



FACTORS INFLUENCING EXPATRIATES' SUCCESS
IN INTERNATIONAL ASSIGNMENTS: AN EMPIRICAL
STUDY OF MALAYSIAN EXPATRIATES

BY

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ABSTRACT

The consequences of expatriate failure are losses, damaged corporate reputation, lost business opportunities and in extreme circumstances, expatriates may find themselves between life and death. Over the past decades, organizational operations have increased and expanded in wide range globally, and as a result, professionals are being sent abroad from their home countries by their companies on assignments. Studies have found that unfortunately, between 16 and 40% of American managers who are sent overseas for assignments return prematurely because of poor performance or inability to adjust to the foreign environment. Studies were also conducted in Japan, China, Thailand, Singapore, Australia, Germany, Saudi Arabia, South Africa, Mexico and many others to investigate expatriates undertaking a job assigned by companies from their home countries. Different studies emphasize specific expatriate success factors elsewhere except in Malaysia. To address this gap, this research therefore builds on theories of expatriation and expatriate success issues. The research was conducted using both preliminary qualitative interview and quantitative survey methods in the Malaysian context. The purpose was to investigate the selection criteria of Malaysian expatriates that influence their success in foreign assignments, investigate the influence of Malaysian expatriates' preparedness on their success; and finally, to investigate if adjustment influences Malaysian expatriates' success in international assignments. The outcome of the preliminary qualitative interview along with previous research observations of expatriates' success in countries around the world has led to the proposal of a conceptual model to gain statistical valid quantitative results and evaluate existing research through hypothesis-testing with focus on the Malaysian context. The aim is to generalize the outcome to the general population. A model was developed containing factors such as expatriate selection, how expatriates are prepared, places where they are assigned, and adjustment in the new places of work. A sample of 419 former and current expatriate respondents who have traveled abroad for an assignment were gathered. Four main hypotheses were formulated and tested using multiple regression analysis with the Statistical Package for Social Science (SPSS Version 18.0). Data analysis provided support for all four hypotheses, and the findings indicate positive relationships between selection of expatriates, preparation of expatriates, and expatriates' adjustment, with the success of expatriates in their assignments. This research reveals that expatriate success depends on their adjustment, and home country's selection and preparation of expatriates, which are directly linked to expatriates' success. It has been observed that most previous research findings agree with the current findings. It is recognized through this research that some variables can be applied, which were not in any way used in previous research but that are crucial and suitable to the Malaysian context. Several theoretical and practical implications are discussed in light of the research findings.

ملخص البحث

إنَّ عواقب فشل وإخفاق العاملين في الخارج (المغتربين) يؤدِّي إلى خسائر أو أضرار بسمعة الشركات، ويؤدي إلى فقدان فرص تجارية أفضل. وأحياناً يصبح المغترب في ظروف صعبة. وعلي مدى العقود الماضية زاد توسع الشركات وانتشارها بشكل واسع على الصعيد العالمي، وذلك بإرسال المهنيين من الوطن إلى الخارج من قِبَل شركاتهم لمهام خاصة. وقد أظهرت الدِّراسات أن ما بين 16 في المائة و 40 في المائة من المديرين الأمريكيين المرسلين في مهمات إلى الخارج عادوا إلى موطنهم قبل انتهاء فترتهم بسبب ضعف الأداء أو عدم القدرة علي التكيف مع البيئة الأجنبية. وهناك بعض الدراسات لبعض العاملين في الخارج أرسلوا من قِبَل بلدانهم ، ودراسات أخرى لشركات سجل موفدوها عوامل نجاح، بيد أنه لم تجر دراسات في ماليزيا في هذا الصدد. ولمعالجة هذه الفجوة، فإن هذا البحث بُني على نظريات تهتم بقضايا نجاح المغتربين العاملين في الخارج. وتم إجراء هذه الدراسة على التجربة الماليزية وذلك باختيار عينة من 419 من السابقين والحاليين المرسلين للعمل في الخارج. وقد صيغت أربع فرضيات رئيسية وتم اختبارها باستخدام تحليل الانحدار المتعدد مع الحزمة الإحصائية للعلوم الاجتماعية (SPSS النسخة 18,0). إضافة إلى تقديم تحليل للبيانات ودعم لجميع الفرضيات الأربعة، وقد أشارت النتائج إلى علاقة إيجابية بين إعداد مجموعة مختارة من المغتربين وبين تكيفهم، وذكائهم العاطفي وبين نجاحهم في المهنة. وعلى الرغم من أن أغلب المساهمات في الإستييان أظهرت أن نجاح المغتربين مرتبط باختيار البلد المضيف إلا أنه يصعب قياس درجة الذكاء العاطفي لدي المغتربين بصورة دقيقة. وإعداد المغتربين في مجال الذكاء العاطفي له آثار عديدة وقد بينها هذا البحث.

