

## **CHAPTER 1**

### **INTRODUCTION**

Globalization trend has affected worldwide business organizations in many ways. The need for operating globally has made organizations more complex in term of its structures, management and control than just the dynamic of growth. The transition of business operations from mere sales becoming exports and investment becoming foreign direct investment (FDI) has eventually changed the way organization being managed. In addition, the liberalization of international trade also has increased the involvement of many organizations in international trade.

Most of the prominent international companies have gone through the internationalization phases of domestic, international, multinational and to some extent transnational (Adler and Barthomolew, 1992). These phases of evolution has influenced the involvement of companies in international businesses and how they adapt and react in each stages. In accordance to internationalization theory, which being popularized by Dunning (1988), more and more multinational and transnational companies have used FDI to make their presence in international environment.

Through FDI, organizations can exploit the locational advantage and organization structure that can offer the lowest operating cost. By making FDI, those companies will invest by setting up their company to operate in the host country. Usually the companies will invest to set up production operations subsidiaries in the host country. These wholly owned subsidiaries usually would be controlled directly by the parent companies. This method of investment is very expensive but most big and successful multinationals and transnationals have opted for this method in order to have full control on the subsidiaries and protecting their technology and know-how from competitors

(Brewster, 1991). In common practices, expatriates are sent to manage the company's subsidiaries in foreign countries. The appointments of these expatriates are mainly to guard the interest of the parent company with full control of the operation and protecting their technology and know-how.

Today, to manage, coordinate, control and integrate the operations of their overseas ventures, parent companies often send expatriate especially in managers capacities abroad, as corporate representatives and ambassadors (Gregersen *et al.*, 1996). To ensure the success implementation of global strategies will largely depend on getting the people with right skills, at the right time, which typically requires the movement of people across border (Adler and Bartholomew, 1992; Porter, 1990). The right candidates are very crucial in determining the outcome of the foreign assignments. This is because, in a different and highly competitive foreign environment, performance of expatriates will have a direct impact on the performance of the company (Zeira and Banai, 1984; Forster, 1997).

According to Bodur and Yavas (1999), finding the right people for these assignments and making them stay there for the duration of their assignments, however, are challenging tasks. This is because expatriates working in a foreign environment with very different political, cultural and economic conditions often face both job-related and personal problems (Birdseye and Hills, 1995). If ignored, these problems result in stress and dissatisfaction inside and outside of an expatriate's professional life and may lead to turnover. Hence, it is very important to select and assign the right people with relevant competencies and characteristics as well as monitoring the factors and elements that can influence their performance for international assignment in order to ensure the success of the foreign assignments.

In light of this, many researches and studies have been done in the area of international human resource management (IHRM). The interest in this area has been picking up recently with the global movement in the international trade. Many scholars have been trying to answer various questions on the issues related to the subject. Among popular topics that being discussed were; expatriation, cross-cultural adjustment (Black et al., 1993; Brewster and Suutari, 1998; Brewster and Harris, 1999), the selection, attributes and competencies needed by expatriates (Tung, 1982, Black et al., 1991; Suutari and Brewster, 1998; Jordan and Cartwright, 1998) and training (Forster, 2000; Burba et. al., 2001)

The reason of why IHRM is an important area to study is due to the fact that different people from different part of the world will act differently. This is due to the different in political, socio-culture and economical factors that influenced the behavior. A study by Tung (1982) has shown in her findings the different views of Japanese and American expatriates in determining factors that can influence expatriate failure rate. And according to Suutari and Brewster (2001), the ability of a person to be successful in one environment does not necessarily imply that the person will be successful in all circumstance.

