ON INTERNATIONAL ASSIGNMENT: IS EXPATRIATION THE ONLY WAY TO GO?

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Abstract

This research explored variations to traditional international assignment. Interviews with expert informants and a survey of 43 human resource managers investigated whether or not four categories of international assignment identified in a recent European survey are occurring in Australian-based multinational enterprises (MNEs). The findings presented are illuminating, but not generalisable. It seems that within this group, a portfolio of international assignment options, in addition to expatriation, is increasingly being offered and undertaken in the Australian respondents to this study. Implications these variations present for international assignment management are presented as an agenda for future research.

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INTRODUCTION

Expatriation has played a key role in filling staffing vacancies, and management and organisational development within MNEs. Despite periodic calls by academics and practitioners for reduced expatriation levels, recent evidence suggests expatriation levels in Asian, European and North American MNEs are increasing (Brewster and Harris, 1999; Dowling, Welch and Schuler, 1999). Further evidence suggests that human resource managers in MNEs may be seeking alternatives to traditional patterns of expatriation, including varying the nature and duration of international assignments, in preference to abandoning it (Roberts, Kossek and Ozeki, 1998).

A study conducted by the Centre for Research into the Management of Expatriation (CReME) at Cranfield University, identified four types of international assignments in British MNEs operating in Europe. These types are: ‘long-term’ or ‘expatriate assignment’, ‘short-term assignment’, ‘international-commuter’, and ‘frequent-flyer’ assignments. For the study, long-term assignments were defined as when the employee and family move to the host country for a specified period of time, usually over one year, also known as an expatriate assignment. Short-term assignments were defined as those with a specified duration, usually less than one year, and on which the family may accompany employee. International-commuter assignments were defined as ones where the employee commutes from home country to a place of work in another country, usually on a weekly or bi-weekly basis, while the family remains at home. Frequent-flyer assignments were defined as those when the employee undertakes frequent international business trips but does not relocate.

Some differences between the European research and the Australian context are evident. The small geographic distances between locations and regionalisation within Europe facilitate innovations such as commuter and frequent-flyer assignments. Such innovations are more challenging for Australian firms, given that the distances between Australia and other countries are considerable.

However, some similarities exist between the European and the Australian contexts. Australian-based MNEs are also involved in regionalisation. Also, imperatives such as a shortage of willing candidates for expatriation are being reported by relocation consultants and international human resource management (IHRM) staff in MNEs to be influencing the international assignment type.

Although a recent survey of non-standard international assignments, those that do not fit the dominant definition of expatriate assignments, conducted by PricewaterhouseCoopers included both Australia and New Zealand in the “Australasia” category, country-specific information for Australia was not provided (PricewaterhouseCoopers, 2000: 37). IHRM issues such as the extent to which non-standard assignments are formalised by written policies, the range of non-standard assignments in use, and the implications of problems identified with non-standard assignments in Australian multinational enterprises have not yet been investigated.

This research project explores the following research questions regarding international assignments in Australian based MNEs, in order to identify implications for international human resource management theory, future research and practice:

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1 This research was funded by a Monash University Department of Management Research Grant. An earlier version of this article was presented in a Symposium at the Academy of Management 2001 annual meeting in Washington. The author thanks Hilary Harris and Chris Brewster, Helen De Cieri and Phyllis Tharenou for their contributions.
1. Is the use of long-term expatriate assignments in Australian MNEs declining in favour of short-term, international commuter and frequent-flyer assignments?
2. To what extent are assignments covered by formal assignment policies in Australian MNEs?
3. What are the problems associated with each assignment type experienced in Australian MNEs?
4. Is the pattern of assignments in Australian-based MNEs different from that in U.K.-based MNEs?

METHODS

A mixed-method, qualitative and quantitative research design incorporating a two-stage process was adopted. In-depth interviews conducted with five expert informants preceded a survey of managers responsible for IHRM in Australian MNEs. In the first stage, interviews of approximately 40 minutes duration were conducted with the Managing Director of an Australian – owned and operated international relocation consultancy; a senior consultant with a large multinational consultancy specialising in reward and recognition practices; a senior consultant in international assignment management with a large multinational management consultancy; the Human Resources Director with a multinational trading company; and, a principal in the Human Resources and Remuneration consulting division of a “worldwide consulting firm”. Chen, Farh and MacMillan (1993) note that such individuals are reliable expert informants. All the interviews were conducted in the interviewees’ Melbourne offices. Interviews were tape recorded with the interviewees’ permission, immediately transcribed, and subsequently manually content-analysed following the pattern-matching approach outlined by Miles and Huberman (1994).

