Determinants for Success in Expatriation of Malaysian International Corporations

Senian Malie, Oriah Akir

Abstract—Malaysian corporations going global increased many folds. The shift from domestic to international operations requires increased expatriation to achieve global business goals. Therefore, this study aims to identify the determinants for success in expatriation of Malaysian international corporations. There are certain attributes necessary for a global employee to succeed in international assignment. Self-administered questionnaires were sent to 327 respondents with a response rate of 35.2 percent. The results indicated that most Malaysian manufacturers are involved in expatriation. For a global employee to succeed in an international assignment, the ability to work in international teams was identified and ranked as the most important factor in determining the effectiveness of expatriation followed by language proficiency, adaptability to the international assignment and expatriate sensitivity to cultural elements. The results support previous research with regard to the importance of an effective expatriation selection process in order for a company’s international expansion strategy to succeed.

Keywords—Key Competencies, Expatriate, Expatriation, Globalization, and International Assignment

I. INTRODUCTION

The number of Malaysian firms going global has increased many folds and in significance in recent years due to the rapid growth of internationalization or globalization. This phenomenon has not only generated higher interest in searching for employees with international skills, but also there is a growing concern that the viability and success of global business ventures depends very much on the quality of the firm’s human resources. In turn, how effectively these critical resources are managed and developed for the international assignment is becoming a crucial issue. In this regard, selection and training of expatriates for international assignment are focused on broad-band selection criteria such as language skills, cross-cultural training and pre-departure training to ensure international assignees are adequately prepared for their tasks. Evidence suggests that international assignments are greatly challenging and stimulating [1], thus, the only way to succeed is to develop an effective personnel capable of designing and implementing transnational business strategies [2]. Besides, in a dynamic business environment, an employee with international experience has become an order of the day rather than an option.

However, identifying and locating effective global human resource strategists is often difficult if not impossible. According to Baruch and Altman [3], globalization has forced expatriation into the corporate agenda. In today’s global economy, having a workforce that is fluent in the ways of the world is not a luxury. It is a competitive necessity.

However, it must be borne in mind that expatriation is an expensive business. The cost of a poor staffing decision could range from $200,000 to $1.2 million and include the hidden costs of a failed assignment [4]. Additionally, there are financial and emotional costs borne by the candidate, the spouse, the children, and other family members. Therefore, Hechanova-Alampay, Beehr and Christiansen [5] reiterated that there is a need for firms to:

• Identify the underlying characteristics of successful expatriates that can help organizations find the “right” person for an expatriate assignment.
• Ensure person-job fit as expatriate assignments certainly require greater responsibility and autonomy.
• Help expatriates adjust to a different climate, a new culture and other barriers present in the host countries.
• Support expatriates in assignments that either uproot their families or require expatriates to live away from their families.

Several earlier studies [4], have found that the rate of failures of expatriate assignment ranges from 10% to 45%. They caution, however, that it is not always clear whether the rates refer to immediate assignment failures (within one year) or perceived failures after the individual has been in the position for a year or more. Among the larger and more established firms there have been significant changes in terms of a much more competitive environment forcing them to give more attention to cost-effectiveness and efficiency. In view of the foregoing statistics, this study was designed to identify the determinants that contribute to the success of expatriation by Malaysian corporations, and rank their importance in contributing to the success or failure of expatriation policies of Malaysian corporations.

The hypotheses that arise from the research objectives are:

• HO1: Adaptability is not a significant determinant of expatriation success of Malaysian corporations operating internationally.
• HA1: Adaptability is a significant determinant of expatriation success of Malaysian corporations operating internationally.
• HO2: Sensitivity to different cultures is not a significant determinant of expatriation success of Malaysian corporations operating internationally.
HA2: Sensitivity to different cultures is a significant determinant of expatriation success of Malaysian corporations operating internationally.

HO3: Ability to work in international teams is not a significant determinant of expatriation success of Malaysian corporations operating internationally.

HA3: Ability to work in international teams is a significant determinant of expatriation success of Malaysian corporations operating internationally.

HO4: Language skill is not a significant determinant of expatriation success of Malaysian corporations operating internationally.

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These hypotheses will be answered in the findings and discussion section later.