In Malaysian context, the IHRM has also becoming more and more important as Malaysia has been engaged in the international business extensively for the past decades. International trade has been synonymous with Malaysia for many years. It has contributed to the prosperity of Malaysian economy. This can be traced back in the mid 1980s where there was a significant inflow of foreign direct investment (FDI) into the country that has spurred the economics growth. The FDIs that worth billions US dollars have contributed 15 percent of fixed capital formation between 1987 to 1997 in Malaysia and it also has contributed 18 percent growth to the economy in the same period (Fan and Dickie, 2000). Malaysia global trade also has tripled in the last

decade, from RM158 billion in 1990 to RM570 billion in 1999<sup>1</sup>. This has shown that international trade has been very important to Malaysia. In addition to that, the number of Malaysian owned companies operating at international level also have increased. Few of Malaysian companies like Petronas, Telekom and Proton have had foreign subsidiaries. Thus, the scenario has indicated that the IHRM has becoming more and more important in Malaysian context.

In addition, as more and more foreign companies hired Malaysian for international assignment with the same goes for Malaysian multinationals. There is a need for a study in identifying the right characteristics and competencies that an effective expatriate should possessed, particularly in the context of Malaysian. This is because, given the numerous lists of the traits and skills needed for a successful overseas posting from previous study on foreign expatriates, the perception might be different for Malaysian expatriates. Thus it is necessary to identify the right traits and competencies that can best suit Malaysian expatriate.

## **1.1 OBJECTIVES OF THE STUDY**

Various studies have been done on the expatriation issues especially in identifying the right traits and competencies that expatriates should have. However, none of related study has been done particularly looking at the perspective of Malaysian expatriates. This research is conducted with an effort to find an answer on what it takes to be successful in overseas posting. The identification is important because of the impact that it can have to the organizations/companies. This is also to justify the huge cost involved to assign managers for foreign assignment. One of the most important objectives is to look at the applicability of previous studies that

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<sup>1</sup> Matrade website: <http://www.matrade.gov.my/Laman2000/Main/International/InterMain.html>

have been conducted in other countries to Malaysian context. The other objectives of the study are as follows:

- To identify the qualities and competencies needed for a successful overseas assignment perceived by Malaysian expatriates.
- To look at the factors that can affect the performance of expatriates in foreign assignment.
- To identify the common problems that being faced by them
- To provide local literature on pertaining issue

## 1.2 SIGNIFICANCE OF THE STUDY

This study is very important since there has been no other study that looks from Malaysian's perspective on what it takes to be a successful expatriate. Upon its completion, it is hoped that the findings of this perceptual study will contribute to several aspects as follows:

- i. The identification of qualities and competencies that should be possessed by Malaysian expatriates to be successful in their foreign assignment.
- ii. An understanding of the common problems faced by Malaysian expatriates
- iii. To provide the relevance information to expatriates and companies, on what to expect in overseas assignment.

The result of the study will also be of significance value to managers and organization, as they can know the skills that are needed for expatriate posting. The information gained from this study could then be used by an organization as an important input for developing a better training programme for expatriates

### **1.3 SCOPE OF STUDY**

The study has been confined to the Malaysian Multinational Companies (MNCs) which have their headquarter in Klang Valley and Selangor. Samples were derived from these companies.

### **1.4 ORGANIZATION OF CHAPTERS**

This research paper is divided into five chapters. The first chapter will introduce the study by giving out the background to the pertaining matter. It also outlines why the study was conducted, the significance of the study and the scope covered by the study.

In second chapter, literature from previous researches/ studies that related to this study will be discussed in an attempt to answer the research question on the subject matter and to understand the theoretical background on the issue. The review on the literature are important as in the case of this study, no previous related study has been done locally.

Chapter three will look into the research methodology that includes research design or the purpose of study, sampling design and data collection method. Explanations on the questionnaire design are also presented together with details on survey deployment and management. In addition to that, limitations of the study also will be discussed.

The important part of this study will be in chapter 4, where the findings and its analysis will be presented. The chapter will be divided into two parts, the first part is on the detail characteristics of the respondents and second part will look at the analysis of the finding. The data gathered will be analysed using statistical analysis (SPSS program).

Lastly in chapter five, the discussion on the data analysis will be summarized by looking at the implications of the study and any suggestions that can be derived from the study. This chapter also will propose for future to be conducted in some relevance areas.