

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...