

# Global Mobility in the 21st Century

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# Global Mobility in the 21st Century

## Conceptualising Expatriate Return on Investment in Global Firms

Yvonne McNulty · Helen De Cieri

### Abstract:

- This article develops a conceptual framework to assist in determining the value to be gained from long-term international assignments.
- By integrating several streams of research, we present a new framework of expatriate return on investment (ROI) for global firms, which both builds on frameworks offered by other scholars and is informed by recent developments and emerging directions in global mobility research and practice. In doing so, we identify relevant questions to guide future research and draw implications of the framework for theory, research, and practice.

**Keywords:** Expatriate · ROI · Global mobility · International assignments · Global staffing

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## Introduction

During the past decade scholars and practitioners have been challenged by how best to measure and manage the value that can be gained from the risks and uncertainties associated with global staffing practices, and in particular, long-term international assignments of expatriates. Indeed, many practitioner-oriented reports (e.g., Johnson 2005, PricewaterhouseCoopers and Cranfield University 2006), as well as academic publications (e.g., Collings et al. 2007; Collings et al. 2009), point to expatriate return on investment (ROI) as an important business challenge which, when combined with the limited number of empirical studies available on the topic (for exceptions see Schmidt and Minssen 2007; McNulty 2008; McNulty et al. 2009; Welch et al. 2009), demonstrates the need for more research in this domain. Although interest in expatriate ROI remains high, understanding as to how expatriate ROI is operationalised and managed in global firms is under-developed. Furthermore, Welch et al. (2009) have pointed out that research on expatriate ROI needs a strong conceptual framework.

The aim of this article is to contribute to current knowledge by presenting a new framework of expatriate ROI for global firms, which both builds on frameworks offered by McNulty and Tharenou (2004) and Welch et al. (2009), and is informed by recent developments and emerging directions in global mobility research and practice. A second aim is to identify relevant questions to guide future research and to draw implications of the framework for theory, research, and practice.

We first set out our rationale for the examination of expatriate ROI in global firms. Second, we explain the ROI concept and our application of systems theory as the theoretical foundation for our conceptual framework. Third, we discuss the factors and relationships represented in the conceptual framework and pose questions to guide future research. Fourth, we discuss implications of the framework for theory, research, and practice.

## The ROI Concept

In this article we use McNulty and Tharenou's (2004) definition of expatriate ROI as "a calculation in which the financial and non-financial benefits to the firm are compared with the financial and non-financial costs of the international assignment, as appropriate to the assignment's purpose" (p. 73). We note that this definition has already been supported by scholars such as Scullion and Collings (2006). In adopting a costs and benefits perspective, we do not assume that "return" is constituted only by the sum total of assignment "benefits", but rather that the entire "return on investment" consists of the combination of costs and benefits that ultimately determine a satisfactory assignment outcome. Furthermore, our focus is on the return on investment of expatriates to organisations and not (at this point) to individuals, noting that the ROI to individuals will also have some impact on overall ROI to organisations.

Our cost-benefit approach is adapted from the literature on cost-benefit analysis (Sassone and Schaffer 1978), where ROI as a simple definition is essentially a cost-benefit analysis in terms of a comparison of costs and benefits to the firm and/or individual and the competitive advantage each party subsequently gains. Dhal (1988) suggests that the

goal of cost-benefit analyses in HRM is to justify the existence of staffing policies by minimising the cost of HR activities and maximising the expected results or outputs from HR activities.

McNulty and Tharenou (2004) presented a conceptual framework of expatriate ROI in which they concluded that a fundamental issue in determining overall assignment value is the linking of international assignment outcomes (e.g., the combination of costs and benefits) to the purpose of an assignment. Costs include transaction costs (salary, relocation expenses, pre-departure training), replacement costs when assignments fail, labour turnover during repatriation and the resulting loss of intellectual capital, and poor cross-cultural adjustment leading to poor performance (Bhaskar-Shrinivas et al. 2005; Johnson 2005). Benefits include the internationalisation of key managers to support a global strategy (e.g., developing cultural intelligence, language skills), increased organisational knowledge through effective “reverse” knowledge transfer, and an increase in firm-wide competitive advantage (Lazarova and Tarique 2005). While McNulty and Tharenou found “no empirical studies examining expatriates’ ROI” (p. 89), their framework has been recognised by other scholars (e.g., Caligiuri and Colakoglu 2007; Schmidt and Minssen 2007; Collings et al. 2009; Welch et al. 2009) as a useful foundation for expatriate ROI research.

In an important development, Welch et al. (2009), in building on the McNulty and Tharenou (2004) framework, proposed an alternative conceptual approach to assessing the value (“ROI”) from international assignments. They proposed that an intellectual capital perspective would “best capture the true worth – to organisations and individuals – of international assignments” (p. 1327). This perspective allows a broader picture of the measurement of ROI in global firms to be obtained. However, as the authors note, “the concept of intellectual capital is complex and poses methodological challenges” (p. 1340).

While both frameworks have proved useful as initial steps in this field, each nonetheless points to a noticeable gap in the literature relating to international assignment outcomes (e.g., costs and benefits). To address the previously fragmented theoretical and empirical research in this area, we offer a structured account of factors, and relationships among the factors, to explain assignment outcomes from an ROI perspective. Although our article is exploratory, it also represents an important step to advance knowledge in the field of global mobility.

Our focus in this article is on expatriate ROI for long-term international assignments but we recognise that our framework can also be adapted to many types of assignments (e.g., short-term, commuter). A long-term international assignment is defined as a temporary contractual arrangement between an employee and an organisation in which an expatriate is employed in a host-country for a period of 1–5 years (McNulty et al. 2009). Given the long-term nature of these assignments, their costs and benefits may be different to those for other types of assignments. For example, career development may be a key benefit expected from a long-term assignment but less-so from a short-term assignment.

Importantly, the definition of expatriate ROI we adopt is not country specific, although the costs and benefits arising from a long-term assignment may be influenced by the host-location where an assignment takes place. Additionally, as the purposes of assignments

vary, we adopt the view that assessments of ROI are better suited to individual assignments rather than across groups of assignees and/or assignments.

