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**International Human Resource Management: The case of expatriates**

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## **Abstract**

Expats and migrant workers form a chunk of Australia's workforce. Estimates indicate that almost one-fourth of the nation's working population comprises of people who do not hail from the country. And this trend is not something new for the country. It has always been, historically, dependent on expat and migrant workforce to add impetus to its economy and contribute towards its growth. Yet the issue of expats is today a bone of contention having local implications which can affect the way expats work and stay in the country. With notions of job loss gaining ground the impact on local communities is significant. The other developing notion is that intake of expats will also affect long term skills training program of the nation. Therefore the need of the hour is to provide all support to expats through training and guidance to make them feel comfortable in Australia which can positively affect their contribution while in the country.

## **Introduction**

With the increasing globalization of companies, expatriation is fast becoming a reality for corporates. Such expatriation is emerging as the latest challenge for human resource managers as it is now evident that this trend is here to stay. Expatriation is today a necessity in the lives of companies as expat managers are required for completion of strategic and critical tasks in important markets (Downes & Thomas 1999), to facilitate a company's foray into new markets and to also develop international managerial competence (Bird & Dunbar 1991). Expats are mostly in demand because of their expertise which proves to be of immense value to organizations (Chew 2004).

Yet the process of expatriation is fraught with challenges primarily because of the costs involved in maintaining expat managers. Estimates show that nearly \$1,50,000 to \$2,00,000 are annually

spent by companies on expatriate managers depending on the decided host country, salary offered for the new location and also on valuation of perks like accommodation, home leave, company vehicles, air travel charges, relocation expenses and educational expenses of children (Lau et. al. 2001). Hence failure of expatriation attempts can cost the company exchequer heavily resulting in loss of such investment as highlighted above. Therefore it is desirable that a proper process of inducting expatriates into the host country's culture and conditions is formulated so that the uncertainties can be weeded out for greater corporate benefit.

As HR manager of this company and being based in the potential host country of the incumbent, I present this to lay down the challenges that the expat manager is likely to encounter in this country and also suggest some interventions to support the manager during the acclimatization process and help induce potential performance. Challenges that an expat is likely to face is highlighted in the report together with some industry specific challenges.

### **The need for expatriation**

Expatriate refers to any individual who is assigned to work in a country which is not his or her country of origin (Richardson & McKenna 2002). In this case the manager being transferred from the United Kingdom is the expatriate. His case is interesting for he is already working as an expat in UK, his origin being in South Africa. And the reason he is being assigned a second overseas stint is because of his expertise in the area of coal mining. This is one primary reason behind expatriation. They are expected to share their knowledge with the local workforce and pass on key skills and techniques in the course of daily work so locals become more knowledgeable and efficient in job execution (Shephard 1996). Expats are also coaches for their colleagues by bringing to them insights into the practices and procedures followed in other

countries. So the expat in our case is expected to bring to employees in the Australian unit knowledge about operations in UK. Such exchange of knowledge is beneficial for employees as it broadens their operational knowledge (Schuster 2007). Expats are also representatives of the corporate group in a new land. This implies that they help create an image about the company among colleagues in a different country. It is mainly through interaction with expats that workers come to know about global practices of the company and it also helps them decipher the worth, strength and expanse of the organization they work for. Hence effective expat management is important for their presence has profound influence of the existing workforce in a country and therefore the economy as a whole.

### **The Australian need**

Australia is a nation well versed with migration. Ever since the Second World War, Australian economy has been dependent on migrant workers (Wilshire 2013). Estimates state that early a fourth of the nation's workforce are migrant workers and nearly 97.5% of them arrived in Australia over the last two centuries (DIC 2011). Hence the practice of migration is not new to the country. Yet debate still rages on about the country's dependency on migrant workers to bring the nation prosperity by lending their skills (Wilshire 2013).

