

INTERNATIONALIZING COMPANIES

HOW TO MANAGE
EXPATRIATES?**SANDALIO GÓMEZ**

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Expatriation is a necessary element in the process of growing business at an international level in an increasingly globalized economy. In the current crisis, it has become an absolute necessity in order for businesses to survive, while at the same time it has become the means for preparing the professional team to cope with an increasingly competitive and global environment.

EXPATRIATION • LEADERSHIP AND PEOPLE
MANAGEMENT • INTERNATIONALIZATION

A few years ago, companies saw internationalization as a challenge for the future. Now, for many companies, it has become the only possibility for growth and for others, the only option for survival. The internationalization of the economy triggered expatriation, obliging professionals to change their location with varying degrees of frequency. In some cases this involves travelling rather than moving house (displacement) but in others it involves living abroad for a long period of time (expatriates).

Ten years ago, expatriation was inextricably linked with business expansion, but now it has become a key process in guaranteeing the company's survival and, at the same time, for retaining and developing the organization's staff. As it facilitates the communication of the company's thinking and corporate culture to other countries it becomes an excellent means of personal and professional development.

The process of expatriation demands professional management in order to take advantage of all the possibilities and achieve objectives. The company should be aware that it's managing a phase that affects people's professional, personal and family circumstances and, as a consequence, should give the necessary time and attention to each phase of the process: the initial selection of staff, the content of the professional and financial offer, planning and

monitoring of the process, an analysis of the eventual results and the difficulties of finding a new role for the repatriated employee afterwards.

Companies that have spent years in mobility processes have been forced to define an expatriation policy that sets out a common framework, although only 76 percent of them have created an actual manual. One key piece of data is that six out of 10 companies have no specific indicators for assessing their success, which prevents them from making the most of expatriations and improving them in the future. These are the tasks yet to be undertaken by some multinational companies, according to the joint study "Expatriation Policies in the Current Economic Context," carried out by IESE and Ernst & Young.

It's the third such report on the topic of expatriation and the first that has focused on the company's perspective and the development of expatriation policies in recent years. The two previous reports looked at the issue from the expatriated employee's point of view.

The aim of the study was to understand how they plan their expatriation processes and the challenges they have had to overcome, especially since the start of the current economic crisis. (Diagram 1)

CHOOSING THE CANDIDATE

● The expatriation process begins with choosing the individual most suited to the proposed business project. Candidates may present themselves voluntarily, having found out about the vacancy through the



Intranet, for example, or they may be selected by management. Most companies keep all avenues open in order to find the candidate best suited to the job.

When choosing a candidate the main criteria that the company bears in mind are: professional performance and career, potential and talent, and flexibility and technical

knowledge. Meanwhile the criteria that employees use when deciding to accept an offer have changed over time and with the economic crisis.

Financial incentives have given way to a wider range of motivations, such as the learning experience involved in moving abroad, and enthusiasm for the project, although sometimes the main reason for accepting

DIMENSIONS OF THE EXPATRIATION PROCESS

- * **Business:** defines the aims of the company.
- * **Financial:** takes into account the total cost of the expatriation from the point of view of the company, and, from the point of view of the employee, looks at the overall remuneration in real terms, once the costs of moving are considered.
- * **Professional:** opens the doors to new possibilities in the development of the employee, and the potential for internal promotion.
- * **Family:** becomes a support mechanism to achieve balance and stability in the life of the employee. This is fundamental for the success of the project.

Diagram 1.

the offer is in order to keep their job. Family issues are a significant factor in rejecting the offer, particularly in the matter of the partner's job and the children's education.

However, companies look for the best candidates among their staff without bearing in mind their personal or family situation, although they admit that family issues are a determining factor in accepting the offer and even in the success of the project. The reality is that it is increasingly the case that the partner is working and cannot, or does not want to, interrupt their professional career nor reduce their income. In order to solve this problem, some companies offer the partner a job in the same destination. In France, for example, they have created a business platform with the aim of facilitating international mobility in which companies commit themselves to holding open the partner's job during the expatriate's stay abroad.

But aside from the above factors, in many cases expatriation is the only way for the company to survive the current economic crisis. The current context makes it easier to find candidates as there are more people willing to accept an international assignment and take on new professional challenges abroad.

BEYOND FINANCIAL INCENTIVES

- Once a candidate has been selected, the next task is to draw up an offer that covers all forms of financial compensation as well as the benefits associated with the expatriation of the individual and their family. The financial package will depend on the circumstances of the country of destination, the standard of living, the ease of finding decent education facilities for children and the personal security situation. In some countries, as well as offering the employee a vehicle, it is essential to employ a chauffeur for security reasons.