### Why Is It Important to Examine Expatriate ROI?

Prior research points to five key reasons why an examination of expatriate ROI is important. First, despite efforts to understand international assignment value (e.g., Collings et al. 2007; Collings et al. 2009), expatriate ROI remains not only poorly calculated among global firms but also does not seem to be widely used as a tool to reduce expatriate costs nor to improve expatriate performance (McNulty et al. 2009). Second, the decision to use long-term expatriates can significantly impact on a firm's overall performance in terms of influencing its cost structure, where the financial costs of global staffing have been shown to account for as much as 5% of total headcount costs (ECA International 2007). Third, investments in human capital (such as the training and development of expatriate employees) constitute a significant portion of the value equation in human resource (HR) activities (Welch et al. 2009). Fourth, attempts to assess the value from international assignments in the extant literature have not gone far enough towards capturing the full range of meaningful costs and benefits to be expected from global mobility initiatives. Although informative, the study of isolated practices (e.g., measuring training outcomes) has been criticised (e.g., Mol et al. 2005; McNulty et al. 2009) for failing to represent broad outcomes relevant to any firm's global strategy and ignoring important inter-relationships between management practices. An additional criticism is that studies of one practice have typically relied on past performance indicators, which diminishes the ability to manage expatriate ROI *during* an assignment. Fifth, despite the expense (McNulty et al. 2009) and the noted difficulties in attracting people to take international assignments (Hippler 2009), the use of long-term international assignments continues to be a popular staffing choice for many global firms.

Advancing understanding in this field of research, we introduce a sixth reason to this discussion. We propose that the past decade of "shock events" (e.g., 2008/2009 global financial crisis, acts of terrorism such as September 11 2001, and the 2003 SARS and 2009 H1N1 influenza outbreaks) (see Czinkota and Ronkainen 2008; ORC Worldwide 2008), along with a new stream of research that is focused on international and global careers (e.g., Jokinen et al. 2008; Makela and Suutari 2009) suggests the need for a more comprehensive and contemporary framework to explore how value can be gained from international assignments. Although McNulty and Tharenou (2004) contend that they approached their original expatriate ROI study "with thoroughness and caution to be absolutely certain that we have considered all possible explanations for understanding the phenomenon" (p. 89), we argue, in borrowing from Paauwe and Boselie (2005), that a comprehensive understanding of expatriate ROI in global firms requires a multi-level approach, which McNulty and Tharenou (2004) did not adopt. To address this shortcoming, our approach extends beyond a focus only on management practices linked to expatriate activities, to focus on a broader combination of external and strategic factors, as well as factors at the organisational and individual level. We suggest that developments

over the past decade justify the need for a new framework of expatriate ROI in global firms. Before presenting our framework, we first discuss its theoretical basis.

### **Theoretical Foundation of Expatriate ROI in Global Firms**

Like McNulty et al. (2009), we adapt and extend three “building blocks” of systems theory as an anchor for our conceptual framework. First, drawing on general systems theory (Ackoff 1971), we apply “systems thinking” (Von Bertalanffy 1972, p. 414), where the firm is seen holistically as a combination of many parts (including processes and behaviours) which are integrated in relationship to the whole. Organisational systems contain elements that are connected to each other, either directly or indirectly; however, systems thinking is focused less on the elements that constitute the system and more so on the dynamics and relationships between system components to facilitate a stated goal (e.g., knowledge creation) (Ackoff 1971). A firm contains many systems and sub-systems depending upon its size and industry, each of which can be conceptualised as being connected to one or more other systems. Systems are sometimes described as autonomous or “autopoietic”, i.e. closed to external influences and self-sustaining (Maula 2006, p. 67). Mingers (1995) suggests that systems are often defined, and ideally sustained, by stable structures (processes, components, and activities) and the relationships between them, i.e. systems are maintained by being autopoietic.

Expatriation may be one sub-system within a larger management system, where expatriate processes interact not only with each other but also, as a whole, with other systems in a firm such as talent management programs or succession planning. Yet, while many expatriate management systems may be viewed as autopoietic in practice, we argue that such an approach is flawed. Indeed, expatriate systems are frequently influenced by the external environment (e.g., shock events, host-location characteristics), which subsequently dictate organisational as well as individual behavioural responses to either strengthen or weaken the expatriate system as a whole. Hence, autopoiesis, in our view, is neither realistic nor desirable for expatriate systems given that the very nature of global staffing, and expatriation in particular, requires that organisations strive to reconcile the demands of stability (autopoiesis) with the dynamic challenges of internal and external change in order to facilitate and achieve satisfactory organisational outcomes (in our case, ROI).

The second building block for our theorisation is that the state of a system at any point in time is dependent upon its environment, in terms of inputs and outputs arising internally and externally which can produce a change in the state of the system (Ackoff 1971). Such a change can have implications for the outcomes expected from the system. For example, as one system interacts with another, movement in one could trigger a compensatory response in the other resulting in positive or negative changes to the structure of either system, along with changes to expected outcomes (Maula 2006). We argue that as organisational systems absorb and create knowledge and then evolve as a result of their interactions with other systems (i.e. display traits of organisational ambidexterity) (Jansen et al. 2009), changes in system structures may subsequently impact performance

outcomes. For example, changes in expatriate recruitment strategies could impact long-term succession plans, and in turn, short term and long term ROI outcomes.

The dynamic nature of management systems is important when conceptualising expatriate ROI, given that the components of an *expatriate management system* are likely to enter and exit the system according to a variety of conditions, e.g. purpose of an assignment may determine whether a short-term versus long-term assignment is required; location where subsidiary staffing is required may influence the choice to use expatriate or local staffing options; an economic downturn in a particular region may alter a global staffing strategy. Hence, changes to the structure of an expatriate management system are both expected *and* required in order to better understand, and subsequently improve, ROI.

