2. LITERATURE REVIEW

Before going into the prevailing literature, the term expatriate needs to be defined. The literature at hand refers to employees of international and multinational companies (MNC's) in overseas assignments, who when managed poorly create high cost for their company. The issues addressed are along the line of international human resource management (IHRM).

Mondy et. al (1999) defined an expatriate as an employee working in a firm who is not a citizen of the country in which the firm is located, but is a citizen of the country in which the organization is headquartered. This definition only refers to parent-country nationals (PCN).

The second type of expatriate found in literature is the third-country national (TCN). Both of these two types of expatriates, PCN and TCN, are employees that are transferred by their present employer, mostly an MNC, to take up an assignment at a foreign destination.

As globalisation continues, multinational companies expand their operations geographically. Depending on the company strategy, a polycentric, ethnocentric or geocentric staffing policy is applied. The latter two rely on extensive use of expatriate managers. IHRM plays therefore an increasingly important role in the successful outcome of international operations. The areas widely researched and studied include recruitment and selection criteria (Tung, 1981, 1982; Zeira and Banai, 1985), the adjustment process (Black and Stephen, 1989, Black et. Al., 1991), Training (Tung, 1982; Black and Mendenhall, 1990; Brewster 1991) and Repatriation (Harvey, 1989; Greerson, 1995; Pickard and Brewster, 1995).

But the context of this research paper requires a broader definition of the expatriate than what is found in the literature at hand. The definition must account for two additional types of expatriates. The first one is the employment-seeking expatriate, who decides to become expatriate, chooses a country and goes out there to look for employment. The second type is the expatriate entrepreneur, who is attracted by business opportunities in an emerging market, and will migrate to start up his own business.
For this reason I refer to the Business Encyclopaedia that describes the expatriate as:

... a person who has left their home country to work abroad, either for a long period of time or permanently.

More often than not, the additional two types of expatriate are a consequence of high assimilation and a result of failed repatriation. After the expatriate passes a certain degree of assimilation he perceives repatriation as impossible and will start looking for other options. The individual is slipping from expatriation to migration.

This opens the discussion on the issues 'migration as an alternative to repatriation' and 'migration from developed to developing countries'. Both of these issues are not discussed in the prevailing literature in the given context.

The literature on repatriation discusses difficulties that occur during the process. The abandonment of repatriation altogether is not considered.

The migration as mentioned above is likely to be motivated by non-work related motives. But migration literature refers to the movement of (skilled and unskilled) workers from developing countries to developed countries. This movement is mainly driven by better salaries and career opportunities, and can therefore be considered work related. Consequently, the literature available cannot be consulted in the given context.

The issues discussed in the existing literature are less relevant to the objectives of this paper. Following are fragments of literature that are more related to the issue at hand.

2.1.1 The expatriate role

Expatriates are an expensive work force. They work mostly in managerial, technical or professional positions. While those expatriates employed in technical and professional positions are still much respected, the traditional respect shown by local staff towards the expatriates in managerial positions is waning. A
a growing number of local managers would have the qualificatio
job. Hailey (1996) critically examines the expatriate scene
Malaysia and Singapore. He argues that expatriates can be
productive and disruptive, and that localisation is a major challenge to
multinationals.

Arguments in favour of the expatriate are the following qualities:

- They have specialist expertise and knowledge not available locally
- They have an understanding of the international environment and are
  familiar with the internal structure of their organisation.
- They transfer skills and values that build the company culture and reinforce
  international networks.

Other common justification for the need of an expatriate are the representative role in terms of shareholder interests, the co-ordinating role to link the subsidiary with headquarters, or the globalising role of enabling high flyers to get international exposure.

Local employees do not always share this view. They often regard the expatriate managers as an expensive short-term investment, not yielding much on the long term. The expatriate would rarely speak the local language or be culturally assimilated, and consequently have little access to local business networks. Expatriates with a positive personality, that show flexibility and are able to work within the local management style, will be much more accepted by the local employees.

Assimilation of expatriates is only wishful to a certain extent. Beyond that level it might erode some of the qualities that an international company expects from its expatriates. This will hold especially true for companies that limit the terms of their expatriates. These companies must have good reasons to transfer their expatriates. The reasons must outweigh the cost of the relocation and the reassignment of a successor. Also the practices of the Malaysian immigration, that make work permit renewal for more assimilated expatriates more difficult, suggests that too much assimilation is not welcome by the host neither. As
Malaysians are generally fluent in English, the local language issue is less of a problem in here.

