Managing Expatriates: 
A Return on Investment Approach

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To Lauren and Cate,  
the best return on investment of all  
- YM

To Nan, Gordon and Eileen,  
for making our lifelong expatriation work brilliantly  
- KI
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The idea for this book first came to Yvonne in 2007 when she was presenting her still-in-progress doctoral research on “expatriate ROI” at the invitation of Deloitte Touche Tohmatsu at their global mobility conference in Barcelona, Spain. A standing ovation and over a hundred post-conference emails from participants wanting to know more about the topic planted the initial seed that a post-PhD book might be a worthwhile endeavor. Fast forward 3 years to the Australian and New Zealand Academy of Management conference in 2010 in Adelaide, where Yvonne, her PhD now complete, met Kerr Inkson and boldly asked him to consider helping a junior scholar turn her now-completed doctoral thesis into a book: the rest, as they say, is history.

While the writing journey for both of us has been a massive undertaking, taking place during Yvonne’s international moves to China and then Singapore, and throughout Kerr’s transition into “emeritus” retirement, it has thankfully been sustained by our families—Nan in New Zealand, and Stephen, Lauren, and Cate in Shanghai and now Singapore. Each has encouraged and supported us in a million little ways and through many long days and nights that took us away from them. We are grateful for the space and time they gave so that we could undertake this book project, across continents and in various time zones, amidst boxes, moving trucks and house sales, and sometimes even on vacation.

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Global mobility has become more complex in the last 10 years and this book is a great example of how the dynamics of a rapidly changing international labor market can be understood and used by international organizations to cultivate, mobilize and manage their talent for competitive advantage.

I first met Dr. Yvonne McNulty several years ago when she was researching the global mobility practices of major corporations. At that time, the concept of expatriate return on investment was often talked about but rarely if ever attempted. Finally, after years of research including interviews with hundreds of organizations and their expatriates, expatriates’ partners, and managers, Yvonne McNulty and Kerr Inkson have cracked the code on expatriate return on investment.

This book, the first of its kind, explains the balance needed between the individual return on investment that expatriates now seek and the corporate return on investment that companies expect. It shifts our thinking about how we classify expatriates from an outdated, almost colonialist, view and replaces it with a new vision of treating expatriates as global careerists. It gives us a fresh and thoughtful philosophy for the new era of employee mobility, and a practical roadmap for overcoming the challenges of quantifying and utilizing expatriate return on investment.

But the book does more than that. It also creates a new opportunity and framework for the human resources and mobility functions to effectively articulate the important strategic and financial value a well-integrated workforce mobility program can deliver to the business. It helps to align mobility practices and policies with the needs of the business and its employees, and therefore advances the discussion from the operational to the strategic, while also providing an analysis of the essential financial and non-financial costs and benefits that need to be considered in the return on investment value calculation.

Companies are different, and the approach to return on investment is not meant to be a one-size-fits-all mandate. Instead the research, solutions and case studies presented in this book, dealing with issues close to every expatriate’s heart, such as compensation, families and career, are intended to provide each organization with options to consider and to customize. Any organization, regardless of size, will find value in the content.

In this book we have at long last a clear and immediately practicable approach to defining, developing and measuring expatriate return on investment. Thank you Yvonne and Kerr!

Scott Sullivan
Executive Vice President
Brookfield Global Relocation Services
Preface

The extraordinary growth in corporate globalization and the corresponding rise in global mobility provide the basic leitmotif of this highly accessible, reflective book. Employing a science-practice approach, and drawing upon multiple sources of evidence, not least the “lived experience” itself, for which of course there are few substitutes, McNulty and Inkson present a rich and compelling narrative around the requirement for a fundamental paradigm shift in how we understand global mobility and how we evaluate it.

This shift, directed at jettisoning the all-too-common piecemeal, transactional approach, in favor of a more strategic, integrated one, is occasioned because the expatriate management model characteristic of the theoretical literature is at variance with what often happens in practice. In McNulty and Inkson’s view, global mobility needs to be more squarely focused on adding value and in order to achieve this focus, an expatriate return on investment lens, which is a composite blend of corporate and individual costs and benefits, offers the best prospect.

Their arguments, set out in nine chapters, arise from combining macro, meso and micro insights. At the outset, they call attention to altered patterns of foreign direct investment among multinational corporations (MNCs) and the contemporary and likely future consequences of these changes for patterns of mobility. Beyond this, definitional aspects are set down and the challenges that MNCs face in linking organizational and individual objectives in global mobility are illustrated. Here, core tenets of the international assignment, namely psychological contract, compensation, career, and family issues, are treated in detail.

Against the backdrop of this extant knowledge, and the manifest shortcomings of seemingly preferred approaches, McNulty and Inkson make the case for an alternative focus centering on a return on investment approach. A model of expatriate return on investment is introduced, approaches to measuring return on investment are illustrated and a framework to guide the choice of return on investment metrics is offered. The text culminates in the presenting of five core principles for executing and sustaining an effective expatriate return on investment program. Here the Authors demonstrate the importance of recognizing global mobility as an elemental building block of career capital, of ensuring resolute organizational support for the process, of combining short and longer term horizons, of embracing the global careerist, of developing and safeguarding global talent pools and, above all, of appreciating the expatriate process as an heroic act, not in the name of self-aggrandizement, but in giving of one’s very best to achieve corporate, career and personal goals.

Through insights from the established literature, from illustrative vignettes derived from corporate approaches and from individual executive and trailing spouse descriptions of their professional and personal experiences, both positive and negative, this book provides a contemporary window into multiple-domain aspects of corporate expatriates’ lives, the diverse contexts in which they operate and the consequences of their choices for themselves, their families, their careers and their organizations.
It is in combining insights from these multiple sources that the book is, in my view, at its strongest and most insightful. The individual expatriate accounts, the organizational case studies and the judicious quotes from key informants serve to really augment, and on occasion supplant, the more academic aspects of the book itself. The results, in combination, demonstrate the requirement for a renewed effort to bridge the academic-practice divide in charting the contemporary nature of global mobility.

