthermore, such a structure of FDI was influenced by the mergers and takeovers which were the sign of competitive advantage of the biggest entities which were the strongest in economic terms (Figure 2).

**Figure 2.** FDI flows (millions of dollars)

Source: UNCTAD World Investment Report 2009, p. 247.

<sup>2</sup> Foreign direct investments may have one of the following forms: a) brownfield investment – the purchase of shares of a foreign enterprise sufficient to take over the control over it (i.e. within the merger or takeover); b) greenfield investment – building a new production or service facility (branches or local offices), c) forming an enterprise in cooperation with local partners (e.g. joint venture) in: Strategie firm polskich wobec ekspansji inwestorów zagranicznych, ed. M. Gorynia, PWE, Warszawa, 2005 p. 50.

The preliminary data included in *World Investment Report 2009* for 96 countries confirm, in comparison to the year 2008, further decrease in FDI flows which may fell by further 44%. As a result of the financial crisis, 85% of corporations worldwide blamed the crisis for cutbacks or suspension of their investment plans. According to the estimates, the international corporations had lost about 28% of their profits by the end of 2008.

Bearing in mind the presented phenomena, numerous corporations consider whether the managerial positions in their foreign branches should be staffed by an expatriate or a local manager. Table 1 shows the comparison of benefits and losses for corporations arising from the employment of expatriates and local managers in foreign branches (**Table 1**).

**Table 1.** Advantages and disadvantages of utilizing expats and local managers in foreign subsidiaries

<b>Nationality and staffing: a corporate view</b>		
	<b>advantages</b>	<b>disadvantages</b>
<b>expatriate</b>	<ul style="list-style-type: none"> <li>- direct and personal control over subsidiary</li> <li>- help to transfer and establish organizational culture in early stages of establishment</li> <li>- provide a career ladder for high performing HQ employees</li> </ul>	<ul style="list-style-type: none"> <li>- can be an expensive option</li> <li>- risks associated with an expatriate's failure</li> <li>- may create tensions with the host government</li> <li>- limited awareness of local culture, legislation and market</li> <li>- may result in discontinuity in the host management team, particularly in case of shorter term assignments</li> <li>- work permit and other legislative restrictions</li> </ul>
<b>local manager</b>	<ul style="list-style-type: none"> <li>- knowledge of local culture, legislation and market</li> <li>- provides a career path for high performing local employees</li> <li>- generally cheaper option than expats</li> <li>- ensure continuity in the host management team, as opposed to frequent managerial changes associated with expatriates</li> <li>- perceived well by the local government</li> </ul>	<ul style="list-style-type: none"> <li>- more difficult to exercise control: rely on formal procedures and organizational culture</li> <li>- reduced career opportunities</li> <li>- possible lack of familiarity or network with HQ personnel- may make communication more difficult</li> </ul>

<b>Nationality and staffing: a subsidiary view</b>		
<b>expatriate</b>	<ul style="list-style-type: none"> <li>- increased expertise means learning opportunities for local managers</li> <li>- makes transition to corporation for local managers easier</li> <li>- experienced technical expertise for problems which may arise in operation</li> <li>- provides a lead time for local managers to reach the required standard of performance</li> <li>- a direct and immediate contact with HQ</li> </ul>	<ul style="list-style-type: none"> <li>- lack of career opportunity for local managers</li> <li>- resentment due to the possible differences in reward packages between expats and locals</li> </ul>
<b>local manager</b>	<ul style="list-style-type: none"> <li>- career opportunities for high performing employees</li> <li>- perceived autonomy for subsidiary operations</li> </ul>	<ul style="list-style-type: none"> <li>- a lack of technical and managerial competence may lead to poor performance and the demise of a subsidiary</li> <li>- may result in political conflicts within the subsidiary over key appointments</li> </ul>

Source: W. Harry, D. Collings, *Approaches to international staffing w: Global staffing*, ed. H. Scullion, p. 25.

According to J. Rymarczyk “It seems that the best of the existing ways of achieving the best development conditions in the long run is the combination of benefits provided by globalisation with the use of competitive advantage offered by individual locations” [Rymarczyk at all, 2009, p. 9].

C. Bartlett and S. Ghosal are of similar opinion – they have noticed that the international corporations will remain in a dynamic balance between globalisation (consisting in global implementation of standard management practices) and location (consisting in adaptation and matching of those practices to local conditions) [Bartlett, Ghosal 1998].

The management practice provides numerous arguments for employing the expats in foreign branches: they fill the competence gap existing on local markets, the expats know the general corporate strategy and ensure that the corporate standards of operation are followed abroad. Furthermore, according to S. Hetrick [2002, p. 335], the role of an expat comes down to exercising direct control (direct involvement in decision-making, selection of local employees and their development) and indirect control (transfer and implementation of values, attitudes and ways of operation valid in parent unit and being the so-called

“cultural medium”). Therefore, one can say that the expats are the “transfer links” between the headquarters of a corporation and its foreign branches, which means that they are important resources for the corporation.

