

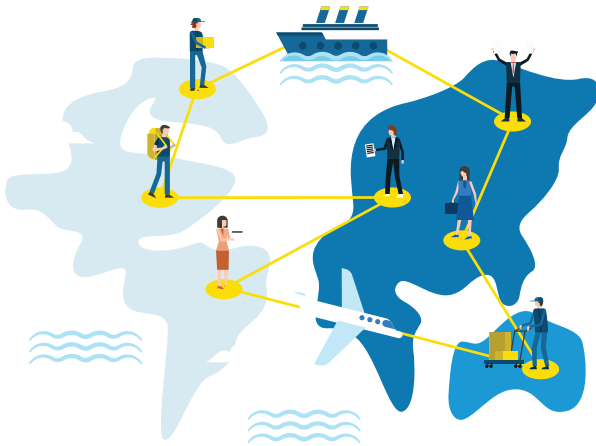
HIRING EXPATRIATE TALENT



INTRODUCTION

Simply defined, an expatriate (often shortened to expat) is an individual living in a country other than his or her country of citizenship, often temporarily and for work reasons. An expatriate can also be an individual who has relinquished citizenship in their home country to become a citizen of another. More often than not, most expatriates only stay in the foreign country for a certain period of time with the intention of moving back to their homeland. However, there are those who make their move more permanent.

For the purposes of this paper, we will work with the definition of expatriates as being employees of an organization in one country who are assigned to work in other countries on either long or short-term international assignments and projects.



When Should You Engage in Expatriate Talent?

A recent study by Cartus Relocation found that 57% of the companies surveyed predicted that international assignments will increase over the next two years. True to their predictions, organizations are now seeking expatriate talent to carry out their overseas assignments.

Organizations use expatriate assignments as a means to send key staff abroad for high-potential career development and to coordinate global lines of business, as well as transfer organizational knowledge while expanding into new markets worldwide, and/or managing an international subsidiary.

So when exactly is the right time to use expatriate labor?

International Business Expansions

If you intend to either open up shop or expand your business in a foreign country, then hiring expatriate talent could be a good option to consider. No matter the scenario, expatriate labor can help you 'hit the ground running' faster than waiting to hire local talent. The ready-made talent of expatriates helps cut down on both money and time by eliminating the need to hire and train someone before starting local operations.

Limited Local Talent Pool

Talent shortage is one of the critical areas of concern that can lead companies to decide to transfer expatriates as opposed to hiring local workers. When operating outside of your home country, the local talent pool may not provide individuals who hold the specific skill sets you require immediately, thus revealing the need for expatriates. In this scenario, companies bring in existing talent they are assured can get the job done in accordance with company requirements.

High Costs of Hiring Local Foreign Employees

In addition, if there are local individuals with the right talent, skills, experience, and qualifications for the required job position, they may be very expensive to hire. On top of salary, the organization may also need to provide in-depth onboarding and training to get them familiar with the business domain.

At the end of the day, hiring expatriates is an option that is both efficient and inexpensive, in the short-term, as a business is trying to get off the ground in a new market.

Expatriation/Expatriate Hiring Process

1. Choosing the Appropriate Candidate

Typically, expatriates are needed for their specialized skills that are otherwise unavailable from local or “core” workers. Therefore, your selection process ought to be circumspect in helping you choose the best candidate for the assignment.

Here are a few best practices to help you along the way:

a) Use a selection panel

A selection panel could be useful, consisting of a manager from the relevant business vertical, staff who have detailed knowledge of living, working, and conducting business in the intended assignment destination, HR staff from home and host countries and international HR personnel to help assess any compliance issues that may arise.

b) Select candidates who have successfully undertaken similar international assignments

Your top options should include candidates who have had experience working overseas as an expatriate. This helps identify those individuals who have had some practical experience working within different cultures. You are assured that they appreciate cultural differences in a practical way.

c) Give priority to candidates who are either multilingual or fluent in the language of the assigned location

Hiring a multilingual candidate will help your operational efforts in immeasurable ways, not the least of which is the ease of interacting with local providers as well as clients, as well as understanding local customs and thereby avoiding cultural missteps.

d) Make use of intercultural adaptability tools

Intercultural adaptability tools and training within them help you gauge the potential of prospects to innovate, collaborate, lead, manage and socialize in different new cultures.

Note: If your potential candidate has a spouse or partner, consider including them in this training. Failure of the spouse to integrate with the new environment is often the primary indication of an expat's chances at assignment failure.

e) Provide realistic assessment of the job

Inform your candidates of both the good and bad aspects of the assignment by providing them with a realistic job assignment preview. Some details to include: the climate, culture, business practices and issues of safety and security. Failure to do so will lead to disgruntled employees who are seeking early termination from their international assignment because they feel misled and set up to fail.

