



VAASAN AMMATTIKORKEAKOULU
VASA YRKESHÖGSKOLA
UNIVERSITY OF APPLIED SCIENCES

Laura Kangas

EXPATRIATION AND CROSS CULTURAL TRAINING

Business Economics and Tourism

2012

ABSTRACT

Author	Laura Kangas
Title	Expatriation and Cross Cultural Training
Year	2012
Language	English
Pages	57+1 appendix
Name of Supervisor	Marianne Waltermann

The aim of this research was to find out how expatriation and cross cultural training are implemented in practice. This thesis studied the challenges expatriates face during and after their assignments. In this thesis the effectiveness of cross cultural training is studied and improvements considered.

This thesis explains the reasons, challenges, assignments and roles of expatriates as well as how expatriates are trained. It also deals with different staffing approaches and the difference between international human resource management and domestic human resource management. In the end of the theoretical study other types of international employees were examined and the repatriation process was studied. The empirical study was conducted using a qualitative method, a questionnaire with open questions.

This research showed that companies have not realized yet the importance of cross cultural training. They do not offer it to their expatriates very widely, especially when the expatriate is relocating to some other European country or the US. Companies should also focus more on the repatriation process in order to keep their employees with international experience.

Keywords international human resources, expatriation, cross cultural training, cross cultural awareness

VAASAN AMMATTIKORKEAKOULU
International Business

TIIVISTELMÄ

Tekijä	Laura Kangas
Opinnäytetyön nimi	Ulkomaankomennus ja kulttuurikoulutus
Vuosi	2012
Kieli	englanti
Sivumäärä	57+1 liite
Ohjaaja	Marianne Waltermann

Tämän tutkimuksen tavoitteena on selvittää, miten ulkomaankomennus ja kulttuurikoulutus toteutetaan käytännössä. Tässä opinnäytetyössä tutkitaan haasteita, joita maastamuuttajat kohtaavat tehtävänsä aikana ja jälkeen. Tässä opinnäytetyössä tutkitaan myös, kuinka tehokasta kulttuurikoulutus on ja kuinka sitä voisi parantaa.

Tämä opinnäytetyö tutkii ulkomaankomennuksen syitä, haasteita, tehtäviä ja rooleja ja kuinka niihin koulutetaan. Tässä työssä käsitellään myös eri henkilöstönhallintatapoja ja kotimaisten ja kansainvälisten henkilöstöresurssien hoitamisen eroja. Teoriaosuuden lopussa käsitellään myös muita kansainvälisiä työntekijätyyppejä ja kotiuttamisprosessia. Empiirinen osa on toteutettu kvalitatiivisella metodilla käyttäen kyselylomaketta, jossa on avoimet kysymykset.

Tämä tutkimus osoitti, että yritykset eivät vielä ymmärrä kulttuurikoulutuksen merkitystä. Ne eivät tarjoa sitä kovin laajasti, varsinkin kun ekspatriaatti lähtee johonkin muuhun Euroopan maahan tai Yhdysvaltoihin. Yritysten pitäisi myös keskittyä enemmän palautusprosessiin pitääkseen kansainvälistä kokemusta omaavat työntekijänsä.

CONTENTS

TIIVISTELMÄ

ABSTRACT

1	INTRODUCTION	8
1.1	Aims of the study	9
1.2	Method and limitations of the research.....	9
2	EXPATRIATION	11
2.1	Human resource management versus international human resource management	11
2.2	International SMEs	12
2.3	Recruiting and selecting staff for international assignments	15
2.3.1	Staffing approaches	17
2.4	Expatriation.....	20
2.4.1	Reasons for expatriation.....	20
2.4.2	Roles of expatriates	21
2.4.3	Assignments of expatriates.....	23
2.4.4	Issues and challenges in expatriation	24
2.5	Inpatriates, flexpatriates and international commuters	27
2.6	Repatriation.....	28
2.6.1	Problems of repatriates	28
2.6.2	Managing repatriation	30
3	CROSS CULTURAL TRAINING	32
3.1	Aspects of expatriate training	32
3.2	Cultural differences.....	34
3.3	The role of expatriate training.....	36
3.4	Components of effective pre-departure training programs and effectiveness of the training	37
4	EMPIRICAL STUDY	39
4.1	Method of the research.....	39
4.2	The respondents	40
4.3	Experiences of the respondents.....	41

4.4	Cultural differences between Finland and the destinations	45
4.4.1	Finland versus Senegal.....	45
4.4.2	Finland versus Switzerland	46
4.4.3	Finland versus USA	46
4.4.4	Finland versus Russia.....	47
4.4.5	Finland versus Germany.....	48
5	CONCLUSIONS AND SUGGESTIONS	49
5.1	Quantitative method versus qualitative method.....	51
5.2	Reliability and validity.....	52
5.2.1	Reliability and validity of my research	52
5.3	Suggestions to the companies	53
5.4	Further research.....	56
5.5	Concluding words about the research	57
6	REFERENCES	58

APPENDICES

LIST OF FIGURES AND TABLES

Table 1. Aon's Terrorism Threat Map	p. 24
Table 2. Problems of expatriates	p. 25
Table 3. Hofstede 5 dimensions model: Finland vs. Senegal	p.44
Table 4. Hofstede 5 dimensions model: Finland vs. Switzerland	p.45
Table 5. Hofstede 5 dimensions model: Finland vs. USA	p.45
Table 6. Hofstede 5 dimensions model: Finland vs. Russia	p.46
Table 7. Hofstede 5 dimensions model: Finland vs. Germany	p.47

LIST OF APPENDICES**APPENDIX 1. Questionnaire to expatriates**

1 INTRODUCTION

There are many people and different reasons for moving to a foreign country. Some people go there for work, others to find love and some to seek adventure. This thesis focuses on the people moving because of work. In this thesis I will study the concepts of *expatriation* and *cross cultural training*. As the world is becoming smaller all the time due to globalization the importance of international assignments also grows. This has made it possible for the work force to move more freely across national borders in order for the company to be as sufficient as possible. Many companies today operate in different countries. Expatriation has become wildly popular among small and medium sized enterprises and that is why cross cultural training is becoming more important. Due to cultural differences and different levels of expertise companies need to send people from the parent country or third country into the host country. Key reasons for this are *filling a position, developing management and developing organization*. (Högel, 2010-11)

Even though international assignments are training as such expatriates need training before they go to perform their assignments. Preparing and supporting employees for international assignments is expatriate training and development. Some multinational companies neglect to provide their expatriates with sufficient pre-departure training and that is a factor in *failure of the assignment* in some cases. Also, some MNEs are just starting to consider the requirements of the spouse or family in their expatriate programs. Overlooking the needs of the family or spouse is not smart because 60% of the expatriates are married and 81% of them were accompanied by the spouse or partner. Also 34% of assignment refusals were caused by family concerns and 17% were caused by spouses or partners career. In addition 17% of failures in assignments were caused by spouses or partners career and 11% by other family concerns. (Global Relocation Trends Survey Report, 2012) This shows that the family is in a very important position concerning the success of the assignment and companies need to take them into consideration.

In this study concepts concerning *international assignments* are clarified and studied. For this thesis I will be referring to books and articles about *international human resource management, cross cultural differences, cross-cultural training, expatriation, internationalization/globalization* and *international mobility* in depth and theories behind those topics.

1.1 Aims of the study

The aim of this research is to find out how expatriation and cross cultural training are implemented in practice. Also, the effects of cross cultural training will be studied. The emphasis is put on pre-departure cross cultural training which prepares the expatriate for the assignment. I want to find out what effects the training has and how it could be improved.

This study should answer to questions about why companies use expatriates and what kind of training they and their families receive prior to departure in order to succeed in their assignment. This thesis will answer questions about what the training should be like. Therefore, this study will show if the training has been useful and how it has affected to the result of the assignment. In addition, this study will tell what the training lacks according to the expatriates and how it could be improved.

1.2 Method and limitations of the research

For the method of the research qualitative approach was selected. This is partly because all the international assignments are different depending on, for example, duration, destination, job description and family situation. Because this study is about people and the subject is quite personal and subjective there would have to be an enormous sample group in order to gain valid results if using a quantitative method. I will send a questionnaire via e-mail to selected group of expatriates and repatriates in order to get information on the subject.

Even though this thesis talks a lot about international assignments in general the focus is on expatriates. Because so many of the other types of international

assignments are so closely linked to expatriation it would be impossible not to mention some of them.

2 EXPATRIATION

All kinds of people go abroad today. They might go there for work, love, adventure or just to change place. The word *expatriate* comes from Latin words *ex* (out of) and *patria* (country). Expatriation means voluntary renunciation of the citizenship of one country for the citizenship of another. Expatriates are professionals sent abroad on a temporary assignment by their companies. Expatriation is not new to us anymore due to the world interconnecting each day but it is not for everyone. (InterNations)

2.1 Human resource management versus international human resource management

When human resource management is practiced across national borders core tasks change and this applies to *international HRM or IHRM*. Due to globalization businesses are operating in an increasingly international environment. This has caused the practice and study of international HRM to evolve alongside globalization. (Common, 2010)

IHRM is more complex than HRM. There are more *HR activities*, broader perspective is needed and employees' personal lives are more involved. There are some special HR-activities that would not be needed in domestic HRM like *tax equalization, international relocation and orientation, administrative services for expatriates, host-government relations and language translation services*. (Högel, 2010-11)

There are three dimensions involved in IHRM that are HR-activities, people involved and countries involved. In international human resource management there are different types of countries involved. These are *home-country/parent-country (PC)*, *host-country (HC)* and *other countries/third countries (TC)*. Different categories of people are *parent-country nationals (PCNs)*, *host-country nationals (HCNs)* and *third-country nationals (TCNs)*. (Högel, 2010-11)

2.2 International SMEs

MNEs dominate discussion about globalization and international management due to their names been well-known all over the world. Because of this role of small and medium-sized companies (SMEs) is rarely discussed. Definition of SMEs varies a lot because there isn't any commonly accepted worldwide definition. (Dowling;Welch;& Schuler, 2008, ss. 64-65)

SMEs are in an important role in the world economy which is often forgotten. There are more than 16 million enterprises in the European Economic Area (EEA) and Switzerland. Of those companies less than 1 per cent are large enterprises and the rest are SMEs. In that region two-thirds of jobs are in SMEs and one-third is in large enterprises. In many countries more than 80 per cent of employees work in companies that have less than 20 employees. (Dowling;Welch;& Schuler, 2008, s. 65)

