



CHAPTER II

LITERATURE REVIEW

Throughout the process of selecting, training, dispatching, supporting and repatriating employees, there were many concerns that managers had to take into account. However, it would cause failure of expatriation if the corporation did not consider all of these aspects thoroughly. Throughout the studies made, there was a fair amount of agreement as to the two principal causes of these failures. The first was the lack of preparation generally made for overseas assignments. The second was the poor selection processes companies use to identify candidates (Engel & Marquardt, 1993). This study examined the relationship between expatriates' perceptions of the formal pre-departure training programs and their adjustment afterward.

The Concept of Training Expatriates

Training could be simply defined as any intervention aimed at increasing the knowledge and capacities of individuals to cope better personally, work more effectively with others, and perform better at their job so as to help an organization to achieve its goals (Kealey & Protheroe, 1996). The training process before departure also serves as one of the factors which may affect the adjustment of expatriates. One might believe that once expatriates have received complete and thorough training for a foreign assignment, the number of premature returns will be reduced and successful adjustment and performance will be more likely. However, the training may be of various types, such as knowledge regarding the host country, cultural awareness and language skills.

By knowing as much about the host country as possible beforehand, there should be less culture shock for expatriates because they have been educated beforehand while in their home country. Also by increasing cultural awareness, expatriates can perform foreign assignments more clearly and seriously. As for language skills, it is always seen that once expatriates can speak the language of the host country, they will adjust to the host country with fewer obstacles because they contact residents there directly and without the aid of translators. Therefore, expatriates not only can communicate by themselves but also can understand the local lifestyles and social situation in a direct and correct way.

According to Hutching's study (2003), there are three types of training programs: cultural training, language training and practical training. Cultural training is to help employees gain a deeper understanding of the country in which they are going to stay. Language training is to offer lessons in learning foreign languages in order to help expatriates adapt to their living surroundings as soon as possible. Practical training aims to provide information regarding shopping, social activities, clubs, and schools etc. It tries to help expatriates to be part of the foreign society and to accelerate the acculturation and also reduce the inconvenience which expatriates may experience.

Mendenhall, Dunbar and Oddou (1987) indicated that there are three levels of pre-departure training methods. These three approaches were information giving approach, affective approach and immersion approach. The methods employed in the information giving approach include area briefings, cultural briefings, films/books, use of interpreters and "survival-level" language training. These approaches tried to let expatriates understand situations abroad by giving relevant information. Regarding affective approach, it included culture assimilator training, language training, role-playing, critical incidents, cases, stress reduction training and moderate language training. As for the immersion approach, it included assessment center, field

experiences, simulations, sensitivity training and extensive language training. By using different training methods with different training programs becomes easier for employees to understand.

Cross-cultural training serves to reduce the severity of culture shock and reduced the time necessary to reach an acceptable level of cultural proficiency (Katz & Seifer, 1996). It also provides expatriates with an opportunity to acquire knowledge and skills that will help them manage “culture shock,” prepare them for the initial and continuous challenges they will face, enable an adequate quality of life, and reduce the likelihood of premature return (Shay & Tracey, 1997). Cross-cultural training content should consider three primary content areas: cultural adjustment, job content/performance, and career development (McGrath-Champ & Yang, 2002).

Other researches indicated that during the training process, the cultural training, language training and practical training are important to the expatriates (Hutchings, 2003). With cultural training, expatriates gain a much more in-depth understanding to the culture of the host country and thus, the cultural shock will be reduced and even eliminated. The chances in that the expatriation assignment is successful will be higher. Research and experience indicated that expatriate adjustment and performance efficiency in MNCs can be improved significantly by cross-cultural training (Harrison, 1994). As for the language training, most studies (Forster, 2000) believed if the expatriates understand the language of the host countries, their work would be completed more easily and without frustration. Training would make expatriates likely to experience “faster acculturation” (Zakaria, 2000). One study indicated that three major strategies make the adjustment to host countries more smooth. They are language training, job training and cultural training (Bird & Dunbar, 1991).