Australia's dependency on workforce which is from outside the country is largely because of the lack of skilled workforce in the country (Bahn et. al. 2012). Economic forecasts shows that Australia's resource related industries are posed for significant growth in the years to come. Infrastructure development and international demand is expected to grow the mining and construction industries (Bahn et. al. 2012). But the only impediment is the path to growth is our pool of skilled manpower available within the country and there is an existing mismatch between

demand for skilled manpower and its supply internally (Khoo et. al. 2007). The gap is thus being filled by expats and migrant workers. To this we must include the rapidly ageing population of the country. Studies conducted in this area have predicted that between 2010 and 2020 more Australians will move out of the workforce than those joining in (Jockel 2009). This poses serious human resource availability within the country.

### **Issues with expatriation**

While it can be deduced from the discussion above that expatriation is an emerging corporate necessity in today's era of globalization, and particularly so for Australia whose economic growth hinges on the quantity and quality of expats and migrant workforce, the process is fraught with challenges which if not effectively handled can mar the entire process of expatriation.

### **Challenges of expatriation**

One of the primary challenges the expat managers face in their roles in a new country is balancing global corporate regulations and expectation with the local environment. Expat managers are expected to maintain the structure and corporate philosophy of the multinational corporation while also adhering to the rules and regulation of the host country's corporate setup and environment. In the case of our incumbent it will mean maintaining a balance between the group's corporate regulations and practices and the systems followed locally at site in Queensland (Ward & Rana-Deuba 2000). This can often be a point of friction for the global perspectives may differ from local perspective. So, assimilating both into their work style can become a problem.

Coming into a new country and into a new cultural environment, the expat manager will be expected to make changes in his lifestyle and mode of functioning to be effective and produce

results that is expected of him (Zakaria 2000). Hence the first challenge is to help the expat understand the local context so as to be able to add value to the same.

Attention should also be spared to mitigate some of the known reasons for failure of expat managers in a new country. Issues like helping the expat overcome the initial cultural shock, getting his family settled into the new culture so that they feel comfortable and at home, facilitating his intermingling with the local community at large (Burkitt 1998) ensuring that he is not confined only to expat clubs (Melles 2000), minimizing chances of failure of the expat will be of importance and should be addressed on priority if the incumbent manager is to perform efficiently and effectively in his new role. Failure on any of the above mentioned accounts can result in failure of the expat to add value leading to premature withdrawal from the country. Such an occurrence has serious implications not only for the individual but also for the company. For the manager it poses a question about his ability which can dent self confidence of the concerned and also affect his repatriation (Hayes 1996). For the company it means significant financial loss which can be both direct and indirect. Direct financial loss will imply the entire investment into the expatriation process becoming futile and in effect a waste while the indirect implication will be the loss of goodwill for the company due to inefficient performance of the manager.

Cultural shock is one of the main issue HR managers and organizations need to incubate an expat from. Such culture shock can be true for the employee or for his family and in either case the outcome is identical, withdrawal of the expat manager (Gordon 2003). To be successful expats need to adjust to the environment of the host country and also with host country nationals. Culture shock affects just that as the expat or migrant worker fails to interpret vibes from an unknown and new environment. They find the behaviour of others around them somewhat different and strange and this originates from their lack of understanding of the culture. Their

sense of appropriate and inappropriate behaviour being rather vague, they behave in ways which is considered unacceptable in the local context (Selmer 2001). These are all the aspects expats and migrant workers need to work on and it the organization's responsibility to help them develop the requisite understanding to facilitate their bonding with the local community.

As sponsor, under the rule as per 457 visas, it is prerogative to help the incumbent into the surrounding (Bahn et. al. 2012). We need to ensure his housing, adequate transport arrangement for his to travel to and fro from work, adequate schooling facilities for his children all of which is meant to make the joinee comfortable in the new place of work. Therefore it is onto us to support the entire process of acclimatization for the expat.

### **Localized challenges**

It has been highlighted above that having expats in companies operating out of Australia is a necessity for the growth of the nation. Primarily because of the lack of skilled manpower available within the country and also because of the restricted employee pool. Therefore companies have no options but to depend on expats and migrant workers to provide a fillip to the employee pool. But this system has attracted its fair share of criticism which in turn gives rise to serious HR issues of the expat.

