

Modern Expatriation Through the Lens of Global Careers, Psychological Contracts, and Individual Return on Investment

YVONNE McNULTY

Forget the old notion of repatriation. The world is now a giant employment pool, where experience acquired through constant global mobility is a vital asset. Talent shortages are the norm, and those with talent willing to move across geographical borders are in demand. Expatriate careers may not be new, but how they unfold is changing rapidly. Gone is the idea of parent companies directing organizational expatriates to work in emerging economies. In its place are global careerists who choose where to work as much as for whom. Talent flows are the new normal, where the poaching of high potential staff from competitors is balanced by a simultaneous loss of talent to them. What does it all mean for modern expatriation? Utilizing the experiences of over 70 expatriates in five large multinational companies, this article illustrates the opportunity costs of replacing traditional expatriation with its modern interpretation, and explains why the shift is inevitable. With a focus on new perspectives that takes into account redefining the meanings of “expatriate” and the currency of the psychological contract, it shows how companies can manage their expatriate staff better and how they can adopt current best practice. ©2014 Wiley Periodicals, Inc.

Traditional expatriation is changing. Gone are the days of there-and-back one-off assignments and the full-scale relocation of entire families. Today, we see an increasing trend toward continuous mobility and semilocalized career expatriates, as well as short-term and rotational assignments that require unac-

companied employees to work on specific projects that may last only a few months. These modern alternatives to traditional expatriation are certainly more manageable for organizations in terms of cost and convenience, but like most things in business, they come at a price.

Recent research (McNulty & Inkson, 2013) shows that the opportunity costs of modern expatriation are overlooked or even ignored. Some of these costs include poor employee performance, weaker loyalty, and lower commitment among expatriates, and significant increases in unplanned staff turnover. Many of the problems seem to lie in expatriates' not having clearly defined organizational career plans, while simultaneously realizing that a number of the skills they acquire are generic rather than organization specific and can benefit more than one employer. Armed with this knowledge, today's expatriates appear to be leaving their organizations in droves, not just at the point of repatriation, but also during their assignments, as they search for new and better opportunities in the international labor market. Indeed, Brookfield Global Relocation Services' (2012) latest global relocation trends survey reports the main reason for failed assignments as being expatriates who leave the company during an assignment, with 19 percent of companies rating it as their top reason.

Opportunity costs such as these can be highly problematic for firms as they compete in the

ever-escalating—and seemingly inevitable—global war for talent. What can companies do to stem the flow and keep their expatriates happy and to manage them more effectively?

The Changing Face of Expatriation

Expatriation needs to undergo a dramatic change from how it began: from piecemeal and operational to integrated and strategic. Some recent change is apparent, at least in terminology: There is less talk of *expatriation* and instead a renewed focus on *global mobility*. *HR managers* have become *human capital executives*, and the *personnel function* has been rapidly supplanted by *talent management*.

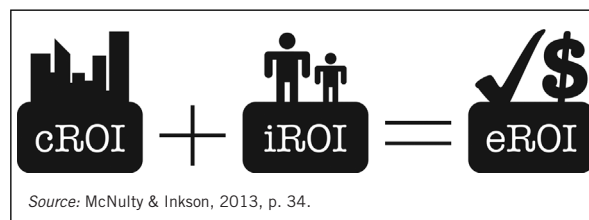
The expatriation function also needs improvement, given that it remains largely functional and transactional in providing administrative services and offering advice, *but not adding value*. Mobility managers tend to act as advisors rather than as providers of solutions, pursuing activities rather than results. They tend to work with piecemeal practices rather than developing integrated systems to manage global mobility. And because they are not accountable for the millions of dollars invested annually in expatriation (with these costs resting squarely on line managers), there is a frequent performance gap between expectations and results. To address this performance gap, global mobility practice needs a new perspective.

Factor in Individual Return on Investment

In their book on expatriate return on investment, McNulty and Inkson (2013) contend that the interests of the company no longer dominate the employer-employee relationship during expatriation. As the authors state:

Gone are the traditional days when expatriation was a solely company-controlled activity, used by firms as a somewhat ruthless tool to reward, incentivize, and direct employees as faceless commodities and resources for MNCs' overall gain. As countless studies and reports now attest, the increasing internationalization of work, the changing nature of

Exhibit 1. Expatriate ROI.



employment (e.g., where individuals are now expected to have upwards of seven or more career changes during their lifetime), and the routine acceptance of global mobility as an inevitable part of one's working life, have compelled many employees to seek out long-term international assignments as a way to ensure continued employment. Thus, employees, and expatriates in particular, are nowadays increasingly focused on how best to negotiate the opportunities that international work presents, and how personal investments in global mobility can ensure "lifetime employability." (p. 36)

This leveling of the playing field between expatriates and their companies points to a change in perspective—from single dependency to dual dependency—wherein a company's stance as the dominant stakeholder in the expatriate employment relationship is weakening. In other words, there is more to expatriation than simply determining *corporate* benefits. Indeed, a large part of overall return on investment from expatriation is also tied up in the costs and benefits that accrue to individual expatriates, such that modern expatriation now requires the consideration of two types of return on investment (ROI)—*corporate* and *individual*—in pursuit of the entire *expatriate* ROI. The result is a new perspective (see **Exhibit 1**).

In simple terms, *expatriate ROI* (eROI) is an amalgamation of corporate and individual costs and benefits that combine to affect the overall return on investment from expatriates that companies expect. The benefits that accrue to companies arising from expatriation define *corporate ROI* (cROI), whereas *individual ROI* (iROI) draws on individuals'

motives for undertaking and accepting international assignments and the perceived benefits in relation to personal and professional gains.