2. Acquiring Visa, Work Permits, and Any Other Necessary Documents

Employing and assigning an expatriate for an assignment overseas includes arranging their work permits and visas to enable both legal entry into the country, as well as permission to conduct business there within the statutory requirements of their immigration rules. Even attending trade shows and training classes may be subject to the same rules and regulations.

Most countries require expatriates to have either a valid contract or job offer before they issue work visas or work permits. If this is your first time sending employees overseas, consider consulting experts in global employment law to help advise on the application processes as well as all applicable and relevant laws.

3. Plan to Support Your Expatriate Employee

Overseas assignments tend to be very stressful for assignees as they are away from home and all that is familiar, which makes the transition relatively difficult. Employers should plan to support expatriate staff by establishing a comprehensive support system for them, such as connecting them with host families in the location, putting in place strong and reliable communication channels back to the home office where they can keep in touch with their managers, mentors and other colleagues and finally, all the above items such as local facilities to help them navigate the local and perhaps unfamiliar surroundings.



Why Hire Expatriates?

Looking for certain specific business skillsets in a given foreign location can prove very difficult at times. The experience expatriate workers garner helps their organizations develop their ability to succeed in global markets and their management skills base. This is why many companies prefer hiring expats as opposed to sticking with locals.



Importance of expatriates in organizations:

1. They Improve Local Market Knowledge

When expatriates live and work in a country, they gain a deeper understanding of business practices on the ground, local market conditions, and cultural factors that are trickier to access for employees who try to conduct overseas business from headquarters. This local understanding and awareness helps organizations reduce risk and avoid mistakes that could limit their market success.

2. Increase Local Control

By appointing expatriates to manage the business overseas, organizations can increase business and financial control over local operations. Long-term assignees establish financial and operational targets with business partners, work with them to achieve revenue targets and monitor performance. They provide headquarters with accurate reports and are in a position to take remedial action if partners are not able to meet targets. Expatriates also ensure that local partners comply with policies and procedures established by the global entity while maintaining quality and customer service standards.

3. Transfer of Knowledge

Expatriates are critical in transferring knowledge and skills to local nationals when they are hired. If they are setting up manufacturing operations, for example, expatriates can help employees and partners implement corporate working practices and quality standards or use techniques and technologies developed at the parent company. Expatriates working with local distributors or agents can provide partners with product and market knowledge and develop joint programs to improve market penetration.

4. Promotion of Company Culture

Expatriates work closely with overseas subsidiaries, distributors, agents and joint venture partners to ensure they understand the parent companies' culture, standards, and values. They also use their understanding of cultural differences to modify any of those factors in line with local business practices. By instilling parent company culture and practices, expatriates ensure that the company's customers receive a consistent standard of service in all their territories.

5. Development and Management of Talent

Appointing employees to overseas assignments helps organizations develop their management skills and competencies. Expatriates learn to recognize and understand the diversity of local market conditions in different territories, giving them a broader perspective on marketing. They also develop the leadership and interpersonal skills to manage or collaborate with multicultural teams. Developing management talent through expatriate assignments helps organizations develop the people skills to compete in global markets.

Pros and Cons of Assigning Expatriates

Pros of hiring expatriates for your international assignments:

1. Quality Over Quantity

With expatriate employees, you get quality over quantity by placing one talented and skilled worker who could be the equivalent of three new hires who would need to receive training and hands-on management. An expatriate who has already been working for your company has more knowledge and experience with your business and company culture. Although hiring local talent may seem like the cheaper option, in the absence of the tempering influence of the deep experience an expat can bring, the risks to the business could be higher.



2. International Experience

The fact that expatriates are uniquely qualified employees contributes to the overall success in execution of company projects. As a business ventures into new markets, expats on staff are exposed to local intelligence on customs and practices that could benefit the home office, again mitigating risks of operating blind in a new environment.

3. Ease of Transition

Long-standing and experience employees ensure more seamless administration and operation than starting with a brand-new staff. They also make it easier to orient new hires locally and shorten their onboarding process by being an in-person presence for training and knowledge transfer.

4. Improved Recruitment Rates

If you are a new business owner starting out in a relatively unknown or small job market abroad, you may find it difficult to recruit the right candidate given the unfamiliar area. Assigning global talent gives you more time to find the ideal candidate from a pool of professionals with varied educational backgrounds that may or may not translate to your home country's customs and norms.

5. Self-driven Inner Motivation

Expatriates tend to be very self-motivated individuals who are not afraid of taking professional risks, a crucial trait that best equips them to deal with peaks and valleys of international assignments. This characteristic allows the parent company's management to focus more on the business side of the venture rather than feeling obligated to micro-manage a posting in order to ensure viability.