The significant contribution of this study is to help management of Malaysian international corporations to consider the factors that can ease expatriates in their international assignment.

II. LITERATURE REVIEW

An expatriate or international assignee is not only a parent-company-national (PCN) but also a third-country-national (TCN) who is transferred out of his/her home base into some other area of the firm’s international operations. While global human resource management refers to the utilization of human resources to achieve organizational objectives regardless of geographic boundaries [6]. An overseas assignment implies that it is concerned with a certain degree of uncertainty and strangeness in several aspects such as culture, history, religion, natural environment, climate, food, etc.

Torrington [7], Welch and Welch [8] and Webb [9] in their expatriation study, reiterated that difficulties faced by international managers on international assignments are due to the lack of agreement about competencies that are considered important. The key competencies that are lacking include relational abilities, cultural sensitivity, linguistic ability and ability to handle stress. There are as many as 17 characteristics and/or competencies necessary for a global worker to succeed in an international assignment [10]. There is a deep discussion on the implications for the employee and the company of an expatriate assignment, the reasons why the expatriate assignment is not always a success and suggestion of a methodology for choosing an employee for overseas work.

Besides, several critical expatriate competencies required in the international assignment include job knowledge and motivation, relational skills, flexibility/adaptability, extra-cultural openness, and family situation. Ivancevich [11] proposed ten factors but when summarized fits into the five factors identified by Arthur and Bennet [12] except for good stress management skills. For Tung [13] and Suutari and Brewster [14], the factors that are important for international assignment are language skills and international adaptability. Chi [15] reiterates that in expatriate selection institutional adaptability criteria should be used to deploy freelance expatriates effectively in project-based industries like construction.

Adaptability: A recent survey among Finnish expatriates operating around the world indicate that while the expatriates were not entirely satisfied with the way they were managed, “the management of Finnish expatriates may be closer to prescriptions of good practice than those reported from elsewhere” [16]. Earlier study by Suutari and Brewster [14] found that Finnish expatriates moving to other European countries can encounter difficulties as much as expatriates who move to other countries a hemisphere apart. Therefore, adaptability or expatriate adjustment within a social context that included both host nationals and other expatriates is important for the success of expatriation [17]. From his study, he noted that social integration was positively related to expatriate success which supports the proposition that socially-supported emotion-focused coping is positively correlated to expatriate general adjustment.

Language skills: It is also imperative that expatriate relate well with host nationals both in business and social contacts. This necessitates the expatriate to get along with people, the readiness to work with others and most of all respect for the host national’s religious and political beliefs [18]. For expatriation to be successful, they also reiterate that expatriates must be willing to learn and use the local language.

Cultural sensitivity: Peltokorpi and Froese [19] in their study of cross cultural adjustment among 181 expatriates in Japan found a positive relationship between cultural sensitivity with expatriation. On the other hand, in another study it is found that cross cultural training is effective in facilitating success on expatriate assignment [20]. In another study, Osland and Oslang [21] discover that expatriates give up some of their cultural values in order to be accepted or successful in other culture, but at the same time, some of their core cultural values become even stronger because of exposure to another culture. On the negative note, Grainger and Nankervis [22] posit that the main reason for expatriate failure was the inability of expatriates and their partners or families to adjust to the cross-cultural demands of the new and different host country environment.

There is growing evidence that effective management of expatriates is a critical factor in determining the rise and fall of international business ventures. There is also a growing body of empirical evidence which highlights the major human resource management issues and challenges concerning expatriates which firms face as they undergo the internationalization process [23]. Therefore, several critical dimensions for successful foreign assignment should not be ignored but given special attention and treatment to drive the company to achieve highest level performance.

III. RESEARCH METHODOLOGY

Self-administered questionnaires was developed and used in gathering data for this study. The researchers noted that prior
research identifies four main variables to expatriation which are adaptability, sensitivity to different cultures, ability to work in international teams and language skills. The research instrument was used to obtain expatriate profiles and gather the opinions of respondents on a range of issues dealing with expatriation. The primary purpose of this study was to identify the factors that Malaysian manufacturing companies that determine the success of the expatriation selection process and the factors that contribute to the success or failure of expatriation selection were ranked. The data were collected using a four-page questionnaire, with covering letter, mailed to the human resource managers of the Malaysian manufacturing firms operating in the global market.

