CHALLENGES OF MANAGING MNC EXPATRIATES THROUGH CRISES-A STUDY

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ABSTRACT

International crises experienced by multinational corporations include both the premature return of expatriates due to failed assignments and the poor retention of returned expatriates due to failed repatriation. To reduce the direct and indirect costs inherent with expatriate failure, multinational corporations are striving to improve their capability to manage their expatriates before, during and after international assignments. This article highlights these issues and discusses the challenges for human resource professionals when managing expatriates. The results of the study presented in this paper suggest that the management of international human resources is increasingly being acknowledged as a major determinant of success or failure in international business. It concludes by proposing that a well-managed and proactive response to an international crisis may help an organization retain experienced international employees.

1.0 INTRODUCTION

Most common challenges faced by employers of international assignees are those regarding the competitiveness of expatriate packages, issues with different tax structures and of overall cost
containment. This is especially true of companies of Indian origin who find themselves challenged by significant costs, borne to offset international compensation inequity.

2.0 REVIEW OF LITERATURE

Multinational corporations (MNCs) use expatriates, not only for corporate control and expertise reasons in vital global markets, but also to facilitate entry into new markets or to develop international management competencies (Forster 2000 et al.). It is widely acknowledged in the relevant literature (Coombs 2001 et al) that the process of crisis management entails three main phases. These phases are conceptualized as (1) Preparedness, which is the period of preparing plans and procedures for addressing a crisis; (2) Responsiveness, or the actual dealing with the crisis; and (3) Recovery, during which the organization returns to normal operations as quickly as possible. These three phases are considered as sequential phenomena in a continuous cycle so that the Recovery phase, which follows the Responsiveness phase, also precedes the Preparedness phase. In this paper, the Responsiveness of expatriate crisis management is delineated in

an auto reflective narrative design that utilized the responses of 15 expatriate managers.

MNCs, and subsequently, identified four general categories which may contribute to expatriate success. These are broadly described as (1) technical competence on the job, (2) personality traits or relational abilities, (3) environmental variables, and (4) family situation. This is further supported by Ronen’s (1989) model that incorporates the dimensions of expatriate success identified by Tung (1981). Ronen (1989), describes five categories of attributes of success: (1) job factors, (2) relational dimensions, (3) motivational state (4) family situation, and (5) language skills. The five categories and their specific aspects are outlined in Table 1.
Table 1

<table>
<thead>
<tr>
<th>Categories of Attributes of Expatriate Success</th>
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<td>Job Factors</td>
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<tr>
<td>Technical skills</td>
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<tr>
<td>Familiarity with host country and headquarters operations</td>
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<tr>
<td>Managerial skills</td>
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<td>Administrative competence</td>
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Ronen (1989) identified these five selection attributes (Table 1) as contributing to greater expatriate success in international assignments as compared to the customary selection of expatriates based solely on technical abilities.

Once an employee has been selected, pre-departure training becomes the next critical step in attempting to ensure the expatriate’s effectiveness and success abroad (Mendenhall et al. 1987). Career counseling for the spouse is becoming necessary because the dual career dilemma is becoming more important, especially with the increase of women in the workforce (Collins 1996). Given the difficulties of re-entry, expatriates and their families need help to readjust back into their home country. The two most important issues are (1) career planning and (2) ‘reverse culture shock’ (Hammer, Hart & Rogan 1998). To assist the expatriate and family to readapt to work and life in general and to help overcome reverse culture shock, re-entry training such as
counseling workshops and career development consultations prove useful in the adjustment process (Sievers 1998).

3.0 METHODOLOGY

The sample population of this research was drawn from 30 human resource managers in India. The respondents interviewed consisted of nine HR managers, four HR specialists, one business service manager and one administration officer. Sixty per cent of the respondents were females. Using the guidelines provided by the Who’s Who of India (2001), large organizations were selected if they (1) employed more than 44 people, (2) were publicly listed, and (3) incorporated two or more overseas branches. The research procedure involved interviewing human resource managers or their representatives in 15 Indian companies, using a structured interview questionnaire which incorporated a checklist of expatriation and repatriation practices. These questions were based on the best practices identified through the literature search (e.g., pre-departure training approaches, selection criteria, re-entry success). This strategy enabled respondents to reflect on their experiences and observations of the appropriateness of HRM practices and policies to prepare and train expatriates for the responsiveness phase of organizational crises (i.e., expatriate management). The interview schedule explored three key issues on expatriate management: (1) expatriate selection process (i.e., criteria of successful selection), (2) expatriate preparation (i.e., pre-departure and cross culture training), and (3) repatriation career management/assistance (i.e., mentoring before, during and after the assignment; insuring a comparable job upon re-entry).

4.0 ANALYSIS OF THE STUDY

The data from the interviews were content analyzed. Once the interview data were collected, the tapes were transcribed and data coded. Coding involved the labeling of concepts from the text relevant to the research problem. The aim was to move from a set of unstructured data (participant’s accounts), to a collection of theoretical codes, concepts and interpretations. This approach dealt with the analysis of the broad ‘themes and content of participant’s accounts’.
5.0 FINDINGS OF THE STUDY

The results of this study were summarized in three major sections which parallel the research foci of expatriate management. Responses to the asked questions will be reported in the three categories of (1) expatriate selection process, (2) expatriate preparation (pre-departure training), and (3) repatriation process.

6.0 CONCLUSION

The results of the study indicated that repatriation must be planned carefully, from the time of expatriation when expatriate selection occurs. By putting in place suitable HR policies and procedures, an organization can both, more efficiently manage human resource globally and encourage more employees to accept foreign transfers. This emphasis is a visible sign that the organization supports expatriates and attempts to contribute to employee success in the overseas assignment. This Preparedness Phase will significantly increase the probability of successfully managing expatriate crisis situations because responsibilities and liabilities are clarified before the crisis happens.

7.0 REFERENCES