Even though SMEs have strong position in the national scale it is not reflected in the same way in international business environment. SMEs face different challenges in internationalization than large organizations. SMEs are not that familiar other cultures environments. They also have fewer resources to use for example demands of host governments, finance and managing international operations. According to OECD survey on 978 SMEs worldwide the ten biggest barriers in accessing international markets are:

1. Shortage of working capital
2. Identifying foreign business opportunities
3. Limited information to locate/analyze markets
4. Inability to contact potential overseas customers
5. Obtaining reliable foreign representation
6. Lack of managerial time to deal with internationalization
7. Inadequate quantity of and/or untrained personnel for internationalization
8. Difficulty in managing competitor's prices
9. Lack of home government assistance/incentives
10. Excessive transportation/insurance costs

SMEs internationalization is promoted in many countries, for example Singapore and South Africa, by their countries policies. This is important in order to support entrepreneurship. Large amount of the information we have about IHRM concerns large organizations. Some of the information is applicable to SMEs also but the strategies and practices often differ. There are some key features concerning SMEs internationalization including founder, recruitment, human resource development, expatriate management and resources of HR department. (Dowling;Welch;& Schuler, 2008, ss. 65-66)

The owner or the founder has an impact on the internationalization process of the SME. It directly impacts the selection of foreign market. According to this approach internationalization process is started in geographically and culturally close markets and the managers make the decision to move to more distant markets as their experience grows. Because of this the top managers who are in charge of these decisions should have international experience so they would be more aware of the possibilities and markets. (Dowling;Welch;& Schuler, 2008, s. 66)

It is possible that small organizations have more difficulties in recruiting qualified international managers. Some suggest that less qualified employees are forced to work in SMEs because they don't have the necessary requirements to work in large organizations. SMEs are not seen as employers with a strong international orientation which causes problems in recruitment, selection and staffing. T.M. *Kühlmann* has studied the image SMEs have on the external labor market in Germany. He discovered that because potential job candidates don't consider SMEs to have strong international operations they do not apply for the job. Due to this SMEs cannot get qualified enough international managers and they are less successful in international markets. According to *Kühlmann* SMEs should make their strong position in international markets and their international career opportunities clear from the beginning. Cooperation with other SMEs might also be beneficial. Research has shown that SMEs are looking for generalist knowledge instead of specialists. The selection process focuses more on general fit to small organization or technical abilities instead of requirements for future

international position. In order to get more internationally competent managers they should rethink their selection criteria and put more value on international issues. SMEs should emphasize their advantages more and improve the career possibilities for their key employees. (Dowling; Welch; & Schuler, 2008, ss. 67-68) It might seem to be easier to get a job from SME than MNE but due to their different images they attract different types of people. Some employees from SMEs might prefer to work there because of the atmosphere. This does not necessarily mean that they are trying to avoid international assignments. In SME it can be much easier to get to know coworkers and the company better.

In this global environment learning is very important. Learning is especially important in cross-border alliances which is said to be the third preferred foreign market entry strategy for SMEs, after subsidiaries and export strategies. SMEs tend to have quite short-term oriented training and development activities. Because of the cultural environment in SMEs the learning approach should be informal and use local networks and socialization. Usually the focus is on acquiring tacit knowledge from specific area instead of getting explicit knowledge. It is suggested that staff should be encouraged to note any dimensions relevant to internationalization decisions. In order to execute this strategy and communication seminars could be included in training programs. In addition to this, employees would have to be motivated to report and share their observations in a regular basis. In SMEs training is still considered somewhat 'luxury item' and the balance between training and company performance hasn't been found. SMEs need to put more emphasis on training in order to catch up with large organizations with internationalization. But they need to keep in mind that the training process should be different in SMEs due to the different cultural features. (Dowling; Welch; & Schuler, 2008, s. 68)

Informal approach to human resource managements is exercised especially with expatriates. Study conducted of German SMEs showed that expatriates are mostly used in joint ventures and wholly owned foreign subsidiaries. Sometimes expatriates were used also in licensing agreements. Most important problem for the firms, after recruiting people in foreign markets, was internal recruitment for

international assignments. 16 per cent of the SMEs stated that they send employees on international assignment for management development reasons. The most important training tool for the expatriates was language courses and cross cultural training was not in a major role. SMEs handled their cross cultural training needs through external organizations. This is due to the small number of expatriates which also makes cultural integration challenging for SMEs. (Dowling;Welch;& Schuler, 2008, s. 69)

In SMEs the focus of HR department is on administrative tasks and the founder or owner makes the most important decisions. Line managers making these decisions can be problematic. Revenue production can be reflected on if the HR tasks interfere with managerial tasks. Also due to the complexity of HR tasks the quality of the decisions may suffer if the manager doesn't have training or expertise in HR. Professional employer organizations might be possible HR-related providers of services. This would mean that the employer organization would become the SMEs outsourced HR department. This could result to higher quality decisions in HR and higher managerial satisfaction in SMEs. Organizations should still be monitored because of the strategic importance of HR. Cooperation with MNE could also be possible solution to the size issues of HR in SMEs. This way the expatriate management know-how and information about HRM in other countries would be shared. Also SME could benefit from relationships MNE might have with the related government institutions. (Dowling;Welch;& Schuler, 2008, s. 70)

2.3 Recruiting and selecting staff for international assignments

There are basic challenges in recruiting expatriates. The company needs to find the person with the right qualifications for the assignment who is willing and able to go on to the assignment and will complete the assignment successfully. In order to achieve this they need to define the selection criteria and make sure the person meets the selection criteria. Also they need to acknowledge the barriers in mobility and motivate and help to overcome them. In addition to this the company should identify how likely the assignment will be successful and the predictors leading to that. (Högel, 2010-11)

There are many different sources that can be used in the recruitment process. The sources vary between *internal and external recruitment*. For internal recruitment there are *job adverts, HR development, job rotation, recommendations and more working hours*. For external recruitment companies can use *job adverts, job center, HR consultants, HR leasing, recommendations and headhunting*. Of the recruited expatriates' tremendous majority, 89% according to GRTS 2012, is recruited internally. This is one prominent difference compared to domestic HRM. (Högel, 2010-11)

When recruiting the company needs to be clear on the selection criteria. This is in key position in predicting expatriate success or failure. In the selection criteria companies need to take into consideration individual and situational factors. Individual factors to be considered are for example professional qualification, intercultural suitability and family considerations. Situational factors include for example high risk destinations and remote work locations. MNEs are starting to see suitable selection criteria more as a critical IHRM issue. (Högel, 2010-11)

In the profile of a successful expat the selection criteria can consist of *technical or managerial ability, cross-cultural ability, family requirements, MNE requirements, HC requirements and personal character*. (Högel, 2010-11)

When the company looks for technical or managerial abilities they know that the candidate has the required skills and competences. This can be determined by the body of work of the candidate. Disadvantage in this criterion is that the previous performance in the domestic environment does not guarantee fulfilling of the task in a foreign environment. (Högel, 2010-11)

The candidates' cross-cultural abilities in the selection process can indicate capability to translate his skills into a foreign environment, coping skills, cultural empathy, diplomatic skills, language ability, positive attitude, stress resistance, emotional stability and maturity. (Högel, 2010-11)

If a company chooses a candidate with a family it comes with certain requirements. HR should focus on picking candidates whose families are able to

adjust to new surroundings and are open to new experiences. Significant causal relationship can be seen between expat's and his spouse's willingness to move and success of the assignment. (Högel, 2010-11)

MNE also has its own requirements. The selection can depend on staffing policy, proportions of PCNs, TCNs and HCNs, preferred assignment type, the needed role of the expat, training skills of the expat and the mode of operation. (Högel, 2010-11)

There may also be requirements from the host country. The affecting factors can include HC governments influence to staffing decisions, HC health requirements for expat and the family and HC legislation of granting visa, residence and work permits. There might also be cultural requirements at the host country. These may include conflict with antidiscrimination laws of MNEs and requirements of ethnical origin, sexual orientation or gender. (Högel, 2010-11)

2.3.1 Staffing approaches

Perlmutter's EPRG-concept has four basic approaches to staffing international assignments. These are *ethnocentric staffing*, *polycentric staffing*, *geocentric staffing* and *regiocentric staffing*. (Högel, 2010-11)

In ethnocentric staffing companies usually look at the world mainly from their own cultures perspective. They believe that their own race or ethnic group is the most important and see some or all aspects of their culture as superior. In international management elements of ethnocentrism usually are that foreign subsidiaries have little autonomy, strategic decisions are made at headquarters, HQ personnel holds key positions in domestic and foreign operations and PCNs manage subsidiaries. Reasons and advantages for using this type of staffing are quality, coordination, control and compliance. Disadvantages are limited promotion opportunities for HCNs, equity problems in income between PCNs and HCNs and high costs. Also it can take time to adapt to host country and expatriates may lack necessary sensitivity towards HCNs expectations and needs. (Högel, 2010-11)

In polycentricism companies favor decentralization and federal structure. In this approach independence of different cultures is recognized and attitude towards them is more open. In polycentric staffing HCNs prefer local management, HCNs are not promoted to positions at headquarters and PCNs are not transferred to subsidiary operations. This approach lowers profile of MNE in sensitive political situations, eliminates language barriers and lowers costs. Also there is no need for pre-departure training or problems with PCNs and their families' adjustment to the host country. Disadvantages with polycentric staffing are gap between HCN and PCN managers, staff in headquarters might get isolated from their subsidiaries, management might not get the international mindset and do not gain overseas experience, limitations in strategic decision making and limited opportunities for HCNs for promotions and experience outside their HC. This approach might also cause MNE to have many independent national units that only have nominal links to the headquarters. Polycentric staffing might be used if MNE wants to be seen as a local company or if HC government demands that key managerial positions must be filled by its nationals. (Högel, 2010-11)

For geocentric approach the more fitting term in this context is globalist staffing. Typical elements of globalist staffing are MNE taking global approach, recognizing the competence of headquarters and foreign subsidiaries, worldwide integrated business and focusing more on abilities than nationality. Advantages with this approach are developing an international executive team with global perspective, having employees for deployment throughout the global organization, cooperation and resource sharing across the national units of the MNE. Disadvantages for this approach are need to send large number of PCNs, HCNs and TCNs abroad for an international team, higher costs for training, relocation and possibly payroll, need for longer lead time, need of more centralized control of staffing process and loss of autonomy of subsidiary management. Also it can be difficult to build the necessary international team of managers. (Högel, 2010-11)