During 2007-08 over 58,000 expats and migrants joined the Australian workforce, all sponsored by their respective companies, which constituted a 24% leap compared to the year before (DIC 2009). It is interesting to note that of the entire migrant and expat in the Australian workforce nearly 56% were located in Western Australia and Queensland cumulatively (Bahn et. al. 2012). This indicates the number of expat and migrants workers employed by the resource industry in

Australia as Queensland is known for its coal reserves. So it can be safely derived that the coal industry of Queensland employs a major percentage of expats and migrants in the total count.

The rebuttal to this strategy is that such increase in expat and migrant worker employment is affecting the job prospects of local people and is also reducing the chances of skills training programs being effective (Toner & Woolley 2008). This trend can be traced back to at least a century when job creation was happening within the mining sector around inland Australia. However the locals did not find employment because of the skill deficiencies and the jobs were taken up by migrants and expats. This became a worrying point for the local communities as loss of jobs meant financial hardship for those around the site (PCA 2013). There is wide scale agreement on the issue that such employment practices is adversely impacting the lives of many communities, traditionally engaged in mining, like Kalgoorlie, Karratha and Moranbah (PCA 2013). The local communities too subscribe to this view and believe that though they are the epicenter of heightened economic activities, they are not being benefitted by all the happenings around. They feel they have gained in no way from the development all around. And this is because positions are being filled up by those who do not belong to the land.

Hence there remains stimulus for the development of hostile feelings towards expats who are seen as those depriving the local communities from justified, as per their evaluation, employment. This can potentially lead to an attitude of non-cooperation towards the expat by employees from the local community or subscribing to the thoughts of the community. They can probably avoid interaction with the expat, defy instructions and show indifference all of which can make expats feel isolated, lonely and uncomfortable. This will impact not only the expat but his family too. This can be a stress point for the expat leading to the obvious disaster.

Such animosity also affects the transfer of skills from the expat employees to domestic employees. It so happens because the overall flexibility or receptiveness to such absorption of knowledge is greatly reduced when locals think otherwise about expats. And this has serious implications on the overall learning curve of the organization and the nation (Toner & Woolley 2008). Given that expats working in Australia are assigned a temporary stay, the duration and their continuity does impact the flow of knowledge. Since their assignments are for limited periods the transfer of skills becomes an uncertain phenomenon (Wang & McLean 2007). Several experts have also questioned the steadfastness of the federal government in providing training to enhance skills of local workforce when expats and migrants are available to work in the country. This strategy has substituted the government's spending in training and development activities; it is pointed out (Hugo 2006). Others feel that if this trend continues the overall apprenticeship training structure of the country will be affected and that is not desirable in the long term perspective (Toner & Woolley 2008). In fact some studies have reported a fall in employment of Australian locals due to the large increase in expat and migrant pool evident from the grant of increasing number of 457 visas (Richards 2006). Everyone has agreed on the impact this will have on the skills training program of the country. Common opinion in this regard holds that as expat and migrant workforce is available to companies, the industries and to the government why would anyone bother about providing skills training to locals to make them employable for positions that are currently being occupied by expats. Why the industries or the companies would facilitate such training when their needs are being effectively met, many ask. This also doesn't contribute in creating a very warm and hospitable environment for expats to settle into and perform to their best. It creates an environment of distrust and fuels grievance which can affect the relation between expat at the mine and the local workforce. This can

become an obstruction to the feeling comfort and belongingness so important for the incumbent to experience in a new host country.

### Global practices in expat management

Globally certain practices or strategies have developed over time meant to facilitate the smooth transition of an expat to the host country. Such initiatives are meant to reduce the uncertainty associated with expatriation and prepare the incumbent for the new role and new environment. There is today available a body of work focusing on what are the factors which contribute to an expat's success in foreign land. The table is as represented below:

<b>Job Factors</b>	<b>Relational Dimensions</b>	<b>Motivational State</b>	<b>Family Situation</b>	<b>Language Skills</b>
Technical Skills	Tolerance of ambiguity	Belief in mission	Willingness of spouse to live abroad	Host country language
Familiarity with host country and headquarters operations	Behavioural flexibility	Congruence with career path	Adaptive and supportive spouse	Non verbal communication
Managerial skills	Non-judgemental	Interest in overseas	Stable marriage	

		experiences		
Administrative competence	Cultural empathy and low ethnocentrism	Interest in specific history country culture		
	Interpersonal skills	Willingness to acquire new patterns of behaviour and attitudes		

Source: Ronen 1989

The above combinations are being increasingly evaluated by HR departments to find out the most suitable candidate for an expat assignment. This mapping helps in understanding not only the skill of the candidate but also his personality traits, motivational level and family orientation to make a holistic decision about the probable success of the expat appointment.

