Managing Expatriates: Analyzing the Experience of a Brazilian Internationalized Company


Abstract

The management of expatriate employees is an important topic in the field of international business. Most of the studies on expatriation management are based on the experience of North American and West European corporations. Few studies focus on corporations from developing countries. This is a single case study based on a Brazilian telecommunications company operating in China. The study reveals that lack of preparation of expatriates before departure is a source of difficulties that needs to be managed for better performance. The findings indicate that psychic distance is responsible for the major problems faced by expatriates working in China.
Introduction

The management of expatriate employees has been an important subject of research in the field of international business. The challenges of corporate employees sent on international missions have aroused academic curiosity and attempts to measure the results and the effectiveness of this human resource policy.

Most of the studies conducted on expatriation management are based on the experience of large North American and West European large corporations. There are not many studies on the reality of corporations from developing countries. Indeed, there are very few studies on expatriate management in Brazilian companies focusing on the cultural challenges faced by executives abroad. Most expatriate management studies in Brazil are based on foreign executives working in the country (DOMINGUES; BUENO, 2008).

Brazilian companies are late movers in the international markets. However nowadays several are developing plants and operations overseas to take advantage of the opportunities created in the global markets. Among the countless challenges facing by these companies is the preparation of their employees to adjust to new cultures and achieve high performance overseas.

The purpose of this paper is examine how the management of expatriates is conducted by a Brazilian multinational corporation, with a special focus on cultural aspects. By looking into a single case, the study aims to gauge how well prepared expatriates are prior to departure and the kinds of difficulties they face when they come up against day-to-day life in China.

The relevance of this study is also based on the importance of the international business relations between Brazil and China that have developed in recent years. China is now Brazil’s major trading partner and many Brazilian organizations are setting up their operations in China.

Managing Expatriates

The increase in international operations by multinational corporations has led to an increase in the number of expatriate employees all over the world. Expatriates are used to implement successfully the internationalization of their organizations in foreign subsidiaries (BLACK, 1988).

Managing expatriates is not an easy task, since it is usually associated with high costs and a great deal of preparation. The lack of information and knowledge concerning foreign contexts also adds complexity to expatriate management.

One of the biggest problems associated with expatriate management is its high cost. For companies with hundreds of expatriates, the total costs can easily reach several million dollars (BLACK, 1988, p. 278). This is due to the fact that these expatriated employees end up receiving high salaries and benefits in order to be relocated to another foreign subsidiary.

Tung (1998) points out that most expatriates are satisfied with their international assignments, although they do complain that their companies do not have repatriation programs and policies in place. According to the author, the positive impact of expatriation has a great deal to do with the positive influence it will have on career advancement.

Chew (2004) emphasizes that in order to develop effective expatriate management to avoid major problems it is necessary to plan three strategic actions. The first focuses on the selection of the right people to work as expatriates on overseas assignments. The second is related to the preparation of the selected employees to face their challenge abroad. Finally, the
third deals with the preparation of a return policy for when expatriates are brought back to their home country.

Many authors have already mentioned ways of reducing problems related to expatriate management. Black (1988), Black and Mendenhall (1990), and Tung (1998), for example, suggest that companies that provide training and education regarding the host country prior to departure might facilitate the adaptation of expatriates. This is especially true if his role implies interaction with host nationals.

Preparation for expatriation is an important task since it helps to anticipate many situations that might arise during the process. However many organizations still neglect this issue and do not prepare their employees appropriately for their tasks overseas.

The three strategic actions, selecting, preparing and developing a return policy, are a road map for a well planned, organized and effective expatriation program. Problems and crises involving expatriates have a high cost for an organization, first because it can threaten the organization’s assets and image in the host country, and second because they can lead to the loss of an important organizational asset: its valued expatriates (CHEW, 2004).

It is important to note that the success or failure of expatriation programs is not only associated to internal problems, but also to external factors. Cultural, economic and social elements can be listed as relevant external factors that have some influence over expatriates.

