A study on Expatriate Management: -Best IHRM Practices in Indian MNCs

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Abstract: Seeking business opportunities in other countries is a prime factor for organisations today. As a result of this trend, human resource professionals in international firms face the persistent challenges of recruiting, selecting, training, assessing performance and managing the careers of international employees. A literature survey was done to identify the "best practices" for expatriates. This paper adopts a case study approach, to examine the international human resource practices in three Indian MNCs in the field of ITES and explores the reasons why these organizations have adopted the practices they follow. Data from questionnaires and interviews were analysed. The results indicated that all the company cases were found to apply the 'best practices' but with varying degrees. New variables were also identified. The findings indicate that only few companies have spousal training in cultural and language for their expatriates, and there is lack of clear parameters for expatriate appraisals in terms of culture and learning. The implication of these findings is for the companies which intend to cross boundaries in pursuit of growth and profitability. The HR practices have to be fine-tuned with the requirement to suit the requirement of host as well as home country.

Keywords: Expatriate management, Multinational companies, HR practices, ITES industry

1. INTRODUCTION

Major surveys indicate that there is a rise in the number of expatriates in India. India is considered to be a relatively tough relocation destination, next only to China according to the Global Relocation Trend Survey 2010. The volumes of Indians relocating to other countries has also been increasing at a steady pace in the last two decades.

Effective expatriate management is becoming a seemingly challenging and strategic process for most organizations. Expatriate management is a mammoth and expensive challenge for MNCs. The premature return of an expatriate is likely to lead to a low morale and loss of esteem among colleagues which is likely to impact the performance at home (Mendenhall & Oddou 1985). This in turn discourages other employees from taking up international assignments.

Many researchers have been working to improve the expatriate intervention. This has been predominantly due to the premature return of the expatriates due to factors which leads to culture shock and emotional distress that is typical of international assignments (Gregersen and Black 1990).

Many companies are planning a lot of interventions, expatriates are appropriately trained in cultural environment issues besides technical abilities in which their job entails. ‘Best practices’ of these interventions are not identified (Tung 1981).

Need for the study:

To achieve competitive advantage in increasing global competition organizations need to view expatriate management as a critical part of their IHRM strategy. The cost of employing an expat is three to four times more than placing him on job in the home country. This has implication on who is picked for an international assignment, why they are picked and how this fits the company’s global strategy as a whole.

Expatriate failure will be disastrous to the global plan of MNCs. Several studies has tried to identify the reasons for expat failures, lack of cross-cultural adjustment, by spouses, and family are some of the reasons (Black and Gregersen 1991) inability to take up higher work load, or poor performance (Fieldman and Thomas 1992). According to a study of Gregersen and Black 1997, more than 10 % of US expatriates
sent overseas return prematurely as they are dissatisfied with the job or undergo culture shock.

This study aims at understanding the HR practices which may lead to improved expatriate management and therefore help to minimise premature return. If MNCs design proactive HR policies, and help in easy adjustment of an employee and his family in host country, expatriates will be motivated to perform better.

**HRM Concepts:**

**Job Specification:** Organisations that frequently send their employees on foreign assignments must be clear in defining the technical aspects of the job and also address the adaptability and cultural demands involved in the international assignment (Lobel, 1990, Black and Mendenhall, 1991). The other competencies crucial to the success of expatriates include attitudinal, interpersonal and general living competencies.

**Recruitment:** Information on the aspects of career development, political conditions and spousal adjustment plays a crucial role in addressing the issues faced in the future assignment during the recruitment process itself. Realistic job preview (RJP) is giving positive and negative information about the job.

**Selection:** Interviews are commonly used in the selection process and effective interviews should be structured and make use of pre-determined scoring guides. The involvement of a panel of raters and optimum usage of patterned behaviour needs to be utilised in the process.

**Training:** Training programs are a crucial part of pre-departure preparation of expatriates. Training programs can be conducted in a formalized or in a less formalized manner. Many theories have argued that trainings should be conducted in formal mode prior to the departure of the international assignees (Hannigan, 1990).

**Performance Appraisals:** performance goals are set based on behavioural traits for international assignments (Dowling 1994). Inability to recognize the challenging factors may lead to criterion deficient performance appraisals. Bias is likely to occur if the home country manager is evaluating the assignee due to lack of constant surveillance. To deal with this issue, Oddou and Mendenhall (1995) suggest that the evaluation of home and the host i.e on site managers be weighed differently.

**Human Resource Development:** they refer to the efficient and systematic activities planned by organizations that seek to give employees the essential skills to cater to the present and impending demands on the job (Harris and DeSimone, 1994, p-2). Therefore, international assignments should be looked upon as crucial in a systematic job rotation process.

2. Objectives of the study:
- To provide a brief view of International Human resources practices available in literature.
- To understand the extent to which Indian MNCs attempt to pro-actively manage their expatriates according to these practices.