The emergence of a dual dependency represents a dramatic shift in the expatriate employment relationship, not least because the traditional view of expatriates' commitment to their firm has rested on the assumption that there are significant ties that bind them to their organizations as a result of the benefits that they receive, which minimize the financial and other risks of being abroad.

This new perspective undoubtedly has serious, long-range consequences for companies in terms of how to manage today's expatriates. For example, the emergence of a dual dependency represents a dramatic shift in the expatriate employment relationship, not least because the traditional view of expatriates' commitment to their firm has rested on the assumption that there are significant ties that bind them to their organizations as a result of the benefits that they receive, which minimize the financial and other risks of being abroad. Nonetheless, the reality is that many expatriates are no longer as loyal to their employers as they once were, simply because today's companies need expatriates more than ever and, as the following comments from middle-managers shows, expatriates know it:

- “My relationship with [the company] has matured, [and] in some sense, I've lost that naivety that I've had that we're the best in the world. I'm able to see the [company] in a different light.” —Senior reporter, India
 - “I'm not as scared to leave, I'm more confident of my own worth so, therefore, I am slightly less loyal to the company from that point of view.” —Head of finance, Dubai
 - “I learned quickly that loyalty to companies is actually not that important or that helpful.” —Customer administration team leader, Switzerland
- Add on the fact that finding personnel to fill expatriate roles is one of the biggest challenges companies face, and it is not hard to understand why the global war for talent rages on.
- Many factors contribute to diminished loyalty among expatriates, among them the shift to local-plus compensation, localization, insufficient career management support, inadequate family support, and poor psychological contracts. Consider the following comments from senior-level expatriates in relation to how certain management practices affect their willingness to stay with their companies:
- “The fundamental thing that has changed is the attitude to the international assignee. You are much more of a number now. It's policy-driven and it's cost-driven. So I'm very close to resigning and going back to [my home country] and working for another company ... you hit a point where you can do as well in your home market, so I would ask the question, ‘Why the hell would you stay offshore?’” —Vice president, Hubs and Network Control, Singapore
 - “Repatriation doesn't fit into the scheme of my career. Unfortunately, I think there's one job in [Asia Pacific] that's equivalent to my current role and I may or may not have the skills to do it, may or may not be available. The chances of me repatriating would be less than five percent with this company. And yet I'm still being managed as though I will be repatriated, and I just think it's a dumb thing. It's holding me back in my view.” —Vice president, Gateway & Ground Operations, Singapore
 - “I might be more inclined to leave sooner now because of this terrible repatriation problem that is looming ahead. In my case, I'm a couple of years

away from that, so it is not heavily on my mind, but it is on my mind. I mention it almost every day already and it is ridiculous: This thing is two years out to be thinking about it this much.” — Executive officer, Japan

These problems have led expatriates to be increasingly more inclined to reject the safety net afforded by traditional expatriation in favor of having more control over their international careers and their family life. As these senior-level expatriates explain, this means expatriates are no longer looking at just repatriation or the next assignment, but are instead focused on how expatriation, as a career choice, furthers their career and personal aspirations many years down the track, through subsequent reassignments and continuous mobility:

- “One very senior partner out in the region once joked, ‘Gee, the moment you get off the plane everybody starts thinking about what are they going to do when they go back.’ And I remember laughing that off, thinking I just got here, that doesn’t make any sense at all. And then after a while I went ‘Oh, I get it.’ You really do constantly think about how does this all fit into the bigger picture ... [so] I think what is explicitly missing is there is no advanced career planning prior to your deployment. There is no mid-term and certainly no long-term thinking around that. And where it needs to start is pre-trip ... to start thinking to take advantage of the skills and network that that individual will be able to bring back.” —Partner, India
- “We had some people leave that we had not identified the next role for them in time and by the time we did find a place for them, they had moved on; they had started to answer the phone when the headhunters called.” —Vice president, Global Mobility, United States

Unlike in years gone by, expatriates’ career focus nowadays is often much more long-term than that of the organizations they work for.

Redefine Expatriate

To manage expatriates more effectively, it is important to understand who they are. In the early days of expatriation, parent-country nationals (PCNs) were the mainstay of traditional long-term international assignments: senior male staff in their late 40s or early 50s from Western countries sent by a corporate headquarters to a subsidiary office in another country. They generally had a generous remuneration package with substantial benefits and premiums, and were nearly always accompanied by their wife and children.

In the past two decades, different types of expatriates have emerged: more executive women, married couples with no children, single and unaccompanied people, same-sex partnerships, single parents, non-Western minority assignees, and younger expatriates assigned for career development purposes, and without the handsome salaries and many of the perks and benefits of their predecessors.

TCNs tend to receive little organizational support to relocate, largely because they are generally recruited externally and are perceived to already be globally minded because of prior international experience.

There are also third-country nationals (TCNs)—people from neither the home country where corporate headquarters is located nor the host country where they are employed but, rather, from a third country where they have lived either temporarily or permanently before agreeing to be moved to the host country. *Foreign local hires* and *foreign executives in local organizations* (FELOs) represent some of the various types of TCNs (Arp, 2012). TCNs tend to receive little organizational support to relocate, largely because they are generally recruited externally and are perceived to already be globally minded because of prior international experience.