The final approach is called regiocentric staffing. In regiocentricism geocentricism is broken down to regional level. Typical elements are reflecting the geographic strategy and structure of the MNE, utilizing a wider range of

managers within a certain geographic region, giving regional managers regional autonomy in decision making to a certain point and staffing HCNs and/or TCNs within the region. Also staff transfers from one region to another or to headquarters are rare. Advantages for this approach are interaction between executives and providing possible transition phase on the way to geocentric staffing. Disadvantages are similar to polycentric staffing only on regional level. It may cause federalism and constrain from global stance. HCNs do not advance to headquarters in this approach either because career prospects are only improved on national level. (Högel, 2010-11)

There are many factors that influence the decision of staffing approach. Four groups of factors of influence are *context specifications*, *company specific variables*, *local unit specificities* and *IHRM practices*. Context specificities include cultural context, institutional context, staff availability and type of industry. Company specificities contain MNE structure and strategy, international experience, corporate governance and organizational culture. Local unit specificities refer to establishment method, strategic role and importance, need for control and locus of decision. IHRM practices handle selection, training and development, compensation and career management. (Högel, 2010-11)

When thinking about staffing international assignments *nationality preferences* must take into consideration. There are pros and cons in using PCNs, HCNs or TCNs. Advantages in using PCNs are maintaining and facilitating organizational control and coordination, assuring that subsidiaries comply with company policies and gaining internationally experienced managers, possible possession of special skills and experiences. Disadvantages in using PCNs are limited promotional opportunities to HCNs, slow adaptation to destination, possible inappropriate style and plausible drastic differences in compensation compared to HCNs. There are also many advantages for using HCNs. These are reduced hiring cost, no language, cultural or other barriers, less bureaucracy, improved continuity and improved moral due to more career opportunities. Disadvantages for using HCNs are HCNs limited career opportunities outside the subsidiary, limiting PCNs opportunities to gain international experience and possible encouragement of

national federations rather than global units. There is also a possibility to use TCNs. Advantages for this are possible lower salary and benefit requirements than PCNs and possible larger familiarity with HC environment than PCNs possess. Disadvantages for this are considering possible national animosities and possible resentment from host government. Also TCNs might not want to return to their own countries after assignment has been completed. (Högel, 2010-11)

2.4 Expatriation

The average expatriate is about 40 years old man who is married and has children. His family accompanies him, he is PCN and is abroad for 1-4 years. Despite this, all of the secondments are unique because they vary in for example duration, destination, job description and family situation. Usually international assignments are classified as following: virtual assignment, extended business trip, commuter assignment, short-term assignment (3 to 12 months), long-term assignment (1 to 4 years) and permanent assignment. (Högel, 2010-11)

The most traditional model of expatriate is a person who is sent abroad for a specific time period to complete some kind of business assignment. There are also “*self-made expatriates*” who are people who have decided they need a change of scenery and leave to another country. Despite the different reasons for expatriation expats usually have a higher academic degree, some specialty or international job that is well-paid. Expat needs to have the right mindset for expatriation. Self-made expatriates have the benefit of choosing their destination and might be more enthusiastic than the expats that are sent abroad by their companies. (InterNations)

2.4.1 Reasons for expatriation

There are many reasons to venture abroad. When thinking about those reasons both the employees and employers point of views need to be considered. The employee might not even have a lot of say in the matter. Some might be reluctant to move and return to home as quickly as they can. To others expatriation might be an adventure and a dream come true. These people might not return to their

native country for a long time. Today more young people are interested in living abroad. Their thoughts about going abroad have been changed by the flexible globalized world economy. Still, moving to a foreign country is not for everyone. It needs a right mindset because leaving the old life and building a new can be disastrous. (InterNations)

The employer needs to take into consideration strategic reasons for expatriation. These might be *professional development, knowledge transfer, fulfillment of scarce skills, control* and *coordination*. Because expatriation teaches ability to learn and adapt in strange circumstances it is seen as a learning process. This is why professional development is a key objective in many expatriate placements. Expatriate program can be used as a knowledge transfer when the transfer of values, culture or technical experiences is necessary. When supervision and socialization are the forms of control expatriate can function as a control mean because of the long term relationship required with the local organization. Filling position due to gaps in skills is also a reason for expatriation but is not recommended due to high costs and inconvenience. (Cuizon, 2009)

2.4.2 Roles of expatriates

There are many reasons for using expatriates. The typical roles expatriates may have are *agent of direct control, agent of socializing, network builder, transferor of competence and knowledge, boundary spanner* and *language node*. (Dowling;Welch;& Schuler, 2008, s. 92)

Using staff transfers as bureaucratic control mechanism can be done to ensure compliance with direct supervision. This can be seen as reflection of dominance. The dominance refers to an ethnocentric approach but can be important in ensuring subsidiary compliance. (Dowling;Welch;& Schuler, 2008, s. 93)

Using an expat as an agent of socialization is linked to informal control mechanism. It is expected that the expatriate assists in transferring the shared values and beliefs. Empirical studies have shown that attempts to imbed the corporate norms and values have negative effects in foreign subsidiaries. Despite

this sharing knowledge, transferring competence and encouraging common practices for work are assisted by international assignments. This can happen because of exposure to different views and perspectives. Time in the parent company might help employees to understand and appreciate the different practices and reasons behind them. (Dowling; Welch; & Schuler, 2008, s. 93)

Because the international assignments can be seen as a way of developing social capital expatriates can be sent to build networks. Interpersonal linkages should be fostered in order to use them for informal control and communication purposes. Moving between different organizational units changes employees' personal network. Utilizing this asset depends on the person because people have different ways of viewing and protecting their networks. They have to evaluate the risks that can result from inappropriate usage of the connection. Even though people are introduced to each other beneficial network is not guaranteed. Time spent on international assignment factors to this. During short-term visits the network created is not as wide range. (Dowling; Welch; & Schuler, 2008, ss. 93-94)

Expatriates are can be used as boundary spanners because they can gather information of the host-country, represent their company in the host-country and influence agents. For example if the expatriate attends a social gathering at a foreign embassy he can network, gather market information and promote his company at the same time. (Dowling; Welch; & Schuler, 2008, s. 94)

If an expatriate has worked in a country and learned the language well he can be a language node upon repatriation. For example is the person was in France and learned the language he could be known in the company as "the guy who speaks French" and handle all the operations that are conducted in French. The clients would get information in French and the information needed could be translated easily for both the customer and the company. (Dowling; Welch; & Schuler, 2008, s. 94)

Transferring competence and knowledge is present in all of the roles that are mentioned. There are many aspects that might affect the effectiveness of the transfer. These factors include creating an open and supporting environment of

productive interaction of ideas and implementing “best practice”, information travelling between the expatriate, host country and expatriate’s home country, strategic approach to personal networking, duration of the assignment and expatriate’s abilities and motivation. (Dowling; Welch; & Schuler, 2008, ss. 94-95)

2.4.3 Assignments of expatriates

There are as many different international assignments as there are people participating in them but there are common factors. Usually international assignments are classified as following: *virtual assignment, extended business trip, commuter assignment, rotational assignment, contractual assignment, short-term assignment (3 to 12 months), long-term assignment (1 to 4 years) and permanent assignment*. When talking about expatriates only short-term long-term and permanent assignments are taken into consideration because in other cases the employee does not move to a foreign country. (Högel, 2010-11)

The assignment is considered short-term if it lasts from 3 to 12 months. Employees on the short-term assignments are usually not accompanied by their spouses or families and that can be a factor in why the use of short-term assignments has increased. There are many reasons for using them. Most common reasons are knowledge transfer and new operation set-up. Other reasons include skill gap, resource shortage, management development programmes, training programmes and business development efforts. The most common destination from Europe for short-term assignment is another European country (35%). The second most popular destination is Asia with 26%. 23% of the short-term assignments from Europe are located to Americas and 16% to Middle East and Africa. (Högel, 2010-11)

Long-term assignment means an assignment that lasts over 12 months. Even though the number of people on international assignments has been pretty much the same for couple years the portion of long-term expatriates has increased. The percentage of long-term expatriates has increased from 21% to 40% between surveys conducted in 2008 and 2012. (Ashcroft, 2012)

2.4.4 Issues and challenges in expatriation

Moving to another country can be very difficult. People face many challenges upon moving to another country. Because the cultures vary a lot there are some issues that are directly connected to cultural differences. These may include *ethical dilemmas* or *security issues*. For example bribery is a frequent ethical problem according to international managers. Also some relevant risks *include in-facility security and emergency preparedness, terrorism and out-of-facility fire and travel risks*. (Högel, 2010-11)

Concerning ethics there are three possible approaches. These are *ethical relativism*, *ethical absolutism* and *ethical universalism*. If a person chooses ethical relativism he tries to do his ethical choices according to the locals. He proceeds with the thought “When in Rome, do as the Romans do”. This may cause him to accept inadequate work safety, bribery or child labor. If a person chooses ethical absolutism he applies parent country’s values despite of the culture of the host country or the standards of local practice. Ethical universalism means that there are some practices that are considered wrong everywhere for example bribing government officials. But there are also some practices that can be tolerated in their cultural context for example gift giving in Japanese business environment. (Högel, 2010-11)

When going to a foreign country it is good to check the circumstances of the destination. Because of war or terrorism it might be dangerous especially in certain parts of that country and one should be prepared. Aon Corporation updates and publishes Terrorism Threat Map (Table 1) annually. From that a person can get the general idea of “hot spots” concerning terrorism.



