■ KEONG LEONG, Feature Editor, Fisher College of Business, The Ohio State University

Managing Global Operations: Focus on Expatriates

Mary Blonigen, The Scotts Company

International business is growing at a record pace. According to the U.S. Department of Commerce, U.S. investment overseas grew ten-fold (from $71 billion to over $717 billion) from 1971 to 1996. In that same period, foreign investment in the U.S. went from $13 billion to $630 billion, with about one-third of that occurring just since 1990 (Schell & Solomon, 1997).

With this growth in global operations, the number of U.S. expatriates has increased as well, with current estimates of nearly 350,000 U.S. nationals working abroad. A survey by Arthur Andersen indicated that 92% of large and midsize companies believed that the number of U.S. employees sent on international assignments would increase, or at least stay the same, while 87% expected similar trends in the number of foreign nationals brought to the U.S. on assignment (*Employee Benefit Plan Review*, 1996).

The Challenge of Managing a Global Workforce

While globalization and the demand for workers willing to take on foreign assignments increases, U.S. companies are struggling with both financial and demographic trends that challenge their ability to manage this workforce. In 1997, the annual cost of sending a manager abroad was estimated to be three to five times his or her salary in the U.S. (Mervosh & McClenahan, 1997). When the number of international assignments was small, companies could easily absorb this cost; the sheer size of this expense today makes that approach impractical. Many companies are looking for ways to trim the compensation and benefit packages that have traditionally been a part of sending employees overseas.

Conflicting with the need to reign in costs is the need to persuade workers to accept overseas assignments. Where a generation ago employees would go where they were told without question (both in domestic transfers and overseas assignments), today's workers are less likely to jump at the company's bidding. They want to know how the assignment will affect their career, and are less willing to sacrifice their own and their family's lifestyles without a clear understanding of the benefits to them. In addition, the rise of the dual-income household has made many potential transferees less mobile as they try to juggle two careers. A recent study shows that dual-career families presently account for nearly 60 percent of the work force (Ioannou, 1995). As a result, many potential candidates turn down overseas assignments, with surveys citing family adjustment (65%), spousal resistance (53%) and the spouse's career (45%) as the most common roadblocks (Sievers, 1998).

Tempering the conflict between balancing the company bottom line with the individual employees' needs is the reality that U.S. corporations are experiencing with high rates of expatriate failures (where failure is defined as the employee returning to his or her home country before accomplishing the objectives of the assignment). Some estimates place this failure rate at 25-40% of all placements (Ashamalla & Crocitto, 1997). These failures are costly to the company, both in terms of the investment made in placing the employee overseas, as well as in the loss of time, business opportunities, and potentially damaged relationships in the host country. The employee may suffer, as well, in both career setbacks and strained family relationships.

The streamlining of organizations in the 1980s, and the accompanying downsizings and layoffs, have left a work force that is far less compliant with the company's bidding. Employees do not automatically assume that their company will "take care of them," or that they will stay with the same employer for the length of their careers. Therefore, they are concerned with

Mary Blonigen
is manager of operations strategic planning at The Scotts Company. She received an MBA from The Ohio State University, a BA from Notre Dame, and a BChE from University of Dayton. Mary has several years of experience in industry as a product development engineer with Procter & Gamble and process development engineer with Nestle R&D.

Dr. G. Keong Leong
The Ohio State University
College of Business
Department of Management Sciences
1775 College Road
Columbus, OH 43210-1399
email: leong.1@osu.edu.

managing their career progression, and want to know in advance how a change in assignment, particularly one overseas, will effect their future. A recent study estimates that 20%of repatriated managers leave their companies within one year of returning from abroad, with as many as 50% leaving within three years (Frazee, 1997).