3. Research Methodology:

This study involves multiple qualitative case study design to help arrive at the findings. The analysis is done at the firm level and intra firm level. The objectives was to arrive at a holistic view of the state of IHRM practices in Indian MNCs. HR representatives were the key respondents in the study due to their involvement and awareness of the HR practices.

**Sample:**

Sample size: A multiple case design consisting of three Indian Software MNCs was considered. They were selected because the research objective was to identify interventions of HR practices of Indian MNCs. MNCs with headquarters based in India were considered for the study. The selected Indian Multinational companies with holdings in at least one country in common was considered for the study.

4. Descriptions of MNCs:

All companies were selected based on their fit to the determined criteria for the study. They had subsidiaries in other countries and were recognised to be an international firm, and firm’s HR representatives were also willing to participate in the study.

*Company 1:* is a service based ITES Company operating in more than 50 countries across the world. This organisation currently has 30% of employees on international assignments. On an average the employees work for 3 to 5 years on an international assignment and their work is typically related to consulting, project management, and product development. The international human resources department has two people in consultative roles and host HR employees in two other subsidiary countries that work closely with the HQs.

*Company 2:* is a service institution in BPO/KPO sector and is growing rapidly, the institution has expanded to over 12 countries. There are more than 250 employees on international assignments of the total 2500 employees at this point in time. The average duration of assignment is four to five years. There are nine people in the HR staff at headquarters and also employees in the subsidiaries other than HR who assist employees on international assignments. HR play a crucial role in business decisions.

*Company 3:* is a software development and maintenance company based in Bangalore, with 1,600 employees, present in 3 countries, and about 125 employees are working on international assignments. The average duration of work on international assignment is 3 years, they perform work in the area of software development and testing.

5. Data collection:

Structured questionnaire was used to ascertain the HR practices that was implemented. The questionnaire is categorised into 8 sections:

Part 1 and 2 is related to the back ground information
Part 3 of the questionnaire was related to job specification
Part 4 and 5 are related to staffing issues
Part 6 on training for international assignments
Part 7 on performance appraisals of expatriates

Part 8 on HRD of expatriates

The questions address a gamut of HR areas broadly. The motive behind it was to consider each feature of HR best practices.

**Data analysis:**

The analysis are presented according to the functional areas of HR. The cases are analysed among the companies first and then a Cross-case analysis is done to provide a comparison of results.

**Table-5.1.1 Best practices ‘facilitator’ adhered by the companies**

<table>
<thead>
<tr>
<th>HR Practices</th>
<th>Company 1</th>
<th>Company 2</th>
<th>Company 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>JOB SPECIFICATION</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Competences</td>
<td>Yes, covers attitudinal and technical competencies, and omits general living</td>
<td>Covers technical and omits attitudinal and general living competencies</td>
<td>Covers only technical competencies</td>
</tr>
<tr>
<td>b) Skill</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) General living</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Attitudinal</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) Technical</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RECRUITMENT</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(RJP for expats) and for spouse</td>
<td>All practices followed</td>
<td>RJP for expats only</td>
<td>RJP for expats only</td>
</tr>
<tr>
<td>SELECTION</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interviews</td>
<td>HRM ensures all methods followed</td>
<td>Left to hiring managers</td>
<td>Unstructured interviews</td>
</tr>
<tr>
<td>P-tests, structured</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>TRAINING</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Need assessment</td>
<td>Training is need based, on-site policies and cross cultural training, OJT</td>
<td>Pre-departure training covering culture and language of the host country</td>
<td>Pre-departure training for one day with manual, OJT with mentors</td>
</tr>
<tr>
<td>On-job-training</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duration</td>
<td>Depends on training given</td>
<td>2-4 days</td>
<td>One day</td>
</tr>
<tr>
<td>PERFORMANCE APPRAISALS</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Job Specification:**

The extent to which the companies adhered to job specification is itemised in table no 5.1.1 In company no 1, the JS focuses on technical skills and then considers attitudinal aspects. Hence all aspects were considered with an exception of living competencies. Company no 2: JS includes only technical skills, and omits attitudinal and general living skills, company no 3 also focused only on technical skills.

During assignments, it is observed that all companies perform job analysis and develop JS, but most of the competencies related them to technical capabilities. Political volatility and economic conditions of host countries are to be noted and have been suggested.

**Recruitment:**

Company no 1 provides an in-depth information regarding the international assignment to the expatriate. RJP is provided to the employee and the accompanying spouse; they are encouraged to speak to other expatriates already working there. This policy empowers them to make informed decisions about taking up an international assignment.

Company no 2 and Company no 3 was also found to follow the set practice for recruitment by giving all the information about the job and the dos and don’ts but these sessions are only for the expatriates and their spouses.

