

CHAPTER 1

INTRODUCTION

It is important for multinational firms to maintain control of their international operations as global competition becomes intensify. The use of expatriate personnel has been recognized as an important control mechanism to monitor and evaluate the activities and behaviours within the subsidiaries. (Black and Mendenhall 1990). There are numerous literature on the expatriate management considering the increasing importance of the topic. Many studies have done on reasons of the expatriate accepting the international assignment, the expatriate failure rate and the factors contribute to the failure which relates to the expatriate transfer cycle itself i.e. selection and training, through the relocation and adjustment to repatriation. It impacts worst to the international firms when there are on unclear indicator of failure.

Past literature on expatriate failure in particular focuses mainly on the U.S. and was conducted some time ago. The most significant research conducted on expatriate failure by Tung (1982), which surveyed U.S. multinationals, European and Japanese companies. Indeed this study has become the primary reference and foundation on the recent literature on expatriate failure.(see e.g. Ashamalla 1998; Shilling 1993; Simeoan and Fujii 2000; Suutari and Brewster 2001) The contribution of this research is important as variables in the internal and external environment have changed since the 1980s.

In Malaysia, the study on the expatriate management is surprisingly small compare to the growth of the Malaysian companies operating overseas in tandem of the Malaysia global trade who had tripled in the last decade, from RM 158 billion to RM 570 billion in 1999. This study focus on the factors that contribute to the Malaysian expatriates failure in the Malaysian firms.

1.1 OBJECTIVES OF THE STUDY

The limitation of the study on expatriate failure in the Malaysian firms has initiates the strong necessity for additional research to be undertaken in this area from the Malaysian expatriates perspective. The purpose of this research are conducted with attempts to know the right definition of expatriate failure and made an effort to gaining and improved understanding of the factors contributing to the expatriate failure particularly from the Malaysian expatriates' perspectives. The other objectives of the study are as follows:

- To explore the definition of the expatriate failure.
- To identify dominant factors that contributing to the expatriate failure.
- To look into the expatriate transfer cycle which failure can happen along the transfer processed.
- To provide local literature on pertaining issue.

1.2 SIGNIFICANCE OF THE STUDY

Various studies have been conducted on the expatriate failure rate but on the factors itself still considered small and in the Malaysian context none to exist. Thus this study is very important to look into Malaysian's perspective on the factors contributing to the expatriate failure. This perceptual study upon completion hoped will contribute to several issues such as follows:

- i. To provide clear understanding on the definition on the expatriate failure to the Malaysian multinational firms.
- ii. The identification of factors that contribute to the Malaysian expatriates.
- iii. To assist the expatriate and companies to minimize the failure by providing relevance information to them.

The result of this study will also be of significance in term of understanding the importance of effective expatriate management for the Malaysian multinational firms to ensure their survival in overseas business ventures. The information can assist the organizations to face the challenges in managing expatriate and can be an input in planning and executing their international ventures strategic plan.

1.3 RESEARCH QUESTIONS

This study will address two main areas of interest: (1) the definition of expatriate failure, (2) factors contributing to the expatriate failure and this subsequently formed the basis for the research questions and are as follows:

i. Definition of Expatriate Failure

The prevailing definition of expatriate failure is too constricting to allow for a true estimate on the extent of expatriate failure. Defining expatriate failure within the limits of premature return, as is done in most literature, is far too simplistic and misleading (see e.g. Ashamalla 1998; Fukuda and Chu 1994; Naumann 1992; Simeon and Fujii 2000).

The use of this definition implies that as long as the expatriate remains until the expiration of the international assignment, then the expatriate is 'successful'. However this is not justified, as it does not take into consideration other contingent factors that are equally important in shaping a successful international posting.

More precisely, aspects such as not achieving performance objectives, repatriation difficulties and more specifically, undervaluing the skills and knowledge of repatriates, are just as important in defining expatriate success and failure. These three measures of expatriate success and failure are also crucial and

will be discussed individually. This raises the first research question:

Research Question 1: How is the expatriate failure of international assignments defined?

ii. Factors Contributing Towards Expatriate Failure

It has been estimated that the cost of expatriate failure can range anywhere from \$200 000 to \$1.2 million. Given this, the importance of gaining an advanced understanding of the factors that can contribute towards international assignment failings becomes alarmingly obvious (National Foreign Trade Council 1994, cited in Ashamalla 1998). As the direct costs of expatriate failure are calculated in monetary terms, it is the indirect costs of these failings such, as its implications upon future career prospects, which are often concealed. Furthermore, they tend to be more damaging and miscalculated by both the expatriate and company (Ashamalla and Crocitto 1997; Shaffer and Harrison 1998).

Discussions on expatriate failure in this second section will be addressed using the widely accepted definition of premature return, as this is the norm. Focus is then directed to three main areas: (1) selecting the most appropriate expatriate for the

international assignment, (which is paramount because choosing an inappropriate candidate will jeopardize the overall success of the international posting); (2) the extent of pre departure preparation that expatriates receive, (Black and Mendenhall's (1990) study revealed that this has a positive correlation with their adjustment into the new environment) and; (3) the expatriate adaptability competency. The second research question that arises from this is:

Research Question 2: What are the predominant factors contributing to expatriate failure?

1.4 SCOPE OF THE STUDY

This research project will focus mainly on factors that contribute to the expatriate failure which is directly related during the three phase of international transfer cycle i.e. recruitment and selection, period abroad and repatriation. This study confined to the Malaysian multinational firms which their headquarters' in Klang Valley. Samples were derived from these companies.

Other aspects of expatriate management, such as remuneration packages and lifestyle arrangements, will not be discussed. These are beyond the purpose of the study. The thesis limits its data collection to interviews with expatriates and repatriates.

1.5 LIMITATIONS OF THE STUDY

There are four main limitations of this study that can give an effect on the validity and generalization and are as follows;

- i. The recruitment of participants is not encouraging. As this study is on the topic of expatriate failure and the reasons for it, 'failed' (re) expatriates are unlikely to voluntarily participate in this research, as it can be a very sensitive and personal issue. Furthermore, if an expatriate was 'failing' in the international assignment, they are also unlikely to admit to it openly in his/her responses to the interview questions. Taking this into consideration, there is a possibility that the responses are biased as all respondents reported that their international assignment is or has been a success.
- ii. Testing of the first proposition on whether expatriate failure was predominantly defined as premature return, only responses from the (re) expatriate were taken into consideration. However due to the fear of privacy violations and conflicts of interest, the (re) expatriate interviewed may not give directly interpretation on this term. Therefore, the (re) expatriates' interpretation may also inaccurate and different of how their company defines expatriate failure.

- iii. The sample size is small compared to the actual total Malaysian expatriate population. While recruiting twenty-three participants was sufficient in obtaining valuable, broad and in-depth information, an increased number of participants would have been able to enhance the generalization of the results. As the target for the sample group was relatively strict, locating possible (re) expatriates to participate in this research was rather difficult.

- iv. The questionnaires developed based on the foreign researches and literatures due to the unavailability of similar study in Malaysia. Thus, it may not fully represent variables in the Malaysian context and the suitability and completeness of the dependent variables can be disputed.

1.6 ORGANIZATION OF CHAPTERS

Chapter Two will review current literature on expatriate management. Eight propositions are developed that directly link to this study's research questions. Chapter Three discusses the methodology used to conduct this research project and provides information about the respondents. Chapter Four outlines the major findings from the research and shows the results of the propositions put forward in Chapter Two. Chapter Five

concludes with a discussion of the results and how they relate to the research questions identified in this chapter. The limitations of this study, implications for management and future research directions are also identified.