



Expatriate return on investment in the Asia Pacific: An empirical study of individual ROI versus corporate ROI

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ABSTRACT

The return on investment (ROI) from international assignments is a crucial aspect of expatriate management. The literature has taken a mostly organizational perspective of this important phenomenon, with little attention to the ‘individual ROI’ expatriates gain when undertaking an assignment. Especially lacking is research on expatriate ROI in the Asia Pacific region. Based on interviews with 31 long-term expatriates in 10 Asian countries, we use psychological contract theory to examine (1) how ‘individual ROI’ acts as a key driver of ‘corporate ROI’ and (2) the challenges and opportunities that expatriation in the Asia Pacific presents to individuals and organizations.

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1. Introduction

For several decades, both long-term assignees and other types of expatriates such as short-term assignees and commuters have been utilized by multinational corporations (MNCs) as popular staffing choices for their overseas subsidiaries, at an estimated cost of millions of dollars annually (Collings, Scullion, & Dowling, 2009). Yet, the rapid pace of globalization particularly in the Asia Pacific region (Czinkota & Ronkainen, 2008), along with the ‘normalization’ of global mobility as a necessity for firms and individuals (Cappellen & Janssens, 2010), has placed increasing pressure on MNCs to reduce mobility costs while simultaneously sustaining a competitive advantage. In spite of these efforts, recent research suggests that the return on investment (ROI) from expatriates may be questionable (McNulty, 2008; Welch, Steen, & Tahvanainen, 2009) and difficult to measure (McNulty, De Cieri, & Hutchings, 2009).

Much of what we know and understand about expatriation has stemmed from studies examining only the firm’s point of view. Relatively few empirical studies have examined the perspectives of expatriates (see Doherty, Dickmann, & Mills, 2011; Stahl, Miller, & Tung, 2002 for exceptions), including their views about expatriate ROI (Welch et al., 2009). This ‘missing voice’ is problematic. Without a deeper knowledge as to what expatriates experience

and gain from international assignments, we are unlikely to understand the motives, challenges, and relative success factors impacting on expatriation for both firms and individuals, nor how to improve the ROI that many firms are looking to secure. Our article addresses this gap in the literature.

We present the findings of a study of expatriate ROI in the Asia Pacific region from the perspective of 31 long-term expatriate employees. Using psychological contract theory to explore expatriates’ views about assignments in Asia, we examine how ‘individual ROI’ acts as a key driver of corporate ROI, and show how patterns of global mobility are changing in the Asia Pacific region.

2. Why Asia Pacific expatriation matters

Research on expatriation over the past 30 years (e.g., Edström & Galbraith, 1977; Takeuchi, 2010) has yielded some important and compelling findings relating to the organizational and individual factors that influence expatriation and the success of expatriate assignments. Much of this research has focused on North American and European perspectives (e.g., Caligiuri, 2000; Stahl & Cerdin, 2004), with fewer studies exploring Western expatriates in Asia (e.g. Selmer, 2006). While debates about the generalizability of regional expatriate contexts have ensued (see Brewster, 1999), Asia Pacific expatriation remains an under-researched field of study and expatriate ROI in Asia in particular has not been adequately explored. We contend it is necessary to strengthen the empirical research on expatriation in Asia, to advance knowledge in this region, with implications for global mobility in general.

Our focus on expatriation in the Asia Pacific region is timely and necessary for several reasons. First, recent research indicates that

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there is a major shift in global economic power to Asia (Roach, 2009; White, 2011). This may be due in part to the region's relatively quick rebound from the 2008 to 2009 global recession (e.g., 14 Asian countries are predicted to out-perform average global GDP growth rates over the next two years) (Mercer, 2011). Additionally, in the period up to 2025 it is estimated that nine of the world's top 25 cities ranked by gross domestic product (GDP) will be located in Asia. China and the South Asia region are expected to account for almost 60% of global urban population growth (Dobbs et al., 2011). Furthermore, China's economy in GDP terms is projected to overtake that of the United States to become the largest in the world by 2030 (Ping & Hongmiao, 2011), whereas India is predicted to dominate job and hiring demands (Bal, Sikka, & Narayanswamy, 2008). As such, Asia's economic growth is expected to fuel the demand for a more globalized workforce, to become the most likely emerging market destination for expatriates in the next decade (Bolchover, 2010).

How to attract employees to Asia and how to retain and leverage the region-specific knowledge they acquire is not well understood. Single nation studies of Western expatriates in Asia have provided some insight; see, for example, studies on cross-cultural training in China (Hutchings, 2003) and Japan (Peltokorpi, 2008), female expatriates in Hong Kong (Selmer & Leung, 2003), self-initiated expatriation of New Zealanders (Myers & Pringle, 2005), and Australians' repatriation (Tharenou & Caulfield, 2010). Few studies, however, have compared expatriation across a large number of Asia Pacific countries (see Vance, 2005, for a notable exception). No study has specifically explored the uniqueness of expatriation in Asia that we argue may be impacting on expatriate ROI. This includes changes in expatriate compensation to local-plus status (e.g., Stanley, 2009), and expatriates' motivation for undertaking assignments to, and within, the region (e.g., Thorn, 2009). Building on extant literature, our study examines expatriation in ten Asia Pacific countries to explore individual ROI as a driver of corporate ROI.