Realistic Job previews are used in all the cases but with varying degrees, only in the company case no 1 a spousal RJP is provided and the other two company cases do not include the spouse in the RJP sessions.

**Selection:**

Company no 1: line managers identify the person and the HR provides and conducts all the qualifying tests to ensure appropriate selection of employees. Structured interviews are extensively used in the selection process with personality tests as well.

Company no 2: The selection procedure was the hiring manager’s discretion. The expatriate is then routed to the HR after the project head has approved, so in this case the HR was uncertain of the specific approaches followed.
Company no 3: selection was done by business line managers using unstructured interview methods and passed on to HR department for further selection and training.

In company no 2 and 3 line/project managers conducted initial screening, but in company no case no 1 HR representative implicit interviews were used to identify the right choice of people for international assignment.

**Training:**

Company no 1: all the practices are implemented on need basis including cross-cultural training, and language training. However, the defined training methods employed is dependent on the consultancy’s requirement for a particular assignment.

Company no 2: pre-departure training is conducted in all the areas concerned, but in company case no 3 a mixture of pre-departure trainings at the headquarters and OJT abroad with a mentor is used to impart the necessary skills required to achieve organizational objectives.

Need analysis and classroom training is given in all the cases studied. Training themes include cultural, language and technical updates, in case no 2 training is usually outsourced.

**Performance appraisals:**

Company no 1: follows all the practices of the home country. The instruments are same as used in domestic appraisals which change in accordance to the business goals. Expatriates are assessed on their accomplishment of job expectations, usually after 6 months.

Company no 2: follows the practices of measuring performance after 6-8 months on the job achievement, but behavioural or cultural adaptability is not clearly specified in the appraisals.

Company no 3: also has appraisals after 6-10 months on the job performance and has not included behavioural or cultural aspects.

Use of behavioural rating was present only in case no 1 and not in case 2 and 3, learning curves and appraisal time were factors which all the MNCs considered. All appraisals measured performance based on the set criteria for the employees.

**Human Resource development:**

Company no 1: most expats undertake a higher position when he/she returns to the home country. Typically, the business manager works with the HR in identifying the appropriate role.

Company no 2: there are possibilities of expats to be transferred to other international locations if found suitable. The expatriate has limited knowledge of the key positions available and HR facilitates conducting of the interviews and developing KASOs to place the expat on another assignment.

Company no 3: employees sent on international assignments are assured a position on their return to the home country. Some international assignments are part of an overall leadership development plan, so expats are guaranteed a position equivalent to the one they left behind.

Each company case has a unique way of dealing with career development and repatriation. In all cases, expatriates work with HR to build their career because the networking tools were given to the expats, the onus of developing their career lies with them.

**Table 5.1.2: ranking of participating companies in implementing “best practices of IHRM”**

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Company 1</th>
<th>Company 2</th>
<th>Company 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Score driving ranking</td>
<td>Best in 3 HR areas</td>
<td>Best in 1 HR area</td>
<td>Best in 2 HR areas</td>
</tr>
<tr>
<td>Expatriate</td>
<td>4500</td>
<td>250</td>
<td>125</td>
</tr>
<tr>
<td>Availability of HR resources in subsidiary</td>
<td>yes</td>
<td>no</td>
<td>yes</td>
</tr>
</tbody>
</table>

**Findings:**

- Job specification is given to the employees who are go on international assignments, but most of the competencies are emphasized on technical skills and very little emphasis on attitudinal and general living competencies are highlighted in the job specification.

- Realistic job preview (RJP) are given to the employees in all the company’s cases, but spouses are not updated about the do’s and don’ts of international assignment in company case no 2 and 3.

- Selections are done on the basis on structured interviews only in company case no 1, whereas the other companies rely on hiring managers, line managers to select the ideal person for the international assignments.

- Training is adequately planned and performed by all the company cases. Each of them have an innovative and unique method of training employees on cultural, language, and technical areas.

- Performance appraisals are areas which needs clarity as the sample companies were not very clear on the parameters of behavioural assessment.

- In career development, HR department facilitates the expatriates, regarding jobs and positions, it is left to the employees to network and build their career. But all the company cases agreed on supporting the repatriation process.

**6. Limitations of the study:**

- It is difficult to generalize the findings of a qualitative study like this one.
• The sample companies had employees working in many countries, which impede the generalizability of findings, because of the diverse conditions prevailing in these countries.

7. Conclusion:
This paper encompasses how Indian ITES MNCs adhere to the 'best practices' for expatriate management as proposed in literature. It was found, most of the companies followed the “Best Practices” of HRM but in varying degrees. There is definitely scope for improvement in the areas of performance appraisals and trainings provided. The company case no 1 is considered to have a highly professional attitude towards expatriate management in comparison to the other two company cases.

However there are areas like leadership, spouse adaptation training, general living training, cross cultural appraisals where they can include/improve to ensure that the employees are satisfied on their international assignments.

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