Harrison (1994) indicated that the training programs should include: self assessment, cultural awareness, knowledge acquisition and skills training. Self

assessment contains components of dealing with change, managing stress and identifying attributes while cultural awareness contains general dimensions, national values and workplace incidents. Knowledge acquisition includes area studies, language studies and host attitudes while skill training includes case studies in the form of area simulation and behavior modeling. Among these, self assessment and cultural awareness deal with general orientation while knowledge acquisition and skills training deal with specific development.

Most of the literature advocating cross-cultural training provides a variation among these the categories (Hutchings, 2003). Tung (1982) identified as being essential in the imparting of knowledge and understanding of a foreign nation. Other aspects of training that have been referred to in the last twenty years included: areas studies and intercultural effectiveness skills (Zakaria, 2000).

Since cultural differences are not always obvious, most studies which perform research this field try to determine similarities and differences. According to Ernest's study regarding the difference between the U.S. and Japan (1992), the economic and cultural differences between the United States and Japan are great. The stakes are high for U.S. companies trying to do business in Japan. Thus, the gaps between the two countries are rigorously studied. How to solve the differences between different peoples remains a big issue. Currently with the spreading of international business, this issue is much more important than ever before. Studies indicated that globalization of multinational organizations presents management with the challenge of learning to operate in diverse cultural settings (O'Keeffe, 2003).

One of the training models is the 3-step model (Peppas, 2004). It is intended to acculturate the non-resident expatriate (NRE). It includes: Step 1. Identify cultural baggage, Step 2. Gain country specific knowledge, Step 3. Understand destination country culture. This 3-step model seemed more like cultural training. According to

one study (Hutchings, 2003), language training and practical training are also important.

With reference to the literature review, Part I of the questionnaire was developed in order to examine the current situation of expatriates' perceptions of the formal pre-departure training programs offered. Basically, there are three topics of the part of expatriate training: cultural training, language training and practical training. Each topic contains about five to seven questions. For cultural training, the questions include if the company provides information about host countries' customs, political situation, and religious preference. For language training, the questions are about the training of reading and writing simplified Chinese words, and the slang mainlanders use. Regarding practical training, the questions cover regulations, stress adjustment, and knowledge of general living condition.

The Concept of Expatriates' Adjustment

Adjustment can be defined as a person's interaction with his environment (Arkoff, 1968). Each person constantly strives to meet his needs and reach his goals. At the same time, he is under pressure from his environment to behave in certain ways. In host countries, expatriates will have to adjust to a new culture and new surroundings. That is, they will strive to meet goals and behave in certain ways.

While in a host country, expatriates face some difficulties adapting to the new style of life. There are factors which may affect the adjustment of expatriates. According to Searle and Ward (1990), although the two components of expatriate international adjustment, psychological and sociocultural, are conceptually interrelated, recent literature suggests that they are distinct concepts.

Psychological adjustment deals with subjective well-being of mood states such

as depression, anxiety and fatigue (Selmer, 2002). In contrast, sociocultural adjustment deals with the ability to “fit in” or to negotiate interactive aspects of the host culture as measured by the amount of difficulty experienced in managing everyday situations in the host culture (Ward & Kennedy, 1996). There are three distinct dimensions of expatriate in-country sociocultural adjustment (Black, Mendenhall & Oddou, 1991):

- (1) adjustment to work;
- (2) adjustment to interactions with host nationals;
- (3) adjustment to the general non-work environment.

Regarding adjustment to work, job requirements play a primary role. As for interactions with host nationals, socializing with host country nationals – HCNs is paramount. Adjustment to the general non-work environment is to adapt to foreign culture. That is, to live in a different living conditions abroad (Shaffer, Harrison & Gilley, 1999).

The facets typically described in expatriate adjustment studies are: adjustment to work, to intercultural interactions with host nationals, and to the non-work environment or living conditions (Black, 1988; Black et al., 1999). There are ten modes of adjustment. The adjustment modes for “adjustment to intercultural interactions” include assimilation, separation, marginalization and integration. Modes for “work adjustment” are replication absorption, determination and exploration. As for “adjustment to living conditions”, the modes include change and maintenance. (Zimmermann, Holman & Sparrow; 2003).