3. Individual ROI versus corporate ROI

Recent research (e.g. McNulty et al., 2009; Welch et al., 2009) has suggested that expatriate ROI is an important indicator to the firm of the value to be gained from long-term international assignments. Guided by McNulty and Tharenou (2004), we define expatriate ROI to the firm as "a calculation in which the financial and non-financial benefits [to the firm] are compared with the financial and non-financial costs of the international assignment, as appropriate to the assignment's purpose" (p. 73). We note, however, that much of the literature about expatriate ROI is focused on *corporate ROI* to the firm (e.g. McNulty et al., 2009; Schmidt & Minssen, 2007), with less attention paid to *individual ROI*. We argue that desired and actual ROI will be quite different for the individual than for the firm, while the ROI to individuals may have some impact on overall ROI to organizations. In acknowledging this link, we conceptualize ROI as a multidimensional construct (see McNulty & De Cieri, 2011), which allows us to extend and enrich our understanding in terms of the dynamic and complex relationships that exist between individual and corporate ROI.

In the context of recent research (e.g. Bowen & Ostroff, 2004) suggesting that employee-specific factors may influence broader firm performance, there are two reasons why a focus on individual ROI is important. First, new streams of research that are focused on international and global careers (Jokinen, Brewster, & Suutari, 2008) and psychological contract fulfillment (Yan, Zhu, & Hall, 2002) point toward several important factors at the individual level that are likely to influence expatriates' motivation for undertaking international assignments, as well as drive employee commitment (see, for example, Stahl & Cerdin, 2004). Firms' ability

to subsequently attract and retain expatriates may impact on individual as well as corporate performance, with implications for global staffing strategies and talent management initiatives. A second reason is that expatriates' perceptions of the value of international assignments and subsequent behavior in relation to their expatriate experience is relatively poorly understood (for notable exceptions, see Stahl et al., 2002; van der Heijden, van Engen, & Paauwe, 2009), yet is likely to have a significant impact on corporate ROI. There is recognition that both the individual worker and the employer will benefit from investing in strategies to improve employee potential; firm performance can and should be measured not only in financial terms but also in terms of intangible assets such as employee wellbeing (Guest, 2011). We argue that an individual ROI focus on expatriation provides an appropriate lens through which to explore expatriates' views in this regard, to subsequently understand how expatriates' behavior is impacted in relation to their international assignment experience.

4. Conceptual foundation

To focus our study, we apply psychological contract theory to explore expatriates' views about their international assignment experience in Asia Pacific and the resulting individual ROI they perceive they have gained by working in Asia.

4.1. Psychological contract theory and individual ROI

Competing views exist within early and contemporary literature to define a psychological contract (Anderson & Schalk, 1998; Haslberger & Brewster, 2009). We define a psychological contract as an individual's subjective belief about the terms of an exchange agreement between an employer and employee. Although a psychological contract is defined by the individual, it exists within the context of the organization, is subjective, and represents an indirect, unwritten form of communication between employers and employees in which intentional and unintentional signals can be expressed (Guzzo, Noonan, & Elron, 1994). Psychological contract theory provides a valuable perspective through which to examine individual ROI because it draws attention to the transactional and relational elements of the employment contract that are central to expatriates' assignment experience. The importance of the psychological contract is due to expatriates' increased reliance on firm support because of the higher risks, ambiguity, and uncertainty they are expected to assume when undertaking international assignments relative to the requirement to adjust, perform, and contribute value to a number of stakeholders, including themselves.

We are specifically interested in met and unmet expectations as a key means by which an employee evaluates psychological contract fulfillment in relation to individual ROI. Stable and fulfilling psychological contracts are suggested to positively influence employee attitudes and actions in terms of knowledge transfer and repatriation outcomes (Lazarova & Caligiuri, 2001), and to induce increased levels of trust and organizational commitment (Haslberger & Brewster, 2009), with related implications for corporate ROI. Unmet expectations, on the other hand, can result in high levels of receipt–promise disparity (Ho, 2005). When an organization fails to meet one or more obligations in comparison to an employee's contribution, an expatriate may perceive that they have been denied the benefits and support necessary for achieving their professional goals, which can negatively impact on job satisfaction and commitment, and increase turnover intentions. For expatriates, unmet expectations are likely to arise from: (a) goal conflict between expatriates and their employers; (b) outcome uncertainty of international assignments; and (c) diminished employment relationships arising from

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