2.1.2 Satisfaction of needs at work

Frederick Herzberg’s motivator-hygiene theory and Abraham Maslow’s hierarchy of needs explain the work related needs that people try to satisfy (Jones et al., 2000)

According to Maslow (1954) people try to satisfy five basic kinds of needs: psychological needs, safety needs, belongingness needs, esteem needs and self-actualisation needs. They should be regarded as hierarchy of needs, with the psychological and basic need building the bottom. These bottom needs include adequate pay, job security, medical benefits, and safe working environment. At the top of the hierarchy of needs are factors more related to personal growth, prestige and responsibility. Maslow argues, that satisfaction of the lowest unmet need results in the highest motivation. Alderfer’s (1972) ERG theory simplifies Maslow’s hierarchy into three categories, whereby motivation can be derived from more than one level at a time. The bottom line of both theories is that people differ in the needs they try to satisfy.

The motivator-hygiene theory by Herzberg (1966) has a different approach than the above theories. He differentiates motivator needs that lead to high levels of job satisfaction and hygiene needs that can prevent from being dissatisfied. Motivator needs are interesting work, autonomy, responsibility, and the ability to grow and develop on the job. As hygiene needs he describes comfortable working environment, pay, job security, and good relationship with co-workers.

Herzberg’s theory on job enrichment (1968) states the motivational needs of employees to achieve job satisfaction. The five factors that he discusses are achievement, recognition, growth, responsibility and job performance as a whole. The vertical expansion, as job enrichment is also referred to, aims to increase the autonomy and responsibility of the employee by increasing their involvement.
The above theories are relevant in the context of this research, as they provide possible satisfiers and dissatisfiers related to the work of the expatriate.

The expatriate experiences some of the above factors as a consequence of his expatriate status as well as the distance to the headquarters.

2.1.3 Overseas Adjustment

A study by Mendenhall and Oddou (1985) reviewed empirical studies that directly investigated the overseas adjustment of expatriate managers. Four components of the expatriate adjustment process were identified. These are:

- The "self-oriented" dimension
- The "others-oriented" dimension
- The "perceptual" dimension
- The "cultural toughness" dimension.

The self-oriented dimension includes activities and attributes that serve to strengthen the expatriate’s self-esteem, self-confidence, and mental hygiene. The others-oriented dimension covers the expatriate’s ability to communicate and build friendship with host-nationals. In areas where English is not widely spoken, the expatriate may need to engage in a foreign language. The perceptual dimension deals with the perception and interpretation of the behaviour of host-nationals. The cultural toughness dimension accounts for the fact that some cultures are more difficult to adjust to than others.

2.1.4 Migration

Another research area significant in the context of this study is the migration policies of developing and developed countries. Developed countries design policies that attract skilled individuals to seek employment. They are short of ‘brains’ domestically and need to source elsewhere. Therefore countries like Australia, the United States and England have increased the supply of visas for skilled workers (Economist, 2002). A study by Lowell and Findlay (2001) found that roughly half of Asia’s emigrants have higher (tertiary) education. In the time
span January to March 2001 the UK approved 455 work permits to Malaysian Nationals (Findlay, 2001).

America is the world's biggest skills-magnet and educates one third of all foreign students. About half of the students who get PhDs in the United States are still there five years later. On a global scale it makes sense for the highly skilled workers to work where they earn the greatest rewards. But this does not hold true for the developing countries that suffer the 'brain drain'. The Economist (2002) concludes that a culture where advancement depends on political affiliation rather than merit, will lose bright people to societies where talent is what counts. This is particularly true in the public sector, including the universities, where professionals will stay only if professionalism counts. Once a developing country starts to grow rich, a return flow will build up of its own accord. Given opportunities and political stability, good leadership and the rule of law, many of those who would otherwise leave a developing country will stay – and some of those who left will return.

The developing countries experience that significant numbers of their skilled work force is migrating to developed countries. The opportunities and salaries are better than in their home country. Even though there are some positive effects of such migration, developing countries implement policies to encourage nationals to return. Unlike developed countries, the policies are quite restrictive with issuing work permits, also for skilled workers.