TCNs are often referred to as *global careerists*—individuals who typically are not linked to any particular home country and engage in an evolving sequence of work experience that, over time, takes place in more than one country. Global careerists epitomize what modern expatriation entails: the move away from single assignments and repatriation to building specialist expertise in getting things done in foreign environments as career expatriates. The hallmark of global careerists is the stringing together of reassignments into meaningful sequences that meet their long-term personal and professional aspirations.

TCNs can also be self-initiated expatriates (SIEs)—temporary, qualified workers who move to new countries of their own volition, without company support, and seek to see the world or develop their careers there. Not sponsored by companies, SIEs act more like entrepreneurial free agents than traditional company-assigned expatriates (CAEs, also referred to as PCNs) whose moves are directed and controlled by an organization. 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. McNulty and Inkson (2013) predict that SIEs who morph into global citizens—cosmopolitan people for whom being “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. The latest research by UK researchers (Doherty & Dickmann, 2009) shows that the trend over time is for PCNs to be supplemented or even replaced by TCNs.

Because the next generation of employees is increasingly exposed to what globalization has to offer and conditioned to take more risks in order to reap its advantages, the numbers of TCNs are on the rise and are expected to make up the majority of the global talent pool by 2020 (PricewaterhouseCoopers,

2010). Clearly, global careerists are increasing in number and are on the move.

Embrace Global Careerists

Global careerists are active participants in the wider global economy and seek to develop skills and networks that are valuable in that economy. More important, they are a new, permanent feature of the international labor market. Savvy companies have learned to embrace and use global careerists to their advantage by leveraging what they have to offer. These companies:

- Recognize that many already exist in the organization, despite their covert nature,
- Identify where they are among their ranks,
- Strive to understand what makes them tick, and
- Leverage their skills and talent in the short term without losing sight of long-term opportunities.

As this senior-level expatriate, a vice president in Singapore, explains, rather than fall victim to the global war for talent, these companies act as facilitators of expatriates’ careers, unafraid to engage in power-shared employment arrangements in exchange for guaranteed short-term benefits and potentially longer-term gains, if the employment relationship can be sustained:

The company recognizes that ambition and opportunity don’t always coincide exactly, so they say to people, “All right, well, go and do that for a while and we’ll wait for the right job to come along for you,” and sometimes “that” is created for them. The chief executive has been great in saying to me, “Your skills are recognized. we’ll find something for you to do and then your new job will emerge in time. Be patient.” His words then, not mine, were, “You don’t need to worry. You’re on a number of lists.”

This type of approach makes a lot of sense, because when all is said and done, the short-term ROI that global careerists are guaranteed to deliver, particularly as SIEs, is a valuable proposition that does

not require the massive investment that their CAE or PCN counterparts demand. In short, global careerists can influence the bottom line faster and with more impact than CAEs or PCNs because they:

- Represent a less expensive source of talent because a large majority will accept local or local-plus terms and conditions,
- Facilitate organizational agility—the ability to source the right talent quickly—because many are already in or near the locations where talent shortages exist,
- Desire power-shared employment relationships, thereby instilling a higher level of maturity that is often missing in “owner-occupied” PCN assignments,
- Want to be global and to succeed, and they strive hard to achieve both,
- Seek influence over the terms of their employment and, in doing so, are more invested in the outcomes, and
- Are driven by more than financial gain because their motivation rests largely in being global; these are professionals who, though educated and trained in one country, choose to develop their career elsewhere.

Clearly, today’s expatriates are gutsier than ever, buoyed by an international labor market that increasingly supports their movement outside the safety of their organization, as the following comments from mid- and senior-level expatriates illustrates:

- “As head of this business, I get a job offer a week and these range from being head at a big financial institution down to being head in the same industry, to being head at a big corporate. So let me put it this way: I have a standing offer from at least two [competitors] to join them the day I want to join them.” —Partner, India
- “I got headhunted about six months ago for a job back in [the UK], a really good job, and I got down to the final two and I missed it. So if someone

comes to talk to me about [a job] then definitely, I’ll consider it.” —Country manager, Singapore

- “Absolutely, I am seeking external job offers. I’m kind of getting to the point where to make that big jump I have to leave to do that.” —Customer support team leader, Dubai

Clearly, today’s expatriates are gutsier than ever, buoyed by an international labor market that increasingly supports their movement outside the safety of their organization

Of course, the impact on eROI, particularly in relation to staff retention and the longer-term eROI each expatriate holds, can be huge. Having a cohort of global careerists in a company’s global staffing mix can generate more value than can be gained from any other type of expatriate (particularly PCNs). Furthermore, the most successful companies in the coming decade will be those that utilize a smaller cohort of PCNs in favor of global careerists as the dominant part of their international talent pool, not just because they are less expensive to employ, but also because, over time, there are likely to be more global careerists available on the international labor market. A joint report by StepStone Solutions and the Economist Intelligence Unit (2010) found that organizations view talent management as a key factor in business success (41 percent, ranked third), but that many remain unconvinced that they have strategies in place to achieve it. Thus, while companies may be winning small battles, they are, in fact, losing the talent management war because they don’t understand global careers and how they can be leveraged to deliver the ROI they seek.

An important take-away here is that organizations can no longer rely solely on such “pull” factors as higher earnings and a better standard of living to draw in global talent. More is needed to attract individuals willing to undertake the unprecedented level of global mobility that is required as companies

enter new markets and expand their operations. One way to attract global careerists is to understand that their mobility is a personal issue, not necessarily a monetary one, in which investing in the employment relationship is critical and the psychological contract matters most of all.