The other practices that are followed by HR managers is to provide adequate pre-departure training to the expat so that they are well aware of what to expect, what to do and what not to do in the new country (Mendenhall et. al. 1987). Even the family of the expat is provide training and counseling about how they can adjust to the new culture and also prospects for their career

progression in the host country if they are willing to do so. The training programs provided aims at sharing necessary information, preparing the feelings of the expat to appreciate a new learning process and also helping them get an in-depth view about the new environment and culture covering a broad range of relevant topics (Hammer et. al 1998). Once the expats land in the host country, induction training is also planned to introduce them to their new place of work and residence and to get them initiated into the systems and customs of the country. Cross cultural training programs is an integral part of the current approaches to mitigate the challenges countered by expats on foreign soil.

### **Recommendations**

To conclude this report, I would like to put forward some suggestions about the strategic human resource support that can be extended to our incumbent expat to settle him in to the country and the systems. These recommendations flow from the discussion above and attempt to cover both aspects of the problem. One from the perspective of expatriation challenges in general and also from the perspective of specific local issues.

With studies indicating the importance of family acclimatization to an expat's success on overseas assignments, all steps should be taken to make the family feel at home. This will include providing specific cross cultural adjustment trainings to the spouse and children (Latta 1999). Language barrier is not foreseen given that English is the commonly language between their country of origin and Australia. But they should be inducted into the Australian customs and traditions which may be different. Adequate schooling facility for the children should be provided so that quality education and congenial environment can be guaranteed.

As technical skills doesn't necessarily ensure that the incumbent will be effective in the new place of work, a mapping of the traits as highlighted above should be conducted on arrival. This will help us decipher the expats areas of weakness and strength (Selmer 2000). Accordingly we can incubate and provide training to the concerned person in an effort to help him or her work around the weaklings. This will positively contribute to the employee's effectiveness in delivering results showing greater flexibility in dealing with colleagues and adaptability towards local norms- organizational and social. The dual career option is another critical focus area. This arises from the fact that the expats are not sure about what their future will be when they return to their home country. Hence we should provide strategic career counseling support to the incumbent so that a roadmap is before him or her which will certainly help in career planning at the individual level (Coyle 1996). This will provide direction of purpose and role. Cross cultural training should be provided as has been proposed for the family of the expat. During the daily course of work the individual will be expected to coordinate with a large number of local people and this is where understanding of the country's tradition, culture and custom will come handy. It will help in precisely distinguishing between acceptable and unacceptable behaviour (Jackson 1995). On arrival training programs, which will include elements of cross-cultural training, should be conducted so that person is aware of the issues that is likely to arise at work. This will reduce any element of surprise and minimize shocks. Such training should clearly detail the advantages and challenges of the role to prepare the person for the future.

At the level of the local workers, they should be informed about the incumbent expat. Transparency is recommended in introducing the portfolio of the person and the envisaged contributions to the organizational objectives. Employees should also be trained on how they can become receptive to the expat and therefore gain knowledge about different aspects of operations

and management. The workforce should be shown the merit of such open interaction which will help them develop their skills on the job. This is desirable as it will help the locals become more adept and efficient in their jobs.

### **Conclusion**

Expatriation is a necessity but is also challenging. If it is successful it can work wonders for the growth and performance of the company. But if it doesn't it can lead to waste to substantial investment. Hence this is a high risk game which cannot be left to chance. It is felt that the issues discussed above are the likely ones the expected expat will face on ground and the mentioned recommendations are suggested ways to help him or her mitigate them effectively and efficiently.

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