These external factors exert an influence not only on the expatriate, but also on his family. In a study carried out with human resource managers of Australian firms, Chew (2004) found that the main reason behind the failure of expatriates on overseas assignments had to do with their families. The inability of the expatriate’s family to adapt was a major factor in the failure of employees’ in their duties. There is clear evidence that to analyze expatriate performance it is necessary to adopt a broad approach considering not only the technical but also the social and psychological factors that influence the day-to-day life of employees.

Expatriation is considered relevant to organizations with an international presence, since it enriches the experience of its managers and also helps the company to maintain control and improve performance in foreign operations by putting committed high performing employees in key positions abroad. These combined help the company to achieve a higher performance level.

Expatriation also enriches the experience of employees, taking them into a new learning process that ends up benefiting the organization. Employees with cross-cultural experience are also likely to better assist organizations, particularly those in emerging economies, to integrate into the global market, learn new technologies and provide legitimacy. Such employees may be perceived as having personality characteristics that facilitate the achievement of these objectives (ZOOGAH; ABBEY, 2010).

Culture and International Business

As organizations go global they bring in employees not only from their host countries, but also from other countries in which they have operations. Consequently, multinational companies have employees of various nationalities and cultural backgrounds working and managing operations in different countries. This mixture results in professional, cultural and social challenges. The gaps derived from these differences end up being great obstacles for individuals and companies to achieve expected performance in a distinct context. Despite the difficulties faced by expatriate managers operating across cultures, relatively few companies appear to offer cross-cultural training (BLACK; MENDENHALL, 1990).

Culture tends to be something invisible abroad, disseminated in both individual and group behavior (BRANNEN; THOMAS, 2010). Managers, when crossing countries’ frontiers
with the frequency which is observed today, need to pay attention to the countries’ and organizations’ cultural dimension with which they interact in order to avoid the risk of seeing their work compromised (MEYER JR. ET AL., 2006, p. 11). On this matter, Dong and Liu (2010, p. 224) stated that:

“Culture acts as an external source of influence on employee behaviors on daily personal lives which consequently influences each person’s behavior within the organization, since each person brings another piece of the ‘outside world’ into the workplace”

However, when studying a multinational company’s expatriates in 51 different countries, Tung (1998) found out that the host country’s cultural difference and economic disparity did not affect the performance of foreign managers. This result might be explained by the fact that many of the interviewed managers were bilingual or multilingual expatriates, and also many of them had already spent extended periods abroad. These factors might have minimized the effect of culture on expatriate performance.

By describing the internationalization process of a Brazilian Engineering Firm in Angola, Francisco (2004) identifies evidence that the cultural similarity was a strategic element to the success of the Brazilian foreign venture. However problems related to war and political turmoil in the African country’s recent past led the Brazilian corporation to adapt several process and strategies to adjust to these new circumstances.

These mixed results are directly related to the capacity to adjust to different foreign cultures, which happens to be based on the employee’s knowledge, prior experience and the company’s level of preparation. One can conclude that selecting the employees with the desired skills and characteristics, in conjunction with some prior company preparation, might be effective in terms of challenging cultural shocks. In international human resource management, each country and each culture needs to be analyzed individually, since there is no standardized global solution (ROWLEY; BENSON, 2002).

Brazilian culture is described as one that is well adjusted to expatriate experiences. Its executives adjust to foreign culture more easily since Brazilians are described as sympathetic, flexible, patient, friendly, happy and people who adapt easily to changes (DOMINGUES; BUENO, 2008).

These characteristics attribute to Brazilian culture not representing a guarantee for success, especially when their executives do not take into consideration the local culture. The internationalization of Brazilian educational group Estácio de Sá is an example of how an ethnocentric approach taken by Brazilian expatriate managers working in Paraguay brought operational difficulties to its foreign venture (MEYER JR. ET AL., 2009).

The concept of psychic distance is important because it represents all the factors that serve as barriers to the flow of information from one country to another one. Among these factors, it is important to mention language, education, administrative practices, development and culture (JOHANSON; VAHLNE, 1977).

Chinese culture, with its roots in Confucianism, emphasizes that individual identities are defined as part of a network of relations with other people. After China joined the World Trade Organization, in December 2001, the country witnessed more frequent encounters with Western values, beliefs, and customs. As a result, modern (Western) values are beginning to gain acceptance and the country began to learn more intensively to get used to interaction with foreigners (PAN ET AL, 2010).