Cons of hiring expatriates for your international assignments:

1. Expatriates Are Expensive

Hiring expats can cost you twice or even three times as much as local nationals. These higher costs are due to needing to provide both short- and long-term accommodation for them and their families, relocation packages that may include school tuition and fees, taxes, and visa sponsorship, amongst many others. On top of these financial constraints, expatriates are not usually available to work from the moment the need is identified. They first have to plan for relocation with their families, go through visa and immigration processes, and then finally adapt and settle down, resulting in often unwelcome but necessary delays.

2. Expatriate Hiring Process is Problematic and Risky

Dealing with legal documents can be risky and problematic. Any mistake or failure to comply with immigration and/or tax obligations can result in your company receiving a hefty fine or worse, being banned from operating within that foreign market.

The process of planning and catering for travel expenses, visa issues, tax differentials and the allocation for relocation allowances can also come with pitfalls for the employer, not to mention the delays a company could face with the host country's bureaucracy.

3. High Burn out Rate

Studies indicate that expatriates carrying out demanding jobs have a relatively high burn out rate, compared with their domestically based colleagues. Factors such as isolation for family and friends, language barriers, and the stresses of living and operating within a new culture, all contribute to a higher than average attrition rate.

Research conducted by Harvard Business Review, concentrating on companies with a stellar track record of managing their expats, has revealed that companies like GE Medical Systems have managed to eliminate unwanted turnover from their expatriate staff while seeing their international sales expand from 10% to over 50% of their total sales in the last ten years.

Their research goes to show that in order to carry out successful international assignments, candidates need to provide support towards long-term international assignments.



Here are some of the steps companies can apply to facilitate efficient management of successful expatriates:

1. Provide Cultural Training

Before an expatriate is sent out into the field, they need to understand the cultural values, beliefs, and behavioral patterns of their host country. A good way to help them achieve this is by organizing briefings and trainings on the historical background, economy, and on the culture into which they will be integrating. Such training can be achieved through workshops, seminars, and language courses provided by vendors who are subject matter experts.

2. Strengthen working relationship with other employees

Expats are more likely to adjust if they receive support and job assistance from their colleagues. By introducing a “buddy program”, you can help bring both expats and local employees together. Through this buddy program, not only will the expats get the support they need to transition, they will also gain more insight into local organizational culture.

3. Offer Incentives and Rewards

It is no secret that expats get homesick every once in a while. A good way to deal with this is by offering rewards or incentives to keep them going. For instance, rewards in the form of adequate home leave accomplishes the goal of maintaining contact with their friends and family, while also reinforcing the message that you care about their well-being outside of the office.

4. Emphasize Repatriation

Repatriation, or the return of the expat back to their home location is often overlooked which can be a big mistake. For expatriates who have been living abroad for many years, the process of going back home can be very challenging. Therefore, if you want to retain former expatriates, it is important for you to pay attention to factors such as ensuring an appropriate role for them to occupy once back home, adequate time off to relocate and adjust themselves and their families back into the home culture, etc. Failure to do so will lead to expatriate employees terminating their employment immediately after an international assignment.

Triggers for Switching Over to Local Talent



While an expatriate can be the optimal staffing solution when a company is just starting out in an overseas market, at some point it is more beneficial to start hiring and training local nationals to eventually take the reins of management and operations. The following are some of the triggers for companies to switch over to local resources and talent:

Costly Expenses

Expatriates, who are being paid in home country currency and perhaps being subsidized for tax penalties as well as generous benefits, are without a doubt more expensive than hiring local talent. Therefore, unless you are a big company, it is not a long-term sustainable resourcing option.

Language Barriers

Although an expat deployed to foreign countries may speak the language, it is not a guarantee and liable to become a barrier to success soon after opening up operations. Hiring local nationals who are fluent help to mitigate these issues by making it easier to take advantage of local resources.

Need for Diversity

Diversification gives companies a better chance to thrive in growing businesses abroad. Most companies branching out into foreign markets attain this diversification by hiring local talent. Through working with local employees, the company opens up itself to new avenues that add to their global rank, as well as send a message to the local talent pool, as well as to clients, that the business is here to stay, set up roots and make a long-term investment in the market.

CONCLUSION

Every business has their own set vision and circumstances. If you expand overseas and need skilled labor and prefer employees who are familiar with the operations of your company, then hiring expats in the short-term is the right move for you.

However, it is fundamental to your success and the success of your international assignments to remember that the expatriation process is not an easy one. However, it is easy to minimize risks by ensuring that as an employer, you meet all the compliance requirements, select the best of the available employees, and lastly, ensure you support them through their assignment as well as the repatriation process afterwards.

Following these simple tips will make it easier for global businesses to establish a broader footprint world-wide while minimizing their risks and maximizing their chances for success overseas.