Our third theoretical building block is that the ability to improve the effectiveness of a particular system may be influenced greatly by the degree to which a system is connected or separated from its context (Maula 2006). In expatriation this is a particularly challenging phenomenon; for example, previous research (e.g., McNulty et al. 2009) has identified empirical studies and management practice plagued by an excessive focus on single HR activities (e.g., compensation) to the exclusion of the broader mobility context within which expatriation occurs. In practice, such an approach jeopardizes the potential for learning arising from synergies between HR activities to improve the effectiveness of the expatriate system as a whole. In a similar vein, when an expatriate system is separated from the context of firms' broader business objectives (for example, when the link between two systems such as global staffing and emerging market expansion is missing), resourcing for global staffing programs may be reduced. Hence, when expatriation is disengaged, for example, from the broader activity of global staffing (Collings et al. 2009) there may be consequences for attaining satisfactory expatriate ROI outcomes.

A systems theory approach to the study of expatriate ROI is justifiable on several grounds. First, it addresses the need for more research such as that of Yan et al. (2002), whose model of agency relationships and psychological contracts (to explain assignment success) is a clear example of conceptualising expatriation as an integrated process. By focusing on the inter-relationships across a range of management practices that exist during all stages of an international assignment, we suggest that managers will be better equipped to understand the complexities of global staffing and to address problems with greater clarity.

A second benefit is that conceptualisation of expatriate ROI from a systems theory perspective recognises internal and external factors that may influence performance outcomes. An expatriate management system therefore incorporates multiple levels of analysis. In doing so, the system has the ability to demonstrate strong links between expatriate performance and broader, firm-wide performance outcomes. By focusing on the inter-relationships among management practices as antecedents of performance outcomes (see, as an example, Gong et al. 2005), a clear conceptual link between the management practices that are associated with global staffing activities (e.g., expatriation) can be established.

Third, our conceptualisation of an expatriate management system to explain ROI is designed to capture changes to the system over time, where certain factors would be expected to be more or less important at different times during an international assign-

ment according to (for example) its purpose, the environment in which expatriation takes place, or the lifecycle of the firm. As Johnson et al. (1964) point out, a systems theory approach is useful because it recognises that business systems are in a constant state of change, being created, operated, revised, and even eliminated as, and when, required. The benefit of such an approach is a more explicit framework from which to improve decision making in global firms.

Like McNulty et al. (2009), we acknowledge criticisms of a systems theory approach to explain expatriate ROI. Specifically, scholars (e.g., Paauwe and Boselie 2005; Fleetwood and Hesketh 2006) argue that the non-relevance of strategy, incorrect assumptions about linear causality, and a dearth of multi-level analysis in systems theory research represents a lack of theoretical rigour in studies which use the approach. Our intention here is to address this gap, at least conceptually as a first step. Additionally, we recognise that the inter-relationships between some external, strategic, organisational and individual factors in our framework may be so mutually intertwined that it may not be possible to determine which factors in isolation or in combination are likely to lead to certain performance outcomes. For this reason empirical study to examine these relationships is needed.

### **A Conceptual Framework of Expatriate ROI**

We contend that developments in research and practice justify the need for a new conceptual framework of expatriate ROI, which we present in Fig. 1 and discuss next.

The conceptual framework adopts a multidimensional structure comprised of three main components: (1) external factors; (2) the expatriate management system; and (3) expatriate ROI outcomes which includes the costs and benefits to organisations and individuals. The theoretical foundation to support the conceptual framework rests in the entire expatriate management system which impacts on expatriate ROI. The expatriate management system consists of four system components: (1) global staffing strategy; (2) purpose of an international assignment; (3) organisational factors; and (4) individual factors. Each component is proposed, as shown, to act as a determinant of other components in the system. Organisational and individual factors are proposed to have important uni- and bi-directional inter-relationships. ROI outcomes are proposed to feedback into the expatriate management system to influence global staffing strategies and overall international assignment management.

Our use of a box-and-arrow framework both reflects our theorisation of expatriate ROI and follows an approach that has been widely utilised and accepted in previous studies in the international management and HRM fields (e.g., Boehe 2010; Lazarova et al. 2010; Holtbrügge and Mohr 2011). We acknowledge that our framework provides a somewhat simplified representation of the dynamic inter-relationships between the factors. We also acknowledge that this is not a conclusive list of factors that may play a role in expatriate ROI; as research in this field develops, identification and understanding of factors will continue to evolve and new streams of research may further extend the framework over time. We hope our framework provides valuable foundational work that is necessary as part of the development of this field.