Professor Michael J Morley
University of Limerick, Ireland
Author of Global Industrial Relations
Introduction

Expatriation is a big topic and is getting bigger.

Over 200 million people worldwide now live and work in a country other than their country of origin. More and more companies operate internationally, and people seek to be internationally mobile in order to have a rich and fulfilling work-life and advance their careers.

The solution to both organizational and individual needs is often company-sponsored expatriation, a practice which is reported by more than half of the companies participating in global consulting surveys to be growing exponentially.¹ Millions of those who live away from their home countries are not permanent migrants but professional and managerial staff who have been expatriated by their multi-national companies. Tens of billions of dollars are spent annually by organizations to move such expatriates around the world. Expatriates originate in all parts of the world, travel to all parts of the world, and are vital to international business. Expatriation, in short, has become a critical organizational practice.

But does this practice work for expatriates? For their companies? The surprising answer is We don’t know, but probably not. Year-on-year, companies continue to struggle to manage and improve the return from these expensive employees. Yet recent consulting reports show that fewer than 10% of companies attempt to even assess the return from their expatriates.² In addition, they often have a short-term profit-driven focus, ignore such forces as international careers and the “global war for talent,” and fail to adopt rational strategic practices.

Let’s compare, for example, existing expatriate management practices with those in the manufacturing industry. If a CEO said to a Vice President of manufacturing “How are we doing? Are we meeting our targets?” and the VP replied, “We’re not entirely sure how we’ve done or where we need to improve because I don’t track the data … And what targets? Do we have targets?” she’d be fired. Yet based on a decade of our intensive research, we know that in the area of expatriation, conversations such as this occur all too frequently. They indicate the inability to clearly define why expatriates are favored over less expensive local employees, what value expatriates ultimately bring, and whether and how expatriation supports a company’s strategic objectives.

If expatriates are among an organization’s most expensive employees, surely we ought to be able to justify the money spent and manage them effectively. There is much in the detail of expatriate management, its corporate purpose, its links to company strategy and human resource management, specific issues about the selection, compensation, careers, and families of expatriates that call for a distinctive, well-informed practice of expatriate management. Also, expatriation is changing, with the familiar “there-and-back” models of the past being supplanted by a great diversity of new and complex patterns of mobility which create new challenges and opportunities for expatriates and their organizations. Yet state of the art in expatriate management is either buried and lost in abstract scholarly texts, or trivialized in “how-to-live abroad” guides. We must do better.
Who This Book Is For

This book is written primarily for (1) global mobility managers who manage global staffing and expatriation; (2) managers who manage expatriates; (3) other executives with international operations responsibilities; (4) international staffing consultants; (5) graduate students considering expatriate careers; and (6) expatriates themselves. The functions from which readers will come include global mobility, human resource management, compensation and benefits, expatriate policy, talent management, and succession planning. We offer these managers new insights enabling them to challenge existing practices and to then move toward a more strategic approach to international staffing. Expatriates and potential expatriates too may benefit from this book by gaining new insights about their organizations’ strategies and practices, their career paths and employment contracts. Finally, this book may be a good supplementary text for MBA courses in international management and HRM, and for graduate students researching expatriate careers for class work.

What This Book Is About

In this book, we focus the concept of return on investment (ROI)—both corporate ROI and the individual ROI expectations of expatriates themselves—and explain how to manage expatriates with an ROI approach in mind. We replace the traditional model of expatriation with a new model. We define what “expatriate ROI” (eROI) is, why it matters, and how organizations can improve expatriate management to secure a higher eROI. We focus particularly on expatriates themselves and the “mobility managers” who manage them, and on the expatriation processes and practices of their organizations.

We also provide a practical “insider’s” guide which reveals why expatriates seek and accept international assignments, how they feel impacted by new forms of remuneration and other working conditions, how international assignments fit in with their career aspirations, and what complications arise for their families. We consider the effects of organizations’ need for global mobility, emerging trends in global staffing, the global war for talent, and alternative strategies to expatriation. By drawing on our extensive experience and research, our observations of key trends, and some “crystal ball” predictions, we define new practices for managing global mobility.

Where We Gained Our Knowledge For This Book

To achieve the goals of this book, we anchor our opinions, concepts, and recommended practices in three major types of information: our own research, our informal interviews, and the research of others.

Our own research comprises three recently completed major studies with nearly 400 expatriates and their managers, over a hundred of whom were interviewed personally. The first author of this book, Dr. Yvonne McNulty, completed these studies for her graduate research, including doctoral research at Monash University (Australia). The Mobility Manager Study (“MM Study” for short) involved interviews with global mobility executives drawn from 51 global firms across 18 industries and who work directly with expatriates or manage mobility programs. The Expatriate
Study (“Expat Study” for short) involved interviews with 71 “company-assigned” expatriates, drawn from five global firms with headquarters in the United States, UK, and Europe, representing four industries: financial services/banking, pharmaceuticals, transportation services, and media/communications. Both these studies were completed by means of one-to-one telephone dialogues initiated and conducted by Yvonne McNulty personally following a detailed semi-structured interview methodology, the interviewees being based all around the world. The Trailing Spouse Study (“TS Study” for short) involved surveying 264 “trailing spouses”—partners of company expatriates—on assignment in 54 host countries. Full details of all these studies are in Appendices.3

In addition to the above three formal studies, our book benefits from the “personal touch” obtained from many hundreds of hours of informal interviews and conversations that Yvonne McNulty, an Australian, has had with mobility managers, senior executives, consultants, expatriates, and globally mobile families over the course of her 14 years as an expatriate “insider”, having lived (at times as a “trailing spouse”) and worked as a global mobility researcher and consultant in the United States, China, and Singapore. These conversations—conducted in informal settings as varied as expatriates’ own backyards, international social events, intimate dinner parties, and even shared taxi rides—together with Dr. McNulty’s personal understanding, draw on “lived experience” to provide a unique authenticity. The material in our formal and informal research thereby enables us to provide illustrative case material throughout the book.