Strengthen the Psychological Contract

Although psychological contracts are not legally binding, their breach nonetheless costs companies millions of dollars each year in diminished employee engagement, low morale, and labor turnover. Especially troubling is that many organizations often do not know that a psychological contract has been breached until an expatriate walks out the door and joins a competitor. What is a psychological contract, and why is it so important?

A psychological contract is an indirect, unwritten, and often unspoken agreement between an employer and employee. It is subjective, defined by the individual within the context of his or her employment, and *idiosyncratic*, or unique to each employee (Rousseau, 2005). The psychological contract represents an exchange agreement: Organizations have expectations regarding performance outcomes and other actions from their employees, and employees have reciprocal expectations from employers regarding such things as support, communication, and equity. Because employment relationships can and do change, psychological contracts are perpetually evolving. Some of the challenges associated with the psychological contract include the following:

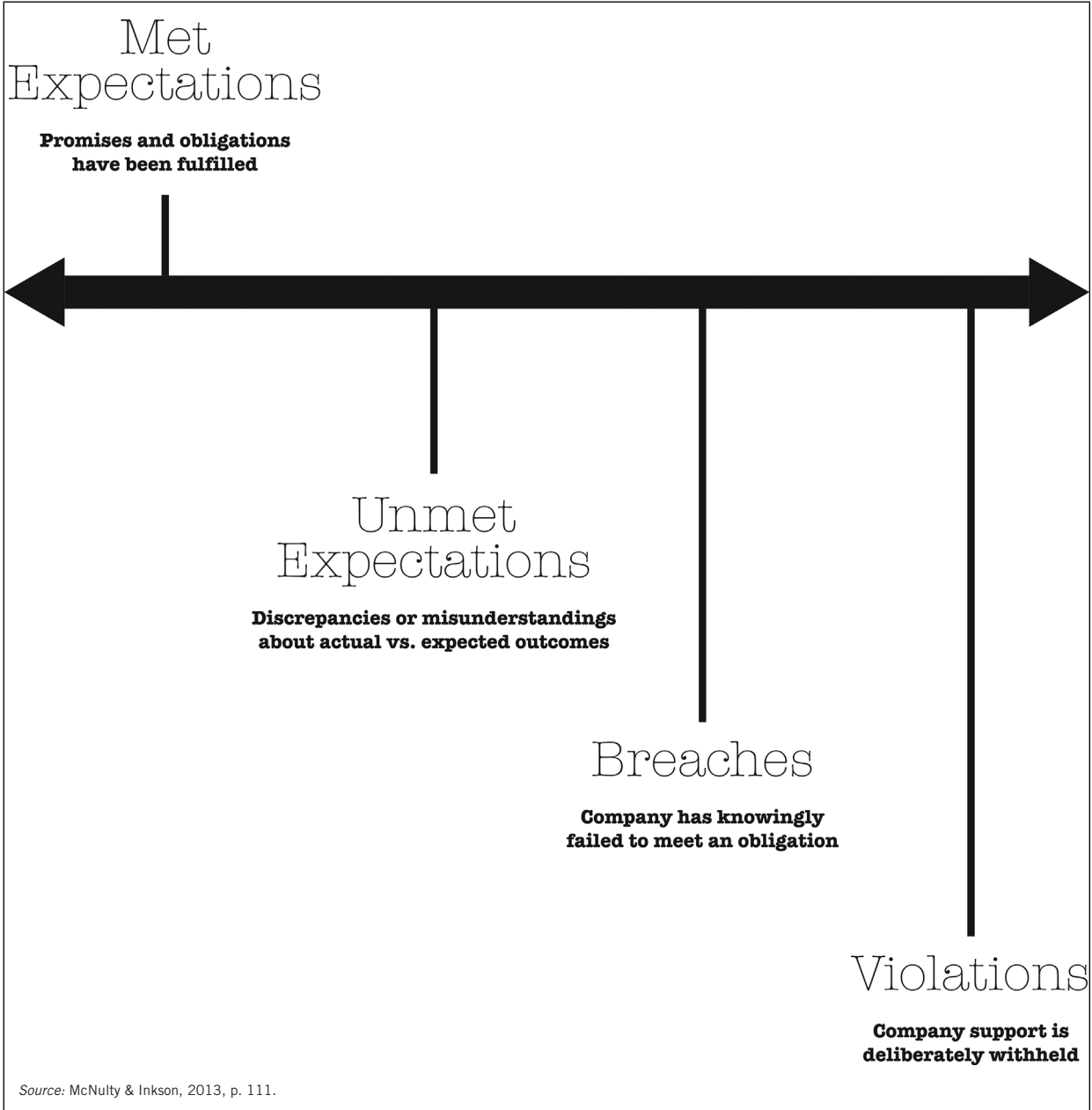
- Unlike written contracts, psychological contracts have no official start and end date and are subject to ongoing and constant renegotiation. This often makes them difficult to manage, because what does not matter to employees today may suddenly matter weeks or even months later. For this reason, there may be little warning of a breach.
- Because psychological contracts are assumed rather than verbalized, a guessing game often goes

on between employees and their organizations—sometimes complicated, in the case of expatriates, by thousands of miles of distance between the parties.