Table 1. Aon's Terrorism Threat Map

To ensure in-facility emergency preparedness companies use evacuation protocols, cooperation with emergency workers in the public-sector and media relations. Also they try to follow local safety standards and laws. For in-facility security companies can have internal search protocols, out of and into facilities search protocols, procedures for bomb threats, risk control for violence and cameras. (Högel, 2010-11)

Companies usually have policies concerning travel in order to minimize the risks to the company. These policies may include team training in case of hotel evacuation, ordering the employees not to stay above 7th floor or prohibiting top managers from travelling on the same aircraft. (Högel, 2010-11)

For expatriates the move itself can be problematic. Also finding accommodation and integrating to the society are challenges. According to HSBC Expat Explorer Survey 2008 (Table 2) the most common problems faced by expatriates are learning the local language, finding accommodation, making new friends, sorting out finances and healthcare and finding a school for the children. Usually the younger expatriates learn the local language faster but it's more difficult to make new friends and deal with the practical issues. Even though older expatriates

might have more difficulties learning the language they usually get better benefits that help with the practical issues such as accommodation. Many expatriates underestimate the difficulties that they might face when venturing abroad. Of course there are differences between countries. Canada seems to be the most welcoming destination because 95% of the expatriates made friends with the local people and The United Arab Emirates seems to be the most difficult with only 54% of the expatriates making local friends (HSBC Expat Explorer Survey, 2008). (Just Landed)

Expatriate problems (% worldwide)

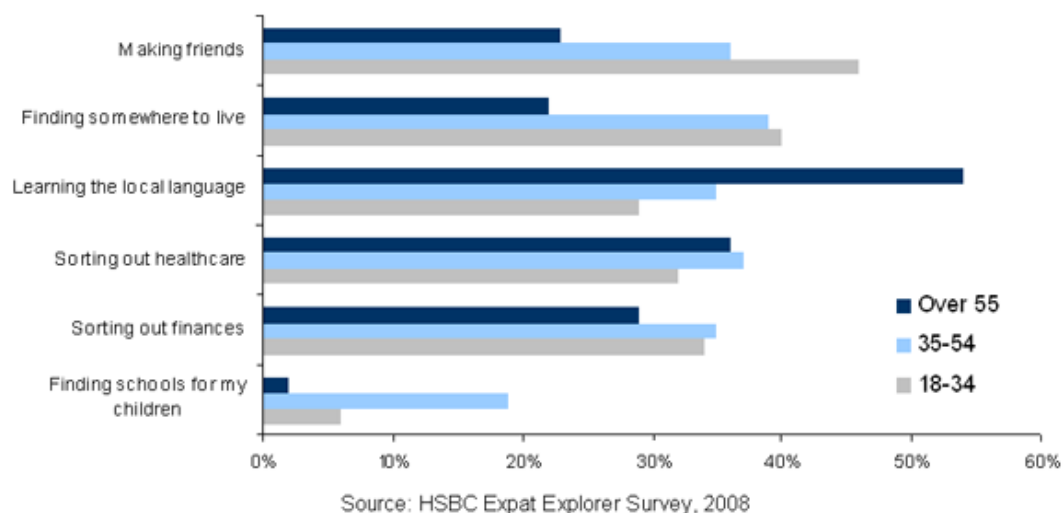


Table 2. Problems of expatriates

The most common reasons for assignment refusal and failure are spouse and family issues. Because the majority of expatriates (60%) have marital status and of those expatriates 81% are accompanied by their spouse or partner companies need to seriously take spouses or partners needs into consideration. According to statistics 34% of the assignment refusals were caused by family concerns and 17% spouses or partners career. The second biggest reason for assignment failure (the biggest is employee leaving the company) is spouses or partners dissatisfaction. This causes 17% of the assignment failure. The third biggest reason was other family concerns which caused 11% of the failures. (Global Relocation Trends Survey Report, 2012)

2.5 Inpatriates, flexpatriates and international commuters

Expatriates aren't the only ones that carry out international assignments. Most common of the other types are *inpatriates*, *flexpatriates* and *international commuters*. (Högel, 2010-11)

Inpatriate is an HCN or a TCN who does an international assignment to the headquarters of an MNE from a foreign location. The amount of inpatriates is increasing as well as the amount of expatriates. This indicates that the internationalization process in MNEs is continuing. Inpatriate functions include creating connections between different organizational units to an MNE, socializing with the headquarters corporate culture, sending and receiving knowledge and future management tasks training. Recruiting inpat managers can help to build an international team that is globally competent, culturally diverse and capable to global thinking and local acting. Also it can provide career opportunities for HCNs and TCNs with high potential. Inpatriate can be a simpler solution to difficult location than expatriate. (Högel, 2010-11)

Flexpatriates are international business travelers who do not change their country of residence. A large amount of their international work is performed within their home country duties. This is why HR-department or IHRM literature is not focused on them. Flexpatriates can be for example international managers who pay frequent visits to foreign markets, subsidiary units or international projects. Also they might be "business-diplomats" who can deal with alliance partners, subcontracting companies, foreign suppliers or government officials in the host country. International sales staff and representatives visiting trade shows, negotiating sales contracts or seeing potential clients are also flexpatriates. Business travel can be very stressful. It makes high demands to the staff, reduces multiple culture shocks and burdens family and home issues. Also the arrangements can be difficult due to logistics, long distance to home and paperwork waiting at the home office. Health concerns are also common because of poor diet, jet lag, vaccinations and other threats. There are also positive sides to business travels. Travelling creates thrill and excitement, exotic nature to the job, status and lifestyle. (Högel, 2010-11)

International commuter is an employee who is working in another country while continues to live at the home country. He may commute to work from home every day, every week, every two weeks or every month but does not live in that country. There are various reasons for commuter assignments. These can be costs, thinking that full relocation is unnecessary, been able to do the work partly in the home country, working on different projects in different locations at the same time and employees refusal to relocate for personal reasons. However, commuter assignments require easy travel. Like in the other types of international assignments the amount of commuter assignments are likely to increase in the future. (Högel, 2010-11)

2.6 Repatriation

Repatriation is the final stage of an international assignment. In repatriation the expatriate is brought back to the parent country. Repatriated expatriate is a repatriate. Upon repatriation the expatriate may experience reverse culture shock. He might have had more rose-colored view of his life back home and the re-adjustment to the family can be difficult. After the assignment the repatriate might be unsure of his career perspectives. Also his former networks might not exist or function anymore in professional or personal life. This can cause the repatriate to feel “homesickness” towards the assignment location. (Högel, 2010-11)

According to the GRTS 2012 report 13% of the repatriates leave the company. Of those 13% who leave 22% leave during the assignment, 24% within one year of return, 26% from one to two years of return and 28% after two years of the return. Losing these repatriates causes substantial losses for the company. Because of the losses the full benefit of the investment to the international work force is not gained. (Global Relocation Trends Survey Report, 2012)

2.6.1 Problems of repatriates

There are many different factors that influence to the adjustment of the repatriates. Job-related factors include *career anxiety, work adjustment problems, “out of*

sight, out of mind”-effect and *kingpin syndrome*. Social factors consist of family adjustment problems and loss of social networks. (Högel, 2010-11)

Career anxiety can begin before returning home and reduce the expats effectiveness at work at the host country. Reasons behind career anxiety can be unawareness of a re-entry job and nonexistent career development plan. Despite this, most of the MNEs help their repatriates in finding a new job within the company but the post might be from a different department. (Högel, 2010-11)

When returning to the home country the repatriate might have some problems adjusting to work. There might have been some personnel changes (job shedding) or organizational changes (closing plants or divisions). (Högel, 2010-11)

The “out of sight, out of mind”-effect means a fear that visibility has been lost after the period overseas. This might be caused by lack of information about the situation of the parent company, loss of networks at home, lack of clear statements about the future of the expatriate in the parent company, observing promotions of peers ahead of repatriates and psychological effects caused by disappointment. (Högel, 2010-11)

Kingpin syndrome refers to loss of pay and status. Foreign assignments are perceived as kind of promotions by PCNs because of wider autonomy, more visible role in the local community and larger area of responsibility. These effects are reversed with repatriation when the repatriate is reinstated to the position in the home company. This will likely cause lower base pay, losing expatriate premiums and dropping to standard housing. (Högel, 2010-11)

Problems with adjusting can be very difficult because all of the family members experience the readjustment problems in their own way. They might have glamorized the life back home and experience disillusionment upon returning. It might also be difficult for the spouse to find a satisfactory job and the children can face readjustment problems to the schools in the home country. The shock of re-entry can be an unexpected experience. People are more prepared to the problems with leaving and do not prepare themselves for the problems faced when

returning. Repatriates and their families change during the relocation and might not realize it themselves. (Högel, 2010-11)

During the assignment some of the expatriates' networks might be lost. After repatriation the re-establishment of social networks can be difficult. The expatriate communities can be very close and the transition to a place where people are busy with their own lives is challenging. Also the repatriate might notice peoples lack of interest to his expatriate experience. (Högel, 2010-11)

2.6.2 Managing repatriation

MNEs should manage the repatriation process carefully so the benefits of the assignments are maximized and larger labor market is created for future assignments. Effective repatriation management can benefit the company with staff availability and retention, transferring and sharing knowledge and return on investment. (Högel, 2010-11)

If the MNE has adequate re-entry positions it signals the importance of international assignments. If the company markets the assignments as positive career move the employees might not see it as risky as they would otherwise. (Högel, 2010-11)

International assignments are designed for transferring knowledge. Because the knowledge is bound person-bound all the knowledge and skills are lost if the person leaves the company. This knowledge should not be underestimated because the person might possess a lot of information about specific markets and networks. Also he has personal skills and management capacity that might be useful. (Högel, 2010-11)

Expatriates are expensive to the company and therefore are a significant investment to the company. If the expat leaves the company after repatriation the losses might include financial capital, human capital and skills, knowledge and experience. (Högel, 2010-11)

MNEs cannot afford neglecting repatriation process. They should combine the cycle between expatriation and repatriation and emphasize knowledge transfer in each stage. (Högel, 2010-11)

3 CROSS CULTURAL TRAINING

Pre-departure training can have many different components. There can be *cross cultural training, preliminary visits, language training, involvement of the children and spouse, trainer role training and inclusion of repatriation issues*. Training is used to improve the employees current knowledge, skills and attitudes. It is performed for a short term and it is focused on some specific job or task. (Högel, 2010-11)

Internationalization in social, economic and political areas has led to deeper interpersonal cross-cultural contact. Due to this cross cultural training has become more important. There is a variety of different training courses that are covered with the term. There are two parallel approaches to the training which are general cross cultural awareness training and culture or country specific training. Cross cultural awareness training focuses on how different cultures are shown at the workplace and it has many applications. Its main purpose is to deal with the challenges that different cultures may cause to the workplace. In this study cross cultural training refers to the other approach because the training given to the expatriates is specified to their destination. (Cross Cultural Training, 2012)

3.1 Aspects of expatriate training

As the expatriation becomes more common, the role of cross cultural training is emphasized. Training is versatile and includes many different aspects, for example *business culture, etiquette, interpersonal communication, conflict resolution and man-management*. Business culture and etiquette can vary depending on the host country of the expatriate so it is essential to familiarize oneself with the new culture. Even though these will be “learned by doing” it is beneficial to have a basic understanding about the cultural differences in business life. These will aid in communication and working more effectively in the new host country right from the beginning. If the expatriate has a family or a spouse joining him they will also receive consultation of these cultural issues. (Expatriate Cross Cultural Training, 2012)

By using cross cultural training, chances of relocations going wrong can be reduced. The importance of intercultural understanding and the potential impact of it in relocations is now realised more by employees. Cultural training helps the employee and the family to reduce 'culture shock' and other negative consequences during relocation. They can deal with the new circumstances better using the training. Essence in cross cultural training is for the expatriate to understand the culture of the relocation country and provide strategies for coping to help them when they feel vulnerable. All participants benefit from cross cultural training by emphasizing the cross cultural differences that might be faced in the new country. (Expatriate Cross Cultural Training, 2012)