In addition to our own research, some of the ideas in this book are informed by the research of others. The thousands of documents we have read and analyzed include academic studies in journals, books, and research theses; the reports of consulting firms such as PricewaterhouseCoopers, Brookfield Global Relocation Services, ORC Worldwide, Cartus, Ernst & Young, AIR Inc., Mercer HR, The Conference Board, and McKinsey & Co; government documents and white papers; and the international press. For those who seek it, we have included some of this material as a guide to further reading in Notes and References. A further resource is an extensive Glossary that defines and explains over one hundred global mobility terms.

What You Can Expect Chapter-by-Chapter

In Part 1 of the book, Expatriation and Return on Investment, we introduce the two key concepts on which this book is based.

Chapter 1 Basics of Expatriation sets the scene by establishing the basic features of expatriation—the typical challenges faced by expatriate employees, the growing dominance of multi-national corporations (MNCs), the business purposes of expatriation, the changing international labor market, the need for strategic management of expatriation, the changing meanings and types of expatriation, and new patterns of mobility. The stage is set to consider more specifically the management of expatriates.

In Chapter 2 Expatriation and ROI we outline the current state of knowledge about expatriate ROI (eROI) and discuss how international organizations are avidly in favor of it as a means of directing their expatriation programs but have failed to achieve
much in practice. We note some of the corporate and individual issues that get in the way and focus particularly on the growing divergence of objectives between expatriates and their organizations, and the concept of iROI (individual ROI) as a complement to eROI.

In Part 2 of the book, **Understanding Expatriates**, we use our research studies to provide an in-depth understanding of today’s corporate expatriates, the lives they lead and the issues they face. We focus specifically on four key issues for expatriates along with emerging trends that indicate how eROI is likely to change and develop in the future.

In **Chapter 3 Expatriate Compensation** we move from the macro- to the micro-level by focusing on compensation: its change over the past two decades, the rapid increase in local-plus and hybrid packages, and the effects on expatriate loyalty. Through an insiders’ “warts-and-all” commentary, we show that it really isn’t about the money at all. We also outline how managers can deal with expatriates’ compensation concerns and develop packages that motivate and reward for optimum return.

In **Chapter 4 Expatriate Families** we explore why families are often a major consideration and a common cause of poor eROI. Our in-depth expose of the expatriate family shows how families (wrongly) suffer when assignments don’t go according to plan (and sometimes even when they do). We look specifically at the “dual-career,” the challenges for expatriates’ partners (“trailing spouses”), what organizations can do to help, the remedial “best practice” strategies of successful Fortune 100 companies, and the benefits of a “family first” policy.

In **Chapter 5 Global Careers** we explore why people pursue international careers explaining that although expatriation is an opportunity for career development, it also involves challenges and setbacks. We illustrate new forms of careers such as self-initiated expatriation and boundaryless global careers showing how they unfold and what people do with them in a changing international labor market. We then offer guidelines for the effective career support of “global careerists,” a new type of international employee whose free agent mentality can have significant implications for global staffing.

In **Chapter 6 Expatriate Psychological Contracts** we introduce the concept of the “psychological contract” between expatriates and their organizations and explain what a psychological contract is, what it means to expatriates, and how its utilization can assist effective expatriation. We illustrate through case examples that there is frequently a mismatch between the career expectations of expatriates and the objectives of employers leading to problems for the organizations that employ them. We then show how psychological contract-based “new deals” between expatriates and their managers can facilitate discussions about employment relationships, and greater expatriate and assignment success.

In Part 3, **Managing Expatriation Using ROI**, we return to ROI and show how the concept can be applied to expatriation to provide new strategically based practices for the management of expatriates, applicable in international organizations world-wide.
In Chapter 7 A New Model of Expatriate ROI we build a model of eROI and demonstrate how we believe its management should be approached. In adopting a cost-benefit perspective, we outline the financial and non-financial costs and outcomes arising from global mobility activities, before moving on to the core of our methodology—the expatriate management system. We advocate a proper strategic base for expatriation and an integrated set of policies and practices by illustrating how expatriation is a strategic choice and eROI a directing goal.

In Chapter 8 Evaluating Expatriate ROI we illustrate how, specifically, to measure eROI taking into account how eROI has been assessed in the past, the pros and cons of the particular measures, and new metrics that are being developed. On the basis that it is important to find the best available metrics to assess eROI, but what matters is less the method than the philosophy, we present an evaluation framework to guide both the choice of eROI metrics (vertical fit/strategic alignment) and how eROI measurement should be approached (horizontal fit/operationalization).

In Chapter 9 Five Core Principles for Effective eROI we translate the points raised in prior chapters into five “core principles” that offer a roadmap for executing and sustaining an effective eROI program. Using case studies of good organizational practice we outline a series of practical implications, expatriation trends for the next 10 years, and on the mushrooming significance of global careers.
Part One:

EXPATRIATION AND RETURN ON INVESTMENT
**Chapter 1**

**Basics of Expatriation**

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**CASE: Craig Phillips, Fly-In Commando**

Craig Phillips is English. He is in his early forties. And he describes himself as a “fly-in commando.” What does he mean?