The population of the study was extracted from the Federation of Malaysian Manufacturing (FMM) [24] database. From a database containing 2,135 listings, a sample of 327 companies [25] were selected and sent the questionnaires. From that number, 116 questionnaires were returned yielding a response rate of 35.2 percent. The typically low response rate was addressed by including an easy response envelope with the questionnaires. The low response rate could also be attributed partly to the random selection of companies, where not every company chosen for the survey uses expatriates.

Pre-testing ensured that design errors in the questionnaire were corrected and improvements made before the full-scale survey was conducted. The pre-test was conducted with Malaysian international companies. Feedback indicated that the respondents were comfortable with and could understand the questions. Descriptive statistics were conducted to assess the respondents’ rate that could engage in the expatriations processes or activities. Various descriptive and inferential tests were used to describe the characteristics of the data and the association among them. The inter item-consistency reliability (Cronbach’s coefficient alpha) is also conducted to identify the consistency of respondents’ answer to all items in this research instruments. Besides, the multiple regression and correlation test was also conducted to see the significant relationship among the items was slightly low but at acceptable level: expatriation processes = 0.506, adaptability of cultural factor = 0.62, sensitivity of different cultures = 0.69, ability to work in the international teams = 0.53 and language skills = 0.52 (excluding local translator statements).

In addition, the linear regression analysis was performed to determine the association between the independent variables i.e. adaptability, sensitivity of different cultures, ability to work in the international teams and language skills and the dependent variable expatriation, by employing the stepwise procedure at the significant level of 0.05.

Table I below shows the un-standardized regression coefficients of the four factors of expatriations. However, only three assessment factors have acceptable regression coefficient values (Beta value) that show some significant relationship with expatriation.

### IV. FINDINGS AND DISCUSSIONS

This study aims to identify the factors that contribute to the success of expatriation by Malaysian corporations, and rank their importance in contributing to the success or failure of expatriation policies of Malaysian corporations. The results of the study are discussed in the following paragraphs.

**Objective 1:** To identify the factors which contribute to the success of expatriation by Malaysian corporations.

The hypotheses for this objective are:

- **HA1:** Adaptability is a significant determinant of expatriation success of Malaysian corporations operating internationally.
- **HA2:** Sensitivity to different cultures is a significant determinant of expatriation success of Malaysian corporations operating internationally.
- **HA3:** Ability to work in international teams is a significant determinant of expatriation success of Malaysian corporations operating internationally.
- **HA4:** Language skill is a significant determinant of expatriation success of Malaysian corporations operating internationally.

<table>
<thead>
<tr>
<th>Factors</th>
<th>B</th>
<th>t</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ability to Work in International Teams</td>
<td>-0.238</td>
<td>-2.640</td>
<td>0.009</td>
</tr>
<tr>
<td>Adaptation</td>
<td>0.183</td>
<td>2.604</td>
<td>0.010</td>
</tr>
<tr>
<td>Language Skills</td>
<td>0.174</td>
<td>2.335</td>
<td>0.021</td>
</tr>
<tr>
<td>Sensitivity of Different Cultures</td>
<td>0.000</td>
<td>0.008</td>
<td>0.993</td>
</tr>
</tbody>
</table>

The factors were: ability to work in international teams (0.238), adaptability (0.183) and language skills (0.174) except sensitivity of different cultures (0.000). Although the overall regression coefficient value seem low, nevertheless the
result served as an indication where the factors should best be addressed in order to have a great impact in improving expatriation process. Sensitivity of different cultures excluded in the model indicated that this criterion do not contribute much to the expatriation model.

Therefore, the regression equation obtained for the dependent variable (expatriation) is the sum of the three independent variables that were significant to the expatriation process of Malaysian international corporations:

\[
\text{Expatriation} = 0.238 \times \text{(ability to work in international teams)} + 0.183 \times \text{(adaptation)} + 0.174 \times \text{(language skills)}
\]

The low value of multiple correlation coefficient (R = 0.315) indicates the existing relationship between the observed and model-predicted value of the dependent variable. In addition, the significant value of the F statistic (p = 0.02) is less than 0.05, which meant that the variation explained by the model is not due to chance.