Cross cultural preparation for assignments is provided by 80% of the MNEs but 57% of those MNEs have it available only for certain countries. Also the cross cultural training was mandatory only in 17% of those MNEs. Comprehensive expatriate training program could consist of *area and cultural briefings, films and books about the host country, cultural sensitivity training, role playing, critical incidents, case studies, preliminary visit to the host country and complete cross cultural training for the family.* (Högel, 2010-11)

Language training is ranked lower than cultural awareness training by Anglo-Saxon firms. Even though English might seem the business language of the world there are different perceptions. The conception about how critical language is to success varies between firms from Europe, Asia and South America. Language training is important for task performance and cultural adjustment. Also it improves the expatriates negotiating ability, access to information and effectiveness. (Högel, 2010-11)

Preliminary visits to the host country can be done as a part of the selection process and part of the pre-departure training. Suitability for the assignment can be assessed with a well planned trip. Preliminary visits also help with introduction to the host country's business context and establishing contact with possible local expatriate community. These visits can assist in the adjustment process. Even though the visits can cost a lot the cost must be weighed against the costs of premature recall or poor performance from the expatriate. Possible disadvantage

of the visit is assignment refusal after it. Majority of companies provide preliminary visits and the average duration of the visit is one week. (Högel, 2010-11)

It is vital to also help the family and spouse to adjust to the host country because it is the single most important factor for assignment success. Often needs of the spouse are disregarded and they are left on their means when it's time to move. Companies need to keep in mind that the main causes of expatriate failure are family concerns and spouse dissatisfaction. Spouses can be in the same training as the employee. Also companies can provide counseling and assistance about the dual-career issue and setting up a household at the foreign country. Of the 80% of the MNEs that offer cross cultural preparation only 55% provide it to the whole family. (Högel, 2010-11)

Repatriation program aims to prepare the expatriates for the reverse culture shock, assist the repatriate and his family in readjusting in professional and private life and prevent the repatriate from leaving MNE after the foreign assignment. Components of the repatriation program include surveying former expatriates about their repatriation experiences, making repatriation issues essential part of the pre-departure training, developing mentoring systems for the expatriates, establishing a global career path system, providing practical assistance for repatriation, establishing a "welcome back" procedure and initiating internal repatriation training program. (Högel, 2010-11)

3.2 Cultural differences

Because of globalization managers have to increasingly deal with people from different cultural backgrounds and this may impact the company's profitability. People of different nationalities may have differences in the *ways of looking things, dressing and expressing personality*. This can cause three basic kinds of problems which are *interpreting actions and comments, predicting behavior and conflicting behavior*. (Analytic Technologies)

There are many different dimensions concerning cultural differences. Some of these are *high context vs. low context, monochromic vs. polychromic, future vs. past vs. present orientation, quantity of time, power distance and individualism vs. collectivism.* (Anatylic Technologies)

A low context culture means that everything is spelled out and the emphasis is on what actually is written or said. In high context culture not everything is said directly and more value is put on subtle hints and assumptions. In this culture the people prefer to use indirect ways of communication. Examples of low context cultures are Anglos, Germanics and Scandinavians. Japanese, Arabs and French are considered as high context cultures. These differences may cause problems in business because for example the Japanese can consider Westerners rude and blunt, French can feel that their intelligence has been insulted if Germans explain everything to them and the Germans might feel that French managers don't offer enough direction. (Anatylic Technologies)

In monochromic culture only one thing is done at a time. They feel that there is a proper time and place for everything and value orderliness. In polychromic culture many different things are done at the same time. The French and the Americans tend to be polychromic and the Germans are considered monochromic. (Anatylic Technologies)

In the past-oriented cultures traditional values and ways of doing things are considered much. In these cultures management tends to be conservative and slow to change things tied to the past. China, Britain, Japan and most Spanish-speaking Latin American countries are past-oriented. Present-oriented cultures consider the past to be the past and future uncertain. They prefer short-term benefits. These cultures include the rest of the Spanish-speaking countries of Latin America. Optimism about the future is a common nominator in the future-oriented cultures. Future is seen as understood and possible to change by their actions. Management is considered a matter of planning, doing and controlling. Future-oriented cultures include The United States and Brazil. (Anatylic Technologies)

The conception about time varies between cultures. In some it is considered as a resource that is very limited and easily wasted. In other cultures time is more infinitive and plentiful. Punctuality is appreciated in cultures that consider time limited. It is considered rude to waste someone's time and time is money. In cultures that think that there is plenty of time it's not a problem to make a person wait all day and tell him to come back the next day. In these cultures business is based on trust. In the cultures that consider time limited they have to rely on other mechanisms because there is no time to build a trust. (Anatylic Technologies)

Power distance means the extent that people accept the differences in power. The way society handles inequities between people is the key in this. In cultures that have high power distance people accept hierarchy where everyone has their own place which doesn't require justification. In cultures with low power distance people require justification for the power distribution and try to equalize it. (Hofstede)

Individualistic cultures value self-determination. People who show initiative, are able to work independently or are "self-made men" are admired. In collectivist cultures people are expected to work well in and identify with groups. Loyalty and compliance is expected in exchange for group protection. Asian cultures tend to be more collectivistic and Anglo cultures lean towards individualism. (Anatylic Technologies)

3.3 The role of expatriate training

According to several studies expatriate failure is mostly caused by lack of cross-cultural competence. This is why expatriates require training about cross-cultural communication in order to overcome certain barriers. (Christopher, 2012)

Expatriate training prepares and supports the employee for the upcoming assignment. The training can reduce the culture shock and help the performance on the assignment. Training can help the performance by easing integration to future role and supplying the relevant knowledge about for example leadership, delegation, hierarchy, team-building, motivation and conflict resolution to the

expat. The reasons for the expatriate training are *reducing the rates of expatriate failure and preventing repatriates from leaving the MNE after completing their foreign assignment*. Often MNEs prioritize training of PCNs and training of HCNs and TCNs is neglected. Some MNEs do not offer their expatriates with sufficient pre-departure training and some are just starting to think about the needs of the spouse of family in their training programs. Also many of the MNEs fail to understand the problems with repatriation and the need for training about the subject. (Högel, 2010-11)

Because the most important selection criterion for most MNEs is technical ability the focus in the literature about pre-departure training is on cultural awareness. After the selection of the employee for the assignment the next critical step is pre-departure training in order to secure the success and effectiveness of the expatriate, especially if the destination country's culture is considered tough. Over the past few years MNEs have become more eager in offering pre-departure training which is partly caused by increase in providers of the training. Pre-departure training of the spouse and family has been less of a priority in MNEs previously. Pre-departure training is now expanded to concern the spouse and family in more MNEs. This is possibly because the link between family adjustment and expatriate success is recognized more. (Dowling; Welch; & Schuler, 2008, ss. 139-140)

3.4 Components of effective pre-departure training programs and effectiveness of the training

Cultural awareness training deals with for example *social customs, taboos and rules, verbal and non-verbal communication, business management structures, business protocol and etiquette and decision-making techniques*. When talking about pre-departure training it is considered country specific cultural awareness training. In order to be as effective as possible the training should include more than one dimension but all the areas included should be studied deeply. The spouse and family should be involved in the process in order to guarantee its success. (Högel, 2010-11)

It is suggested that creating positive attitudes towards foreign cultures is the key to successful cross-cultural communication in the fields of economy, politics and social culture. (Christopher, 2012)

4 EMPIRICAL STUDY

There are many different types of people who relocate to another country and many reasons behind the decision. This thesis focuses on the people moving because of request from their employer. Key reasons for this are *filling a position*, *developing management* and *developing organization*. The aim of this research is to find out how expatriation and cross cultural training are implemented in practice. Also, another aim is to find out what effects the pre-departure training has and how it could be improved according to expatriates. In this study the respondents are employees who have been working as expatriates. Therefore, this study does not explore the staffing approaches or assignment refusals.

This study tries to answer questions about why companies use expatriates and what kind of training they and their families received prior to departure in order to succeed in their assignment. It is important to know how the expatriates react to the expatriation process and how they think it works. Expatriation is a good way to gain experience and answer the needs of international operations but it is very expensive to the company.

Expatriation is becoming more common all the time and companies need to focus on improving the process in order to get all possible benefits from their investment. The reasons for the expatriate training are reducing the rates of expatriate failure and preventing repatriates from leaving the MNE after completing their foreign assignment. Because not all companies see cross cultural training as useful this study will tell if the expatriates received any training before their assignment. This thesis will also answer questions about what the training should be like. Therefore this study will study if the training has been useful and how it has affected to the result of the assignment.

4.1 Method of the research

For the method of the research qualitative approach was selected. This is partly because all the international assignments are different depending on, for example, duration, destination, job description and family situation. Because this study is

about people and the subject is quite personal and subjective there would have to be an enormous sample group in order to gain valid results using quantitative method.

I started this study by looking at the theoretical study aspects of the research area. After that I compiled a questionnaire that I sent out to viable respondents. Because this research is based on qualitative method the questionnaire had open questions. As I have only studied the employees that have been expatriates so the issues behind assignment refusal or the selection methods are not a part of this empirical study.

As I received answers for the questionnaire I noticed that everyone had very different experiences concerning their time as expatriate but all of the respondents consider expatriation a good practice. All of the respondents and their companions seemed to enjoy their time on international assignments.

4.2 The respondents

I decided not to include names or the companies the respondents are working for because the respondents wished to stay anonymous and the names are not relevant to this research. The sample group is very versatile. All of the expatriates had different destinations and had somewhat different job descriptions. None of them were going alone; some went with their families, some only with a spouse or a partner and one person was there as a part of a work group. All of the respondents were parent country nationals. The expatriates considered expatriation a good thing in terms of their gained experience and they and their families mostly enjoyed the expat life.

From my sample group four out of five were successful. Some of the assignments were even extended due to the good results received from the assignment. All of the respondents were expatriates going to fill an expert need in the company's international operations.

I have received five answers and the profiles of the respondents are:

- Male accompanied by his girlfriend to Senegal as a controller.
- Male accompanied by his family to Switzerland as an engineer.
- Male accompanied by his family to USA as a manager.
- Male as a part of a work group to Russia.
- Woman accompanied by her family to Germany as a head of supply chain management

All of the respondents work for Finnish MNEs and have been a part of the company's international operations extensively. They have been recruited for the assignment internally. The respondents are still working in the same companies as they did during their assignment. The respondents were eager to share their experiences and even though there were difficulties during the assignment the expatriates liked the process.