The explanatory variables of the three facets of in-country adjustment encompass individual factors, job factors, organization factors and non-work factors. Black, Mendenhall & Oddou (1991) indicated that individual factors include achievement self-efficacy, social self-efficacy, previous assignments and language fluency. Job

factors include role clarity, role discretion, role conflict and role novelty. Organizational factors include supervisor support, coworker support and logistical support. Non-work factors include cultural novelty and spouse adjustment. One of the contributions of the model is the consideration that the adjustment process begins before the actual assignment (Cerdin & Dubouloy, 2004).

According to Shay and Baack (2004), two streams of research on expatriate adjustment have evolved in the literature. The first stream focuses on understanding the degree of psychological comfort with various aspects of the host culture (Gregersen & Black, 1990). The second stream of research focuses on how individuals change in order to meet the role requirements of a new environment (Black, 1988, 1992).

There are two main adjustment mechanisms based on previous studies. The first one is concerned with the coping process – the strategies and behaviors that are used to cope with the foreign environment to achieve psychological well-being (Feinstein and Ward, 1990; Stahl, 2000). The second mechanism concerns the learning process and in particular an individual's ability to “fit in” and negotiate new aspects of the new culture (Furnham and Bochner, 1986).

One of the theories of adjustments is the U-Curve framework (Lysgaard, 1955; Black & Mendenhall 1990; Usunier 1998). It has been used to describe the cross-cultural adjustment process of expatriate employees or sojourners within a host culture. This model indicates four stages including honeymoon, culture shock, adjustment and mastery. With this model, we can understand the stages expatriates may encounter while they are abroad.

Regarding the questionnaire on expatriate adjustment, basically there are three topics, adjustment to work, adjustment to interactions with host nationals, and adjustment to the general non-work environment. The questions for adjustment to

work cover the differences between the work environment of home and of host countries, and the work attitude of employees. As for adjustment to interactions with host nationals, the questions contain the differences in values between home country and host country people, the differences of social environment etc. Questions regarding adjustment to the general non-work environment reference the eating habits, the medical system, the climate, the traffic status, etc. These questions are in Part II of the questionnaire.

The Concept of Factors Affecting Expatriates' Adjustment

There are particular criteria for companies to consider regarding selecting the right persons for expatriation in the pre-departure phase. According to Black and Gregersen's study (1999), criteria for designating expatriate employees identify that appropriate expatriates should have (1) a drive to communicate with the local people, (2) broad-based sociability in establishing social ties with local residents, rather than sticking to a small circle of fellow expatriates, (3) cultural flexibility, as characterized by a willingness to experiment with different customs, (4) a cosmopolitan orientation, defined as a mind-set which can intuitively understand that different cultural norms have value and meaning to those who practice them, and (5) a collaborative negotiation style, as opposed to one that is confrontational.

The ability of an individual to deal effectively with his or her superiors, peers, subordinates, and business associates directly relates to personality (Katz & Seifer, 1996). Lack of relational abilities, i.e. the inability of the individual to deal effectively with one's clients, business associates, superiors, peers, and subordinates was found to be a principal cause of failure (Tung, 1987). We understand that personal traits affect the adjustment of expatriates because one person who has a willingness to

communicate with other people certainly will have greater chances of better adjustment outcomes in a host country. Since it is evident that communication plays an important role on foreign assignments, companies then should select those who have certain traits that relate to their willingness to communicate.

The family factor also plays an important role on foreign assignments because most failures of expatriation are due to family factors. There are many aspects in considering the family factor, such as interruption of a spouse's work and adjustment for other family members. Thus, research suggested that while selecting the expatriates, it would be better to interview all the relevant family members for the companies' and also the staffs' good.

After the pre-departure training which some companies may offer, in-country support remains a big issue too. The in-country support is basically in two forms: first, direct support in the form of organization-sponsored programs and second, indirect support via organization-encouraged activities and techniques (Andreason, 2003). The need for in-country support has always been neglected even though it is also important to the expatriates. It is true that most countries always will have a better compensation and benefit package for expatriates but support while they in the host country is key to whether the overseas assignment will succeed or not. Most expatriates do not have adequate support when they are abroad and thus, it causes premature returns and poor adjustment and job performance.