Medical insurance, help in renting or buying a home, annual trips home for the expatriate and their family and help in finding and paying for their children's schooling are

the most common extras offered by companies.

It is important also to be clear about the legal dimension, residency in the country and the regulation of the new contract (if there is one), as well as dealing with tax issues, social security and the norms associated with pensions in their country of origin and in the country of destination in order to avoid problems that are difficult to solve *a posteriori*. Each country has its own peculiarities in this respect and in order to avoid unnecessary risks they should be well understood before launching oneself on an adventure.

A few years ago, the financial package was generally the most important incentive to get someone to agree to expatriation. Now, however, the main motivation isn't to get rich. Although some companies still use salary as the main stimulus, 50 percent say that compensation only varies if the expatriation involves a job with greater responsibility than that held at the current office or if the cost of living is significantly higher in the destination country than it is at home. That is to say, salary is more closely linked to the content and responsibility of the function required within the company's normal criteria than to the expatriation itself.

The benefits packages are no longer so generous and are reserved for those people who are moving to strategic executive posts. For the rest, good, but more modest, conditions are offered in order to reduce costs and thanks to the recognition that a large part of the compensation comes from the professional development gained through international experience.

MONITORING AND ASSESSING THE PROCESS

- To varying extents, all companies monitor the expatriate process through formal mechanisms such as an assessment of performance and salary reviews, and also through the usual channels such as phone calls, emails, visits to the country by people from the head of-

fice and meetings in the country of origin, taking advantage of the expatriate's annual trips home.

However, in spite of having monitoring mechanisms, only half of the companies say they maintain frequent and fluid communication with the expatriates. Supervision is usually focused on professional development, but pays little attention to personal and family aspects, something that emerged in earlier studies and is seen in a negative light by the expatriates. In this fundamental aspect of the process, companies recognize that there is much room for improvement.

More than half of the companies admit that they don't have adequate indicators in order to measure the complete results, indicating that here there is also room for improvement for future expatriations. However, when the expatriate comes home they talk to their colleagues about both the good and bad aspects of their experience abroad. This contributes to favourable and unfavourable attitudes within the company towards expatriation and its reality in practice, something that can influence the future expatriation process. The accounts given by expatriates and repatriates have a decisive influence on future candidates.

REPATRIATION

● Expatriation ends when the managers returns to their country of origin. This is the most complex phase for both the company and for the displaced employee. In a fast-changing situation, companies don't have much time to deal with their commitment to the conditions on the employee's return. In fact, only 14 percent of companies wait for the expatriate to return before defining their new responsibilities and the vast majority usually agree terms six months before they return. This presents a significant problem: the ability to take advantage of the knowledge and experience acquired by the individual. The company risks losing a good member of staff if on their return they're not offered what they feel is a suitable position.

The current process of globalization makes it easier to find different solutions to this problem and it is increasingly frequent that, at the end of a period of expatriation, the expatriate is offered the possibility of a new business adventure in a different country. In fact, we are beginning to see the creation of a "diplomatic corps" of professionals who have to be prepared to move from one country to another, thus removing from companies the responsibility of finding them a job at headquarters.

Companies and expatriates do not agree about the degree of success of international assignments. If success is measured by whether the expatriate completes or extends their stay abroad it could be said that nine out of 10 are a success from the companies' point of view, given that only 5 percent of expatriates don't complete the agreed period and 41 percent choose to extend it. However, 33 percent of expatriates say that they didn't finish the agreed term, while 17 percent say that they changed companies on their return, something that, according to the companies, only occurs in 5 percent of cases.

Without doubt, the planning and monitoring of the expatriation process, along with fluid communication between both parties, is key not only to ensure the success of the international assignment, but also for making the most of the process. On the one hand, one should not forget that, as we said at the beginning, in the present climate mobility is not only necessary to grow the business but has a strategic role in ensuring the survival of the company and preparing it for an increasingly competitive global environment.

On the other hand, the expatriation process is undergoing continual evolution in order to adapt itself to the requirements of multinational companies, to the global economic situation and technological advances that force companies to be open to new outlooks and possibilities, some of which have been pointed out in this article.

THE MANAGERS RETURN TO THEIR COUNTRY OF ORIGIN IS A COMPLEX PHASE FOR BOTH THE INDIVIDUAL AND THE COMPANY