In the face of these challenges, how can an organization best manage its global workforce? Many large multinational corporations (with many years of experience with these issues) have increasingly resorted to staffing their foreign offices with workers drawn from that country. While this is probably the best long-term solution, it may not be feasible for most companies. First, the talent pool in many countries is not yet deep enough to support all the organizations wishing to do business there. Second, since many companies are just now expanding into international markets, they must draw upon the experience of their internal managers to establish operations outside the U.S. Finally, certain activities (for example, R&D and product development) will always require that organizations move at least some personnel from site to site in order to disseminate knowledge and "best practices" throughout the company.

The Keys to Making it Work: A Look at Industry "Best Practices"

A review of the literature, and the common problems faced by many multinationals, indicate that there are four key areas that companies must manage to be successful:

1. Selection and training
2. Compensation and career planning
3. Considering the spouse and family
4. Repatriation

Selection and Training

In his assignments overseas, Tom Roth "learned firsthand what the term 'The Ugly American' meant. I found myself embarrassed by my fellow countrymen and their behavior!" (Roth, 1998). Tom's experience is, unfortunately, not unique, and the cause for these inappropriate behaviors is often ignorance about the foreign cultures and norms. As surprising as it may seem, many multinational corporations lack any system for selecting, training, and developing employees for overseas assignments.

The process of sending employees abroad begins with selecting those candidates who not only have the requisite technical skills, but who can adapt to and blend into the foreign culture. GTE Corporation is a communications company with extensive operations in Europe and Latin America. This division has developed a pool of 125 managers who travel the globe to transfer technology abroad and train local staff to run the operations. Selection for this group begins with psychological testing, developed by Selection Research International (SRI), to determine the individual's ability to "adjust to a new culture and to operate efficiently within it" (Ioannou, 1995, p. 56). GTE believes that those with the best chance of succeeding possess "the belief that their own culture does not have all the answers; flexibility to adopt local attitudes when necessary at the expense of long-held beliefs; a conflict-resolution style that centers on collaboration; good verbal and nonverbal communication skills; and the ability to cope with stress engendered by the new and different" (Ioannou, 1995, p. 56). Other companies using the SRI approach to selection are R.R. Donnelly, Southwestern Bell, and Solar Turbines, Inc., a subsidiary of Caterpillar Co.

Once suitable employees are identified for overseas assignment, the company needs to prepare them for the different cultures they will encounter. Opinions differ on whether the cross-cultural training should be cultural specific to the host country or cultural-general, teaching universal methods to understand and manage cultural diversity (Ashamalla & Crocitto, 1997; Allard, 1996). Whichever route the company chooses, a variety of options for training exist, and it does not have to be prohibitively expensive. Motorola, Inc., outsources its two-day, cross-cultural expatriate training program, at about $4000 per employee. Hewlett-Packard puts approximately 1200 employees (and their families) annually through a three-day, outsourced training program (Mervosh & McClenahan, 1997). This program, which costs approximately $5000 per employee, includes general sessions with historical and cultural information, and targeted training on the business practices of the countries to which their employees are assigned.

Compensation and Career Planning

Accepting an overseas assignment requires an employee to make a huge personal adjustment. With some justification, workers have come to expect that they will be compensated for the disruption to their personal and professional live. However, the increasing expense of maintaining employees overseas, and the sheer numbers of employees that some companies are sending abroad, make controlling this expense quite urgent. This has led to search for alternatives to the traditional compensation schemes.

It has been reported that there is a growing movement among companies to pay no premium to expatriate employees, regardless of where they send them (Latta, 1998). This mindset views the assignment as its own reward, an opportunity for an employee to achieve personal and career growth. In these organizations, international experience is required for upward mobility. If the employee expects to be promoted, he or she will have to spend time overseas. To make this system work, however, requires careful career development planning. As an inducement to take an overseas assignment, GTE emphasizes the position's importance to the company and to the individual's career and often promotes the assignees when they are sent abroad. In addition, it assists them in garnering a position in the U.S. once their three-year assignment is completed. At British Petroleum (BP) and Shell, "expatriate assignments are almost a rite of passage in these companies . . . and therefore don't necessarily mean big pay packages" (Allard, 1996). The assignment is seen as an investment in career development for the future, and is the expected norm within the company.