On the aspect of supporting expatriates, the compensation and benefit package is always a key factor for expatriates to consider when they have a chance to be abroad and perform in a foreign country. A complete package may have these objectives (Dowling et al, 1999): (1) to attract and retain staff, (2) to provide an incentive for managers to leave the home country on a foreign assignment, (3) to facilitate the transfer to the foreign location and back, (4) to maintain an acceptable standard of

living in the foreign location, and finally (5) to provide the expatriate with opportunities for financial advancement through income and or savings.

In addition to the compensation and benefit package, continuous in-country support is necessary. While expatriates are abroad, it is the duty of companies to offer consistent aid both in daily life and for expatriates themselves. For the first several months, companies may consistently provide language courses so that expatriates can adjust to daily life by direct communication with local people. Companies may also request host-country employees to offer assistance with daily life requirements, such as guides to transportation and grocery shopping among other thing.

Regarding aid to expatriates, continuous psychological counseling for those who face stress and anxiety is helpful. Also, job search assistance for the spouse is important so that he or she would not feel tedious or meaningless while being abroad. Moreover, companies may encourage expatriates to keep a diary or even write a book about the experience of being in a foreign country. Even though these activities will not be of direct benefit to the company, the positive aspect of them is that with these relaxing hobbies, the stress and anxiety on expatriates will be reduced.

As for repatriating employees, the way a company handles returning expatriates is often a matter of corporate philosophy and priorities (Engen, 1995). Most expatriates do not consider experiences of expatriation as good career opportunities on career because most of them will face the difficulties with colleagues and even subordinates when they are back to the home country. Therefore, to offer expatriates a complete and thorough plan for career advancement before they are sent to the host country is considered significant and necessary. Through an integral career plan, expatriates will have sense of safety and find overseas assignments meaningful and beneficial to their future careers.

Part III of the research questionnaire is about the personal information. As we

know that other factors may affect expatriates' adjustment as well, in this part of questionnaires, all the background information of respondents was asked. That was done so that these data could be analyzed by statistical software in order to lessen the bias due to other factors.

Current Research Perspective World-Wide

Studies (Jassawalla, Truglia & Garvey, 2004) indicated that when managers are asked about the most challenging aspect of their experiences while on foreign assignments, all recount the difficulty they had with the resolution of interpersonal conflict situations that they encountered in the workplace as a result of cross-cultural issues. Therefore, cultural training is considered as important as pre-departure trainings in that it will eliminate cultural experience by expatriates. As a result, expatriates try to integrate the cultural assumptions of the host-country and to adapt to the differences that exist in the physical, psychological, and communicative environments (Wright et al., 1996).

Why is cultural trainings deemed important? International business, by its very nature, brings people of various cultures together. As a result, multinational firms face intercultural communication and management issues daily (Varner & Palmer, 2005). A similar phenomenon is called "mindset" (Gupta & Govindarajan, 2002) and thus, it is easy for us to understand that most people all around the world have different mindsets and because of international business, these different people will connect with each other and have to adjust to different cultures. This is the reason why cultural training should be emphasized.

As for the language training, it has been argued that language skills may be more relevant to some expatriate positions than in others (Andreason, 2003). However, a

lack of language skills has long been recognized as a major barrier to effective cross-cultural communication (Victor, 1992). To be fluent in the language of host countries is deemed as being beneficial to expatriates because expatriates will have fewer barriers in dealing things with people in host countries. Therefore, the management should consider training in relevant languages and they will expect that expatriates be better adjusted and perform better with better language skills.

Practical training (or logistical assistance with relocation) is given the most attention by organizations (Hutchings, 2003). Many firms are finding that logistical support from the international firm, regarding housing, schools, grocery store shopping, and so on can significantly aid in adjustment to the foreign assignment (Shaffer et al., 1999). Companies realize that by aiding in employee relocation, expatriates adjust to the new environment faster and thus would be helped adjusting to life abroad.

Chapter Summary

International companies are booming these years. There are different styles of doing business and developing business relationships (Firoz & Ramin, 2004). The success of any international business undertaking requires the coordination of domestic and foreign human resources staff to ensure that the parent company is being adequately represented abroad (Dunbar & Katcher, 1990). Besides, the issues regarding expatriates should be viewed with more concern so that overseas assignments will not be seen as career obstacles. On the contrary, they will be seen as meaningful professional training for employees.