

# EXPATRIATE POSITIONS IN THE 21ST CENTURY (Conclusion)

Besides the very high cost of maintaining an expat and family overseas, there are two other developments that have contributed to the reduction of expat roles in recent times: communication technology and the quality of local talent.

As little as twenty years ago, the telex and fax were the most common means of document communication. Telephone monopolies created exorbitantly high international phone rates making conference calls prohibitively expensive. Restrictive airline reciprocity agreements kept fares high. Communication options were limited and slow and the need for someone on-the-scene to report, analyze and advise was high.

New technology has brought us to a 24-hour-a-day workday with nearly instant communication capabilities from almost anywhere. Improved, expanded and competitive air travel options have brought down the cost of flying. International texting, mobile phones, email, video-conferencing, and faster translation services utilizing modern communication technology, have all helped to keep the foreign-based corporate headquarters management in close touch with their colleagues and partners in foreign markets.

Importantly, the wired world now provides customers (end-users, subsidiaries or distributors) with knowledge of worldwide markets and competitive trends. They are no longer exclusively reliant on the home office's dissemination of consolidated competitive and market info from around the world. (And as perhaps an unintended consequence they are also less prone to accept HQ's own filtered versions of competitive news.) The important role of "conduit of information" that the expat used to play has been largely obviated by technology.

Foreign subsidiaries and distributors are often managed more effectively by good local managers whose strength is understanding the local business practices, the competitive environment and customer needs. Over the last decades, the pool of well-educated local talent has greatly expanded, many of them with exposure to foreign practices or with expat experience themselves, combined with good language abilities. It is difficult to find an expat with the requisite skills to manage such situations as well as, let alone better than, a local manager.

So then, returning to the original question: "Does an expatriate position still make sense in the 21st Century?"

Large, multinational companies are not the focus here. Virtually all of them have the resources in place to handle the requirements of an expat position and make it an enjoyable and rewarding experience for the manager as well as his/her family, which in turn is a return on investment for the company. The positions are usually part of a well-established executive development program. The 21st Century is a global world, and global experience cannot be anything but an important part of career development.

Neither is the focus on the personal positive enrichment gained from the experiences of an expat position, either for the employee or the family. This benefit is virtually beyond question. (And for the children of expats who are able to live overseas for a good part of the "language window" period, they will also gain language skills that will last the rest of their lives and will better prepare them for their own future careers. The subject of "language window" and other communication concepts will be discussed in future articles.)

Our focus rather has been on business decisions by small and medium-sized American companies without those resources and established programs. For them, it very much depends on the particular situation of each company, their objectives in each

market, and the skills and background of the people they choose to send on assignment. Misunderstandings or miscalculations in any of those areas can have results ranging from an ineffectual expat to a downright disaster. Sending a skilled expert won't guarantee a successful expat mission if he or she alienates everyone in the environment or angers the decision makers (government or industry) by insensitivity, ignorance or inappropriate behavior.

The right person chosen for an expat position can build valuable relationships with overseas colleagues and customers, provide unique expertise to strengthen the company's presence in the local market, and greatly reduce costly problems due to miscommunication. A successful international assignment will provide the company with a more well-rounded and enlightened manager better able to think outside the box since his/her insights and analytical skills will now have been greatly broadened and will no longer be limited to just the narrow range of a singular domestic regional experience.

However, with costs having escalated so much in the last decade, no company, regardless of size, is immune to the burden of maintaining expatriates, so each staffing decision must be weighed carefully. The conclusion common to both sides of the argument may be this: if the requirements for an international position cannot be met by a well-qualified local candidate, and if the objectives of the position are well-defined and require the unique expertise, guidance and skills that only a non-local hire can bring, then the expat position is justified. Further, if the company has any serious intention of developing and being competitive in the international marketplace, it is vital to their business success to develop and maintain a body of equally knowledgeable and skilled international managers equal to the task. And since the U.S. no longer has the monopoly on good ideas, good products or high standards, those international experiences will enhance domestic competitiveness as well.

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# THE CASE AGAINST EXPATS

“Tom” was a successful salesman from the East Coast of the U.S., catching the eye of management along the way with his “hard-core selling.” When a position opened in Japan to “show our distributor how to sell,” Tom jumped at the chance to go. Knowing only aggressive American-style sale techniques and figuring he could quickly increase sales by his “professional” selling skills, he was totally unprepared for the experience. Two years later, having alienated both distributor and customer alike with his brashness and uncompromising belief in American sales tactics, the distributor had isolated him and had begun to focus on some other products in their import portfolio, which started to do very well. Unable to make sales calls on his own without a local partner since he couldn’t understand the language, his position became increasingly irrelevant. To the distributor his efforts were counterproductive; to his company, he was ineffectual. He was recalled and subsequently left the company.