- Psychological contracts are particularly important to expatriates. This is because they are geographically separated from the relative stability of headquarters and accrue higher levels of risk, cultural conflict, uncertainty, and disruption and are therefore likely to place a greater emphasis on perceived mutual understandings and indirect support.
- Psychological contracts are primarily controlled not by organizations, but by employees, who also decide whether, when, and how the terms of their psychological contract have been met. More and more expatriates are therefore calling the shots in their employment relationship and indeed may seek to include individual needs and demands that may be self-serving and not aligned to the goals of the organization.
- While companies may feel secure because assignees are bound by a written contract, de facto power rests more with expatriates, whose psychological contract expectations include iROI concerns. Because of iROI, the “power-over” tactics of the past, seen in traditional dictatorial expatriate management practices, no longer work. Today’s expatriates expect a “power-with” approach that leads to empowered assignees. This has forced organizations to provide expatriates with more fulfilling psychological contracts, through support, communication, and clear organizational commitments.

Fulfillment of the psychological contract comes down to an employee’s perception as to whether promises and obligations have been met, and his or her trust that they will continue to be met. Expatriates use their judgment to evaluate psychological contract fulfillment along a sliding scale of met and unmet expectations, breaches, and violations (see **Exhibit 2**).

Exhibit 2. Sliding Scale of Psychological Contract Fulfillment



When expatriates perceive that their expectations have been met, the psychological contract is considered to be stable and fulfilling, resulting in increased trust, loyalty, and commitment; better per-

formance; and a willingness to go the extra mile and perhaps undertake another international assignment. The following comments from senior-level expatriates illustrate this point:

- “My psychological contract isn’t so much with the organization as it’s with the individuals within it ... a couple of people in this company which I feel I’m morally obligated to, that I’m loyal to. They were incredibly supportive when I went through my divorce and separation, and they put me through one of the best universities in the world for logistics management, and I mean that alone cost \$100,000. So to me, I look at the individuals that helped facilitate that.” —General manager, Hong Kong
- “It’s never been a hire-and-fire firm; it’s been a considered, conservative organization which takes its time over building up staff resources, and equally takes its time if staff resources have to be wound down. That, I think, is part of the psychological contract that exists, and it’s not written down anywhere, the mutual understanding between [the company] and its staff. It’s not necessarily always looking up the letter of the law or the letter of the contract, but it tries to absorb some of the spirit of the situation, the spirit of the contract.” —Head of risk and policy review, Switzerland
- “I used to work for [a competitor] and I felt no psychological kind of bond with them whatsoever. You were let know very early on in your career that you were an expendable member of staff and if you didn’t want that job there were 30 people out there who wanted it. And I’ve never, ever felt that here. It’s always been a company which is full of very respectable professionals who treat each other with a great deal of respect, and that’s something that means a lot.” —Deputy bureau chief, Israel and the Palestinian Territories
- “I’ve stumbled through a career ... it has developed in a totally ad-hoc and unplanned way ... at no stage in the 28 years that I’ve been with the company has anyone made a serious effort to give me some career progression. Most of the changes in my career have happened through my own choice, but a lot of it has been by chance rather than any sort of a plan ... and I’ve told them so on many occasions, and there’s always the platitudes, and then there’s, “Oh, well, yes, it is too difficult for us to do that.” I think at the end of the day the company thinking is not long term enough. It’s totally driven by annual targets and, therefore, the people are thought of in that way, too. There isn’t a proper long-term approach to things ... [so] I’m a lot less willing to go on conference calls in the middle of the night or travel on overnight flights. I actively resist that now. I take day flights because I give my pound of flesh, I believe.” —Vice president, Gateway and Ground Operations, Singapore
- “We’re not walking the talk. we’re not delivering. My boss has never sat down and had an Individual Development Plan with me. My annual review took three minutes. When I asked them for feedback about when we do the motivating sessions or the panel reviews, he said, “No, everybody loves you, just stay where you are for the next year.” I don’t get that 360 counseling feedback; I find it’s almost soul destroying.” —Country manager, South Korea

Conversely, unfulfilled (that is, unmet, breached, or violated) psychological contracts tend to evoke negative responses, such as disappointment, frustration, resentment, and anger. As the following comments from senior-level expatriates show, the intensity of these emotions depends on the meaning that an expatriate attaches to the obligation or promise that has not been fulfilled:

Expatriates’ experiences of psychological contract fulfillment are linked to perceptions about the obligations and promises owed to them by their organization.

Expatriates’ experiences of psychological contract fulfillment are linked to perceptions about the obligations and promises owed to them by their organization. This is the “currency” or “content” of the

psychological contract, the “things that matter,” and they generally fall into two categories.

On the one hand, expatriates need and desire *economic* currency in benefits like tax equalization, bonuses, paid home leave, housing and education costs, and medical insurance. Although these material items are usually explicit in the written contract, the amount of benefit offered, in dollar terms, is closely tied to psychological contract expectations. A good example is when a company falls short in offering a housing benefit or medical insurance that matches the cost of living in a particular location, necessitating the assignee to kick in thousands of dollars to make up the shortfall.