The success of today’s complex organizations is based increasingly on the transfer and sharing of information, knowledge and practices of people, based in technology, across geographical, organizational and cultural boundaries. As collaboration, communication, and
trust building gain importance, and as flows of knowledge and processes become increasingly more critical success factors, the role of individuals in mediating between and within cultures becomes vital for organizational performance (BRANNEN; THOMAS, 2010).

Methodology

The research was based on a single case study with qualitative characteristics. The unit of analysis was the Intelbras office in China. The organization is a leading Brazilian corporation in the production of telecommunications equipments. The choice of this company was determined by two main factors: first, the openness of the company to the study by allowing access to data, and second, the relevant role played by the company in the Brazilian market of hardware and for telecommunications with significant exports to Latin American countries.

The case study research strategy enables researchers to combine different research methods, enabling a stronger analysis of the different elements that are active in an organizational context, which are important for developing more accurate comprehension of the phenomena under study (GODOY, 2007; CRESWELL, 2009). Case studies also reveal characteristics, facts and activities of the real day-to-day life of organizations (REMenyi ET AL, 1998).

The company is a late mover in the international markets, since only recently did it begin to importing components and exporting its products. Even more recently, in 2003, it established its first overseas office, located in Hong Kong. In 2006, the company moved its office to Shenzhen, in the south of China. The office is responsible mainly for purchasing, controlling the quality of the company’s suppliers, researching and developing new products, and logistics. In 2008, Intelbras sent its first expatriated employees to the People’s Republic of China. Currently, there are four Brazilian expatriates working alongside 22 local employees.

The researchers conducted a total of four interviews, which represents the total number of expatriates working in China at the time the research took place. The interviews with the four (4) expatriate managers were conducted via e-mail, and a semi-structured questionnaire was applied via e-mail because all the respondents were living abroad. The research was conducted over a period of three (3) months, from October to December, 2011.

One of the advantages of qualitative case studies is that the methodology allows the researcher to combine different research techniques and triangulate the data, thereby enriching the analysis (YIN, 2003). Triangulation is also important as it increases the validity and the credibility of the data (EISENhardt, 1989; YIN, 2003).

Besides the interviews two important other sources of information were used to obtain data: (a) observation; (b) internal company documents. The access to all these sources was facilitated as one of the researchers had the opportunity to engage in non participant observation at the company, dealing specifically with the expatriated managers over a period of six months. The documents used in the study were mainly reports and presentations made for and by the expatriated employees. The observation, the access to company documents and the information collected were extremely important to the analysis of the focus of the study.

Analysis

The profile of the expatriate, the focus of this study, is presented in Table 1. All interviewees are male, are on average 30 years old and have been working for the organization for an average period of two years. The expatriation experience in the organization typically takes from two to three years. The longest has been working for the
company as an expatriate for three and a half years. It is interesting to note that one of the expatriates was hired by the company specifically to be an expatriate, and has been working in the organization for the shortest period of time among all the expatriates. Half of the four interviewees had already had prior experience as expatriates while working for other companies.

In the beginning, the expatriates were sent to Hong Kong due to favorable taxation issues. However, nowadays they are being sent to Shenzhen, in mainland China, where the company currently has a foreign office that oversees the purchase of components in China and other South-East Asian countries, such as Taiwan, South Korea, Hong Kong and Vietnam. The Hong Kong office was closed down in 2006 and its duties were taken on by the Shenzhen office.