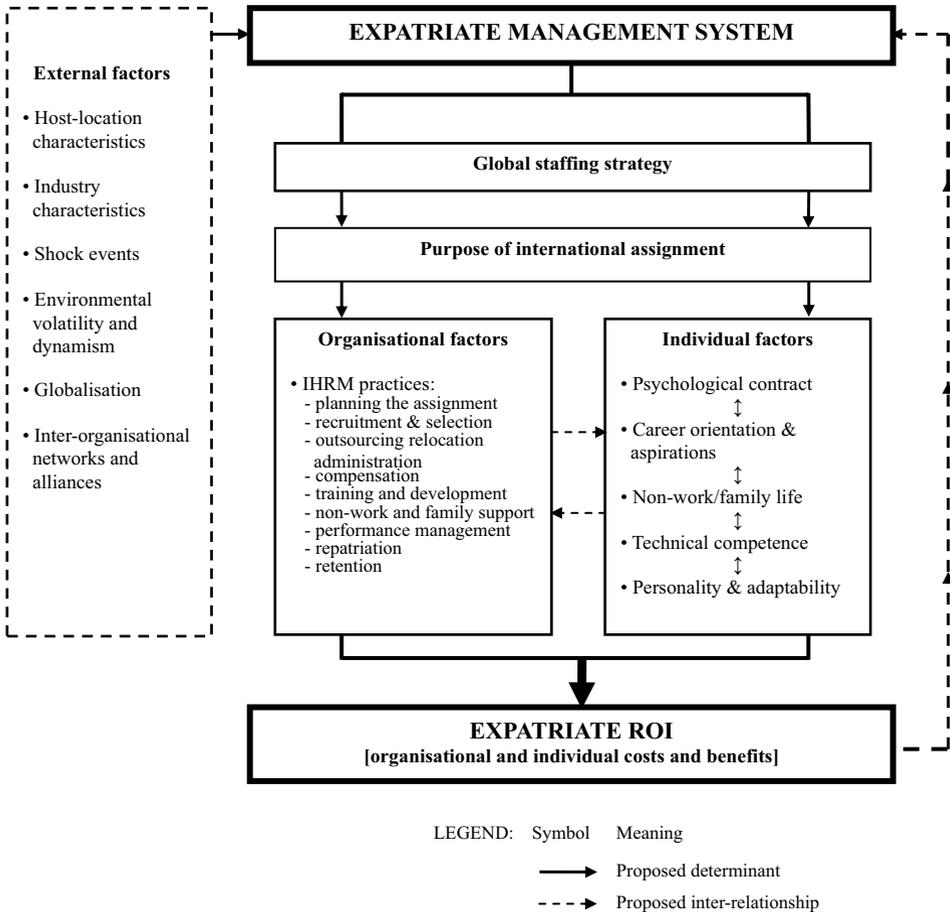


Fig. 1: Conceptual framework of expatriate ROI in global firms

Development of the conceptual framework is guided in large part by prior research in HRM and international HRM (for reviews of relevant literature, see Stahl and Björkman 2006; Sparrow 2009). Effective global staffing is expected to improve MNE performance overall. This view is influenced by research that examines relationships between organisational factors, HR practices, and firm performance (see Subramony 2009). The conceptual framework therefore considers a range of factors at the local, national, regional, and global levels of analysis that a global firm would be expected to encounter and manage (Brewster and Suutari 2005).

### Expatriate Management System

Referring to Fig. 1, our conceptual framework of expatriate ROI shows that the expatriate management system is comprised of a combination of strategic, organisational and individual factors which, at varying times, can be influenced by external factors. In keeping

with related work in this area (e.g., Taylor et al. 1996; De Cieri and Dowling 2006), an expatriate management system is defined as *a configuration of organisational activities, events, processes, policies, practices, and strategies that are directed at influencing the outcomes of long-term international assignments, to impact the international concerns and goals of global firms*. The system is multidimensional and factor configurations are likely to vary across individuals, assignments and firms.

The influences on an expatriate management system and, in turn, the implications for expatriate ROI rests in the ease with which factors can enter and exit the system as appropriate to strategic intent, and at times, even in spite of it. From this perspective, system flexibility leading to organisational ambidexterity is key. As recent world events demonstrate, while operating efficiency as guided by strategy is important the ability for firms to adapt to a changing external (and subsequent internal) environment is increasingly necessary, where short-term and often unpredictable situations (e.g., shock events) require innovative solutions that are frequently in contradiction to broader strategies (e.g., repatriating a large cohort of expatriates in response to an economic downturn, irrespective of broader and longer-term talent management initiatives). Hence, the anticipation of “reactive” changes in strategic planning is necessary in order to allow factor configurations to change as and when required to meet situational needs on an ongoing basis. Reactive forms of strategic planning can, however, lead to poor strategic alignment of a strategy with global staffing initiatives and hence require careful management. Nonetheless, non-linear and causally ambiguous relationships between strategy, expatriate management, and firm performance need to be addressed, particularly where non-strategic factors may account for performance outcomes.

In keeping with Fleetwood and Hesketh's (2006) view, understanding the direction of the relationships between and amongst factor components in the expatriate management system which impact on ROI emerges as crucial. Furthermore, when an expatriate management system is sufficiently co-ordinated, dynamic, and flexible such that organisational factors can be positioned to minimise or maximise (i.e. “buffer”) the influence of external factors through, for example, improved strategic planning and careful responses to external events, the costs and benefits arising from long-term international assignments are likely to be positively rather than negatively influenced, leading to better expatriate ROI outcomes.

It is reasonable to suggest that factor configurations will vary and certain configurations will have a more dominant influence on ROI than others. However, empirical investigation is necessary to take this further. This leads us to pose our first set of research questions, which we hope will guide future investigation and help to advance understanding of expatriate ROI:

*RQ1a:* What will be the impact of specific factors in the expatriate management system on expatriate ROI?

*RQ1b:* Which factor configurations will be more dominant than others, and in which situations?

*RQ1c:* How will interactions among factors cause differences in the expatriate management system and, in turn, lead to changes in expatriate ROI?

We now explain each of the factors identified in our framework of expatriate ROI.

## External Factors

Factors in a firm's external environment have been suggested to influence organisational performance (Brookes et al. 2011). As such, accurate assessments of the value to be gained from long-term assignments can only be made when performance outcomes are linked to the context in which international assignments occur. For expatriate ROI, we identify six external factors.

The first factor is *host-location characteristics* such as the degree of economic transformation (e.g., emerging versus co-ordinated economies), political orientation (e.g., influence of labour unions, trade associations, and labour legislation), as well as laws and institutional frameworks that guide the relationship between an organisation and its external environment (Zhu et al. 2008; Farndale et al. 2010). A large research stream has also investigated the implications of national/social culture (Tung and Verbeke 2010).

A second factor is *industry characteristics* particular to certain types of global firms, including legal, cultural, and/or economic factors relative to different sectors or types of operations (e.g., health services or manufacturing) (Pruthi et al. 2009). For example, manufacturing firms may be influenced considerably more by fluctuations in market demands which may require a shift in global staffing strategy if the demand for staff (i.e. expatriates) in certain locations increases or decreases as a result of changes in the demand for certain products. Such factors will have implications for individual expatriate performance and, in turn, for expatriate ROI.