For the past 15 months, Craig has been in Vietnam with his wife and three children, working for a large multinational company, Praxis, in a service industry. Craig’s job title is “country manager”: he manages all his company’s operations in Vietnam. His main task is to set up and expand a joint venture between his parent company and local business interests. He has been with Praxis for 12 years, and in that time Vietnam has become the fifth country he has resided and worked in.

Craig’s suitability for the role in Vietnam are his understanding of the company’s business, structure and culture, his ability to get things done fast, and his skill at functioning well in emerging markets. He is a combination of tried-and-trusted corporate grunt and socially-skilled action-man. “I’ve always been a fly-in commando,” he says. “We’ll have a problem, I go in. I fix it. I leave.” For Vietnam, he wants to “fly in, develop the culture … and then hopefully have enough managers at local level that they can continue to get the rest of the organization to follow.” “The goal,” he says, “is to make myself redundant from the Vietnam business.”

Craig faces an enormous change management responsibility: to turn a joint venture with a former communist bureaucracy in an Eastern culture into a Western-style business unit with high standards. Craig is proud of his success so far, but it hasn’t been easy: as an expatriate he finds that he is more ruthlessly judged than others. Also, expatriate work is much tougher than working in one’s home base: there are government restrictions, human resource inefficiencies, language, and logistics difficulties—all problems he faces on a daily basis but which his home-country office doesn’t seem to quite understand.

For example, the company’s relationship with local Vietnamese officials is so important that Craig feels obligated to take them out to dinners and their favored Karaoke. Another Praxis expatriate, a religious man, found this so intolerable that he quit the company: he was unable to be multi-culturally flexible enough for the job.

Craig says changes are taking place in the expatriate way of life. Expatriate compensation has changed: the fat packages loaded with benefits and premiums and allowances have become “local-plus” versions with fewer benefits than ever before. Salaries and savings in fluctuating currencies are hard to maintain. Competitors “poach” Praxis staff. Craig’s job is temporary and his future uncertain. And there are family considerations, such as the constant moving that disrupts the education of Craig’s children.
Although Praxis has been supportive—Craig has often been told, “Don’t worry. We’ll look after you. You don’t need to find another job.”—there are times when he feels he is little more than a commodity, used for the company’s benefit without much consultation as to where it might ultimately take him in his career. And being constantly mobile has become a company expectation of Craig, without which he cannot acquire career development or promotion. Fortunately, Craig loves travel: “I can’t think of any more fun I could have than travelling and experiencing different cultures and learning their languages and meeting different people.”

Yet long-term, Craig hankers after a post-expatriate life either in his native England or an equally desirable and acceptable location such as Singapore. His children are already booked into London schools in 4 years’ time, with applications also going into international schools in Singapore, just in case. His expatriate experience has given him highly marketable skills in general management that he can use “back home” or regionally if he chooses to remain in Asia. In that respect, expatriation has served Craig well.

We have chosen Craig as our opening case study because his experience, both as an expatriate and as a manager of expatriates, illustrates the issues associated with expatriates’ work, and the managerial problems that expatriates present.

What are the characteristics of Craig’s current situation? Temporariness, a project focus, cross-cultural reach, uncertainty, national versus global identity, ambiguity in remuneration, alienation from the corporate culture, above-normal expectations of performance, “nomadic” family issues, and career issues. While some of these might occur in any managerial role, all of them are increased and made more complex by Craig’s expatriate identity. All of them are problems not just for Craig but for expatriates in general. All of them also raise challenges for Praxis’s more senior managers, at corporate HQ and elsewhere, and for the HRM people, consultants and others who manage expatriates such as Craig and determine the company’s international staffing policies: managers who we term “mobility managers.”

Craig is a walking demonstration that the management of expatriates is a specialized field that deserves its own book such as this one. In the pages that follow, we will combine our knowledge of the best research, the best principles, and the best practice concerning the management of expatriates.

In this chapter, we will first look at the contexts within which expatriation takes place: the dominating multi-national corporation (MNC), the complex international labor market in which expatriates seek opportunities, and the wide range of contrasting cultures in which they find themselves. We will re-examine the traditional idea that has driven much managerial practice and business research about expatriation, the notion of the international assignment: the project or temporary role in another country to which the expatriate is dispatched by his or her employing organization in service of corporate goals. We will also consider the breathtaking speed with which the internationalization of business and of life in general is growing and changing expatriation.
Whatever arises from this consideration will be the realization that wisdom and practice concerning the traditional international assignment have become not just unproductive, but counterproductive. In particular, expatriation has changed far beyond the traditional assignment management model of the 1980s and 1990s. In its multiple new forms and its dynamic new environments, expatriation becomes the expression not of management, but of strategic choice in pursuit of a return on investment, and expatriates are not just human resources to be managed from a distance, but global career actors with ambitions and changing attributes that the organization must increasingly integrate. We argue, in short, for a major revolution in international human resource practice. Let us start, however, from the beginning—the traditional view.

The Context of Expatriation: Multinational Corporations

Wherever we live, wherever we go, MNCs—for example Sony, BMW, McDonald’s, and Hewlett Packard—are part of the scene: the signs that we see, the products and services that we buy, and the television programs that we view. From New York to Nagasaki, Berlin to Beijing, the world’s great cities look similar and flash the same names at us. In these cities, ethnic and national culture is infused increasingly with global culture. We feel engagement, but sometimes conflict, between the precious, historical, and ethnic cultures ingrained in each society and the spectacular, mass-consumer, and organizational cultures developed during the twentieth and twenty-first centuries. It is these same unique, historical cultures that take expatriates out of their comfort zone and provide some of the very special challenges they face, contradicted by the global culture they experience—represented, for example, by a Starbucks on the corner—that feels at once familiar and safe.