4.3 Experiences of the respondents

According to several studies expatriate failure is mostly caused by lack of cross-cultural competence. Even though the assignment is successful there can be obstacles on the way. Because the expatriates are highly trained and qualified to the tasks they are able to overcome many obstacles but the assignment might not be as efficient as possible. Despite success or failure all of the respondents had some problems. Most of those problems were linked with the cultural differences and the way the country works. These problems could have been reduced by more training about the cultural factors of the destination.

As stated in the theoretical framework MNEs are just realizing the importance of cross cultural training especially for cultures that have many similarities to our culture. If there is training the emphasis is put on the language training and other aspects are not considered as important. Because of this only the expatriate who relocated to Africa received any pre-departure training. He and his girlfriend received basic information of the issues that need to be taken care of beforehand, during and after the assignment. There was also a possibility for more training of the local culture in a form of a lecture from a Senegalese man but they were unable to attend. There was no in-country training available for the expatriate.

Despite this the expatriate had nothing that he would have wished to know beforehand. Of course, there were some issues because of cultural differences mostly because he feels that people from North Europe see work as more important than Africans. Because of this the working culture in Senegal was different from Finland and sometimes challenging.

The most common expatriates in Europe are the ones who relocate to another European country. Possibly because of this the training is not considered important and the cultures are considered similar even though most of them are not. Also, expatriates relocating to the US are not considered in the training presumably because the company sees that the language is not as big of an issue there and the country is similar to ours. However the company fails to see that for example the regulations can vary considerably. Also the general atmosphere and the social cultures of two countries can be quite different. Especially in the USA the laws are quite different from the Finnish ones because of their use of the common law system.

The expatriate who relocated from Finland to Switzerland would have wanted to receive training about the working terms and regulations including the tax system for expatriates. Especially the tax system is important to know because that affects the expatriate very much. Without this information he cannot know about his pay and if he should pay the taxes himself or are they automatically paid. Even though we have similar systems with the Swiss there are regulations people need to know about before going to work there.

Also, the expatriate who was relocated to Russia would have wanted to receive training about the way of working in Russia. That is an area that companies do not consider enough in their training. Even though Finnish people are usually good at following the rules they are not able to do so if they do not know what the rules are. Because culture affects so many aspects in life it cannot be learned easily but some general knowledge always helps. The expatriate needs to adapt himself to the new culture and that is not possible without knowing the way of working and other related issues.

Two of the expatriates would have liked to receive training about the cultural issues and behaving in business. There are always issues about the behavior in different cultures. There are some subjects that should not be discussed in certain cultures and gestures that have different meaning and emotional charge depending on culture. One example of this can be that, for example, in Finnish and German culture business is very direct but if they do business with for example the Vietnamese they need to keep in mind that the Vietnamese people do not want to say no and try to get around it as much as possible. Also, they do not want to separate business with personal life so the business partner needs to be their friend first.

There was also a need for extensive language training. It is true that most of the people working in international business, at least in Finland, are fluent in English because that is widely recognized as the language of business. But despite this English is usually not enough if the expatriate is not relocating to an English speaking country and the business tasks go more smoothly if the expatriate speaks the local language. The person who was relocated to Russia received short language training but that is not nearly efficient enough in order to do business in Russia. Their assignment was unsuccessful somewhat due to cultural difficulties. They had a lot of difficulties with working in Russia because of cultural issues and that the partner there did not give correct information and did not follow the schedule that was promised. Some of this can be seen as the way of working in Russia. Finnish people rely on the schedules given and that the information received is correct but that is not the case in some other countries. In many cultures the schedules, especially if they are not in the contract, given are just indicative and can be delayed quite a lot.

Due to assignment failure a part of the project group in Russia were sent home early. The operation was expensive to the company and they should have invested in more training to help the project team to succeed. Even though the company saved money by not giving training they lost more because of assignment failure.

The expatriate who relocated to Germany had a good starting point because her extensive knowledge of the German culture. She had been working with Germans

and travelled a lot in Germany before her expatriation. Also, she felt that the German culture is not too different from the Finnish one, so culture shock was not even expected. She got very good support from relocation services and a tax consultant. In addition the internal German HR covered the required preparations well. She reported that she did not face any difficulties. She had a very good relocation service which helped with all the arrangements and gave useful tips for getting started and how to exit the country at the end of the contract. The taxation consultant helped them with tax return. Even though she did not receive any cross cultural training she did not feel that it would have been necessary due to previous knowledge of the culture of the destination.

The assignment in Germany was very successful and a lot was achieved with it. During the assignment the expatriate was able to build networks and learn more about the German culture. She and her family also had many positive experiences in private life. The experiences were about new friends and new places.

Also the repatriate process was an issue for some of the expatriates. Expatriates are an expensive investment to a company but even though the assignment is successful the expatriate is often not told what to do upon repatriation. When an expatriate returns they are sometimes told nothing about what happens next. They do not know if they should re-apply for the job, who to contact, what position are they coming back to or what they are supposed to do. Many expats contact their old colleagues in advance but organizations have changed and people have changed jobs so the return remains unclear to the expatriate and it can take months before the expatriate knows what to do when they have returned. This uncertainty can cause the repatriate to leave the company, which is very expensive for the company.

The parent company does not always take into consideration the experience the expatriate has gained during an international assignment. If the repatriate feels unappreciated he might decide to leave the company which is very expensive for the company. If the company has spent a lot of money on sending expatriates to their international operations it would be wise to protect their investment.

Companies do not necessarily appreciate the increased skills and experience of the expatriate.

4.4 Cultural differences between Finland and the destinations

According to *Geert Hofstede's* model there are five dimensions that we can compare cultures on. These dimensions are power distance, individualism, masculinity/femininity, uncertainty avoidance and long term orientation. (Hofstede)

4.4.1 Finland versus Senegal

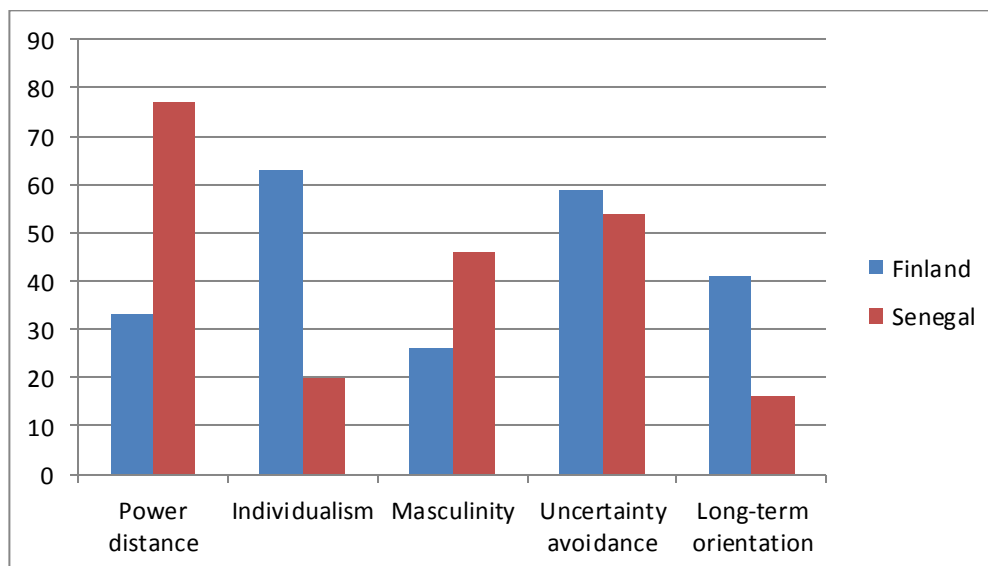


Table 3. Hofstede 5 dimensions model: Finland vs. Senegal

As seen from Table 3 (Hofstede) Finnish culture is quite different from the Senegalese culture. The only similar dimension is the uncertainty avoidance. The expatriate in Senegal experienced difficulties with the culture and it is not surprising after looking at this table.

4.4.2 Finland versus Switzerland

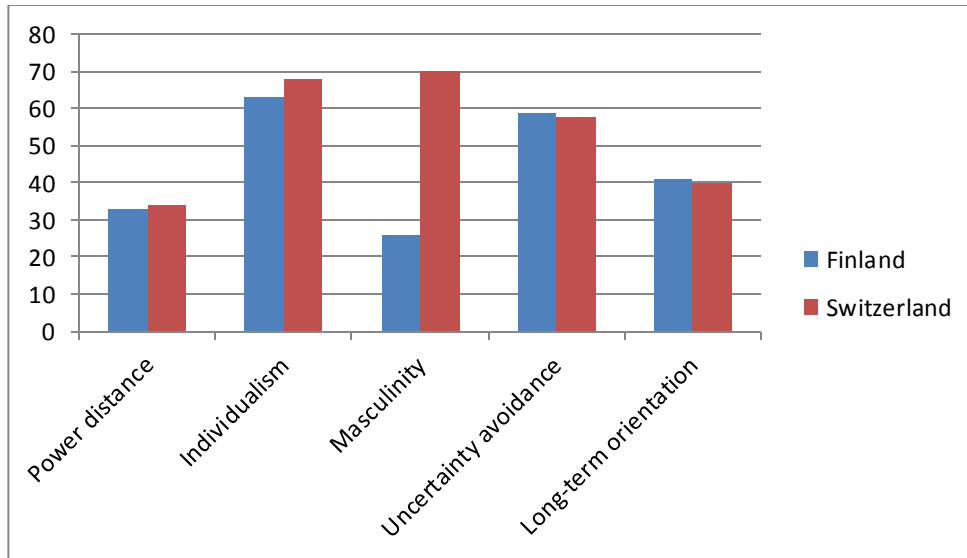


Table 4. Hofstede 5 dimensions model: Finland vs. Switzerland

From Table 4 (Hofstede) we can see that Finland is extremely similar to Switzerland in terms of culture. The only dimension with a big difference is the masculinity. The Swiss culture is much more masculine than the Finnish culture. The expatriate in Switzerland experienced difficulties mostly with legislation and taxation. These are issues that do not concern the issues in Table 4.