However, to speak about the success of expatriation, it is necessary to examine different factors influencing the work of those managers. Those factors include organisational, non-organisational and personality factors.

### **3. Organisational, non-organisational and personality factors influencing the expatriate's work**

The **organisational factors** include the organisational structure of a corporation and the assumed management strategy. For example, the approach based on the decentralisation of management processes creates wider possibilities of employing local managers, while high level of centralisation may be a good environment for the expatriate's work.

Another organisational factor may be the strategy of corporate development based on *greenfield investment* or *brownfield investment*. In the newly formed branch (*greenfield investment*) in the host country, it is possible to notice the tendency to employ the expatriates, at least during the initial phase of its operation. Furthermore, during the phase of forming a branch in a new country, the headquarters may have some difficulties with attracting local managerial staff that is adequately qualified and reliable. However, as the branch develops, there arises the necessity of it being managed by a local staff which knows subtle and specific conditions of running business activity in a given country.

In branches which become a part of a corporation as a result of merger or takeover (*brownfield investment*), we usually deal with employing the local staff that is merged into new management structure after the takeover.

The research made by P.M. Rosenzweig i N. Nohria shows an interesting conclusion that the foreign

branches formed as a result of greenfield investment reflect the management standards valid in the headquarters of a corporation to a greater degree than the ones which arose from the takeover or merger [Hetrick 2002, p. 338].

Another factor of organisational nature may be the business. A high percent of expats in managerial positions is noticeable in the branches of corporations that run business activity in the scope of banking and financial services, advertisement, computers, electronics and foodstuffs. It may be explained by the fact that the specificity of those businesses requires considerable control over the work standards and the quality of offered services throughout the world; thus, the preference is given rather to expats who are to supervise the uniform management standard promoted by the headquarters [Scullion 2006, p. 34].

While in the retail trade, where the activities of a corporation should be adjusted to local market needs, the experience gained by an expat in Seoul, for example, may be useless in New York.

The size of a corporation measured with the number of employees is also a factor influencing the decision about employing an expat or a local manager. Huge corporations employ more expats in managerial positions in their branches because they have larger human resources. The base of high potentials is of concern here. This is one of the internal forms of recruitment to managerial positions [Przytuła 2007, p. 24] which consists in searching for – within the corporation – candidates with psychological and physical predispositions, knowledge, and skills and abilities necessary to play managerial roles. The groups of those employees are earlier intensively trained and prepared to work in the highest positions in a corporation.

Furthermore, through the transfer of managers to different branches worldwide, big companies implement the personnel development program which enables the personnel to gain the multicultural experience.

The non-organisational factors include but are not limited to: political conditions, education level of a host country, social and cultural factors.

The political factors significantly influence the work of managers who are foreigners. In 2008 in France, there were demonstrations and protests against the policy adopted by China towards Tibet. Their obvious sign was blocking Paris streets which were on the route of the Olympic torch relay. As a consequence of this incident, the branches of French corporations in China became the target of numerous attacks, threats and hostility towards the Frenchmen who were working there.

The education level in a given country is an important factor influencing the decision of a corporation about employing expats or local managers in a host country. High level of managerial education in a given country ensures the staff potential in a branch. In addition, the level of communication between the representatives of different cultures may be a barrier. Even if they speak the same language, the mental categories of such a language and their understanding are different and may cause numerous misunderstandings and discrepancies. Apart from obvious issues connected with the lack of knowledge of the language of the country to which a person is sent and of its mental categories, S.A. Witkowski and I. Bargieła [2006, p. 323] indicate the non-linguistic dimension, i.e. lack of understanding of attitudes, customs, behaviours and expectations of local employees, which hinders mutual understanding and communication.

The cultural factor influences the shaping of a specific profile of a manager and strengthens the behaviour patterns and systems of values in the activities of members of an organisation [Sitko-Lutek 2004, p. 44]. At this point, it is advisable to draw attention to the complexity of influence of different cultures on the expat's attitudes and activities: national culture of the headquarters of a corporation, national culture of a branch, culture of the expatriate' country of origin, corporate/organisational culture. It is worth mentioning that the culture of a given society significantly influences the culture of the organisation. The

research done by N. Adler reveal that the employees' behaviour is much more influenced by the national culture than by the culture of a given corporation [Sułkowski 2002, p. 12]. A. Pocztowski indicates that the cultural factor is extremely significant in the case of selecting the partners of organisational marriage (merger or takeover). The American managers prefer British enterprises due not only to the language-related reasons but first of all to the professional operation. In the case of managers of the French provenance, the preferred partners are the French companies. For German managers, the most wanted partners are German companies. The least wanted partner in mergers and takeovers listed by the said managers are the Japanese companies due to language problems and disparate views [Pocztowski 2004, p. 196].

One of the variables in the analysed area is the dimension of national culture formulated by G. Hofstede – *strong uncertainty avoidance*. The companies from countries with strong uncertainty avoidance tend to employ expats in their local units. Cultures with strong uncertainty avoidance are characterised by strong need to control and monitor the business activity, and thus the lack of trust in people from outside, not from the inner circle, is visible. The anxiety about employing local managers is therefore justified by culture.