Furthermore, a bi-variate correlation analysis was performed to obtain a glimpse of the relationship among the various quality assessment criteria. The non-parametric Spearman’s rho was selected as the measurement method because it makes fewer assumptions about the variables, and is more commonly used in reports of research when compared to Kendall’s tau [26]. Spearman’s rho can vary from -1 and +1. A relationship of -1 or +1 would indicate a perfect relationship, negative or positive respectively; while a 0 would indicate the complete absence of a relationship between two variables.

Most of the factors were found significantly correlated at 0.01 confidence level. It should be noted that all the correlations were positive relationship, ranging from 0.345 to 0.563. The fairly significant correlation among all the dimensions indicated a certain degree of interdependence among them. However, the relationship between “language skills” and “expatriation” at 0.156 was the highest relationship between the factors toward the expatriations process. The lowest relationship factor to expatriation was “sensitivity of different cultures” (correlation level at 0.003) with the negative relationship direction indicating that there was almost no relationship existed. In other word, the “sensitivity of different cultures” was perceived as not a major problem or barrier to expatriation.

Besides, the correlation analysis also indicate that the “ability to work in the international teams” has the highest positive relationship (correlation level at 0.563) with “adaptability” which shows that the expatriate could perform better in the international teams if his/her adaptability to the foreign setting is improved. In addition, “the ability to work in the international teams” also shows a positive relationship (correlation level at 0.353) with “sensitivity of different culture”. The implication of this connectivity is that the expatriate could perform better in the international teams by increasing his/her sensitivity and knowledge about foreign culture.

However, the “ability to work in international teams” has a positive relationship (correlation level at 0.350) with “language skills”. It shows that the expatriate could perform better in the international teams by increasing some specific skills to understand foreign language (spoken and unspoken language i.e. body gesture, facial expression shown by foreigners). Sensitivity to non-verbal communication was important to show some respect and adaptation to the foreigners’ expectations or behavior.

Finally, there is a positive relationship (correlation level at 0.345) between “sensitivity of different culture” and “adaptability to foreign assignment” factors. By increasing sensitivity to the foreign cultures differences or by having high culture literacy, expatriate might not have problem in accepting or adapting the foreign assignment to ensure successful expatriation process.

In summary, adaptability, ability to work in international teams and language skill are the significant determinants of success of expatriation in Malaysian international corporations while sensitivity of different culture was considered not a big obstacle for the success of expatriation.

Objective 2: To rank the importance of the factors in contributing to the success or failure of expatriation policies of Malaysian corporations.

Among the factors, adaptability to the international assignments stood as the most important factor (mean = 1.9023 and sd = 0.39445); followed by language skills (mean = 1.9052 and sd = 0.32469). The ability to work in the international teams come in as the third important factor (mean = 1.9598 and sd = 0.32794). The least important factor is sensitivity of different cultures as the respondents were uncertain that cultures play a major role in determining the effectiveness of expatriation process.

V. CONCLUSIONS

With mean value of 2.03, it shows that most of the Malaysian manufacturers have business connections with foreign counterparts through various forms of affiliations. Therefore, they certainly need personnel to coordinate such business activities internationally. The choice of personnel to take up international assignment must be stringent to ensure that they are competent to take up such an assignment.

HA3: Ability to work in international teams is a significant determinant of expatriation success of Malaysian corporations operating internationally. As shown in Table 2, among the factors, the ability to work in the international teams was identified and ranked as the most important factor to determine the effectiveness of expatriation process. This result conforms to the study conducted by Suutari and Valimaa [27] on the need of strong leadership competencies in handling the company’s activities locally and internationally. In addition, as mentioned by Mondy, Noe, and Premeaux [6], van der Boon [28] and Swaak [29], effective human resource management is necessary to ensure that only competent people are sent abroad to achieve efficient global strategies.
TABLE II
THE CONTRIBUTION FACTORS OF EXPATRIATION