These contrasts are important for expatriation because they embody what it is that expatriates do: not only do they transition between countries and between cultures, they also live and work simultaneously in two different types of society—the foreign country and the business organization. Expatriates are typically agents of the MNC charged with bringing its philosophies, goals, and practices into worlds whose core philosophies and rhythms of life may be very different: Craig Phillips’ competitively driven mission in the ancient delicate society of Vietnam and its recent communist overlay is a case in point. Yet MNCs also move less developed societies toward the kinds of infrastructure, technology, employment, and consumer goods and services they desire and that Westerners are used to. MNCs provide developed societies with new markets, but arguably they also assist political and economic stability in emerging nations. Corporate expatriates often play a major role in providing this stability.

Simultaneous to this activity, MNCs also pursue competitive advantage: they look abroad for essential raw materials, new markets, and lower-cost resources. But they are different from mere traders. They invest directly in other countries, buy majority shareholdings in their overseas assets, and actively manage these assets. They integrate their foreign operations structurally and try to integrate them psychologically, attempting to help foreign employees to feel they “belong.” They share resources and responsibilities that may be geographically scattered and develop central strategies as a basis to link decisions in different countries. Such organizations
are *global*—a vast change in both scale and character. And they are—or strive to be—integrated and cohesive.

Organizations of this type have existed for less than 100 years, but in the past 50 years, they have mushroomed and spread across the globe. In doing so, they present management challenges that are not only enormous but novel. They manage across diverse cultures. They motivate faraway people to identify with a “faceless” MNC. They deal with foreign regulations and customs. They move responsibilities from their “home country” HQs to subsidiaries in countries, such as India and China. And in doing all this, they must observe the sovereignty of nations that may have grossly inefficient bureaucracies, major religious prohibitions, or rampant corruption.

MNCs are big and dominant. Between 1970 and 2005 the number of MNCs grew from 7,000 to 70,000, with the same rate of growth expected to continue for the next 30 years.¹ In 2008 MNCs were estimated to employ 90 million people or 20 percent of the non-agricultural global workforce. KPMG predicts that the number of global MNCs and the number of people employed in global MNCs will continue to expand.² But headquarters in western countries will decrease, with more non-western HQs emerging, requiring different management skills.

Consider the current growth in world economies. A recent PricewaterhouseCoopers report shows that over the 7-year period 2002–2009 using GDP as a measure BRIC economies (Brazil, Russia, India, China) grew by 83 percent, with Central and Eastern Europe (47 percent) and Asia (62 percent) not far behind.³ At the current rate, economists predict that within 20 years the mature economies will be overtaken by resource-rich countries like Brazil, Australia, Canada, and Russia, and some Middle East States, and people-rich countries like China and India. The likely city locations in which expatriates will be deployed by 2025 will also change, with three cities not yet ranked on the “30 most highly populated cities” index—Lahore, Shenzhen, and Chennai—emerging as major destinations.⁴

Where there are MNCs, there are expatriates, so more and bigger MNCs means more and more expatriates. From this perspective, expatriation represents not just a unique management challenge, but one that is also growing rapidly as *a cost of doing business*. In 2012, for example, 64 percent of companies surveyed by Brookfield reported an increase in international assignee population growth, representing a 43 percent increase over the 2011 rate.⁵ Similarly, PricewaterhouseCoopers reports that over the period 2001–10 assignee levels have increased by 25 percent, with a further 50 percent growth in assignments expected by 2020. Assignee host locations also continue to rise, from 13 locations per organization in 1998, to 22 per organization in 2009, to a predicted 33 per organization in 2020.⁶ Clearly, expatriation continues to grow exponentially as a practice, but why has there been so much growth? And does the growth in MNCs *have* to mean the growth of expatriation?

**Traditional Expatriation**

In thinking about expatriation and its role in global operations, MNCs and the researchers who study them have focused mainly on a particular form of expatriation, known as the *international assignment*. Such assignments typically involve a manager or technical specialist, usually from the MNC’s home-country base, who is assigned.
temporarily to fill a specific role or complete a specific project in an overseas subsidiary, usually over a predetermined period, perhaps 2 or 3 years. After that time, the expatriate returns home through a process of **repatriation** and is then re-integrated within the organization.

The notion of an “international assignment” creates a challenge, and an opportunity, for any sponsoring organization to ensure it uses “best practice” in managing the situation. The assignment is typically finite, with clear objectives, and raises, in microcosm, all the classic issues and functions of “human resource management” (HRM). That is, the assignment must be **planned**, and the expatriate must be **recruited, selected, prepared, trained, transported, housed, compensated, mentored, supported, performance-managed**, and eventually **repatriated**. In other words, the whole gamut of rational HRM processes can be deployed to ensure expatriate assignments run like clockwork. Moreover, if the expatriate has an immediate family (as the majority do), then the family’s needs in the foreign setting (for example, for education) must also be dealt with. Since the 1980s, business-school HRM scholars have had a field-day in championing best practices for managing international assignments and assessing their effects in terms of the adjustment and performance of assignees.

This thinking has led to much good practice for MNCs to take on board, and the evidence that some of them do is growing. However, there is a continuing preoccupation with single “there-and-back” assignments. Such assignments, popular in the 1980s and 1990s, were easier to manage than today’s more diverse and complex ones. But even back then companies struggled to get it right: selection and repatriation, for example, caused major difficulties. More importantly, the notion of an assignment focused attention on the management of the immediate project rather than on the arguably more important ongoing international staffing of the organization or ongoing career of the assignee. In fact, today’s focus on “global staffing” did not achieve momentum until the early 2000s.7

Interviewing expatriates and mobility managers in our studies, we have found them on the whole to be disappointed with the global mobility and global staffing practices they have experienced. Their organizations, they say, have had a low uptake of recommended best practices, have continued to conceptualize expatriation as a “one-off” event rather than as part of an organizational process to be integrated into its overall global staffing and strategic plans, and have failed to measure their investment in expatriation and the returns on that investment. Thus, although their companies have managed expatriation reasonably efficiently, few have been particularly effective or strategic about it.