Considering the Spouse and Family

When selecting, training, and considering compensation plans, companies today must consider the effects on the employee's spouse and children. Family issues may include uprooting children from schools and spouses from jobs. With 81% of international relocation candidates turning down assignments because of family related concerns (Marchetti, 1996, p. 44), it's not surprising that a number of companies are developing programs to address these issues.

Shell International Petroleum has perhaps the most extensive program in place to assist expatriates and their families (Solomon, 1996b). As a result of policy changes instituted in 1995 Shell created the position of "spouse employment consultant." This person advises spouses on a range of employment issues abroad—everything from finding employment opportunities to obtaining work visas. To assist with children's education, Shell is supporting schools in several locations, and has moved to strengthen and expand the International Baccalaureate Organization (IBO), a nonprofit educational foundation based in Switzerland. This group offers a diploma program for students 11 to 16, and is beginning to create school programs for primary aged children. Shell's overall philosophy is to keep the family together as much as possible.

Monsanto is another company that has responded to the family needs of its expatriates (Solomon, 1996a). They have fostered a "grass roots" organization of families called the Spousal Sponsor Network, where employees contemplating a move are matched with a family already overseas. This sponsoring family assists the newcomers in becoming integrated into the community, and provides a helping hand and a willing ear. In addition, Monsanto utilizes financial resources to assist the "trailing spouse" in identifying transferable skills and in finding opportunities in the host country.

Repatriation: Once It's Over It's Not Finished

Perhaps the most unanticipated issue in managing a global workforce is the problem of repatriation. Ironically, the very characteristics that make an employee suitable for an overseas assignment, i.e., the ability to blend in and adapt, can make returning home a "culture shock" in reverse (Frazee, 1997; Allard, 1996). In addition, a lack of career planning prior to the assignment (as discussed above) can lead to unrealistic expectations on the part of returning employees. Overseas they may have had broad responsibility, a lot of financial "perks," and an opportunity to develop new skills. If they return to a position similar to the one they left, they may feel frustrated and underutilized. Worse still, over 75% of repatriating employees don't know what their next assignment will be as close as four months before their return (Frazee, 1997, p. S26). As a result, career anxiety and turnover among repatriates is high—this at a time when companies need employees with international experience more than ever.

GTE again excels at planning for repatriation. The planning begins before the assignment is accepted, through discussions of the employee's long-term career goals. Formal repatriation planning is included as part of the training the employee receives before embarking overseas. AT&T has an innovative mentoring program operated through their HR International division. Every expatriate has an assigned sponsor who's responsible for his / her well-being, and is two levels above the expatriate in the corporation. That sponsor ensures that the employee is kept in the loop, and is brought home to the central office periodically to "see and be seen."

Despite the increasing number of "globe-trotting" employees, repatriation is probably the area most companies pay the least attention to. For example, Tom Roth states that Nestlé could benefit from improving its process for "clearly defining the expectations—both from the company perspective and the employees. . . . Communicate, communicate, communicate" (Roth, 1998). Successful repatriation is really dependent upon good communication, before, during, and after the assignment. Up-front planning, on-going mentoring, and a "decompression" period following return (with counseling, if necessary), can make repatriation successful, and stem the loss from turnovers.

What Will the Future Bring?

Overseas assignments will increase in number and frequency as more corporations move to global operations. As companies become established global players, and the talent pool is developed in emerging markets, more international offices will be staffed by foreign nationals. Still, smaller companies, who may not be able to justify the cost of a fully staffed office in every geography, and larger corporations who centralize particular functions (such as marketing or R&D) in the home country, will continue to need a mobile, global work force. Those companies that become adept at selecting, developing, and retaining these global employees will be extremely successful in this future world—those who do not will be left behind. ■

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