“Dick” was a congenial middle-manager in a mid-sized company. A college background in Asian Studies prepared him well for his stay in Tokyo in a small liaison office. Popular with distributors, he made many friends. However, far from the home office, he slowly felt out of the loop with the changing plans and policies of the parent company. His personal relationships grew weaker. Budgets were tight and so there were few trips back to the home office to keep up-to-date on products, policies, strategies, as well as for maintenance of the necessary corporate relationships. Video-conferencing and other modern communication technologies meant that he was often receiving information and training at the same time as the local staff, so he was unable to provide any special

insights or guidance. Sales were OK, on a slightly upward trend. The cost of keeping Dick and his family was around \$250,000 a year. One day, the company phased out the position and sent him home. He left the company a short time after that. Sales are still on a slightly upward trend.

“Harry” was a middle-aged executive with a family. He had done well as a domestic regional manager with mid-sized company for 8 years. He was asked to go to their small subsidiary in Hong Kong on a two-year assignment as part of a broad plan to “open up Far East sales.” He started off well enough, making the rounds of introductions, writing reports, and bringing local management up to date on the latest corporate policies and strategies. He traveled a lot throughout the region. When there was a problem with a customer, he was briefed by the local staff, told what to say, paraded in and then ushered out. Even with an interpreter he felt he was still missing what was going on in the local office. He was glad to be able to “take charge” of arranging visits of technical experts from HQ when the local managers requested help with training and other important projects. That seemed to be having a positive impact on sales in the region. With his eldest child ready to enter high school and his wife feeling increasingly socially isolated and trapped in their small (by Western standards) apartment (especially when pollution hit dangerously high levels), he was happy to be rotated back to headquarters when his assignment was up. Management, facing general corporate financial pressures, was now considering eliminating the position and saving \$300K in the budget.

These vignettes illustrate some of the reasons behind the recent trend toward reducing or eliminating expatriate jobs, which can be generally categorized into four broad areas:

- 1) the very high cost of maintaining expats and family in equivalent and/or safe lifestyle conditions versus the perceived or real contribution to the bottom line and impact on budgets;

2) the capabilities of new communications technologies to keep up the flow of information and training and reduce travel costs;

3) the cultural and linguistic limitations of expats that diminish their effectiveness;

4) the competency of subsidiaries or distributors who can manage well on their own if provided with the support they need when requested.

Cost is probably one of the biggest factors against an expatriate position. The cost of maintaining an equivalent Western lifestyle is astronomical, whether the location is a developed or developing country. There are many basic components to an expat budget: 1) the direct cost of moving to a foreign location; 2) the direct cost of rent for western-style accommodations; 3) the cost of storage or permanent home maintenance while on assignment; 4) the cost of new appliances and devices (different electric current and/or systems), 5) tuition for private schools for children; 6) "safety and security" measures in developing countries; 7) COLA (cost of living differential) for developed countries such as almost anywhere in Europe and Japan/Korea/Hong Kong; 8) health insurance; 9) health security costs for highly polluted areas such as Beijing or Hong Kong; 10) extended vacation (home leave) time for expat and family for personal matters and business; 11) and for importantly Americans, the cost of international tax accountants and tax-equalization allowances, as Americans are always subject to US taxes regardless of where they live, in addition to local country taxes. (The U.S. is the only industrialized country in the world that puts its expatriate citizens in a "double taxation" situation, giving only a few inconsequentially small exemptions and deductions for the necessary extra expat allowances that are considered "income.")

Pretty long list, isn't it? And that certainly is not complete

– these are just the basic considerations.

The inability to provide these resources in an expat position means that you will have a difficult time attracting competent talent for the position, or you will attract naïve talent who will soon discover they are in a much more stressful – culturally, physically, financially or all – environment than they expected and will become increasingly unhappy, resentful and less productive in their assignment. It is well known that the majority of cases of premature termination of expat positions is due to the unhappiness of, or pressures from, the *family*.

Most expats could get by considerably cheaper by living under local conditions, but in the case of developed country locations, they may be unable, either due to language and cultural issues, or are disinclined, as they have no particular obligation to “go native” or sacrifice foods, living space, personal financial resources, education, personal time and recreation opportunities as an uncompensated “expense” in order to save the company some money. And in the case of locations in the developing world, given today’s difficult political climate, even if the assignment is feasible, “going local” isn’t: the extra cost for the safety and security of the family is mandatory.

It should be noted here that the personal and intellectual enrichment aspects of an expat assignment for both the expat and his/her family, while almost always tremendously positive, are outside the scope of a discussion on the benefits of such an assignment. A company doesn’t create an expat position for the personal and intellectual enrichment. It does so for the benefit of the business.

*To be continued...*