Psychic Distance and the Challenges of Expatriation: Looking at Brazil

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ABSTRACT

The aim of this paper is to explore the extent to which the psychic distance between countries poses challenges to the expatriation process of young multinational companies from emerging countries, such as Brazil. While the concept of psychic distance has been extensively explored in the literature for the analysis of the paths to internationalization of multinational companies, researchers have only recently begun to analyze its influence on expatriation processes. To this end, we review studies of psychic distance and of two fields of expatriation processes that are directly influenced by the challenge of expatriates’ cultural integration, namely selection and training. Based on a field study of 143 expatriates and seven managers of human resources (HR) from 12 Brazilian companies, we found out that those companies have selected markets that are psychically close to Brazil for their expatriations. Nevertheless, cultural integration is still a big challenge for those Brazilian expatriates. In addition, we concluded that there are some differences between the expatriates and the HR managers’ perceptions of the management of expatriation processes, especially the selection and training stages. This partially explains the high incidence of problems concerning cultural adaptation that Brazilian companies face as a result of the challenge posed by the psychic distance.

INTRODUCTION

The two major waves of international expansion by American and European corporations occurred during the late 19th century and after World War II. Today, we are witnessing a third wave in which companies are increasingly becoming multinational. This time, however, the wave is coming from emerging countries, including Brazil.

Brazilian corporations have been players in foreign markets for many decades, thanks to their exports activities. Having gained significant market shares in the domestic market, these Brazilian corporations have been compelled to internationalize their operations in order to maintain consistent growth.

In the midst of this internationalization process, these companies face rising challenges concerning intercultural management. They include the need to understand language differences, consumer behavior, cultural patterns, the legal environment and the power structures of other countries. In this context of international expansion, when the need for developing an international mindset is evident, as is the need to accumulate a pool of people to act on a global level, the process of expatriating executives takes on a crucial role. International research studies confirm this – even though the failure rate is very high (Schneider and Barsoux, 1997).

According to Johnson et al. (2006), the failure of companies and managers to adapt to the demands of foreign environments has been shown to be the major reason for the lack of success of international business expansions (Tung, 1982; Doremus et al., 1998; Ricks, 1999). The degree of similarity to, or difference from, the country of origin makes it easier or more difficult to manage international business activities. Therefore, it seems to be more difficult to manage operations in countries that are very different from the country of origin than in those that are more culturally similar to the country of origin (Johnson et al., 2006).
The objective of this paper is to explore the extent to which the psychic distance between countries poses challenges to the expatriation process of young multinational companies from such emerging countries as Brazil. While the concept of psychic distance has been extensively explored in the literature for an analysis of the internationalization trajectories of multinational companies, researchers have only recently begun to analyze its influence on expatriation processes.

This paper has five parts. The first part includes a review of the psychic distance concept and of studies that identify groups of countries with psychic similarities. The second part presents an analysis of studies of two fields of expatriation processes that are directly affected by the challenge of expatriates’ (“expats”) cultural integration, namely selection and training. The third part details the research methodology used, while the forth part presents and analyses the results. Finally, the fifth part of this paper includes final comments that might generate insights for the management of expatriation processes, especially for the selection and training stages, in view of the challenges that the psychic distance poses.

I – THE CHALLENGE OF CULTURAL INTEGRATION

The concept of psychic distance

Logistic issues related to distances have long dominated foreign trade studies. The notion of geographical distance and its impact on cost have been important issues to consider when making business decisions in international markets. The progress of transportation technology, logistics, and communications has significantly changed the current settings by reducing distances between countries and the respective costs of gaining access to markets. The advent of e-commerce and integrated logistics has led some experts to proclaim the “death of distance” (Doz et al., 2001). Ghemawat (2001) argues that this premise is not only incorrect, but also dangerous.

Although it is a fact that geographical distances have become less important, the same cannot be said about the cultural, institutional, administrative, economic and psychic aspects. Instead, their importance has been gaining strength in both practical and theoretical terms within international business activities.

Those aspects mentioned by Guemawat are included in the notion of psychic distance, which has evolved significantly in the literature on international business. Vahlne and Wiedersheim-Paul (1973) defined psychic distance in terms of factors that hinder the flow of information between suppliers and clients. Nordstrom and Vahlne (1994) conceptualized this definition further as “…factors that hinder companies’ learning process about an international environment, or make it difficult for companies to do so....” On the other hand, O’Grady and Lane (1996) define psychic distance as “…the degree of a company’s uncertainty in regard to an international market, which results from differences and other business-related difficulties that create barriers for learning about the market and for the establishment of international operations”.