On the other hand, expatriates also need and expect *development* currency in the form of, for example, increased levels of job autonomy and challenge, promotion, and mobility opportunities (including reassignment) that can help them build an international or global career. These development items are often more critical in psychological contract terms because they pertain to long-term, bigger-picture iROI aspirations, as these mid- and senior-level expatriates explain:

- “Long-term career planning is of paramount importance. This is a big company, so we are a fishing pool for other companies who say, ‘Aha, that’s a very nice one, must be high potential because they’ve sent him abroad, so let’s just buy him.’ And if you’re then in the middle of a period where you don’t get the career perspective from [the company], you’re an easy target.” —Manager, Global Relocation Operations Group, Netherlands
- “Right now, I’d say the company fulfills its promises very well. But it’s funny; it changes over time. It’s very management-specific. I’ve almost been fired; I’ve almost been promoted. It changes from year to year.” —Senior clinical operations manager, South Africa

The worst case, of course, is when expatriates perceive there is no psychological contract, or that having one is pointless because, as these mid-level expatriates suggest:

- “There isn’t a big psychological contract because there haven’t been very many promises anyway.” —Business manager, Vietnam
- “You don’t want to have a psychological expectation because it will not be met; you have a contract and you get paid at the end of the month . . . if you expect any more than that, you’re probably going to be disappointed.” —Client manager, Assurance and Advisory, Australia

Strong psychological contracts have a positive impact on eROI, but building such strength can be tricky. One key feature of a contract’s strength is its *malleability* in terms of how well expatriates tolerate deviations from their expectations, before they perceive that a breach or violation has occurred. The *expandability* of the psychological contract pie—its capacity to shrink or grow in scope to accommodate the many aspects of expatriation—is, therefore, important.

Imagine, for example, a managerial employee offered an international assignment, whose compensation package is increased according to his or her new responsibilities, resulting in an enlarged psychological contract, including more emotional reliance on the organization for family and other support. Suppose that the same assignee, after three years of excellent performance, wishes to extend the assignment or reassign to a new location, but is instead offered the choice of repatriation or, in order to stay in the host location, a reduced local-plus contract that subsequently alters his or her status and reduces the salary and benefits. Either way, the psychological contract will downsize. More important, has it been broken?

The preceding scenario is unfortunately quite common, frequently resulting in the perception that

breaches of the psychological contract have occurred. This can then lead to unforeseen consequences, however unintentional the message sent by the organization may have been. For example, one expatriate may accept the offer trusting that, although the psychological contract expectations have not been met, the organization will eventually “do the right thing.”

Another may perceive that the downsizing of the psychological contract is an unjustifiable form of punishment, and responds by exploring new employment opportunities with a competitor—not unlike this junior expatriate, an associate director in Switzerland, whose lost promotion prompted him to seek new employment:

I've just handed in my notice. I was headhunted and I've recently accepted, as in only like a few days ago [because] I missed out on a promotion in February, which I really felt that I deserved. I felt I wasn't getting the reward here ... my boss said to me, Hang on, you'll get it next year, but I know I deserved it this year.

Dealing with the Challenges of the Psychological Contract

There are three critical “currencies” common to most expatriates’ expectations that determine the relative strength of their psychological contract (see Exhibit 3).

Career Management Support

For an increasing number of today’s expatriates, companies are too often not rewarding and supporting them in ways that matter. Many seem unable to deliver what is truly needed via strong psychological contract fulfillment in relation to career management support, illustrated by these comments from senior-level expatriates:

- “We need something about the longer-term career planning. I think the word *planning* isn’t used enough when we’re talking about expatriates... what’s the strategic plan for the individual? We’re

very good at strategic plans for the business, annual operating plans and so on, but what’s the plan for the individual, making sure they’ve got this home business sponsor, that line manager ownership?” —Senior manager, International Secondments and Global HR, UK

- “The assignment doesn’t fit into a bigger picture. So that is the big missing component to the career planning here. It is very obvious how you go and benefit the company by doing the assignment. Where there appears to be no thought is, how do we then take that profound experience you have to continue to benefit the firm? What is the next career step? That is missing. It is just gone.” —Partner, Japan

The growing numbers of global careerists, in particular, cause new retention problems for companies because their external marketability to other employers is a recent form of development currency, tying in directly to expatriates’ iROI. Turnover represents one of the strongest outcomes from psychological contract violation in terms of losing the talent upon which so much eROI is riding.

Turnover represents one of the strongest outcomes from psychological contract violation in terms of losing the talent upon which so much eROI is riding.

In short, if an international assignment is instrumental for advancing employees’ careers, then improved communication about career planning and greater levels of career management support are required. Some companies have put measures in place to address the issue, as the following initiatives show:

- “There is a global talent review system ... people on assignments continue to sit within that process ... the company knows at what level people are operating, across functions, across the world ... it helps the business pinpoint people with

Exhibit 3. Currency of the Psychological Contract for Expatriates



potential and to what level should they next be considered.” —Global mobility director, United Kingdom

- “There’s a talent pool in which the company has identified 70 key positions, successors for key ex-

ecutive positions and high potentials ... those people are monitored in terms of what they do, where they are moving to, and how they are being developed.” —Head of international mobility, Switzerland

- “Six months before somebody is due back they’re popping up on the list ... has a job been identified for them, is somebody doing something about it ... that really has helped with repatriation ... people don’t slip under the radar screen ... the last thing the company wants is to make somebody redundant.” —Senior manager, International Secondments and Global HR, United Kingdom

To address career management support adequately, companies need to consider implementing some of the following initiatives:

- Having a global talent review system in place,
- Professional career coaching for high-potential employees,
- Identifying a global talent pool with key positions,
- Managing expatriates’ expectations,
- Building relationships and clearly communicating career opportunities,
- Planning repatriation as one potential move in an overall career, and
- Building solid top management support for career management practices.