<table>
<thead>
<tr>
<th>Dimensions</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expatriation</td>
<td>116</td>
<td>2.0287</td>
<td>0.30159</td>
<td>0.091</td>
</tr>
<tr>
<td>Ability to work in international team</td>
<td>116</td>
<td>2.3937</td>
<td>0.42358</td>
<td>0.179</td>
</tr>
<tr>
<td>Language Skills</td>
<td>116</td>
<td>2.5201</td>
<td>0.44730</td>
<td>0.200</td>
</tr>
<tr>
<td>Adaptability</td>
<td>116</td>
<td>2.5632</td>
<td>0.44159</td>
<td>0.195</td>
</tr>
<tr>
<td>Sensitivity</td>
<td>116</td>
<td>3.1868</td>
<td>0.59228</td>
<td>0.351</td>
</tr>
</tbody>
</table>

Due to international differences, the company should provide relevant training program and exposure to make sure expatriate can represent the company and meet the business requirements effectively. The companies are exposed to many differences when dealing with international contact such as cultural, language, climate, political, social, and economic. Wright, Geroy, and MacPhee [30] suggested the companies need to have strategic human resource management to cope with the international expansion pressure.

HA1: Adaptability is a significant determinant of expatriation success of Malaysian corporations operating internationally. Adaptability, with mean 2.56, is the third influencing factor of expatriation. Competencies in handling the international assignment such as the expatriate’s maturity to make the necessary adjustment and adaptation to the international differences is necessary for the success of expatriation process ([9], [33], [10], and [34]). However, Haslberger [35] was not sure about his findings regarding the impact of expatriate adjustment and work performance due to the complexity of defining and measuring performance.

Research also found that the personnel who are given international assignment might not have the choice to reject the assignment due to the nature of their job. However, adaptabilities to international assignments are important to ensure efficient contribution to achieve international business objectives. The personnel readiness to accept the international assignment depends on the target country’s climate, preparations, and spouse readiness and also foreign affiliate’s adaptation. Barber and Pittaway [36] suggest that the environment scanning is useful to increase foreign understanding among expatriate about foreign setting and business climate and help to reduce the expatriate failure rate.

HO2: Sensitivity to different cultures is not a significant determinant of expatriation success of Malaysian corporations operating internationally. Another contributing factor to the success or failure of the international business activity is cultural influence. There are various unique world cultures from one place to another. Cultural elements will create a set of individual behaviors, perceptions, belief and attitudes. Therefore it also could influence the way the personnel make a business decision. With mean 3.19, the respondents are uncertain as to the sensitivity of different cultures as an important factor to determine the effectiveness of expatriation process.

There are common business and trade cultures acceptable throughout the world of business. It includes standardization of language usage (whereby English is acceptable as world business language), business terms, documentation, and other business requirement. Therefore, culture is not a critical factor to the expatriation process but it can be a slight influential factor to the effectiveness of business contract with non-English speaking country like China and Vietnam, and others.

According to Swaak [10], there is a need for cultural elements to be included in the company’s human resource management programs. This is important whereby the understanding of culture could help company reduces problems in misleading the business deals and international negotiations [37]. The factors found in this research also conform to other factors listed by Selmer [38], Riisala and Suutari [39], Wan, Hui and Tiang [40] and Holopainen and Bjorkman [41], including the extent to which the expatriate is willing to accept expatriate assignment.

In summary, in order to increase expatriates’ credibility and capability to work effectively in the international teams, they should take the opportunity to work closely with foreigners so that they could understand how to make appropriate adjustment with their international business program. When dealing with non-English speaking country, the expatriate should take initiative to learn the target country’s language so that they can communicate easily with the local of the target country. In other county, it is believed that managers can manage the business meeting effectively because English is a language that is accepted as a global medium of business communication.

The successful expatriation processes are also influenced by the readiness of the managers to accept the international assignment. When they are given international assignment, they should compromise their present comfortable standard of living with the new foreign environment. The managers also need to make the necessary preparation or adjustment to ensure their spouse and other family members could give the support for the international assignment.

Finally, when dealing with different cultures in different countries, the managers should be more sensitive to ensure they can accomplish their international mission effectively. The
different perceptions on the business terms and conditions are strongly influenced by their cultures. Therefore, it is important for the managers to develop their culture literacy before dealing with those target country.

REFERENCES


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The following are samples of his papers that have been published:


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The followings are articles published in refereed journals at international level:

