

# The Key to Expatriate Success

By Gary W. Hogan and Jane R. Goodson

*Up to 40 percent of U.S. "expatriate" managers fail in their overseas assignments. The missing link is preparation. Here are some guidelines for success.*

Overseas operations are big business for multinational corporations, or MNCs. In one recent year, Exxon, America's largest MNC, produced overseas sales representing 72 percent of the company's total revenue and almost 75 percent of its total profit. Given the revenue at stake, it is to any company's advantage to staff overseas foreign divisions with effective expatriate managers.

Unfortunately, many companies do not realize the potential bottom-line impact of expatriate success and fall short in their efforts to prepare expatriates for their assignments. Overseas assignments are notorious for their high failure rate. An article in the *Academy of Management Review* estimated that from 1965 to 1985, the expatriate failure rate fluctuated between 25 percent and 40 percent, with an average cost per failure to the parent company of \$55,000 to \$150,000.

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What is the missing link? One significant consideration is a lack of understanding of the new country's culture and a lack of "acculturation"—that is, efforts to adopt the cultural traits or social patterns of the host country. Acculturation can mean the difference between a profitable success and a costly failure. "The inability of expatriate managers to adjust to the host culture's social and business environment is costly in terms of management performance, productivity in the overseas operation, client relations, and operations efficiency," say the authors of the *Review* article.

How important is acculturation to expatriate success? A survey of expatriate managers representing 40 multinational corporations in Japan identified some key factors contributing to expatriate success.

The managers said that the most important qualifications were an understanding of the firm's mission, leadership ability, an understanding of the host nation's culture, communication skills, and overseas business experience. The managers ranked formal degrees and military experience as least significant.

The impact of acculturation should not be underestimated. Different ex-

pectations in the unfamiliar culture can make a manager's leadership and communication styles obsolete. When that happens, the expatriate must be able to understand and respond to new situational demands. Research shows that flexibility in leadership and communication styles is necessary for managerial effectiveness. Expatriate success requires that managers not only understand the unfamiliar culture, but also be able to use that knowledge to adapt their leadership and communication practices to the particular company, employees, and environment.

The survey results suggest that a combination of reliable selection and training strategies increases the potential for expatriate success. First, companies seeking overseas managers should select them from within the organization. All of the Japanese expatriates in the study were chosen from within their companies. Companies that select from their own ranks are more likely to choose managers with corporate knowledge, skills flexibility, and adaptability. A manager's effectiveness in previous managerial roles implies that he or she has the leadership and communication skills needed for success abroad. Broad organizational experience will enhance the





manager's ability to understand fully the corporation's goals and objectives. The managers surveyed cited "broad business perspective" as one advantage of selecting expatriates from within the domestic managerial force.

Companies should carefully integrate selection and training. The survey also shows that although none of the companies required predeparture language training, 88 percent offered voluntary language programs. Sixty-three percent of the respondents received predeparture orientation. Of that group, 80 percent said their companies offered orientation as a family service. Although all attendees said they found the programs helpful, most did not view them as essential to success in their overseas assignments.

### Programs to improve expatriate effectiveness

Training that focuses on skills needed for the particular culture is critical to expatriate success. But in a survey in the fall 1985 *SAM Advanced Management Review*, fewer than 25 percent of the companies responding offered any type of predeparture training program. Most of those programs were only about a day long, five companies offered programs lasting two to five days, and one offered a program of two to six months, depending on the host culture.

Many U.S. companies have the shortsighted view that training programs are a waste of resources because of the temporary assignment of the expatriate. But according to the authors of the *SAM Review* report, "In light of what European and Asian companies are doing in this area, it should come as no surprise that American employees overseas continue to fail in adapting to overseas assignments."

The Japanese understand the importance of predeparture orientation and training. In fact, researchers and practitioners believe that the Japanese advantage in this area plays a key role in Japan's successful penetration of foreign markets. One survey showed that 86 percent of multinational corporations in Japan had failure rates below 10 percent for their expatriates.

In Japan, companies make overseas assignments a year before departure to allow adequate preparation time. During that year, managers devote company time to studying the culture and language of the destination country.

In the foreign country, the Japanese expatriate manager works with a mentor who is responsible directly to the head office and whose job is to smooth any problem areas and to reduce pressure on the expatriate. Part of first-year performance appraisal is the notion that the expatriate's primary job during that time is to learn about and adjust to the new country. Throughout his or her stay abroad, the Japanese manager does not have to worry about being forgotten by the parent organization. A foreign assignment is an integral and accepted part of career progression.

The author of an article on cross-cultural training in the July 1989 issue of *Training* observed that the Japanese

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have two unique ideas regarding overseas assignments. First, the manager must develop "effectiveness" skills by reshaping his or her skills to fit a different set of relations with subordinates, business associates, and customers, as well as regulatory, political, and market environments. Second, both the manager and the family must develop "coping" skills by learning to do without things easily available at home. They must learn to accept, respect, and ultimately enjoy customs and procedures that at first seem unfamiliar and inconvenient.

U.S. companies should learn from such strategies. They must view the effort to prepare expatriate managers adequately for their assignments abroad as a profitable use of resources.

### Preparing expatriate managers

Managerial training should focus on developing a new set of skills for a new culture. The intensity of the training will depend on the manager's knowledge of and experience with the specific culture and the degree of difference between that culture and the manager's own culture. The first step should be a program that focuses on

the specific culture and how its relationships with employees, co-workers, clients, and the environment differ from what the manager is used to. Training should then aim at developing communication, leadership, conflict management, and other skills that fit the particular culture.

Because language skills improve cultural understanding and business relationships, companies should develop training geared to the person's skill levels. Unfortunately, top managers making such decisions often feel that language facility is less important than the expatriates say it is. For example, few companies require language training for managers embarking on overseas assignments. Yet, to be taken seriously in the business community, the expatriate must be at least conversational in the host language.

Designers of predeparture training must tailor their efforts to the individual manager's needs, particularly in the areas of language and cultural orientation. A corporate sponsor assigned to each expatriate can help ensure that acculturation skills learned during predeparture training and orientation are firmly entrenched. Sponsorship should be an ongoing effort that continues to develop acculturation skills among managers.

Finally, the expatriate's family should be included in predeparture orientation. Family training sessions should emphasize the unique customs and practices required in the host country. Because stress and culture shock often accompany the change, all family sessions should address such problems. A family predeparture orientation can help ensure that the manager's family becomes a positive rather than a negative force in the overseas assignment.

Given the importance of expatriate effectiveness to overall corporate profits and bottom-line success, organizations should not take expatriate selection, orientation, and training lightly. Selection should emphasize corporate knowledge, skills flexibility, and adaptability, but the key to success is preparation. Companies should require training and language programs to ensure that their expatriate managers have the skills needed to operate effectively in the new environment. The benefits of a comprehensive selection and training effort far outweigh the costs in terms of positive corporate outcomes.