4.4.3 Finland versus USA

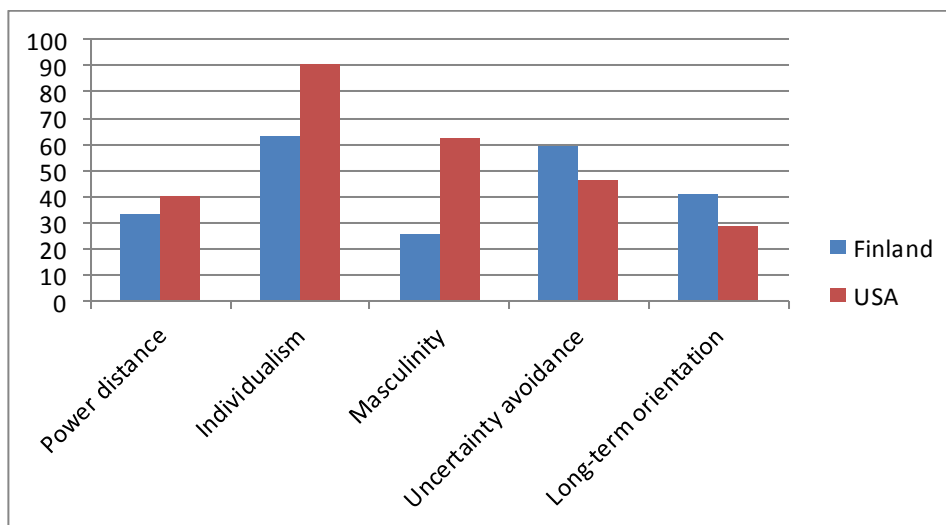


Table 5. Hofstede 5 dimensions model: Finland vs. USA

Table 5 (Hofstede) shows us that also the culture in the United States is similar to the Finnish culture. In USA individualism and masculinity are much stronger than in Finland. The expatriate in USA experienced repatriation as the biggest problem and did not have many cultural difficulties.

4.4.4 Finland versus Russia

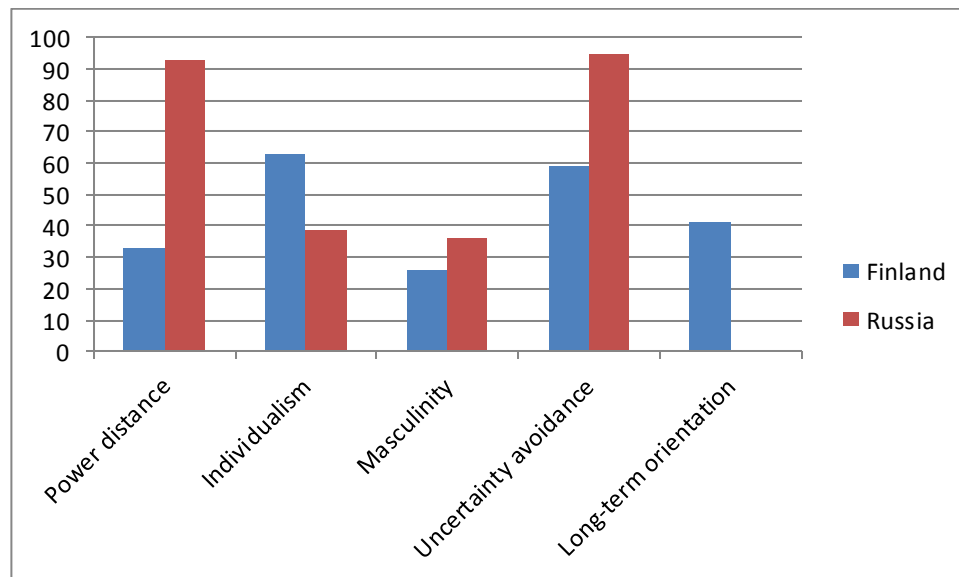


Table 6. Hofstede 5 dimensions model: Finland vs. Russia

Russian culture is very different from the Finnish one according to Table 6 (Hofstede). In Russia the power distance and uncertainty avoidance are very high compared to Finland. Also, in Russia people are not long-term oriented and individualism is lower. This can explain the schedule difficulties the expatriate who relocated to Russia had. Because Russians are not long-term oriented and it is very difficult for them to keep schedules.

4.4.5 Finland versus Germany

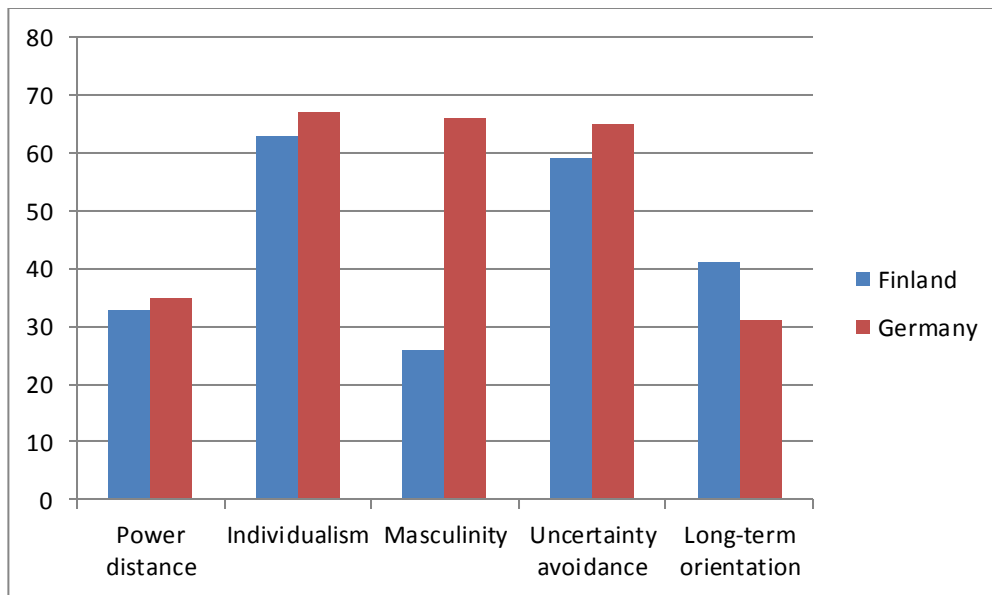


Table 7. Hofstede 5 dimensions model: Finland vs. Germany

Table 7 (Hofstede) shows many similarities to table 4. As seen here the cultures in Finland and Germany are similar in all other dimensions except masculinity. Similarly to the Swiss culture the masculinity of the culture is much stronger than in the Finnish culture. As the expatriate who relocated to Germany reported the cultures are very similar.

5 CONCLUSIONS AND SUGGESTIONS

Even though the sample group was not very large the answers were revealing. From the answers I have concluded that the theoretical framework corresponds to the empirical study. The biggest issues with expatriation seemed to be cultural issues and the neglecting of the repatriation process. With these respondents the family issues did not rise up and all the families reportedly enjoyed the expatriate life. It would seem that these companies have not neglected the needs of the families of the expatriates and avoided a big pitfall with their actions. This is very good for the companies because according to GRTS 2012 60% of the expatriates are married and 81% of them were accompanied by the spouse or partner. Also 17% of failures in assignments were caused by spouses or partners career and 11% by other family concerns. Family is good to include to the culture training because they experience the culture shock more strongly than the person who is working.

According to GRTS Survey 2012 89% of the people going on international assignments are recruited internally from within the sending companies. In the sample group all of the respondents have been recruited internally. This means that before the international assignment they were already working for the company who sent them on the assignment. All of them are also still working in the same companies as they did during the assignment.

In some cases the training is not done so the company can save money. Companies do not realize that they lose more money if the assignment fails and they do not get the gain they are counting on. For example, if there is a building that needs to be built a company can do competitive bidding and choose the most affordable one. However, if there is no skill involved they need to bring the experts after that to do it again. Similarly, without proper resources like information about the business culture the assignment can be difficult to complete correctly.

A lot of the companies continue to ignore the training the expatriates need in order to succeed. They understand the need for training better for a culture that is

completely different from our own. MNEs fail to realize that they need to give training about the ways of working, rules and regulations and other practical issues that differ between even similar cultures. The expatriates should be familiar with social customs, taboos and rules, verbal and non-verbal communication, business management structures, business protocol and etiquette and decision-making techniques of the destination. These differences are not so easy to see even if the person knows about the culture, and the expatriates do not necessarily know about the differences beforehand. These differences are important to the work and cannot be overlooked. If these are not known beforehand the risk of assignment failure increases. The expatriates might accidentally do something that is against the law or regulations of the country and it can cost a lot to correct the problem.

The company gave training about the basic things that need to be taken care of upon relocation to the expatriate who went to Senegal. This is good because for an expatriate the move can be problematic. Also, finding accommodation and integrating to the society are challenges. According to HSBC Expat Explorer Survey 2008 the most common problems faced by expatriates are learning the local language, finding accommodation, making new friends, sorting out finances and healthcare and finding schools for the children.

The expatriate who relocated to Germany did not face any problems. She did not face any problems because she was very familiar with the German culture. Also, she had visited the country many times. This shows how important the cross cultural training is. In this case the training was not offered but there was extensive previous knowledge of the culture. The previous knowledge was important even though she considered the cultures very similar. If there would not have been previous knowledge she would have been in a similar position as the other expatriates without training.

It helped a lot that the company had competent people helping them in relocation issues and taxation issues. These were issues that some of the other expatriates in this study would have wanted help with also. Especially the taxation system differs between countries and it is an issue that cannot be learned unless

knowledge about the taxation is necessary, for example when working in that country.

Even though expatriates are expensive to the company companies do not invest enough in repatriation. The companies need to understand that it is not easy to come back from the international assignment, especially if the repatriate has to worry about his position in the company. As stated in the theoretical framework the GRTS 2012 report tells us that 13% of the repatriates leave the company. Of those 13% who leave 22% leave during the assignment, 24% within one year of return, 26% from one to two years of return and 28% after two years of the return. If the expat leaves the company after repatriation the losses might include financial capital, human capital and skills, knowledge and experience.

Companies seem like they do not value the experience and skills the expatriates gain on the international assignments. Even though they invest a lot of money and other resources into international assignments they do not see the whole value of the employee. This can cause the expatriate to go work to another company that appreciates him and his experience more.