The survey instrument used in the second stage of this research was that used by CReME in their recent European study, with one question adapted to suit the Australian context for international assignments. Important destinations aside from Europe and the United States for outward foreign direct investment by Australian firms identified by the Bureau of Industry Economics (1995) were added to a table where respondents indicated the origins and destinations of international assignments. The survey was then pilot tested with eight expert informants including academics and experienced relocation consultants. These were not the same experts that were interviewed in this study. The self-administered survey was then mailed to 674 managers previously identified as responsible for international assignment management in multinational enterprises throughout Australia. The following interview and survey results provide a window on changes in international assignment management.

RESULTS AND DISCUSSION

Expert informant interviews

Interviewees were asked whether or not their organisations expatriated and about the extent and purposes of expatriation use. They were also asked about other kinds of international work performed in their organisations and, in the case of the consultants, in their client organisations. Themes emerging from these interviews were the changing demographics of those undertaking international assignments and an increase in project-based international assignments of shorter duration. The use of virtual teams, involving short-term international assignments was also mentioned. Typical of the comments reflecting these themes were the following: There’s definitely a shift for younger people to go on assignment. Rather than having [international assignees] that go in as country heads at the age of 42…I would say that 60-70% of the people that we move around are under 37. (Interviewee #1) There were indications this might be more characteristic of information and high technology industries in particular (Interviewees #1, #3, #4 and #5). Consistent with the comments about ages of assignees, the interviewees considered that

2 Throughout this paper, all quotations from the interview data are presented in italics.
international assignments, particularly the non-standard types, were increasingly being undertaken by all management levels "down to supervisory and line levels" (#4). The consultants indicated that project-based international assignments of shorter duration were increasingly a feature across industries such as banking, mining, information technology and trading organisations. For instance, with regard to the trading company, "We just had a guy come back this morning from a week in South Africa...if there’s something going on [a specific project], we tend to exchange people [between countries] fairly readily" (Interviewee #2).

Finally, with the advent of intra- and inter-net communications and advances in teleconferencing technology, the use of virtual teams appears to be increasing, according to all the experts interviewed. For example,

> We have some people in ... a virtual team where they’ll be working on a common project, but that project will be worked on by people who are located in different countries. (Interviewee #2).

> I would say we are using a lot more virtual teams and electronic communication to reduce expensive and risky expatriate postings. (Interviewee #5).

Together with the use of such technology, is the “the classic business trip”, reflecting the frequent-flyer-type assignment, to build interpersonal relationships and for control purposes.

The reasons these expert informants gave for increasing levels of international assignments, particularly the non-standard types, indicated that the extent to which international assignments are initiated by employers might also be changing.

> Employees are being a bit more selective about preserving their chosen lifestyle rather than allowing the employer to dictate it...However, employees with upward aspirations are also realising that staying in one country is not a way of getting global credentials and achieving the absolute maximum out of your career. So, on balance, employees are more likely to seek overseas transfer in some form or another now than they were three to five years ago. (Interviewee #2).

> In this day and age, to be successful in the corporation, you should have had your first international assignment by the age of about 35. It doesn’t necessarily have to have been a three-year assignment but you should have lived off shore even if it’s only for six months or so (Interviewee #1).

However, all the interviewees reiterated that the traditional purposes for the use of international assignments for filling staffing vacancies, and for employee and organisational development (Edström and Galbraith, 1977) also prevailed.

**Survey results**

Despite a reminder letter, only 43 useable surveys were returned. While this response rate prohibits generalisation of the findings, sufficient was gleaned from them in relation to the research questions to signal that the notion of ‘international assignment’ might indeed be due for review. The responses were from various industries, although skewed, with the majority (19) from manufacturers. The next best represented were the consumer products sector (6) and the engineering, electronics, information technology and telecommunications sector (6). Organisational size varied from 20 employees to 230,000, with 9 organisations having less than 100 employees, 15 having 100-500 employees, and 19 having 500-6000 employees. As expected considering the nature of the database, the majority of organisations (31) were based in Australia. Of the remainder, 4 were based in the USA, 3 in Japan and 1 each in New Zealand, UK, France, Switzerland and Denmark. The number of countries in which each organisation operated varied
from 2 to 204, with 23 organisations operating in less than 10 countries, 17 operating in 10-50 countries, and 3 operating in over 50 countries.

**Utilization of international assignments**

The majority of employees on international assignment were on long-term, short-term or frequent-flyer assignments, with the least number on international-commuter assignments.

Although some respondents reported that the number of employees on each type of international assignment had increased, by far the majority (more than 19 for each assignment category) reported that numbers had remained the same, rather than increased or decreased, in the last 2 years. These findings contrasted with those of the European study, which showed an increase in all four types of international assignment. One possible explanation for this difference relates to South East Asia being reported by Australian MNEs as the most common destination for frequent-flyer assignments. Australian business activity in the region has slowed since late 1997, due to the Asian economic downturn.

Table 1 shows the most common duration of each assignment type.

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The most common reasons selected for all types of international assignments were to transfer skills and for managerial control. Management development followed as the next most common reason, with the maintenance of an international cadre being the least common reason.

In relation to the least common type of assignment, the international-commuter, none of those using this type cited management development or the development of an international cadre as reasons for its use. In all categories, these findings were similar to the findings of the CReME study.

A large number of respondents had frequent-flyer assignments originating in Australia and terminating in South East Asia (33); the U.S. and Canada (28); EU (26); North Asia (17); Rest of Europe (15); and in the Middle East and Africa (12). Nine respondents had frequent-flyer assignments originating in South East Asia and terminating in Australia. These assignments were most commonly undertaken by senior management (41 respondents) and middle management (30), while only 7 respondents cited junior management and 6, other employees.

**Administration of international assignments**

Less than half the organisations (21) had a written policy for long-term assignments, and 18 had a written policy for short-term assignments. Fewer organisations had written policies for frequent-flyer (17) and international-commuter assignments (4). In one sense, given that these two types of assignment were the least common among respondents, this is not surprising. It is arguable that written policies tend to be developed to cover common rather than uncommon practices. It is also possible that administration of these two types, given their duration, might not only be centred at the line management level, but also be covered in broader travel policy. The most common type of policy was a single worldwide policy with regional variations; 15 respondents used this type of policy with long-term assignments, 10 with short-term assignments, and 9 with frequent-flyer assignments. By contrast, international-commuter assignments were most often (5 organisations) governed by a policy decentralised to each business unit.
Problems were identified with all assignment types, with the fewest problems associated with the least common type of assignment, the international-commuter assignment. Many participants indicated on the survey that the problems they were experiencing in long-term assignments were the same in short-term assignments. For long-term and short-term assignments, far more participants reported that they had problems than specified that they did not have problems (around 4:1). For international-commuter assignments, there was an equal number (2) of participants with and without problems. Of those organisations using frequent-flyer assignments, 12 reported problems and 11 reported no problems.

In comparison with the problems identified in the CReME study, the Australian study reported strong similarities in several assignment categories. For example, common problems identified with long and short-term assignments were ‘relocation and administration costs’, ‘family adjustment/dual career issues’, ‘repatriation and succession planning’, ‘loss of skills and experience at headquarters’, and ‘willingness to relocate’. The only difference being that ‘difficulty with establishing consistent policy and practice’ in relation to short-term assignments was identified in the CReME research. Australian respondents did note ‘personal safety’ as a problem, which was not mentioned by the Europeans. Since the majority of assignments terminated in South East Asia, this result might well reflect recent political instability in some countries in the region, for example, Indonesia. With regard to frequent-flyer assignments, ‘loss of management control in home position’ and ‘abuse of privileges’ were identified as problems. The greatest differences between the results of the two studies concerned the problems with international-commuter assignments, probably reflecting greater utilization of these assignments by the European respondents. These problems were ‘high costs’, ‘work/life balance’, ‘burnout’, ‘tax management’, and ‘dealing with cultural differences’. In contrast, the small number of Australian respondents using these assignments noted only ‘accountability’ as a problem.

Summary

In answer to the first research question, while the expert informants indicated a decline in long-term expatriate assignments in Australian MNEs in favour of short-term, international commuter and frequent-flyer assignments, the surveys indicated that the relative rate of use for each assignment type had not altered in the last two years. In part, this difference might reflect a difference in frames of reference between the two groups. The experts specified that increased use of non-standard assignments was associated with the IT industry, while only six of the survey respondents were from the engineering, electronics, IT and telecommunications sectors. There might well be different adoption patterns of non-standard international assignment across industries.

The second research question asked, ‘to what extent are assignments covered by formal assignment policies in Australian MNEs? Formal, written policies were most common for long-term and short-term assignments. As noted previously, this might reflect less use of these types by these respondents. In relation to the problems associated with each assignment type experienced in Australian MNEs, as per the third research question, while there were common problems across long- and short-term assignment types, different problems were identified for international-commuter and frequent-flyer assignments. Work/family balance issues, and employee stress/workload issues relating to frequent-flyer assignments are consistent with recent research into executive travel stress (DeFrank, Knopaske and Ivancevich, 2000).

The final research question asked, ‘is the pattern of assignments in Australian-based MNEs different from that in U.K.-based MNEs?’ As indicated in the above discussion, there were several similarities reported in this study. Both the expert informants and those surveyed indicated that there are at least four types of international assignment being used in Australian MNEs. However, no evidence was found of a decline in the use of long-term assignments in favour of the other types as suggested by McComb (1999) and the CReME study, but rather, consistent with Roberts,
et al. (1998), the existence of a portfolio of assignments types within these MNEs. Similar problems associated with the assignments were identified in both the CReME and this study. Similar to the European study, indications from the expert informants are that the use of short-term and international-commuter assignments is increasing in Australia, but those surveyed indicated no change in the last two years. Regional influences exogenous to the MNEs might explain this difference.

IMPLICATIONS FOR INTERNATIONAL HUMAN RESOURCE MANAGEMENT THEORY, RESEARCH AND PRACTICE

This study is work in progress. Only the voices of a small number of expert informants and those responsible for IHRM in Australian MNEs have so far been heard in relation to non-standard international assignments. However, some tentative implications can be offered for consideration in IHRM theory, research and practice concerning international assignment management.

IHRM Theory

IHRM has been differentiated from single-country or domestic HRM by the requirement for broader scope and different perspectives (Dowling, et al., 1999). Paradoxically, theory-building in the area has been criticised for adopting a narrow, micro-level focus on expatriation. The emergence of attention to strategic IHRM, or strategic human resource management in MNEs, and the recognition of employees as sources of competitive advantage in MNEs (De Cieri and Dowling, 1999; Stroh and Caligiuri, 1998) has progressed the field. In addition to such progress, this study suggests that refinements to the way in which international relocations or staff transfers have been defined to date are required. Increasingly, managers and employees utilise information technology (IT) to maintain global communication, permitting adaptations and/or alternatives to expatriation. The use of IT might reduce the need for some expatriate assignments, but not necessarily for other international assignments. Travel itineraries may vary from undertaking international travel on a weekly basis, to travelling several times per year. Thus, it seems the notion that international staff relocation or transfer as synonymous with the ‘expatriate assignment’ is being challenged in contemporary and future MNEs. Testing the parameters of established definitions about IHRM is an important part of theory building.

IHRM Research

Obviously, as this was an exploratory study to learn whether or not international assignments are changing in Australian MNEs, larger empirical studies should follow. Indications are, however, that the profile of the ‘typical’ international assignee might be changing. Thus, an implication for IHRM research is that more must be learned about those undertaking non-standard assignments. It seems that mixed method designs including such approaches as relational demography, exploring similarities and differences between one individual and others on factors including age, gender, education and occupation might be an effective means of investigating these assignments further (Farh, 1998). A second implication is the need to find out more about the nature of the work done on different types of international assignment and the role of IT in this work. For the HR profession specifically, the challenges of ‘e-HRM’ have begun to be documented (e.g., Lepak and Snell, 1998). However, the implications of e-HRM for MNEs are perhaps the most significant, as the technology provides an alternative mechanism for critical flows of knowledge, to modify or replace the more traditional expatriation to achieve critical flows of people-resources.

More too needs to be known about the impact of shorter assignments and more frequent travel on those performing such work. This might best be accomplished by qualitative research methods such as in-depth interviews with those undertaking the four types of assignment discussed in this paper, in addition to other stakeholders including family members and co-workers. A final, related implication is the need to determine the impact of non-standard assignments on host country nationals, particularly in relation to opportunities to participate in such assignments and the impact
on their own performance of working with those on non-standard assignments. It is not clear from
this exploratory study whether host country nationals (HCNs) are as involved in non-standard
international assignments.

IHRM Practice: Performance Management Implications

This study suggests implications for individual and organisational-level performance management
in IHRM practice. Integrated performance management has been characterised by: links to
organisational strategy; setting individual performance goals; providing regular feedback on
progress towards those goals; providing opportunities for improving performance through appraisal
feedback and training and development; and, links between results and rewards (Armstrong,
1994). Non-standard assignments present implications for each of these characteristics.

The already difficult challenge of effectively establishing the strategic links between the
international assignee's performance and organisational strategy is likely to be magnified when
assignments are shorter and or more frequently part of the work. With regard to individual
performance goal-setting, perhaps the most obvious implication for IHRM of this aspect of
performance management is the need to determine relevant and effective performance criteria and
goals for each assignment type.

Regular feedback on progress towards those goals is most usually provided through the
performance appraisal activity. Performance feedback for assignees will only be relevant for
assignees if it reflects the international contexts in which they are performing (Harvey, 1997).
Those enduring concerns of who conducts performance appraisals, how and based on what
performance data, may be intensified when it involves increasing numbers of others outside head
office with whom the assignee is working. Additionally, depending on the quality of the goals set,
determining individual performance levels will be a challenge for the performance appraisal
process, as separating the international dimensions of job performance might not be as clear-cut
as in traditional expatriate assignments.

One key function of performance appraisal feedback is that it provides opportunities to improve
performance by identifying performance gaps that might be eliminated with training and
development. Much of the literature and research related to training and development for
performance management in MNEs has been focused on expatriate cross-cultural adjustment.
Cross-cultural awareness and competence training will still be relevant, but what other pre-
departure and ongoing training requirements are there for those undertaking non-standard
assignments?

Finally, in MNEs, management of links between performance and rewards is complex, due to the
specialised local knowledge required across multiple employment and legal environments
(Dowling, Welch and Schuler, 1999). Central concerns of visibility and equity in international
compensation prompt questions like, ‘what are the compensable factors in non-standard
assignments?’ and ‘how might compensation for each type of assignment fit with global
compensation strategy?’

In addition to the above, there are also implications for occupational health and safety. Frequent
flying and short international assignments can raise stress and fatigue levels. Sleep deprivation,
lack of regular exercise and poor diet are some of the physical stressors encountered by frequent
travellers (De Frank, et al., 2000). Metabolic disorders and disturbed sleep patterns have been
health aspects of concern studied extensively, in relation to the impact of shift work, for example,
but practically ignored in relation to international assignments, including the cross-cultural
adjustment aspects. Given the seniority of those undertaking this type of assignment in the
present study, a strategic approach to travel by senior management is required in order to
minimise such stressors.
The impact of non-standard assignments on host country national co-workers should also be considered. At the subsidiary level, a demoralised HCN work force has long been suggested as a disadvantage of staffing with expatriates (see the review in Dowling et al., 1999). More recently other research has indicated that HCNs have expressed resentment towards expatriates with whom they were working (Hailey, 1996). Some more questions for future research might include ‘how do local co-workers view working with non-standard assignees?’ ‘are there career development implications for HCNs resulting from the use of non-standard assignments? And, ‘are non-standard international assignments also being offered to HCNs?’ The number of frequent-flyer assignments originating in South East Asia is inconclusive evidence of whether or not HCNs are involved.

CONCLUSION

This exploratory research demonstrates that innovations in international human resource management are moving beyond what has been conventionally regarded as expatriation. It has sought to promote an agenda for future research, theory-building and practice concerning international assignment management in IHRM.

A broadening of the options and opportunities for international assignment, both employee and employer initiated, is evident. For those frequently traveling across time zone differences, implications concern health issues, work-life balance and personal relationship issues. Implicit in the preceding discussion is an imperative to audit existing IHRM strategies and practices to determine the extent to which MNEs are positioned to effectively manage the opportunities and challenges presented by all forms of international assignment.
REFERENCES


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<th>Duration</th>
<th>No. of organisations giving this as the most common duration</th>
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<td>Most common duration:</td>
<td>Up to 3 years</td>
<td>16</td>
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<tr>
<td>2nd most common duration:</td>
<td>Up to 2 years</td>
<td>7</td>
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<tr>
<td><strong>Short-Term Assignments</strong></td>
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<tr>
<td>Most common duration:</td>
<td>Up to 1 year</td>
<td>9</td>
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<tr>
<td>2nd most common duration:</td>
<td>Up to 6 months</td>
<td>6</td>
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<tr>
<td><strong>International Commuting</strong></td>
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<td>Most common duration:</td>
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<td>2nd most common duration:</td>
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<td><strong>Frequent Flyer</strong></td>
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