Compensation

For more and more expatriates, compensation is a means to an end—it matters only to a point. Most organizations, therefore, are mistaken in their belief that financial gain is expatriates’ overriding motivation to go abroad. In accepting this new reality, it is not, then, the type of compensation that matters most to expatriates but, as these senior-level expatriates suggest, the *process* by which compensating them takes place, and how they are subsequently treated:

- “Many expatriates feel that the company doesn’t live up to its commitments and promises. You sign a contract, and then you change it midway. You change it without their mutual acceptance. And that is a sore point with a lot of them.” — Vice president, Regional Rewards Management, Netherlands

- “They can bring every number of consultants in here to explain changes to cost-of-living allowances, but at the end of the day you are X thousand dollars worse off and all they’ve done is delivered on the policy ... it’s more about you fitting into the corporate policy than the policy fitting into its people ... they don’t understand that. The company spends all of their time and energy convincing you the corporate strategy is right.” — General manager, Singapore
- “I was one of the people who had to move on to a new compensation contract ... as part of the process there was a lot of communications ... I wouldn’t call it consultative because there was no consultation; basically, in a company of this size, you take it or you leave it.” —Vice president, Global Operations Compliance, Hong Kong

The reality is that, for today’s expatriates, if the financial ties that bind them to their organizations are lessened by local-plus or cut altogether, as is the case with localization, then using only financial gain to retain them seems somewhat futile. This is particularly true when competitor organizations can match or exceed assignees’ existing remuneration package as a means of poaching them. The following comment from a mid-level expatriate, a country manager in South Korea, illustrates this point:

I think more than anything it is: Do people recognize when you do something well, is it recognized at every level, the necessary levels? That matters to me much more than what salary increase you get. If I felt that I wasn’t getting recognition for doing a good job, I would probably quit.

The point here is that it’s not just about the money. In fact, for some millennial expatriates, as well as for those climbing the ladder to middle management, it is often never about the money, as these junior expatriates explain:

- “I’ve always been clear, right from when I started working, that I wanted to do stints abroad. I really

wasn't bothered about where that was; it was just the need to work in a different environment, a different culture—and a decent stint, a good three- to five-year period, which would allow me to experience something different and broaden myself.” —Manager, Technology Assurance and Advisory, United Kingdom

- “Going on an assignment was an initiative that came from me. It was me that pushed for the opportunity, and I searched for someone in the company that could help me.” —Senior manager, Audit, France

To better manage today's expatriates, companies need something less transactional and more relational that engages and motivates their expatriates—and this is where the psychological contract can have real power. There's something else here to consider: The power of the psychological contract is determined not by how much money is spent or thrown at a problem, but by the intent behind the actions or behavior. It costs companies nothing to treat their people well, by communicating with them openly, and thereby fostering harmonious and committed relationships through mutual respect and understanding. This senior-level expatriate, a managing director in Switzerland, sums up this sentiment well:

Most people consider their relationship with their employer to be a small fraction contractual, and the largest part trust and moral obligation. And when they get disappointed, it's almost always in the second part, the contractual part being so narrow that it's almost hard to violate. I don't see it quite that way, and I have this discussion with my wife sometimes when [the company] doesn't do something she thinks they might do. I say, “Oh, they never agreed to do that.” I maybe have a more negative view of what you can expect from an employer. But I've been around a long time: I just know that it's a personal relationship; it's not so much a company relationship. So if the guy who brought me over here would make a decision that wasn't helpful to me, on something where the firm had no obligation, I would see that as not a breach of promise but something I might be very unhappy with. Because I know

the only things that are promised are those things that are written down. In fact, I know that some of the things that they write down they don't actually enforce against me; they're a little more liberal than their written policies actually say, which is all the more reason I can't say they're not living up to their part of the bargain.

The power of the psychological contract is determined not by how much money is spent or thrown at a problem, but by the intent behind the actions or behavior.

Family Support

Recent reports (for example, Brookfield Global Relocation Services, 2012) show that the majority of expatriates are married, and many relocate with their children. In psychological contract terms, family support during expatriation is immensely important, because relocating abroad affects everyone, not just the person employed by the company, as this senior-level expatriate, a country manager in South Korea, suggests:

I think your personal life has a lot to do with your performance. And one's seen it happen to many expats, where the marriage falls apart because the wife or family doesn't like it, or what happens in a case like mine when one's wife is not there permanently. I don't think companies really understand that fully. I think there's a bit of lip service to it. I've seen so many personal lives fall apart because of the expat existence ... if your personal life is not going well, then you will not perform well.

When family support is lacking, problems at home can be distracting to the expatriate employee and cause resentment among partners, who often blame companies and/or their spouse. These comments from expatriates indicate the enormity and depth of the problem:

- “I was a barrister in Australia who thought it might be fun to take a year to live with my husband in far north Finland. It wasn’t. I couldn’t work. I was ignored and my whole identity disappeared. We now live apart for five days a week—he in far north Finland, me in Helsinki. I am working, but it is not the senior job I had in Australia, and this has caused intense bitterness.” —Attorney, Norway
- “HR wouldn’t do anything, even if it was suggested; their attitude is that we are living it large, so why should more be done?” —Lecturer, Canada
- “What upsets me is the feeling that his company does not offer enough, or any, family support, and that he is not willing to fight for it or for us.” —Spouse of a hotel manager, Ireland
- “I’m treated by the company as totally invisible.” —Spouse of a bank general manager, Philippines
- “The breaking up of marriages is dealt with [by the company] like an embarrassing individual failure ... the more than 50 percent separations and divorces is simply ignored.” —Small business owner, Brazil

Prior studies have reported that dual-career problems in particular can lead to a strong urge to return home, high stress levels, overdependence on antidepressants, addiction to alcohol, and even suicide.