A third factor is *shock events*, defined as events that impact the firm but which sometimes originate from outside it (Lee et al. 1992). Following Drucker's (1992) line of thinking regarding the emergence of "discontinuities" as unexpected or odd events (p. 145), shock events can occur at the macroeconomic level (e.g., the 2008–2009 global financial crisis), within regions (e.g., the 2003 SARS outbreak in Asia), or within industry sectors (e.g., 2001 Enron corporate governance scandal). As Henisz et al. (2010, p. 763) have warned, shock events such as terrorism are "likely to mark the IB [international business] terrain for decades to come". Shock events are characterised by uncertainty and unpredictability, and the absence of "historical paradigms" from which to co-ordinate relief (Marangos 2003, p. 943). Shock events often continue for indefinite and unknown periods of time. Subsequent environmental volatility frequently has an effect on firms' competitiveness and productivity (Jansen et al. 2009). Importantly, the extent of influence of shock events is dependent upon the type of shock and the level at which it occurs, as well as the resilience of the global firm to cushion the impact of shocks (Duval and Vogel 2008). For expatriate ROI, shock events can be challenging in terms of how firms can best respond to a shifting external environment over which they may have little control (Czinkota and Ronkainen 2008). Hence, shock events will likely have implications for expatriate management and, in turn, impact on expatriate ROI.

A fourth factor is that *environmental volatility and dynamism* (Jansen et al. 2009) can be challenging for expatriate ROI as firms increasingly grapple with responding effectively to external environmental pressures (e.g., an unstable currency or political system), as well as the dynamic nature of global mobility. Environmental dynamism has been shown to affect internal operations and functions of a firm, and to influence firm performance (Akgun et al. 2008). As an example, the dynamism of the business environment

in emerging economies such as Brazil, Russia, India and China, with uneven industrial development and variations in governmental decision-making, place complex demands on firms operating in those locations as well as influencing strategic directions for global firms generally. By identifying environmental volatility and dynamism alongside other external factors, we seek to highlight that both content and process of the international business environment are important influences on expatriate ROI.

A fifth factor is *globalisation*. Some research suggests that the unique challenges of operating globally can create abrupt organisational changes in multinational corporations (MNCs) that, in time, could undermine firm stability, a sense of trust, and organisational commitment amongst employees (Taylor et al. 2008). Accounting for both positive and negative implications arising from globalisation (Venai et al. 2004; Morris et al. 2009), long-term assignment utilisation may increase or decrease in certain regions according to the level of engagement within the global environment (e.g., free trade agreements), and the degree of convergence of institutional elements (Griffith 2010). For expatriate ROI, the effects of globalisation are evident in the complexities associated with transferring knowledge across borders as well as the management of international assignments.

Lastly, *interorganisational networks and alliances* (e.g., business alliances, political affiliations) are suggested to influence expatriate ROI outcomes because each is increasingly relied upon by global firms and their expatriates to generate new resource capabilities to support both organisational and individual international business efforts (Sumelius et al. 2008). Interorganisational networks and alliances may be facilitated by any combination of employees, governments, suppliers, clients and customers, professional bodies, and investors (De Cieri and Dowling 2006). For expatriate ROI, interorganisational networks are important because such networks rely heavily on the individual (i.e. expatriate) to manage and execute the relationships embedded within them. Interorganisational networks and alliances can therefore influence firm performance at both the organisational and individual level.

Our review of the external factors that are influential for expatriate ROI leads to our second set of research questions to guide future investigation:

*RQ2a*: What are the direct and indirect effects of external factors on the expatriate management system?

*RQ2b*: What are the direct and indirect effects of external factors on expatriate ROI?

### Global Staffing Strategy of the Firm

As the pressure for managers to globalise their business operations through the deployment of long-term expatriates increases, the careful management of organisational strategy becomes paramount. In keeping with Miles and Snow (1984), we view strategy as a multi-dimensional construct on the basis that a firm can pursue simultaneously two or more strategies at varying levels. For example, the international strategy of the firm exists within the context of the broader corporate strategy of the firm, both of which are important facilitators of firms' broader goals and objectives (Bowman and Helfat 2001). The international strategy of the firm (i.e. whether a firm pursues a global, international, transnational, and/or multi-domestic operation) has been proposed to influence firm-wide

(i.e. parent company and subsidiary) decisions relating to global staffing (Kidger 2002), including the expatriate management system. Global staffing is defined by Scullion and Collings (2006, p. 3) as “the critical issues faced by MNCs with regard to the employment of home, host, and third country nationals that are required to fill positions in their head-quarter and subsidiary operations”. A global staffing strategy is concerned with how best to utilise employees in various contexts and under differing conditions to support a broader international strategy, as well as local conditions (p. 5). We are concerned with the influence of the firm’s international strategy, and more specifically, the global staffing strategy on the expatriate management system, to facilitate the achievement of expatriate ROI.

De Cieri and Dowling (2006) suggest that the global staffing strategy is influenced by a number of determinants including organisational structure in terms of ownership mode (i.e. joint venture or wholly-owned subsidiary) and degree of economic development (co-ordinated versus emerging). Type of strategy (global versus local) and strategic international human resource management (SIHRM) orientation may also be important. Noting that SIHRM orientation has been defined by Taylor et al. (1996) as the approach adopted by global firms in the design of their overall international human resource management (IHRM) system, and in particular the HRM system developed for international subsidiary operations, we suggest that it is a synonym for the global staffing strategy, and adopt Taylor et al. (1996) adaptive, exportive and integrative typology. The typology is likely to have implications for the development of knowledge stocks and knowledge transfer in global firms (e.g., Hocking et al. 2007). It may also influence the way in which global firms manage their IHRM function, including staffing decisions, e.g., parent country nationals (PCNs) versus third country nationals (TCNs) versus host country nationals (HCNs), mechanisms to share HRM policies and practices across business units, and managing internal and external tensions.