Table 1: Interviews - Expatriates

<table>
<thead>
<tr>
<th>Interviewees</th>
<th>Age (years)</th>
<th>Years of working in the company</th>
<th>Time as an Expatriate</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expat 1</td>
<td>31</td>
<td>3 years</td>
<td>7 months</td>
<td>Chief Representative Officer</td>
</tr>
<tr>
<td>Expat 2</td>
<td>29</td>
<td>8 months</td>
<td>3 and ½ years</td>
<td>Asia Pacific Quality Manager</td>
</tr>
<tr>
<td>Expat 3</td>
<td>25</td>
<td>2 and ½ years</td>
<td>6 months</td>
<td>Business Development Manager</td>
</tr>
<tr>
<td>Expat 4</td>
<td>33</td>
<td>1 (one) month</td>
<td>3 years</td>
<td>Manager</td>
</tr>
</tbody>
</table>

Source: Interviews

The major roles of Intelbras’ expatriates is to oversee the quality of suppliers, negotiate with suppliers, search for new suppliers and conduct product development. Therefore, their main goal is to guarantee quality and competitive prices on the company’s imported components.

The data revealed that the expatriate manual designed by the company is not so much focused on preparation for expatriation as it is on the rules and duties that govern the procedure. The document provides detailed information regarding procedures and practices that each expatriate must agree to in order to be sent abroad. It also mentions the responsibilities of the organization concerning its employee.

The high cost of expatriation (BLACK, 1988) is also evident in the manual, since it specifies that employees sent as expatriates will receive a 40% increase in their monthly wage, a daily maintenance assistance that varies from around US$50 to US$70, a one-time establishment payment of US$1,500, a one-time technology purchase assistance of US$1,800, and a ticket to return home once a year (INTELBRAS, 2011). All these extra payments, when added up, represent a high cost for the organization. Thus, the management of expatriates is an area that cannot be neglected. It is important not only due to the role of the expatriates in the foreign country, but also because of the high cost related to this activity.

The expatriation manual also does not mention any repatriation program or policy, as mentioned by Tung (1998), which usually ends up being a problem for expatriates in many firms. In the company, after an expatriate returns to the company’s headquarters in Brazil, he returns to his original salary, losing all the benefits he had been used to receiving as an
expatriate (INTELBRAS, 2011). The expatriates complained about the lack of information regarding the process of expatriation. All the managers interviewed agreed that the company does not have clear rules and procedures that regulate the expatriation of its employees. However, they also recognized that the company is aware of the situation and is currently trying to propose a more attractive expatriation opportunity to its employees.

One of the most frequent and important complaints of the expatriates has to do with the time difference between Brazil and China and the lack of work procedures. The twelve-hour time difference and the lack of established procedures mean that the expatriated employee receives phone calls from Brazil late at night. This fact makes the work very tiresome since the expatriate already has a hard work day and also complicates the communication between the company’s Chinese and Brazilian headquarters operations as well as that of expatriates and their extended families back in Brazil. These communication problems have led to difficulties concerning management, particularly concerning problem solving and decision making processes within the corporation.

The organization is described as not very well organized when it comes to the expatriation initiative and is evolving in this regard very slowly. Based on the data analysis it is quite clear that the company has not been very helpful in helping its expatriates resolve the problems they are facing abroad. The local Chinese employees are described by interviewees as being very helpful and friendly towards the expatriates, but they are unable to solve all their problems and see to all their needs. The lack of institutional support and structure to conduct their work abroad is one of the main problems that the expats describe.

The cultural difference was pointed out by all those interviewed as a barrier for the Brazilian expatriates. They say that the food, the language and the concept of healthy hygiene habits are very different from what they are used to in Brazil. All these different cultural elements are described as making the adaptation to living and working in China more difficult.

One of the managers interviewed stressed that “smoking is permitted everywhere, and even in the places that it is prohibited they still smoke” (INTERVIEW). Another expatriated manager expressed that “The Chinese spit and burp in public publicly, which is initially quite shocking for a Brazilian” (INTERVIEW).

Furthermore, one of the expatriates had health problems in China and was taken to a local hospital. Although the infrastructure and the equipment were very modern, he and his wife were terrified by the hygiene of the rooms, nurses and doctors. The same manager was also shocked by Chinese medicine and how they face medical treatment, which is quite different from medical treatment practiced in Brazil.

The data analysis pointed out, based on the perception of all expatriate executives, that the individualism of Chinese people hindered integration. According to all the interviewees, they do not care about having friendly conversations or simply saying hello. One manager interviewed said that “in the elevator you can see the individualism of the Chinese, because they do not hold the door when there is someone trying to come in, they do the opposite: They press the Close button” (INTERVIEW).