The follow-up effects of these challenges can affect expatriates’ physical and mental health. Prior studies have reported that dual-career problems in particular can lead to a strong urge to return home, high stress levels, overdependence on antidepressants, addiction to alcohol, and even suicide. The positive effects of paid employment for trailing spouses are equally clear. The Permits Foundation (2009) reports that employed trailing spouses perceive that working during an assignment has a positive impact on their adjustment, family relationships, health,

and well-being, as well as on their willingness to complete and to extend their current assignment and to go on a new one.

Considerable research shows that the psychological impact of relocating can be far worse than the practical issues that, once dealt with, are often forgotten. In short, although psychological contracts exist between employers and employees, expatriation is a unique situation. It is not unreasonable to find that the partners of expatriates also have psychological expectations about how they and their families—and especially their children—will be treated by a company, regardless of their non-employee status, as the following comment from a chief operating officer based in Japan shows:

The one aspect that is seriously problematic, to the point that it’s an absolute deal breaker, is schooling. If we couldn’t have found something suitable and that we felt was in our children’s best interests, we would have bailed out. I would have headed back to Switzerland for sure. I can just remember at the time there was a bit of shoulder shrugging from the company about, “Well, what can we do about it?”

In identifying three of the most common *currency* items in the psychological contract, the reality is that there can be hundreds more that affect expatriates’ specific individual circumstances, such as family size, the host location, and the degree of economic stability. How companies respond to shock events, such as the 2008–2009 global financial crisis and the subsequent loss of jobs, reduced assignment activity, increased repatriations, and decreases in compensation, is one good example. But there can be others, including how well companies embrace the steady rise in global careerists, and how effectively they deal with the shift to individual-ROI employment relationships. In sum, creating psychological contracts that work requires:

- A high degree of manager-expatriate communication established via informal conversations and

utilizing performance evaluations (for example, 360-degree feedback) to develop mutually held expectations;

- Building a culture of trust, particularly across international boundaries;
- Being responsive to expatriates' concerns, questions, claims, and other queries, regardless of the distance between them and the headquarters or their boss; and
- Developing currency in areas like career management support, performance management, and assignment support, for which expatriates seem both hungry and grateful.

Making Sense of Modern Expatriation

How can we ensure that a new approach to managing today's expatriates is sustainable? It begins by understanding that issues of career, compensation, family, and psychological contracts are changing not only the employment relationship between expatriates and their organizations, but also the very landscape of global mobility. How companies navigate these changes is critical for both immediate and long-term global staffing initiatives that are essential to many organizations' competitive advantage.

It is also important to note that modern expatriation is changing expatriates' career orientation—from that of company-controlled servant to free-agent entrepreneur. In simple terms, expatriates are increasingly pursuing boundaryless careers, that is, a progression of career moves across multiple employment settings and multiple borders. To make sense of modern expatriation, we must first consider whether, and how, this change in career orientation occurs. Are expatriates pulled by a deeply held desire to work and travel abroad over which companies have no control, or are they pushed inadvertently by employers who are unresponsive to their personal and career needs? And what are the implications to the company if its expatriates leave and take their newly developed expertise to other companies, even competitors?

These push-pull factors undoubtedly cause new retention problems for companies that few have anticipated or addressed, but which today's expatriates are clearly aware of. These problems include:

- External marketability to other employers has emerged as a new and valuable iROI commodity on the international labor market.
- The personal goals of expatriates often seem to be in conflict with the strategic goals of the companies they work for.
- The values, types of work, careers, and lifestyles that expatriates now wish to pursue appear to be changing.

To address these problems, organizational leaders need to reward and support today's modern expatriates in a way that matters, to alleviate the very wide gap between the value that companies perceive their expatriates hold and the feeling by expatriates that they are valued by the companies that employ them.

References

- Arp, F. (2012). For success in a cross-cultural environment, choose foreign executives wisely. *Global Business and Organizational Excellence*, 31(6), 40–50.
- Brookfield Global Relocation Services. (2012). *Global relocation trends survey report*. Woodridge, IL: Author.
- Doherty, N. & Dickmann, M. (2009). Exposing the symbolic capital of international assignments. *International Journal of Human Resource Management*, 20(2), 301–320.
- McNulty, Y., & Inkson, K. (2013). *Managing expatriates: A return on investment approach*. New York, NY: Business Expert Press.
- Permits Foundation. (2009). *Employment, work permits, and international mobility*. The Hague, Netherlands: Author.
- PricewaterhouseCoopers. (2010). *Talent Mobility 2020: The next generation of international assignments*. New York, NY: Author.
- Rousseau, D. (2005). *I-deals: Idiosyncratic deals employees bargain for themselves*. Armonk, NY: M. E. Sharpe.

StepStone Solutions & Economist Intelligence Unit. (2010). Companies at a crossroads: A talent report. London, UK: Economist Intelligence Unit.

Yvonne McNulty, PhD, holds a doctoral degree in international business from Monash University in Melbourne, Australia. A member of the Global Business and Organizational Excellence Editorial Advisory Board, she is also an associate

editor of the Journal of Global Mobility, a leading authority on expatriate ROI, and an expert in the field of expatriation. Dr. McNulty has held academic appointments in Philadelphia, Singapore, and Shanghai and is a contributor to several major international consultancies, such as Deloitte, Brookfield, KPMG, Worldwide ERC, and Cartus. She can be contacted at ymcnulty@expatresearch.com.