For example, an adaptive staffing strategy in which there is no transfer or exchange of parent firm/subsidiary philosophy, policies and practices is likely to result in a polycentric staffing approach (i.e. hiring TCN or HCN staff). For expatriate ROI, local staff may be less expensive in the short-term but there can be longer-term implications for knowledge transfer as well as management and organisation development. An exportive staffing strategy on the other hand is likely to result in an ethnocentric staffing approach arising from the “wholesale transfer” of a parent firms’ entire HRM system to subsidiary operations (Taylor et al. 1996, p. 966). For expatriate ROI, the choice of PCNs to facilitate management control and the transfer of headquarters knowledge may achieve a degree of organisational development in the long-term, but is an expensive ongoing option which may impact on firms’ cost structure. An integrative staffing strategy combines the characteristics of both an adaptive and exportive strategy to allow for shared decision-making and transfer of practices between parent and subsidiary offices; global staffing is likely to include a mix of PCN, TCN and HCN staff as appropriate to the demands of the business. For expatriate ROI, the tendency towards a geocentric staffing approach perhaps best illustrates the degree of organisational ambidexterity that is required to develop an optimum expatriate management system in which the movement of components in and out of the system is dependent upon striking a balance between global integration and local differentiation.

Hence, our third set of research questions includes:

- RQ3a:* What are the direct and indirect effects of the global staffing strategy on expatriate ROI?
- RQ3b:* Is there a feedback loop from expatriate ROI to global staffing strategy? If so, how does it operate?
- RQ3c:* Which global staffing strategy (adaptive, exportive, or integrative) will be more dominant than others, and in which situations?
- RQ3d:* Does the global staffing strategy mediate the impact of external factors on expatriate ROI?

### Purpose of an International Assignment

As McNulty and Tharenou (2004) have suggested, the purpose of an international assignment is critical to ROI because the costs and benefits of international assignments can only be determined when an assignment has a clear purpose from which expected assignment outcomes and value can be determined. Given that firms differ greatly in many ways, they will have different reasons for using expatriates. However, as Edström and Galbraith (1977) point out, the motives for expatriation are not always mutually exclusive; that is, there may be more than one reason for using expatriates and, as such, there may be more than one benefit to be gained or potentially multiple failures and lost opportunities. There may be cumulative outcomes which may then drive the decisions regarding how best to manage the various factors (external, strategic, organisational and/or individual) likely to impact the expatriate management system and expatriate ROI.

We extend purpose of the assignment to also impact on individual factors, for example, where developmental assignments over a three to five year period (and perhaps beyond in subsequent assignments) would require stronger psychological contract support, non-work and family life support, and higher levels of expatriate adaptability than would be required for shorter technical/skills transfer assignments of limited duration and short-term strategic intent. We further conceptualise an important relationship between global staffing strategy and external factors which are proposed to influence the purpose of an international assignment, and in turn the IHRM practices used to deploy expatriates. For example, the decision to use PCN expatriates may be dictated by host location characteristics; where corruption in the host location is high, corporate governance and control may be the dominant reason for sending expatriates and for using only a certain type of expatriate (e.g., a more experienced, more senior, and by default, perhaps a more expensive PCN employee). Differences in the purpose of an assignment will hence lead to differences in IHRM practices to support them, different expatriate systems, and varying rates of expatriate ROI.

Hence, our fourth set of research questions is:

- RQ4a:* What are the direct and indirect effects of the purpose of international assignments on expatriate ROI?
- RQ4b:* Which purpose of international assignments will be more dominant than others, and in which situations to impact on expatriate ROI?
- RQ4c:* Does the purpose of international assignments mediate the impact of external factors and global staffing strategy on expatriate ROI?

## Organisational and Individual Factors

The organisational and individual factors identified in our conceptual framework of expatriate ROI are modified from the Schuler et al. (1993) and Taylor et al. (1996) SIHRM frameworks.

### *Organisational Factors: IHRM Practices*

We identify IHRM practices as a combination of individual as well as collective organisational factors. *IHRM practices*, defined as “the set of activities, functions, and processes directed at attracting, developing, and maintaining an MNCs human resources, both at home and overseas” (Taylor et al. 1996, p. 960), is proposed to constitute a set of inter-related strategic activities which can be linked to the needs of the business and the purpose of the assignment. Like McNulty and Tharenou (2004), we propose nine IHRM practices which can influence expatriate ROI outcomes: planning the assignment; selection and recruitment; outsourcing relocation administration; compensation; training and development; non-work and family support; performance management; repatriation; and retention. As shown by McNulty et al. (2009), there is strong evidence to suggest that while some IHRM practices “impact on expatriate ROI more substantially than others, and appear to act independently within a HR system, the cumulative effect of multiple variables (i.e. an inter-related system of HR practices) is a more likely explanation for changes in expatriate ROI than single variables in isolation” (p. 1317). Drawing on recent work (e.g., Lazarova et al. 2008; Farndale et al. 2010), we assert that some combinations of IHRM practices have a more dominant influence over others according to a variety of situations and contexts. For example, McNulty et al. (2009) found that certain types of compensation (e.g., local-plus) impacted on expatriate retention, where reduced compensation arising from a cost-reduction strategy led expatriates to search for employment in other firms (for a more detailed review of proposed linkages among IHRM practices, see McNulty and Tharenou 2004; McNulty et al. 2009).

In addition to the above, Bondarouk and Ruël (2009) suggest that information technology has transformed IHRM and can improve the management of international assignments. We argue that e-HR (the use of technology in HR) will lead to increased innovation and can have implications for international assignment management, in terms of greater efficiencies and reduced costs in areas such as selection and recruitment of expatriates, expatriate training and development, HRM supply chain management and shared service models, knowledge management, and global networks (Sparrow et al. 2004). Other benefits include the speeding up of processes, improving quality (e.g., accuracy of information), and gaining a more strategic role for HRM within a global firm (Strohmeier 2009).

Our fifth set of research questions is:

*RQ5a*: What are the direct and indirect effects of IHRM practices on expatriate ROI?

*RQ5b*: Which configuration of IHRM practices will be more dominant than others, and in which situations to impact on expatriate ROI?

*RQ5c*: Do IHRM practices mediate the impact of external factors, global staffing strategy and the purpose of the international assignment on expatriate ROI?

### *Individual Factors*

We identify five individual factors relevant to our conceptual framework: the psychological contract, career orientation and aspirations, non-work and family life, professional and technical competence, and personality and adaptability.