All the interviewees also complained about the traffic in China. They pointed out that the Chinese drive haphazardly and show no respect for traffic laws. According to one of the managers: “it seems that every Chinese person in a car sets his own rules about how to drive” (INTERVIEW).

Another point that all the managers agreed upon was in relation to the internet restrictions imposed by the Chinese government. Being used to free internet research in Brazil, they are not used to having their internet search limited. This is a situation that is clearly politically motivated since it is derived from a governmental decision.
Although China is going through a Westernization process (PAN ET AL, 2010) the local reality is still very much in contrast with the reality of Western countries. In mainland China, for instance, there is less western influence than what is seen in cosmopolitan cities such as Hong Kong and Shanghai, where the western influence is definitely stronger and more visible.

The analysis also revealed that, despite the psychic distance, the expatriates are performing well and the headquarters in Brazil are pleased with their output. The company’s international supply buyers are feeling that their role as buyers in the international markets is losing importance. This is due to the fact that the expatriates that arrived in China are performing effectively through the purchases they make and by finding suppliers for Intelbras.

However, because of the psychic distance between Brazil and China, and especially between living in an industrial city as Shenzhen and Florianopolis, a coastal city in southern Brazil where Intelbras’ headquarters are located, the expatriates do not feel like staying in China for longer periods and they end up asking to return. There is also pressure from the families of expatriates, who also find it difficult to adjust to the Chinese reality.

Table 2 presents in a nutshell the main problems faced by the expatriates. The data clearly illustrate the large psychic distance that exists between Brazilian and Chinese realities that expatriates have to deal with in their daily life overseas.

| Table 2: Main problems faced by expatriates |
|-------------------------------|-------------------|-------------------|-----------------|------------------|
| **Element** | **Management** | **Political** | **Communication** | **Cultural** |

Source: Interviews

The expatriate experience provides valuable insight when it comes to increasing the organization’s insertion into the global market, expanding new possibilities in terms of supplying, as explained by Zoogah and Abbey (2010) and Brennan and Thomas (2010). The expatriates’ performance allowed the company to expand its supplying options not only in China, but also in other countries in South East Asia. However, the lack of administrative structure and organizational support for expatriate activities abroad might still represent an internal weakness and a problem to be overcome.

Discussion

The lack of administrative structure and organization to support expatriate activities abroad might represent a major liability to the organization. According to Chew (2004), the lack of organization involving expatriates can generate problems locally that are difficult and costly to manage, including public relations and legal procedures.

The company’s lack of international experience is one of the main reasons behind this problem. Not only does the company not have international experience, but neither do its executives. They are not very familiar with international business activities and their
requirements in terms of resources, network and investments. All of these factors are evidence of a lack of experience in expatriate management.

The cultural differences between Brazilians and Chinese people are also an element that must be considered, since all the expatriates interviewed voiced complaints in this respect. In this situation there is a clear cultural shock between Brazilian culture, where people are sociable and open to interpersonal interactions (DOMINGUES; BUENO, 2008), and Chinese culture, where people are known for being less open to interpersonal relations and taking more time to develop trust in other people.

But more then cultural differences, there is strong evidence of a large psychic distance (JOHANSON; VAHLNE, 1977) between Brazilian and Chinese politics, administration and culture, which proves that the adjustment of Brazilians to the Chinese reality tends to be more complicated. It is important to introduce the concept of psychic distance because it is broader than cultural differences and embraces other elements. Brazilian and Chinese people are not only distant culturally but also psychically, since the two countries are very different not only in terms of culture but also in political and sociological terms. Indeed, they are two different countries that underwent quite distinct civilization processes.

This is especially true when drawing a comparison between the location of Intelbras’ headquarters and its Chinese office. The characteristics and features of Florianópolis and Shenzhen are very different. The first is a pleasant, medium-sized seaside attraction located on an island in southern Brazil and the second is an industrial town located in mainland China, without many natural beauty spots in the vicinity. The comparison shows that it is almost inevitable that the expatriates express a desire to return to the company’s headquarters in Brazil, and this is one of the reasons why the psychic distance is heightened and becomes a factor to be managed when dealing with the expatriates.