These same companies have asked, “How can we make an assignment work well? How should we select, prepare, train, and support an expatriate through it?” We suggest that instead they might have asked, “Why are expatriates sent? What are they supposed to accomplish? What lies beyond international assignments, both for the subsidiary and for the expatriate?” This lack of enquiry in asking only “how” questions, but not “what” and “why” questions is problematic.

To be sure, traditional expatriation is changing. Today we see an increasing trend toward short-term and rotational assignments, to work on specific projects that
may last only a few months, but which do not necessarily require full-scale relocation, involving the selling of a home or transfer of a whole family. These alternatives to expensive long-term assignments are certainly more manageable for organizations in terms of cost and convenience. Such assignments enable more and more employees to get a “taste” of expatriate life without the heavy burden of physically relocating, and there is evidence that these briefer projects are often used for employee development. Other types of alternative assignments handle “international business” through short-term business travel and international commuting, which do not count as expatriation at all.

But is this the extent of the change we are seeing in expatriation? We contend that recent changes go far beyond this, and in this book, we’ll explain why these “types” of assignment are only the tip of the iceberg when it comes to understanding modern expatriation.

First, however, let us consider some of the features of the wider context in which Craig and other expatriates work, particularly the MNCs in which they are employed, and the new international labor market of which they are members. It is in these contexts that modern expatriation is emerging and rapidly changing.

The Purposes of Expatriation

What is expatriation for? Why not staff foreign subsidiaries entirely with local people? After all, Vietnamese people surely understand the Vietnamese business environment better than any Australian or American could and are likely to be more acceptable to locals. Could an MNC survive without expatriates?

Expatriation in its historic form arose because of things that expatriates could do that locals might not be able to. Local employees’ knowledge of things like local conventions in business practice, language, organizational culture, and social networks might be very important to an MNC. But other vital knowledge—for example, specialist expertise, technical qualifications, the parent MNC’s vision, and culture—might only be available to staff who had been employed for some time in the headquarters of the MNC. Corporate expatriates, through their elsewhere-in-the-company experience, also make it possible for the MNC to become more integrated.

According to a 2007 study of German, Japanese, UK, and US organizations, the most important reasons for filling a managerial position with an expatriate are to set up a new operation, to fill a skill gap, to develop international management skills, to train and orient local staff, to control the operation, to ensure the same company standards worldwide, to co-ordinate with headquarters, and to provide career development opportunities. Expatriation may also provide new feedback loops to head office or improve relationships, or enable knowledge sharing. Thus, some international assignments are demand-driven (e.g. a particular job needs to be done), while others have long-term objectives of increasing expertise both for the organization and for the expatriate (e.g. building a succession or leadership pipeline).

There will often, therefore, be compelling reasons for the MNC to staff some roles using expatriates. Expatriation can become part of an MNC’s “international human resource management” (IHRM). Globalizing organizations can use
expatriation not just to solve immediate problems, but also as part of a longer-term resource-building strategy.

But considering expatriation only from the perspective of organizational needs turns the expatriate into something of a pool-ball, being directed skillfully by the all-powerful cue of the MNC. Companies frequently forget, to their detriment, that expatriates themselves are stakeholders in the process, and they have their own needs—for example, related to personal adventure, their career, or their family, and a degree of control over their own activities. Expatriates have to be willing, indeed enthusiastic, to travel to a foreign country and spend years working there. But their objectives in doing so may be very different from the company’s objectives in sending them. Although MNCs want, and expect, expatriates to achieve success and remain loyal to the company, they need to ask the question: What do expatriates want? Exploring the congruence between organizational and expatriate needs, and the consequences arising from the similarities and differences between each, will be a key feature of this book.

**The Meanings of “Expatriate”**

What is an expatriate, anyway? Does expatriation have definable characteristics? Since the 1960s, and through the 1970s and 1980s, expatriates have been largely viewed as *parent country nationals*—labeled “PCNs” for short. In the early days of expatriation, these employees were from Western countries and were typically senior male staff in their late forties or early fifties sent by a corporate headquarters to a subsidiary office in another country. They generally had a generous remuneration package with substantial benefits and premiums—home leave, cost of living allowance, housing subsidies, country club membership, tax equalization if required, annual bonus, hardship premium, and school fees—and each was almost always accompanied by his wife and children.

During the late 1990s different types of expatriates began to emerge: more women, married couples with no children or single and unaccompanied people, same-sex partnerships, and younger expatriates (for example, in the Expat Study we found that nearly 45 percent of the expatriates in our sample were under the age of 40), assigned for career development purposes, and on less generous remuneration packages without many of the perks and benefits of their predecessors. There are also increasing numbers of non-Western, particularly Asian, expatriates.

Today, new meanings of “expatriate” are emerging. To help meet changing and broadening demands for talent in key markets, *third country nationals*—“TCNs”—are increasingly employed. TCNs (or “foreign local hires” as they are sometimes called) originate from neither the home country where corporate “headquarters” is located, nor the host country where they are employed, but instead are sourced from a third country where they have lived either temporarily or permanently before agreeing to be moved to the host country. Foreign executives in local organizations (FELOs) represent another type of TCN. TCNs tend to receive little organizational support, largely because they are generally recruited externally and are perceived to have received cross-cultural training and language support during a prior assignment, or to be already “globally minded” as a result of prior international experience. Being
recruited externally, TCNs tend to suffer from being “out of sight, out of mind” by HR support people.