Recent IHRM research (Haslberger and Brewster 2009) suggests that employee performance and the outcomes arising from it are influenced by the quality and content of the *psychological contract*. The psychological contract has been posited as a determinant of expatriate success in terms of knowledge transfer and repatriation outcomes (Lazarova and Caligiuri 2001). We suggest that when a psychological contract is stable and fulfilling, more positive employee attitudes and actions such as increased levels of trust and organisational commitment will arise. Positive attitudes, in turn, can influence turnover intentions, as well as the career orientation and career adjustment of expatriate employees (Jokinen et al. 2008), with related implications for expatriate ROI.

A second factor which has emerged as an area of concern to global firms and their international assignees is *career orientation*, e.g. a self-initiated protean, global, or boundaryless orientation versus company-assigned orientation (Makela and Suutari 2009). Expatriates' motives for undertaking an international assignment, in terms of their *career aspirations* and the alignment of their motives to those of the organisation, have also emerged as important (Hippler 2009). For expatriate ROI, recent research (e.g., van der Heijden et al. 2009) suggests that the quality and degree of career management support offered to international assignees to support their career ambitions, in terms of understanding and managing their career orientation and aspirations (including the motives for undertaking an assignment) could have substantial implications for expatriate motivation, engagement, and retention, and in turn the outcomes expected from long-term international assignments.

A third factor is the *non-work and family life* of expatriates, in terms of the dual-career issue, stage of family life-cycle, family and friendship networks, and spouse adjustment (Haslberger and Brewster 2008). Expatriates' non-work and family life has been positioned as an important contributor towards international assignment success, repatriation adjustment, turnover intentions, and willingness-to-go (Lazarova et al. 2010), and on this basis is suggested to also impact on expatriate ROI.

A fourth factor is *professional and technical competence* in terms of the multiple competencies expatriates are expected to possess when selected to undertake their international roles. Harvey and Novicevic (2002) argue that traditional notions of expatriates' professional and technical competence has evolved from only functional competencies (e.g., technical knowledge of the job, technical skills, managerial skills, and administrative competence), to also include "managing conflict, power, influence and control, commitment, and trust building both within and across a firm's boundaries" (p. 130).

Lastly, the *personality and adaptability* of expatriates to their international roles has implications for expatriate ROI in terms of the relationship between cross-cultural adjustment and job satisfaction leading to assignment success and/or turnover intentions. For

example, Gabel et al. (2005) argue that emotional intelligence (defined as the role and relevance of emotions for intellectual functions, e.g. empathy, social responsibility, and social relations) is an important personality trait for expatriate managers as a predictor of intercultural adjustment, thereby leading to a greater likelihood of assignment success.

Our sixth set of research questions which could be applied to each of the individual factors we have identified in our framework is:

*RQ6a:* What are the direct and indirect effects of individual factors on expatriate ROI?

*RQ6b:* Which configuration of individual factors will be more dominant than others, and in which situations to impact on expatriate ROI?

*RQ6c:* Do individual factors mediate the impact of external factors, global staffing strategy, the purpose of the international assignment and IHRM practices on expatriate ROI?

### Expatriate ROI Outcomes

The culmination of our conceptual framework lies in determining an actual expatriate ROI outcome. We defined this earlier as the calculated financial and non-financial costs and benefits of the international assignment to the firm. We propose that in any specific case, it is desirable and valuable to consider costs and benefits for both the organisation and the individual expatriate. Referring again to Fig. 1, the costs and benefits of long-term international assignments which arise from the expatriate management system are proposed to emerge at both the organisational and individual level to influence expatriate ROI outcomes. We suggest that a cost-benefit analysis approach is appropriate given Collings et al. (2009) assertion that a key goal for many global firms is to minimise the costs of using expatriates whilst maximising the intended outcomes of international assignments. Yet, no studies have taken a cost-benefit approach to the study of overall international assignment management or expatriate ROI.

At the organisational level, the financial costs associated with long-term assignments have been shown to be high (McNulty et al. 2009), however, accurate estimates of the costs remain inconclusive. When assignments fail, the non-financial costs to organisations can also be significant and can include the loss of intellectual knowledge and disruption to global leadership due to labor turnover during repatriation, poor cross-cultural adjustment leading to poor performance, damage to a firm's reputation and brand, reducing the willingness-to-go factor (e.g., increasing the refusal rate, increasing barriers to mobility) amongst potential candidates, and disrupted relationships with host country nationals (Bennett et al. 2000; Bhaskar-Shrinivas et al. 2005). In terms of costs at the individual level, scholars (e.g., Guzzo et al. 1994; Shaffer and Harrison 1998) suggest that failed assignments can affect expatriate's physical and mental well-being in terms of low self-esteem, loss of prestige amongst colleagues, weakening of the psychological contract, family problems, career path damage, and loss of promotion prospects.

In terms of benefits, Boyacigiller (2000) concluded that the major benefits of long-term international assignments at the organisational level are an increase in organisational knowledge resulting from a greater knowledge of foreign markets, transfer of a firm's

culture and capability, and the development of global managers. Importantly, the benefits can be linked to a longer-term competitive advantage for firms, for example, by developing unique rare capacities through the international competencies of the top management team. Financial benefits also accrue from the use of long-term assignments, for example, where the combination of the ability to develop and execute a strategy, mobilise talent, generate revenues, and manage costs are some of the reasons why firms consider using international assignments (Dowling et al. 2008). As an indirect source of revenue, financial benefits could also be seen in cost savings resulting from increased productivity or reduced turnover.

At the individual expatriate level, benefits include on-the-job internationalisation of management experience, acquiring cross-cultural expertise, language skills, and local knowledge of the host-country. Stahl et al. (2009) found that assignees perceived a key benefit to include better future career advancement opportunities with their existing employer as well as improved career prospects with future employers. Improving the “career capital” of expatriates therefore seems to be a key benefit arising from long-term international assignments (Jokinen et al. 2008, p. 979). In addition, Bossard and Peterson (2005) concluded that international assignments are perceived to be transformational experiences that can influence one’s identity as well as future career expectations and intentions.