The need for direct control and coordination of the operations of a branch also exists when there are considerable *differences and distance between the cultures* of a native and host countries. In such a case, the managers from the headquarters do not trust in the information received from the local staff and justify it with low attachment and loyalty of the local staff to the corporation. Therefore, it is the next argument for employing managers-expats in local units.

The personality characteristics of a manager who starts working abroad are also important for successful expatriation. Apart from qualifications such as knowledge, experience and skills and abilities, the psychological features of such a manager are important as well. W. Arthur and W. Bennett conducted research among 338 expats and they classified five categories of the most important personality predispositions which are a decisive factor in an expat's work success: knowledge of the scope of management, understanding work and motivation; flexibility/ability to adapt (tolerance of uncertainty, ability to listen to, resistance to stress); being open to other cultures; family situation (the willingness of a spouse to work and live abroad, stable family situation). According to the authors, the family factor and ability to adapt to different conditions were defined by the respondents as the most important and significant for successful work abroad [Bonache, Fernandez 1999].

P. Caliori studied how the components of personality in **Big Five** model influence the expatriate's success. It turned out that extroversion, tendency to compromise and emotional stability are negatively co-related to the failure of expatriation and earlier termination of a contract. It means that the persons with such personality traits will rather succeed in work abroad [Cogin, Fish 2009].

The literature provides for two types of expatriate manager **adjustment: personal and socio-cultural**. The expat's personal adjustment refers to the internal psychological sphere and such variables as mental condition, striving for achievements and satisfaction from personal achievements. The socio-cultural adjustment refers to the external psychological sphere which links a person to the new environment, concerns the ability to cope with everyday problems and to establish relationships in the place of work in the host country [da Silva 2008].

The table below shows the set of qualifications (psychological features, knowledge, skills and abilities) which are the most wanted features of managers-expats and have been the most often indicated in the literature on the subject (Table 2).

**Table 2.** The most demanding qualification of expatriate manager

Psychological features	Knowledge	Skills
<ul style="list-style-type: none"> <li>• socialability</li> <li>• extraversion</li> <li>• emotional stability</li> <li>• self confidence</li> <li>• openness to other cultures (cultural flexibility)</li> <li>• resistance to stress</li> <li>• motivation to achievements</li> <li>• optimism</li> <li>• empathy</li> <li>• amicability</li> <li>• intelligence</li> </ul>	<ul style="list-style-type: none"> <li>• good command of foreign languages</li> <li>• life long learning motivation</li> <li>• knowledge of HRM issues</li> <li>• managerial experience</li> <li>• knowledge of international business specificity</li> </ul>	<ul style="list-style-type: none"> <li>• being a cosmopolitan</li> <li>• holistic/strategic thinking</li> <li>• ability to cultural, social adaptation</li> <li>• being an ambassador of the corporation</li> <li>• ability to maintain business relationships</li> </ul>

Source: *Kwalifikacje menedżerów-ekspatriantów*, 2008. [in:] *Kompetencje a sukces zarządzania organizacją*, Witkowski, S., Listwan, T. (eds.). Warszawa: Wydawnictwo Difin.

The psychological features listed in Table 2 are the most often defined and they are mentioned by numerous researchers, which means that the successful work abroad is determined by the manager's personality profile. One can say that the prevailing importance is given to the psychological features because they cannot be acquired or learned. This stability of psychological predispositions is the basis of one of numerous definitions of personality describing it as "a set of relatively stable psychological features or predispositions of an individual which make them different from other individuals and at the same time the central system of regulation and integration of behaviour, a product of individual development of a human being" (Encyklopedia Organizacji i Zarządzania 1981). The psychological and physical predispositions are in harmony with situational factors and influence the level of expat's adjustment to the different culture of a country where they are sent to work.



#### 4. Conclusion

The development of international enterprises and their foreign branches requires a well-prepared managerial staff which is able to work in countries with different culture. The success of such a staff depends on its level of preparation which should take into account numerous factors of organisational nature (size of a company, business, adopted strategy (approach) to branch management), non-organisational nature (political situation of a country of assignment, social and cultural conditions), as well as related to the personality.

It seems that the aspect of individual (personality) determinants of an expat is a key problem which should be taken into account when searching an appropriate candidate for work abroad. Numerous cases of failure of expatriation result first of all from the expat's inability to adjust to work in a branch and are connected with family problems (impossibility of finding the work by a spouse, separation from the nearest and dearest, problems with adaptation of children in a new country).

#### Abstract

*The success of expatriation is conditioned by numerous merging factors which merge: cultural factors, manager's personality factors (psychological features) which might predestine or disparage the person for work in the international environment. Moreover, organizational, political and economy factors are of a great importance in the context of expatriation. The influence of these factors may determine the success or failure of foreign assignments, that's why they are worth presenting.*

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