Both PCNs and TCNs are likely to compete on the labor market with host country nationals—“HCNs”—to help meet local skill demands and to work with them as colleagues. These HCNs are mostly non-expatriate employees who provide organizations with alternative staffing options and who generally cost less to employ, require less cross-cultural training and no relocation assistance, and by default generally receive less, if any, head office support. Sometimes HCNs are selected for “in-patriation,” a short-term assignment that requires sending them to the headquarters location to acquire valuable exposure to organizational practices and customs that then enables them to compete for promotion opportunities on par with PCNs and TCNs back in their home country. Other HCNs may be disguised as host-country origin expatriates (HCOEs)—people from the host country who have lived and worked overseas as expatriates themselves, who then relocate home under special “returnee” compensation arrangements that situates them slightly above HCN status, but not quite at the same level as PCNs and TCNs.

The trend over time, as MNCs become more complex and cosmopolitan, as the importance of “regional” experience becomes increasingly recognized, and as organizations seek to reduce costs, is for PCNs to be supplemented or even supplanted by HCNs and TCNs. For TCNs, in particular, this is largely because expatriation has become a less risky undertaking today than in previous years when PCNs’ company packages and “apron string ties” have been seen as a more secure way to reduce the risks of living and working overseas. Because being a TCN is a riskier way of life—with far less job security than the repatriation models of the past have afforded typical PCNs—these types of expatriates were rarer 20 years ago than they are today.

Nowadays, TCNs are on the rise, mostly because the next generation of employees is increasingly exposed to what globalization has to offer and are conditioned to take more risks in order to avail themselves of its advantages. In the next 7 years to 2020, the number of assignees drawn from headquarters MNCs (i.e. PCNs) is predicted to drop from 80 to 40 percent, with no more than 10 percent drawn from senior (executive) management (down from 50 percent currently). This says a lot about the type of employee that will make up the majority of the global talent pool.

Another significant trend is that expatriates no longer tend to do just a single assignment and then repatriate. Craig Phillips, the PCN in our opening case, is on his fourth consecutive expatriate assignment in 12 years, with the same company. Craig is a “career expatriate,” building specialist expertise in getting things done in foreign environments. More and more expatriates are rejecting the “one assignment” concept of expatriation and instead adopting a “career” concept, stringing together re-assignments into meaningful sequences that meet their long-term personal aspirations. And when Craig decides to finally repatriate, he already knows it may not be to his native England, but instead to a location that is equally desirable, and perhaps more in keeping with whom and what he and his family have become: citizens of the world, capable of living anywhere.

One consequence of this is that many expatriates offered the opportunity to go abroad no longer look at just the “next” assignment: instead, in an attempt to piece
together how expatriation, as a career choice, furthers their career and personal aspirations, they look far beyond the next assignment, sometimes 7 or 10 years down the track, through subsequent re-assignments. Their focus nowadays is frequently much longer-term than that of the organizations they work for. This can be highly problematic because in the absence of a clearly defined and openly communicated organizational life, expatriates recognize that some of the skills they are acquiring (e.g. cultural flexibility) are generic rather than organization-specific and that they can often pursue their careers across organizational boundaries, in inter-organizational careers. As in Craig Phillips’ case, the situation may be further complicated by family considerations, for example, a spouse’s career, or the desire for stable and high-quality education for one’s children in alternative suitable locations.

There is also a growing phenomenon of self-initiated expatriates (SIEs), a little like migrants but more temporary, qualified people who move to new countries of their own volition, without company support, and seek to “see the world” or develop their careers there. They may have no intention of settling permanently in the country they choose, but would like to “try it out” or use it as a base for further travel, before deciding whether to settle there, return to their home country, or move on to somewhere else. The concept of a “gap year” between secondary and tertiary education provides a “junior” version of such opportunities and many teenagers go abroad at this time for personal exploration and self-development, much like many SIEs also tend to do.¹⁸

Self-initiated expatriates are not sponsored by MNCs, but they are expatriates, and there are a significant number in the international labor market. SIEs act more like entrepreneurial “free agents” than traditional company-assigned expatriates (CAEs) whose moves are directed and controlled by the MNC. Instead, SIEs are subject to “market forces” whereby those with in-demand skills can cultivate their own “boundaryless careers” in and across organizations, projects, and countries of their choosing.¹⁹ We predict that SIEs who morph into “global citizens”—cosmopolitan people to whom “at home” might be anywhere in the world, and who will travel to, and live in, whatever location suits their purpose at the moment—will come to dominate the international labor market.

So what exactly is any given expatriate? A PCN or a TCN? An assignee on a project or a long-term careerist? A company-assigned loyal organizational servant or a “global nomad” disguised as an SIE? How do these different types of expatriates merge into one another, and what would it mean to an organization if they started out as one type and became another? While the focus of this book is “expatriates,” particularly PCNs and TCNs, we need to be aware that the term covers an ever-widening and ever-diversifying set of individuals, as outlined in Table 1-1.

Furthermore, it is clear that these types of expatriates constitute the building blocks of much wider groups and movements, terms coined by practitioners and scholars in recent years to include global staffing, international itinerants, brain drain, global managers, talent flow, and the war for talent. Many of these terms capture the collective nature, the value, and the dynamic movement of these new types of international employees much better than the neutral term “expatriate.” And as we will show in this book, the types of employees who become expatriates are as
varied as the locations they are sent to, with significant implications for how they are managed from an eROI standpoint.