An important feature of our framework is the feedback of ROI outcomes into the overall expatriate management system at the strategy level, to impact and improve future global staffing initiatives. The inter-relationship between ROI outcomes and strategy is hence critical and is clear evidence as to how strategy may be developed in response to practice, i.e. how a global staffing strategy could be developed, improved or adapted in response to external, organisational and individual factors arising during international assignments. Additionally, McNulty and Tharenou (2004) assert that the importance of an ROI outcome is not just in determining the rate of return, but also in understanding how and why ROI may increase and decrease. We agree and further contend that once an ROI outcome is known and the factors embedded in an expatriate management system are understood, the potential to improve global staffing increases only to the extent that strategy and practice are sufficiently aligned. Thus, without a feedback loop between ROI outcomes and strategy, ROI is not likely to improve, nor is the assessment of ROI likely to be of any long-term benefit.

Yet research to date is unclear as to how expatriate ROI outcomes are perceived, identified, or articulated. Studies (e.g., McNulty et al. 2009; Welch et al. 2009) provide evidence that expatriate ROI is still not operationalised in global firms in terms of measuring and identifying specific assignment outcomes. Thus, what constitutes actual “ROI” is open to various interpretations. Therefore, our final set of questions to guide future research in this field is:

*RQ7a:* How is expatriate ROI operationalised and measured in global firms?

*RQ7b:* Which configuration of costs and benefits to impact on expatriate ROI will be more dominant than others, and in which situations?

## Implications for Theory, Research and Practice

This article provides a framework to guide understanding of how global firms can determine the value gained from long-term international assignments. There are several implications of our framework for theory, research and practice related to expatriate ROI.

Our framework supports a systems perspective of expatriate ROI and our research questions offer guidance for research to apply this theorisation. However, we recognise that our ideas represent only one point of view and there can be others. In addition to the systems theory we have applied (also see McNulty et al. 2009), it may be fruitful to explore expatriate ROI through other theoretical lenses, such as a transaction cost approach (Tan and Mahoney 2006), intellectual capital theory (Welch et al. 2009) or a resource-dependency perspective (Taylor et al. 1996).

Further, there may be other external, organisational and individual factors that we have not considered and which could be explored in future research. These might include, for example, the cognitive changes that occur when expatriates explore the external job market, and the impact of factors such as governments, unions and immigration policies, as well as the broader patterns of culture, power, and inequality that influence the expatriate employment relationship. Longitudinal studies may prove particularly useful in this regard to track when exactly the different factors in the conceptual framework come into play and which factors take precedence at which time, thereby allowing new paths and linkages to emerge.

Furthermore, changing patterns of expatriation will likely require future research that asks the question: Who is an expatriate? With new types of assignees and assignments emerging, the traditional definition of “expatriate” may no longer be valid. On this basis, future research is needed which applies our framework to other types of assignments that are increasingly used as alternatives to costly long-term assignments, e.g. short term, commuter, rotational, and frequent business travelers, as well as different types of expatriates, e.g. re-assigned expatriates, self-initiated expatriates, and returnees (Scullion and Collings 2006). We also recommend the adaptation of our framework across a range of diverse organisational forms, e.g. smaller and medium sized enterprises, as well as military, missions, academia, diplomatic and foreign-service corps, government, and international non-government organisations. Diversification of research contexts would recognise that international assignees are not the exclusive domain of large global firms.

There are also implications for expatriate management in practice arising from our framework. Given that managers face increasing pressures to justify the continued use of costly global staffing programs, assessing ROI outcomes is paramount. As such, the context within which an international assignment takes place (i.e. purpose, location, and length) requires that managers determine a set of appropriate ROI measures during the planning and approval stage from which data can then be collected throughout an assignment which can be linked to those measures. The ability to re-evaluate the appropriateness of measures to account for changes in organisational priorities over time is crucial.

Notwithstanding the above, we suggest that measuring expatriate ROI may be less relevant overall than to instead strategically *manage* ROI within a guiding framework. While frameworks such as ours do not presume to solve all the global staffing problems that managers face (and which they have encountered for decades), it can nonetheless be

useful in developing core strategic principals about the operationalisation and management of expatriate ROI in practice on a system-specific basis. From this perspective, expatriate ROI is suggested to be more important as a way of thinking about assignment value, which can subsequently influence how we approach its practice and the processes and systems that inform that practice. Additionally, when ROI is managed moreso than simply measured, it is likely to better account for the “softer” issues and benefits that are an inherent part of long-term assignments (e.g., cultural intelligence, developing an international cadre, career advancement), many of which represent the strategic benefits expected from international assignments.

### **Limitations**

We recognise that our thinking here is exploratory and that suggested factor configurations require testing in empirical research. This is necessary in order to determine how these factors and their interactions cause differences in ROI to global firms, and which configurations of factors strengthen or weaken the impact of other factors on ROI. We further acknowledge that our conceptualisation of an expatriate management system has limitations. For example, factors within the system may consist of inter-relationships which are so mutually intertwined that it may not be possible to determine which specific configuration of factors may lead to changes in expatriate ROI.

We conceptualise reciprocal cause and effect relationships between and among the factors in an expatriate management system to explain expatriate ROI outcomes. However, our conceptual framework may oversimplify the reality of managing expatriate ROI in practice, and in particular, the factors that are predicted to impact on ROI. Drawing on work by Fleetwood and Hesketh (2006), we suggest that it is valid and important to explore the notion that non-linear and causally ambiguous relationships may exist between external influences, organisational and individual factors, and expatriate ROI.

### **Conclusion**

This article provides a guiding framework and series of questions for future research in the neophyte field of expatriate ROI. Importantly, we conceptualise ROI as a multidimensional construct containing a set of dynamic factors within and external to the organisational setting in which expatriation takes place. We propose that complex relationships exist among these factors and further research is required to understand their impact on expatriate ROI.

A major contribution of our conceptual framework is the potential to advance our understanding of the employment relationship during expatriation, by identifying new factors and influences relevant to the expatriate management system and expatriate ROI. While recognising the challenges inherent in research and management of expatriate ROI, our research is an essential step as international management develops into the 21st century.

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