According to Freire and Rocha (2003), the concept of psychic distance is defined by several authors (Nordstrom and Vahlne, 1994; Johanson and Wiedersheim-Paul, 1975; O’Grady and Lane, 1996) as broader than mere cultural distance. According to the aforementioned authors, psychic distance includes not only actual cultural differences, but also structural elements (or business elements), such as those that arise from administrative and legal systems, as well as
language-related differences. Other authors (Lee, 1998; Swift, 1999; Gomes and Ramaswamy, 1999) prefer to use the expression “cultural distance” to encompass all of these aspects, considering that all of these phenomena are associated with, or included in, the concept of culture.

For this study, we decided to analyze the psychic distance among countries in the broadest sense, that is, according to the definition that includes both the cultural and business elements in the psychic distance concept. Those elements are described in more detail below.

**Cultural Distance**

Cultural distance has been a key focus of literature on international business (Agarwal, 1994; Kogut and Singh, 1988; Li and Guisinger, 1991; O’Grady and Lane, 1996; Swift, 1999; Gomes and Ramaswamy, 1999; Lee, 1998). Most of the studies on this subject are based on the five dimensions of national culture defined by Hofstede (1980, 2001): power distance, uncertainty avoidance, individualism vs. collectiveness, masculinity vs. femininity, long-term orientation vs. short-term orientation.

Using the results of Hofstede, first four dimensions, Kogut and Singh (1988) developed a compound index to determine the cultural distance between two countries. Later, a number of studies used the formula developed by Kogut and Singh (1988), or an adapted version of this formula as a parameter, to measure cultural distance (Agarwal, 1994; Fletcher and Bohn, 1998; Padmanabhan and Cho, 1996).

However, Evans and Mavondo (2002) suggest that the compound index developed by Kogut and Singh (1988) has limited use in the field of international comparative studies, as it measures the psychic distance of each country in relation to the country of reference (the USA in this case), rather than the psychic distance among several countries. A more appropriate measurement of the psychic distance should permit a comparison among several countries and their international markets.

In recent research conducted to compare the Brazilian management style with the prevalent management styles of other countries, Tanure (2005) developed a study that updated Hofstede’s (1980) five cultural dimension indexes for Latin American countries. This work also considered the differences and similarities among various regions in Brazil. Another aspect that this comparison highlighted was the evolution of the four dimensions during the last three decades, showing that cultural characteristics, although relatively stable in the short term, can change over a longer period of time. This evidence draws attention to the dynamic aspect of cultural distance.

**Business Distance**

While cultural distance has often been the focus of literature on international business, and is generally well understood, the dimension that refers to business practices and attitudes related to the psychic distance concept has been less explored by researchers (Evans and Mavondo, 2002; Ghemawat, 2001). The differences between the country of origin and a foreign market concerning the legal, political and economic environments, the market structure, the business practices and the language are key elements of the psychic distance concept. They have been the object of studies, such as those conducted by Vahlne and Wiedersheim-Paul (1973; 1977),
Luostarinen (1980); Klein and Roth (1990); Nordstrom and Vahlne (1994); Evans and Mavondo (2002), and; Ghemawat (2001).

Vahlne and Wiedersheim-Paul (1973) basically used objective indicators to measure psychic distance, including the levels of economic development and education, differences in the “business language,” and the existence of trade channels. In his study of the international business operations of Finnish companies, Luostarinen (1980) measured psychic distance similarly, using data concerning economic development, language and level of education. Another study conducted by Klein and Roth (1990) used, as a starting point, a number of factual indicators (language, standard business practices, economic environment, legal system and communication infrastructure), measured by a Likert scale.

The concept is also implicitly addressed by Khanna and Palepu (2002), who studied multinational companies from emerging countries. These authors mentioned the existence of institutional voids that cause these companies’ business costs to rise. Thus, whereas developed countries have a strong and well-developed institutional infrastructure, emerging countries continue to lack such infrastructures or need to improve their current one. The previously mentioned study suggests that there is a need to include the distance between institutions in the business distance concept.

A broader analysis of the differences, as studied by Ghemawat (2001), suggests that the distance between two countries can be manifested in four distinct dimensions. they are (1) cultural dimensions (different languages, ethnic groups, religion and social rules), (2) administrative dimensions (lack of colonial ties, lack of shared monetary and political institutions, political hostility, government policies, and institutional weaknesses), (3) geographical dimensions (physical isolation, absence of common borders, lack of access by sea or river, size of the country, inadequate transportation and communication infrastructures, and climate differences) and (4) economic dimensions (differences in consumers’ incomes, in the costs and the quality intermediary inputs, natural, financial and HR, in information and knowledge, and differences in infrastructure).

