

RELOCATING ABROAD:

With a probability of failure of over 60 per cent, relocating abroad is a risky venture for both employees and employers. But the success rate can improve dramatically with the right training and preparation.

a high stakes venture

by Lionel Laroche, PhD, P.Eng.

Like many other industrialized nations, Canada is going through a second wave of globalization. In the first wave, the largest companies set up offices and plants outside their home countries. During the current second wave, medium-sized companies are expanding outside their home countries and becoming international. The second wave of globalization is sometimes a

consequence of the first one. In the automotive business, for example, the fact that car manufacturers want to use the same parts for their cars and trucks regardless of location has driven auto parts suppliers to establish offices and plants abroad.

These trends have increased the number of engineers and other professionals relocating abroad for long-term work assignments. International relocation is risky for several reasons. First, let's look at the cost. Figure 1 shows the costs of expatriate benefit packages relative to an employee's salary: 50 per cent of expatriate benefit packages cost between three and 3.9 times the expatriate's salary.¹

Due to the high cost, companies send as few people overseas as possible. Expatriates therefore carry more responsibility on their shoulders than they would had they stayed at home. Successful international ventures can bring much new business to a company, but those that fail can tarnish its reputation.

Because of the high level of responsibilities involved, companies tend to send their best performing and most promising engineers. Their success or failure abroad is likely to have a major impact on their careers.

The odds of success

Although companies usually spend a significant amount of money on their expatriates and select their best people for international assignments, success is far from guaranteed. Studies conducted on United States-based companies have shown that:

- ◆ on average, 20 per cent of expatriates return before the scheduled end of their assignments.² In the early 1990s, for example, Sun Microsystems experienced failure rates of up to 62 per cent.³
- ◆ up to 50 per cent of expatriates who remain in their positions until the end of their assignments operate at a low level of effectiveness.⁴

These statistics indicate that fewer than 40 per cent of expatriates succeed in their missions abroad. Assuming that an expatriate engineer's salary is between \$70,000 and \$100,000 (most expatriate engineers are senior), a company invests between \$210,000 and \$400,000 (or three to four times the engineer's salary) to send an engineer overseas. With a probability of success below 40 per cent, it's clear that expatriate assignments are a financial risk.

Causes of failure

Further U.S.-based research has determined the main causes of failure of international assignments. As Figure 2 shows, international assignment failures result far more often from an employee's inability to adjust to a new environment, than from poor performance or business issues.⁵ Preparing both expatriates and their families for the adjustments they will have to

make during the work assignment can therefore increase significantly its probability of success.

So many questions, so little time

Both the engineer to be relocated and his or her employer must realize that relocating abroad will have a dramatic impact on the engineer's professional and personal life. In fact, international relocation will affect virtually all aspects of the expatriate's life and of that of his or her family.

To prepare adequately for international assignments, engineers and their families need to examine their lifestyles and values. Since companies tend to act rapidly once they have identified the need for an international relocation, preparation time is often limited to three months or less. Specific issues expatriate engineers need to consider when relocating abroad include the impact of international assignments on both their own and their spouses' careers.

Being successful in a culturally different environment is often a major challenge, requiring excellent communication skills and much flexibility. Expatriate engineers and their companies should set clearly

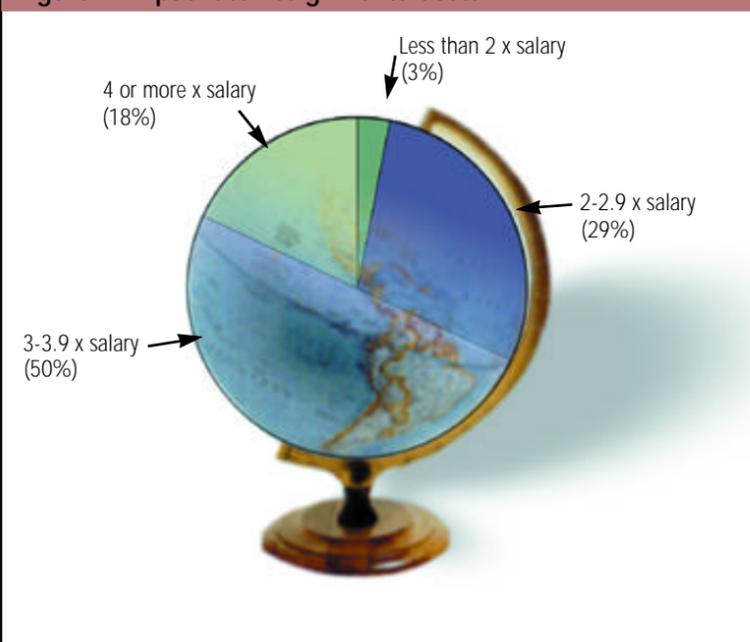
defined objectives for the assignment. Expatriate engineers also need to take into account differences in values, interpersonal communication and behaviour in their new workplace. Specifically, they need to learn how the following work activities are handled in their country of destination:

- ◆ conducting meetings;
- ◆ managing projects;
- ◆ writing reports;
- ◆ making presentations;
- ◆ communicating and giving feedback to managers, colleagues and subordinates;
- ◆ selecting, hiring, managing and motivating people; and
- ◆ interacting and negotiating with clients.

Often, the expatriate engineer's spouse is the family member whose requirements are neglected when the family relocates. Indeed, the expatriate has a solid professional reason for going abroad and something to gain from the assignment; children continue to go to school abroad. By contrast, a spouse has much to lose professionally.

Spouses will usually have to quit their jobs in Canada or at least take an extended leave of absence. In many cases, they will be prevented from working overseas, due to the unavailability of work permits or the customs of the country of destination (for example, it is virtually impossible for women to find employment in Saudi Arabia). Even in cases where employment is available, spouses will face the issue of not having any work experience in the country of destination, making a job search considerably more difficult and potentially requiring them to

Figure 1. Expatriate Assignments Costs



accept positions for which they are over-qualified.

When the family returns to Canada, the absence of relevant work experience for several years may make it difficult for spouses to continue in their chosen careers. This is particularly true for people who work in specialized fields.

Engineering employers may find the fol-

◆ *Help the spouse find employment or volunteer activities*, which will contribute positively to his or her resume and skill base. This can be done either through human resources organizations in the country of assignment or consultants.

Other issues expatriate engineers and their families should consider when relocating abroad include:

HOUSING. Finding accommodation abroad that suits all family members can be a difficult challenge. In some cases, expatriates have very limited choices. For example, when a company sends a significant number of expatriates to the same location for a major project, it may build or operate an "expatriate compound" in which all expatriates are assigned an apartment.

The lay of the land may make the type of housing generally preferred by Canadians (i.e. detached houses with large lots) unaffordable. In places like Hong Kong and Singapore, such forms of housing simply do not exist.

HEALTH CARE. The delivery of health care services is organized very differently from country to country. In some countries, the state has overall responsibility for health care. However, many countries have intermediate situations, where some services are delivered by the state, and others by private organizations.

Expatriates need to determine whether they will need to purchase additional health insurance before they leave Canada. Questions to ask about health care in the country of destination include: Is there an equivalent of OHIP? If so, do expatriates have access to it, and which health care services are covered? What fraction of the cost of these services are expatriates expected to pay, and how much does this amount to?

TRANSPORTATION. Whether to buy a car is a question that few Canadian engineers ponder; most own at least one. When living abroad, the situation may be quite different. In some countries (like Italy), foreigners are legally forbidden to own cars. Expatriates living in Italy who want to use a car on a daily basis need to make alternative arrangements, such as leasing a car.