5.1 Quantitative method versus qualitative method

The quantitative method at study has been used for a long time. It means that the data is collected in standardized form from a group of people. Typical elements are that there is a sample group and the data is collected in a structured form, for example, by using a questionnaire or structured interviews. Based on the collected data the phenomenon is attempted to be explained, compared or described. (Hirsjärvi;Remes;& Sajavaara, 2004)

The qualitative method is a newer method in research. It has been referred to as field-work and participant observation. It is conducted by collecting detailed and intensive data from an isolated case or a small group of related cases. Typical elements are choosing an individual case or situation targeted to an individual, group or community. The objects of interests are usually processes and the

individual case is studied in correspondence with its environment. This method usually focuses on describing phenomena. (Hirsjärvi;Remes;& Sajavaara, 2004)

Both of these methods are seen as complementing each other and are hard to separate. For example qualitative research can be used as a preliminary test for quantitative method in order to see if the issues mentioned are relevant to the research. (Hirsjärvi;Remes;& Sajavaara, 2004)

5.2 Reliability and validity

Reliability of a research means the repeatability of the results, in other words the ability of the research to give non-randomized results. Reliability can be found in several ways. For example, if two researchers arrive at the same conclusions the research can be considered reliable. Different statistical methods have been developed in quantitative researches in order to determine credibility of the indicators. (Hirsjärvi;Remes;& Sajavaara, 2004)

Validity of the research means the indicators or research methods ability to measure the intended matter. Indicators and methods are not always in correspondence with the reality that the researcher wishes to research. For example, the respondents to a questionnaire may have understood the questions in a different way as the researcher. In this case, if the researcher analyzes the results according to his initial thoughts the results cannot be considered real and valid. (Hirsjärvi;Remes;& Sajavaara, 2004)

5.2.1 Reliability and validity of my research

The theoretical framework is based on previous studies and they have similar conclusions. Because the results of the study corresponded with the theoretical framework I consider the results reliable.

Validity of the research is more difficult. I do not think there were any misunderstandings with the questionnaire. Also, the fact that the empirical study was so well in correspondence with the theoretical study enhances my opinion that this study is also valid.

5.3 Suggestions to the companies

Companies whose employees were a part of this study are showing good example in considering the expatriates' family. They took care of the needs of the families and by doing that they furthered the assignment success. All companies need to keep this in mind in order to have successful international operations. Involvement of the children and spouse in the training process is recommendable because they are moving too and can cause many problems if they are not satisfied. Also, the company needs to include the family to the cross cultural training process because their culture shock can be more intense.

It is not easy to do things correctly when some resources are missing. Companies need to calculate the overall expenses and not just focus on the one expense because saving in one area can lead to costing a lot more. Companies can benefit from the investment to expatriates more if they invest in training. Training can help the performance by easing integration to future role and supplying the relevant knowledge about, for example, leadership, delegation, hierarchy, team-building, motivation and conflict resolution to the expat. With this help expatriates can complete their assignment more efficiently and the company saves money. It is also important to remember that in many cases the expatriate is going on the assignment as manager so he needs to be able to train people. The expatriate needs to be trained for the trainer role.

Before companies can operate in another country they need to investigate the country and the market. Also, they need to know about the laws and regulations of the certain country in order to operate there. If the companies have done this they should know enough about the regulations that they would be able to train their expatriate on the subject as well. Companies should take full benefit of their knowledge and pass their information on to their expatriates. Knowing the regulations also gives confidence to the employee and he can benefit from the knowledge in other areas too.

Integration to a new culture is not easy and companies need to give the employees more information and training in order to achieve that. Many of the international

assignments fail because of dissatisfaction and unhappiness in the host country. Companies should do all they can to educate the expatriates about the aspects of the culture to ease the integration to the new culture and reduce culture shock. Creating positive attitudes towards foreign cultures can help in cross-cultural communication in the fields of economy, politics and social culture. Preliminary visits to the destination can help enormously with the integration.

Companies could put together some kind of “startup package” which includes information about the destination, for example, health care, housing, taxation, local habits, banking and transportation. Also, the company could assign someone from the local company to help the expatriate by giving him, for example, guidance, information about the people and the way things work there. People sometimes underestimate the importance of the simple things, such as, finding the grocery store.

If companies send expatriates to the same countries several times or very similar cultures they could make use of their previous expatriates. They could try to get the previous expatriate meet the future expatriate so the previous expatriate could tell the future one about the cultural issues. Also, he could tell about other important factors that would make the relocation easier. This could also be possible if there are some expatriates on an assignment when the new expatriate goes there. Because the person is going to the same place and working for the same company they probably will have similar experiences and hearing about those can be extremely helpful.

Language training is also very useful. This is the aspect of the cross cultural training the companies most commonly offer. Language is vital for survival in the new country and companies need to remember that even in Europe there are many different languages and not everyone speaks English or want to speak it. If the company has a possibility to give language training they should give it as much as possible.

If possible in the bigger companies they could offer language training in languages that are widely used, for example Spanish, to their employees that

might be future expatriates or take business trips to countries with that language. For example, Wärtsilä offers some language courses to its employees. If an expatriate has worked in a country and learned the language well he can be a language node upon repatriation.

If the company really does not want to offer any training they can consider people who have extensively been in contact with that particular culture. This way the culture is already familiar and the need for culture training is reduced. Also, the company can have people working in the company in the host country that can help the expatriate with the practical issues like taxation and regulations.

The repatriation process is important to the company so they would be able to keep the international experience they have invested in. The companies can improve their repatriation process by making repatriation issues an essential part of the pre-departure training, developing mentoring systems for the expatriates, establishing a global career path system, providing practical assistance for repatriation, establishing a “welcome back” procedure and initiating internal repatriation training program.

Because repatriation is a huge issue for the expatriates the HR department in the company could contact the expatriate three to four months (in long-term assignments) prior to repatriation and go through the possibilities the expatriate has when he returns. They could also make the paperwork ready to ensure a smooth transition back. This would give the expatriate reassurance and comfort at return. It is important because the repatriate has a lot of other things to think about instead of investing his time in looking for a position and future career.

Companies need to appreciate their employees' experiences more. Companies can give more responsibility of their international operations to their repatriates. Especially when the country is the same where the repatriate stayed he can be very useful in operations there. Because the repatriate has been a part of the international operations he can be considered as an expert in some cases. The existence and depth of the cultural differences is quite clear to the repatriates because they have lived it and, therefore, possibly take them into consideration

better. Companies should take full advantage of their investment and give the repatriates the responsibility they need and deserve. The repatriate should not feel unappreciated because that may cause the repatriate to leave the company. If the repatriate leaves the company the whole investment is lost and resources are wasted in vain.

The expatriate can also keep in mind that he can also do things to make the relocation easier. He can find information about the destination himself. There is a lot of information on the Internet and in books. Of course, there is information that is not so easy to get but the expatriate can try to find as much information as possible. By doing this the expatriate gets to the right mindset in terms of relocating and can feel that he is as prepared as possible. Exact information about expatriation is available more because expatriation is so common today.

5.4 Further research

Further research about this subject could be country specific. It would be more specific and cover, for example, security issues, specific habits, taboos, business etiquette and social etiquette. To ease expatriates' everyday life the study should also include, for example, the taxation system and standard of living. If the study is country specific companies could also use it in their training when relocating people to that country.

Research could also be company specific. That would benefit the certain company improve their process and take full advantage of their resources. The expatriation process is somewhat different in every company and the best results for a company are probably achieved by studying only that particular company.

Also, if companies start giving more cross cultural training the difference in assignment success could be studied. The situation with expatriation is good but it would be beneficial to know how much the training helps. It could benefit the companies that might not have cross cultural training to see a study about the benefits and concrete difference in numbers and other areas.

Another area that could be studied is the repatriation process. According to the GRTS 2012 survey and my own study companies do not invest in repatriation enough. There could be a study about how different companies handle repatriation and how it could be improved. Also it would be possible to do the same thing as with the training which is studying the difference between the present process and the improved process.

5.5 Concluding words about the research

For this thesis I found a lot of material and it was quite difficult to decide what to include. I learned more about expatriation and cross cultural training when reading about the subjects. I think there will be more research about expatriation and cross cultural training because these areas are growing all the time and companies are becoming more interested in them.

6 REFERENCES

Books

Dowling, P., Festing, M. & Engle, A. 2008. International Human Resource Management. London. Cengage Learning EMEA.

Christopher, E. 2012. Communication across Cultures. Hampshire. Palgrave Macmillan.

Hirsjärvi, S., Remes, P. & Sajavaara, P. 2004. Tutki ja kirjota. Jyväskylä. Tekijät ja Kirjayhtymä Oy.

Electronic publications

Global Relocation Trends Survey Report (GRTS), 2012: <http://espritgloballearning.com/wp-content/uploads/2011/03/2012-Brookfield-Global-Relocations-Trends-Survey.pdf> Accessed 25.10.2012

Common, Richard. 2010. International Human Resource Management: <http://www.cefims.ac.uk/documents/sample-113.pdf> Accessed 10.09.2012

Cross Cultural Training, 2012: <http://www.kwintessential.co.uk/cross-cultural/training.html> Accessed 23.10.2012

Expatriate Cross Cultural Training, 2004: <http://www.kwintessential.co.uk/cultural-services/articles/expat-cultural-training.html> Accessed 23.10.2012

Differences in Culture: <http://www.analytictech.com/mb021/cultural.htm> Accessed: 29.10.2012

Hofstede, Geert. National Culture Dimension: <http://geert-hofstede.com/dimensions.html> Accessed 29.10.2012

InterNations. Expatriation: <http://www.internations.org/magazine/6-expatriation> Accessed 23.10.2012

InterNations. What's an expat anyway?: <http://www.internations.org/magazine/what-s-an-expat-anyway-15272> Accessed 23.10.2012

Cuizon, Gwendolyn. Expatriates in International Assignments, 2009: <http://suite101.com/article/expatriates-in-international-assignments-a94403> Accessed 29.10.2012

Ashcroft, Bryony. Increase in "global nomads" puts pressure on expat benefit packages. 2012: <http://adaptingabroad.com/news/employee-management/increase-in-global-nomads-puts-pressure-on-expat-benefit-packages> Accessed 29.10.2012

Aon's Terrorism Threat Map, 2012, <http://www.emergency-response-planning.com/news/bid/53179/INFOGRAPHIC-Terrorism-Political-Violence-Map> Accessed 25.10.2012

Just Landed. What are the biggest problems for expatriates?: <http://www.justlanded.com/english/Common/Footer/Expatriates/What-are-the-biggest-problems-for-expatriates> Accessed 29.10.2012

Hofstede, Geert. National Culture: Countries: <http://geert-hofstede.com/countries.html> Accessed 03.12.2012

Other sources

Professor Dr. jur. Dietmar Högel, Wintersemester 2010-11: Lecture material for Introduction to IHRM, Hochschule Heilbronn

Respondents answers to the expatriate questionnaire

QUESTIONNAIRE TO EXPATRIATES

1. Where were you as an expatriate?
2. What was your job description?
3. Did you go alone, with your spouse/partner or family?
4. Was your assignment successful? Why?
5. What difficulties did you face? Why?
6. Did you receive training about the culture of your destination beforehand?
7. If yes, what kind of training did you receive?
8. Was the training useful?
9. Was there something you wish you would have known beforehand but weren't told? If yes, what?