The change in the location of Intelbras' Chinese office from Hong Kong to Shenzhen, despite moving employees closer to their suppliers, has also helped to increase the psychic distance in the eyes of the expatriates. Hong Kong is a busy, lively cosmopolitan coastal city, whereas Shenzhen is a big business town without major attractions.

Thus, it would be critical for the organization to establish a program to prepare its employees prior to their departure in order to develop activities and information about the other country in an effort to lessen the impact of the psychic distance. This would be an important initiative since difficulty in dealing with psychic distance can became one of the main causes of expatriate failure. Tung (1995), however, revealed that in her study cultural differences were not a problem when it came to expatriate performance. At Intelbras this is specially the case, although the expats complain about the psychic distance they are also performing well.

The expats’ challenges in China also need to be understood more broadly at the company’s headquarters in order to improve their adaptation and attempt to reduce the psychic distance that exists. This also includes working on the adaptation of their families in China. As stressed by Chew (2004), the non adaptation of the expats’ family is a reason for the failure of their duty.

According to Brennan and Thomas (2010), Dong and Liu (2010) and Meyer et al (2009) culture is something that emerges on the surface on a daily basis and is difficult to be understood unless one is immersed in the cultural context. Consequently, in order to understand a foreign culture and try to reduce the psychic distance between two countries it is important to select expatriate candidates that are more familiar with the overseas culture they will face.

Since expatriation is a costly investment for any organization, it is important that a specific program be developed in order to select and prepare the right people to be chosen for key positions abroad. In order to be effective this kind of program requires proper conduct
and management, otherwise it would be a waste of time and money. Expatriate programs are popular among multinational companies and approaches can be imported from other companies’ settings without major problems.

During the development of this study, some topics were mentioned or not deeply explored since they do not belong to the central concern of the study. Therefore, some areas require further and in-depth studies with implications for both practical and theoretical dimensions. One topic refers to the examination of the performance of Brazilian companies and deserves deeper analysis with a focus on programs or activities that seek to prepare their professionals to function effectively in different social, political and cultural contexts. In this regard studies focusing on the identification of models or patterns among practices carried out by companies with considerable experience in international business and expatriates, establishing similarities and differences, may also attract the attention of researchers. Needless to say, the experience concerning the preparation of expatriates may vary between companies and industries and also the countries in which they operate.

Another topic that may attract the attention of researchers in the field is related to comparative studies involving cases of Brazilian companies with operations overseas and how they are preparing their employees to work effectively in other cultures. Another area to be explored may take into consideration the ability or capacity of Brazilian expatriates to function professionally and effectively on different continents and in different cultures and kinds of business, with possible relevant findings for discussion.

Conclusion

To study the role and preparation of expatriates being sent to work abroad by companies is becoming a growing and important process that may contribute to the performance of companies overseas. The findings of this study have shown that the psychic distance that Brazilian expatriate executives are facing in their Chinese missions is a major problem to be overcome by the company in order to achieve sustainability and effectiveness in their operations in China in the long run.

The distance between Brazil in China is not only cultural, but is also to a large extent psychic. Both are emerging economies and have some similar foreign policy interests, but in terms of administrative, political and cultural differences the distance is large and represents a major issue for the company’s expats.

China is now Brazil’s major trading partner and the international business between the two countries is growing in such a way that it is becoming a necessity for companies to have a better understanding of the challenges and develop concrete actions to help them to adjust to the economic, social, political and psychological aspects embedded in each other’s context.

Brazilian multinational companies, as late movers in the international markets, are still learning how to develop their own way of operating in foreign markets. This could be one of the reasons why there are few studies on Brazilian companies operating in China and specially those with a focus on people and how they adapt to Chinese day-to-day life.

This case study provides evidence that the large psychic distance that exists between the two countries is a major obstacle for the adaptation of expatriate executives. Therefore, this is a strategic component that Brazilian and Chinese multinational corporations must take into account before implementing their internationalization strategies.

References