APPROVAL PAGE

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DECLARATION

I hereby declare that this dissertation is the result of my own investigations, except where otherwise stated. I also declare that it has not been previously or concurrently submitted as a whole for any other degrees at IIUM or other institutions.

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*This work is dedicated to my father, mother, sisters, brothers, auntie, cousins',
families and friends for their endless love, support and encouragement who make my
world more meaningful.*

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I am solely responsible for all the mistakes, ambiguities, omissions, and other shortcomings that remain in this dissertation.

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CHAPTER ONE

INTRODUCTION

1.1 INTRODUCTION

This chapter presents and describes the general background of this research. Details of problems to which possible solutions are intended and the purpose of solving the problems are given. The chapter also provides the research questions, as well as objectives and significance of the research. Finally, the chapter concludes with definitions of general terms, the organisation of the research and a summary of the chapter.

1.2 BACKGROUND OF THE STUDY

Expatriation signifies labour outside one's home country. The shortage of local experts is rising in developing and developed countries all over the world. As countries are continuously developing, internationalizing local companies has become a trend in the corporate world of many developing and developed countries including Malaysia, which has led its local companies to become Multi National Companies (MNCs) and spread to various countries globally. Such skilled labour shortage has resulted in MNCs lacking sufficient labour from those countries, and consequently demand expatriates from their respective countries to work in the enterprises or multinational companies (Lee & Liu, 2006; Wang et al., 2013; Savage, 2014). Rapidly developing countries with less skilled labour attract people from abroad to come and work in their newly emerging enterprises, and companies are relocated to these countries to function as expatriates (Neault, 2014; Breiden, Mirza and Mohr, 2004).

The rapid increase in companies relocating business abroad, besides people going to work in foreign countries, has led to an increase in expatriate practice all over the world (Chew & Debowski, 2008; Zhang & Fan, 2014). Many countries worldwide have progressively allowed more foreign experts to come and work in their established enterprises (Al Lamki, 1998; De Boer & Turner, 2008; Forstenlechner & Mellahi, 2011; Mellahi, 2007) and work alongside the local labour force (Budhwar & Mellahi, 2007; Rees et al., 2007). Employers in the different relocated companies are authorized to freely recruit foreign workers but with limitations from the respective host governments (Mohamed, 2002).

According to Lee & Liu (2006) countless countries have millions of jobs created that are filled by expatriates rather than their local citizens. With expatriates, the expertise required is thus obtained and cheap labour is imported as well (Chew & Debowski, 2008; Toh & Srinivas, 2012). In most countries where expatriates are increasingly on demand, this is mostly due to deficient needed expertise in the country or because citizens might prefer the public sector for higher salaries, better employment conditions, greater job security and often shorter working hours (Liu, & Lee 2008; Godwin, 2006; Mellahi, 2007; Xu & Li, 2012; Yang & He, 2014; Anderson, 2005). As a determinant of competitive advantage and an element critical to success, the survival of multinational enterprises is based on the combination of the imperfectly and non-substitutable resources of an MNC, the “Human Resources” (Vogel, Vuuren & Millard, 2008). According to Vogel, Vuuren & Millard (2008), every firm has resources and capabilities, but what leads to performance is that firm’s exploitation capability. In this case, MNCs realize that importing human resources from their own countries is cheaper than using the human resources of the country in which they are operating (Vogel et al., 2008). For example, many Japanese companies

in Malaysia employ Japanese top managers; similarly, Malaysian companies abroad often prefer to bring their own employees from Malaysia, particularly top management, to work in the foreign countries where their companies are doing business (Toh & Srinivas, 2012). As mentioned, Malaysian companies with subsidiaries abroad prefer to bring their own nationals as top managers. For instance, companies like Maybank, CIMB Bank, Petronas (PETRONAS) and many other Malaysian companies have Malaysians as top administrators in their subsidiaries abroad. There are both long-term and short-term contracts, most of which are renewable. The reason international businesses might prefer to bring expatriates to their subsidiaries is due to a number of factors, such as understanding these people well, deeming them trustworthy, employees can also be involved in the selection of expatriates because they are from the same countries, training is easier, it is believed they can adhere to the company rules and regulations which might be similar to those of subsidiaries at home, and expats can easily be traced if anything goes wrong at work (Tung, 1987; Neault, 2014).

The success of any company, not to mention the resources it has, depends on human resources as a key factor. Malaysian multinational companies with subsidiaries in other countries persistently grow day by day and even expand to more countries throughout the world. This means that besides the benefit of Malaysian MNCs having large capital bases, the teams of Malaysian expatriates heading or managing the subsidiaries abroad are doing a very good job as well. It is thus obvious that Malaysian expatriates are successful in their foreign assignments, which is why their company subsidiaries are growing at a fast rate; however, the factors behind their success are not well-documented as of yet (Marx & Abdullah, 2012). Therefore, it is

the intention of this research to highlight the factors influencing Malaysian expatriates' success in their foreign assignments.

Nevertheless, the researcher has carried out a literature review and summarized the most applicable frameworks. Furthermore, the intention is also to conduct a survey of Malaysian expatriates working abroad or who have worked abroad, to understand the factors affecting their success in foreign assignments.

Today it is becoming more and more common to view expatriation not only as moving from headquarters to foreign operations, but as moving from one country to another while being employed with the same company. Three types of international employees are identified within this international human resource structure: parent-country nationals (PCN), host-country nationals (HCN) and third-country nationals (TCN). PCNs are employees of the same nationality as the organization, whereby for instance it could be a Malaysian citizen working for a Malaysian company in China. An HCN as an example would be a Chinese citizen working for a Malaysian company in China. A TCN is an employee of a nationality other than the parent company's country or subsidiary's country location. So, following the same example, if a Singaporean citizen works for a Malaysian company at a subsidiary located in China, then they would be considered a TCN. But according to Holt (2002), these terms serve more academic than practical needs, and people working abroad are unlikely to recognize these labels.

The different types of global and expatriate assignments serving the different goals of companies are gaining increasing popularity in the business and academic world. Even though there is a trend showing that expatriation in itself is changing, for many business purposes, the traditional 1-6-year expatriate assignment is still the optimal strategy to get talent to the right place at the right time. Clearly, traditional

expatriate assignment still has a place in the current landscape of international mobility. Despite surveys reporting that companies expect the number of traditional assignments to decrease, the fact is that the number of “traditional” expatriates has grown in the past two years (Gunn, 2005; Neault, 2014). The tendency to rely on traditional expatriate assignments is actually one of the characteristics of the twenty five Malaysian companies involved in this study. According to Malaysian HR managers, approximately 60% of their companies’ international mobility is occupied by expatriates in the traditional sense.

1.2.1 Expatriation Career Cycle

An important part of the IHRM approach is the decision of whether to employ an expatriate for an international assignment or a local worker (Harris, 2001). If the decision is to send expatriates, there are several significant steps requiring discussion prior to sending expatriates to accomplish their missions abroad. The stages constitute the expatriate cycle, which is shown below in Figure 1.1

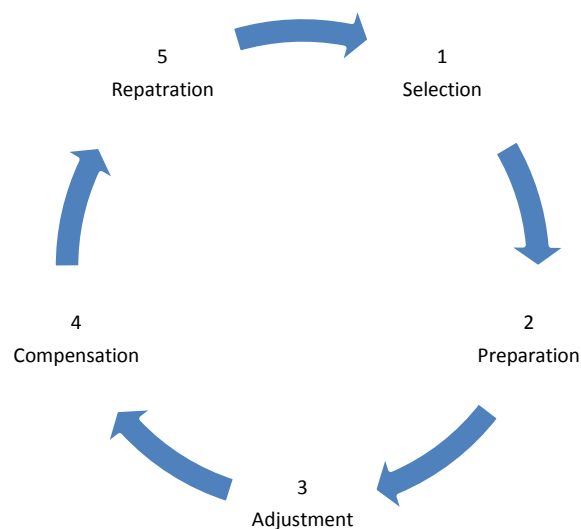


Figure 1.1 The Expatriate Career Cycle (Borg & Harzing, 1995)

The selection stage can be carried out once the strategic decision to employ an expatriate has been made. Selection involves recruiting an international worker and judging based on the level of technical competence, personal traits, ability to adapt to a new environment, and family situation (Borg & Harzing, 1995; Li Miao et al, 2011).

The preparation stage includes pre-departure training of the expatriate, and this is the major step towards avoiding culture shock and helping the expatriate and his/her family adapt to the new environment (Harris, 2001). Successful preparation will help the expatriate adapt faster and more effectively to the new environment.

Adjustment deals with monitoring the expatriate's performance on the actual assignment. Harris (2001) explains that variables influencing the success or failure of the expatriate must be understood before monitoring can be conducted.

Repatriation is the final stage in the cycle and it is not as easy as it may seem. It is rather highly problematic since re-entry shock may occur (Harzing, 1995; Campbell, 2014; Shieh, & Pei, 2014; Alswaidi, 2014). This phase usually occurs about three years after the expatriate has left their home country, if the assignment is successful; otherwise, this period is shorter (Borg & Harzing, 1995). Problems in this phase include re-adjustment and re-establishment, and dealing with issues of being back to normal again.

1.2.2 The international company's involvement in the expatriation career cycle

There are several reasons why Multinational Companies (MNCs) send expatriates to carry out international business assignments. Some reasons are to open new markets, to enlarge market share and inhibit competitors from obtaining market shares, to develop long-term business outlooks in the foreign countries, and to transfer knowledge to local professionals as well as learn from them (Black & Gregersen

1999; Halcrow, 1999). Thus, many organisations now seem to make foreign assignments beneficial for both the employees and the organization. As a result, the policy of the international company that sends expatriates to a host country may also affect the expatriate's success in performing their international business assignments (Froese & Peltokorpi, 2012). On the other hand, when a company goes international it faces lots of obstacles with the political system, economic situation, labour laws, etc. (Caligiuri, 1998). Besides dealing with a whole array of differences, the company has to choose reliable people who possess crucial company knowledge as well as the skills to carry out the company's international business assignments (Adler, 1992; Gonzalez, & Chakraborty, 2014). Caligiuri and Joshi (1998) stated: "International business assignments are important to the success of the MNCs because they help to build the level of global competence and global integration within the organization."

The success of international assignments carried out by expatriates is additionally determined by the MNCs' awareness of the importance of the expatriate spouses' conditions (De Cieri, Dowling, & Taylor, 1991). It has been discovered that the most important positive predictor of psychological adjustment of the expatriates' spouses is the assistance provided to them by the organisations that employed their spouses (De Cieri et al, 1991; Koveshnikov et al., 2013). Another reason why it is important to study the success of international assignments taken on by expatriates is the fact that different people from various parts of the world act and react differently. This could be due to the differing political, socio-cultural and economical factors influencing behaviour, e.g., the dissimilar views of Japanese and American expatriates in determining factors that can influence expatriate failure rate (Tung, 1982). Thus, a person's ability to be successful in one environment does not necessarily imply that the person will be successful in all circumstances (Suutari and Brewster (2001).

Global foreign direct investment (FDI) inflows rose 16 per cent in 2011, surpassing the 2005–2007 pre-crisis level for the first time, despite the continuing effects of the global financial and economic crisis of 2008–2009 and the ongoing sovereign debt crises. This increase occurred against a background of higher profits of transnational corporations (TNCs) and relatively high economic growth in developing countries during the year. A resurgence in economic uncertainty and the possibility of lower growth rates in major emerging markets risks undercutting this favorable trend in 2012. (UNCTAD World Investment Report 2009)

UNCTAD predicted a slowing FDI growth rate in 2012, “with flows leveling off at about \$1.6 trillion, the midpoint of a range. Leading indicators are suggestive of this trend, with the value of both cross-border mergers and acquisitions (M&As) and Greenfield investments retreating in the first five months of 2012.” Expectations of weak M&A levels also suggest sluggish FDI flow in the later part of that year.

Some reports of developing regions in East Asia and Southeast Asia indicate that FDI inflow reached new records, with total amounting to \$336 billion and accounting for 22% of the global inflow. Southeast Asia, with \$117 billion inflow, up 26%, continued to experience faster FDI growth than East Asia although the latter was still dominant at \$219 billion, up 9%. Four economies of the Association of Southeast Asian Nations (ASEAN) – Brunei Darussalam, Indonesia, Malaysia and Singapore – saw a considerable rise in FDI. FDI flow to China also reached a record high of \$124 billion, with flow to the service sector surpassing that to the manufacturing sector for the first time. China continued to be the top investor-preferred destination for FDI according to UNCTAD’s WIPS, but the rankings of Southeast Asian economies such as Indonesia and Thailand have risen markedly. Overall, as China continues to experience rising wages and production costs, the relative competitiveness of ASEAN countries in manufacturing is increasing as well. FDI outflow from East Asia dropped by 9% to \$180 billion, while that from Southeast Asia rose by 36% to \$60 billion.

Outflow from China dropped by 5%, while outflow from Hong Kong throughout the world currently represents about 82,000 corporations with 807,363 branches employing nearly 77 million employees (see Figure 1.2).

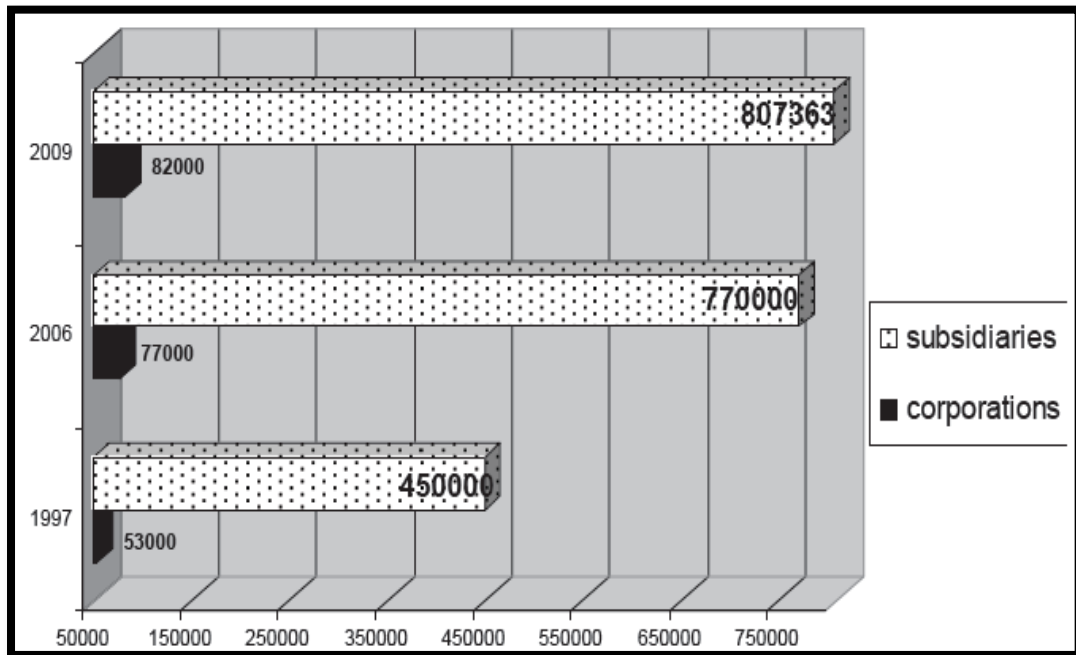


Figure 1.2 Number of corporations and their subsidiaries throughout the world

Source: UNCTAD World Investment Report 2009

1.2.3 Malaysian MNC involvement in the expatriation career cycle

The number of multinationals from Malaysia working in construction has gone up from year to year. This is due to the developing Malaysian economy and also globalization, which have presented Malaysian companies with opportunities to operate overseas. In 2009, 432 projects were completed in 24 countries in a global market worth MYR 29,322 million (USD 8,307 million) and 126 projects were still on-going (MYR 69,053 million/USD 19,564 million) (CIDB, 2009). Middle Eastern countries contributed 46% of all overseas projects, followed by ASEAN countries (19%), the South-Asian Continent (18%), Africa (8%) and other countries, such as