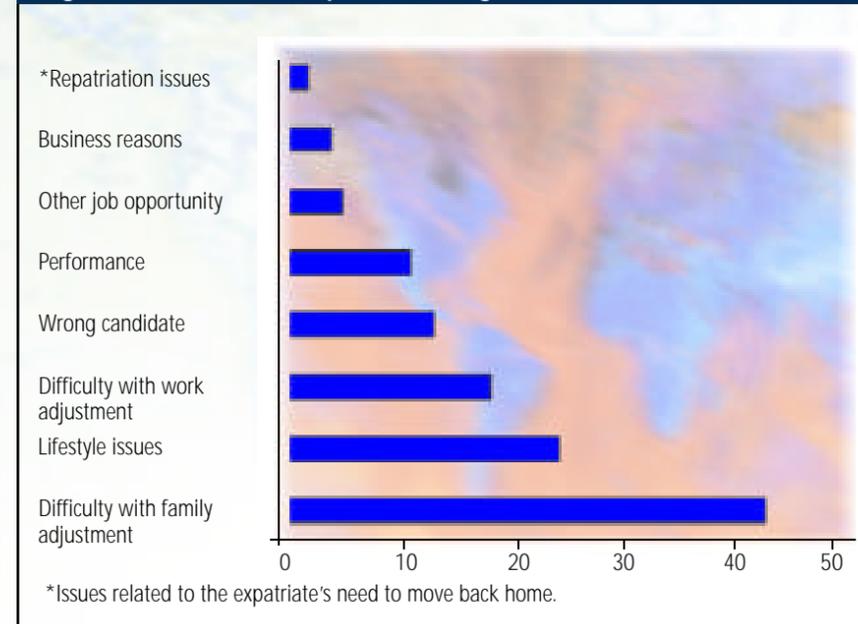
In some areas (like Hong Kong), a car is more often a liability than an asset. The city is quite compact, public transportation is convenient, and the cost of a taxi ride is much lower than the cost of parking. In such other countries as China and Taiwan, driving can be dangerous and using limousines, taxis or public transportation may be a safer option.

SECURITY. Although crime is universal, its impact and nature change significantly from country to country. For example, the odds of being a victim of violent crime are significantly higher in the Unit-

EDUCATION. When children are involved, finding adequate schools in the city of destination is critical. Due to the limited number of schools overseas that offer Canadian programs, an expatriate's children will likely be required to follow different educational programs (e.g. American, British, French or the local educational program) or to make use of distance education. Families with children in their final years of high school may want to consider arranging for them to stay in Canada, to avoid a potentially difficult transition and lower grades at a time when grades count for university entrance.

DAY CARE. Finding proper day care may also be a challenge. In some countries (like Switzerland), the proportion of women in the workforce is significantly lower than it is in Canada. As a result, day care facilities are not as common and more expensive. In other countries (like France), day care facilities are financed and run by the state; although French citizens have easy access to day care, expatriates may not.

Figure 2. Reasons for Expatriate Assignment Failure



lowing suggestions useful in mitigating the negative impact of expatriate assignments on spouses' careers:

◆ *Acknowledge the situation*, by meeting with the spouse of the expatriate-to-be. This is a significant first step in avoiding future problems.

◆ *Offer financial compensation for the income loss.* Some companies give their employees a lump sum to compensate for the loss of income of the spouse. In some cases (for example, in the case of wives moving to Saudi Arabia), this may be the only option.

◆ *Hire the spouse.* A large chemical French company that wanted to send one of its leading chemists to Brazil hired her husband and transferred them both.

◆ *Make arrangements with the spouse's company.* In some cases, the spouse's company has operations in the area where the expatriate-to-be will work, and the spouse can be transferred to this branch. By making arrangements with the spouse's company on moving expenses, salary and benefits, the impact on the spouse's career can be significantly reduced.

network of contacts can be invaluable at later stages in their careers.

Getting ready

In addition to the issues mentioned above, expatriate engineers and their families also have to consider such issues as handling money, commuting, socializing and home sickness. The following resources may be helpful in preparing for international assignments:

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cross-cultural consultants can raise important issues about which expatriates and their families may be unaware. A good cross-cultural consultant can provide comprehensive relocation preparation, covering both professional and personal aspects. The process can help expatriates and their families develop a plan for adjusting smoothly to the country of destination, both at work and at home.

Benefits of preparation

With proper cross-cultural training and preparation, companies can reduce the failure rate of long-term overseas assignments. For example, Systematics Information Services Inc., a U.S. maker of software that processes bank transactions, was able to reduce the failure rate of its employees' overseas assignments from an average of 20 per cent to less than 2 per cent.⁶ Similarly, Sun Microsystems Inc. reduced its failure rate from 62 to 13 per cent.

Reducing the failure rate of international assignments can result in significant direct cost savings. After paying \$5,000 to \$8,000 to train each expatriate employee, Systematics Information Services Inc. saved anywhere from \$30,000 to \$67,000 on each expatriate. Sun Microsystems Inc. achieved a direct cost savings of \$95,000 to \$190,000 on each expatriate employee.

These calculations account only for savings in direct costs for the two companies. Other benefits of successful overseas assignments include increased sales and revenues. ◆

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