Table 1-1: The Meanings of Expatriate

<table>
<thead>
<tr>
<th>Type of Assignee</th>
<th>Definition</th>
<th>Where to find</th>
</tr>
</thead>
<tbody>
<tr>
<td>PCNs: parent country nationals</td>
<td>Citizens of the headquarters country location of a company, from which they are then sent abroad</td>
<td>Home-country</td>
</tr>
<tr>
<td>TCNs: third country nationals, foreign local hires</td>
<td>Originate from neither the home country where corporate “headquarters” is located, nor the host country where they are employed, but a third country where they have lived either temporarily or permanently before agreeing to move to the host country</td>
<td>Host-country region</td>
</tr>
<tr>
<td>EHCOs: expatriates of host country origin / returnees</td>
<td>Permanent resident of the parent country but belongs to ethnicity of the host country and is hired and/or transferred by the parent country organization to the host location on a temporary assignment or permanent transfer</td>
<td>Host-country</td>
</tr>
<tr>
<td>FELOs: foreign executives in local organizations</td>
<td>Foreign individuals at the executive level who hold local managerial positions supervising HCNs in local organizations where these organizations have their headquarters</td>
<td>Host-country</td>
</tr>
<tr>
<td>HCNs: host country nationals</td>
<td>HCNs are mostly non-expatriate employees residing in the host-location as citizens of that country</td>
<td>Host-country</td>
</tr>
<tr>
<td>Inpatriates: reverse expatriates</td>
<td>HCNs (local managers) and TCNs of a subsidiary sent to the parent country headquarters on an international assignment to provide them with an international perspective, exposure to corporate culture and a network of contacts</td>
<td>Host-country</td>
</tr>
<tr>
<td>Millennials</td>
<td>Individuals who are members of “Generation Y,” those born in 1982–2000</td>
<td>Home-country</td>
</tr>
</tbody>
</table>

The International Labor Market

A key factor that causes MNCs to utilize expatriates is the increasingly international market for skilled labor, and the ease with which skilled workers are able to work around the world, wherever they choose, on the international labor market. For professionals and managers worldwide, distance has been defeated and barriers abolished by such developments as the growth of great new trading blocs such as the
European Economic Community (EEC); the fall of the Berlin Wall and the demise of European communism; developed countries’ access to cheap land in, and labor from, emerging economies like China and India; the adoption of English as a common business language; and the growth of rapid technological innovation enabling instantaneous intercontinental communication.

Another important factor is the so-called global war for talent, as organizations seek competitive advantage over each other through their utilization of knowledgeable people and vie with each other to recruit the best and the brightest. “Free migrants” from impoverished nations with scarce technical and professional skills—IT specialists, engineers, financial analysts, and doctors—leave the economic poverty, unemployment, and political oppression of their home countries for the supposed affluence and democracy of the West. Corporate expatriates travel in the opposite direction, seeking personal and organizational challenges by bringing their expertise to new and often under-developed settings.

And so, as travel becomes more efficient, and education and mass media publicize the exciting world beyond each country’s borders, men and women with scarce skills travel around the world—many as global nomads—and settle in different locations, at least for a time. Attracted by political or economic conditions, career challenges, and lifestyle options, or merely by a thirst for novelty, they create inter-country and intercontinental flows popularly labeled “brain drain” and “brain gain,” creating oversupplies and shortages of talent.

Increasingly, the international labor market is attracting more and more under-represented employees and as such becoming a more diverse labor pool, particularly of women. Indeed, female expatriates have been historically under-represented in disproportion to the size of the qualified female labor pool,\textsuperscript{20} despite the growing acceptance that gender diversity can be a corporate performance driver.\textsuperscript{21} Estimates of the percentage of expatriates that are female have increased over the last two decades—from 3 percent in the early 1990s to 20 percent in 2012.\textsuperscript{22}

Many expatriates are now also members of “Generation Y”—those born 1982–2000. Often called the “me” generation or “millennials,” compared with their parents they tend to show less loyalty to employers.\textsuperscript{23} Unwilling to spend their lives as gray, secure organizational servants with linear careers, they instead seek work-life balance, access to the latest technology, and constant novelty.\textsuperscript{24} Even when they are still children, many have experienced international tourism, educational exchanges, study or work abroad, foreign language learning, interaction with immigrants from different and diverse cultures, cosmopolitan television programs, internet experiences of foreign lands, and even childhood stints abroad.\textsuperscript{25}

Many of these people seem to believe that international travel is neither a luxury nor a corporate necessity but part of their birthright. Their goal is not to secure lifetime employment but \textit{lifetime employability}, through the building of career skills that are not organization or location specific. They welcome the stimulation and challenge of expatriation and may engineer it themselves without corporate help, but if they find better opportunities elsewhere, they will be quite prepared, even during an international assignment, to move from one company to another. They seek glamorous lives in multiple exotic settings. They cease to identify as American,
French, Chinese, or whatever, and see themselves instead as global citizens in a borderless world. With such expectations and flexibility, which have recently been further increased by the impact of the 2008–09 global financial crisis and consequent historically high unemployment among young people of this generation, young expatriates create major problems for employers trying to figure out how they can turn the “me” generation into the “we” generation.

In this book, we will extend the concept of expatriation beyond the traditional international assignment to cover the new forms of expatriation and the new trends in the international labor market. We will consider both organizations’ management of expatriates and their strategies for expatriation. We will seek to demonstrate a cohesive, systematic, and future-oriented approach.

**Summary**

In this chapter, we’ve set the scene by establishing the basic features of expatriation. We have explained the context of expatriation and the growing dominance of MNCs, along with the business purposes of expatriation, the various meanings and definitions of the term “expatriate” from its origin to the present day, and the changing characteristics of the international labor market. We concluded the chapter by showing new patterns of mobility and highlighting how expatriation and expatriates have changed, and why.

What has been especially important, particularly within the context of globalization today and in the future, is to debunk the myth of one type: the “there-and-back” expatriate. Instead, there are many alternatives as well as new forms of mobility that are likely to dominate global staffing strategies for the coming decade. The stage is set to consider more specifically the management of expatriates across a broad range of contexts.