Some of the administrative, institutional and economic differences identified by the previously mentioned studies are measured annually by the World Economic Forum and the IMD. The Global Competitiveness Index – GCI that was prepared by the WEF in 2006 analyzes nine factors that are critical for productivity and competitiveness, while the IMD analyzes economic results, government and business efficiency, and the infrastructure of the countries. Both studies show significant differences between the factors from developed countries and those from developing countries.

In a more recent study, Dow and Karunaratna (2006) developed and tested potential indicators of psychic distance. The majority of the indicators, such as the differences between languages, political systems, industrial development and educational level, proved to be statistically significant factors for predicting the flow of trade among countries. This study also noted that geographical distance is an important factor for predicting the trade flow between countries. However, the most frequently used component for measuring distances between countries, an index comprised of Hofstede’s cultural dimensions (1980, 2001), proved to be statistically insignificant. This study contends that it is inappropriate to use an index that comprises the Hofstede scales as the only indicator of psychic distance because the cultural factor is only one component of a much broader set of psychic distance factors that hinder successful intercultural management.
Empirical evidences about psychic distance between countries

A number of studies have identified groups of countries that have psychic similarities. Ronen and Shenkar (1985) revised empirical papers and included the results of eight studies conducted on this subject. Five groups consistently emerged in a number of research projects that studied beliefs and attitudes about work and management. They were the Anglo-Americans, the Germanics, the Latin Europe, the Latin America and the Nordic group. Some countries, however, tend to not belong to any group. Alternatively, they may belong to different groups within the studies that were analyzed and were classified as independent countries by Ronen and Shenkar. Geography, language, religion and level of economic and technological development are, according to Ronen and Shenkar (1985), the factors that have the greatest influence on the classification of countries into groups in their studies.

Brazil was classified as an “independent country” because it was not a part of any group in most of the analyzed studies. In some studies, such as that conducted by Hofstede (2001), Brazil was included in the group of countries that were classified as Latin Europe.

On the other hand, other studies, such as those conducted by Leite (1981) and Inglehart (1997), showed that Brazil is closer in culture to Latin American countries. This is explained in more detail below.

Leite (1981) used a seven-point scale, of the Likert kind, ranging from “very similar” to “very different,” to measure the psychic distance between Brazil and other countries. In general, no country was considered to be “very similar” to Brazil. Three countries from the thirty-five countries that were analyzed stood out and were seen as being culturally close to Brazil. They were Portugal, Uruguay and Argentina. Next after these countries, albeit a bit distant, were other countries that possess a Latin culture. They were Venezuela, Colombia, Spain, Mexico, Paraguay, Bolivia, Peru and Chile. Canada and the USA head the list of countries perceived to be “different.” Syria, Hong Kong, India, Japan and Kuwait were perceived to be “very different.”

Brazil was also seen as being culturally close to Latin countries in a study on modernization and post-modernization that was conducted by Inglehart (1997). The author analyzes the values of 43 societies across two dimensions. The first dimension concerns orientation by traditional authorities (family or religious institutions) or by a rational, secular authority (political institutions), while the second dimension indicates whether the values concern survival (motivation for economic achievements) or well-being (concerns about the sense and purpose of life). The results point to the existence of eight similar groups. These are Catholic Europe, Protestant Europe, former Communists, South Asia, Confucianist countries, Latin America, and English-speaking countries. Brazil is part of the Latin American group, together with the other South American countries. The author suggests that, from a global perspective, Latin American countries have similar value systems.

On the basis of these studies, one can say that the psychic distances between Brazil and other Latin American countries are shorter than the psychic distances of countries from other regions. This statement is based not only on cultural aspects (similarities between languages, religions and values, etc), but also, and mainly, on the geographical proximity, and shorter administrative, institutional and economic distances between Brazil and other Latin American countries, in comparison to countries from other regions of the world.
II – PSYCHIC DISTANCE AND THE CHALLENGE OF THE ADAPTATION OF EXPATRIATES

Historically, whether in academic literature or business, international HR management is also in many ways a synonym for studies on expatriation. At present, the emphasis on international HR has increased significantly. At any rate, efficient management of expatriation or, more broadly, of international relocations, continues to be one of the pillars of global strategy implementation (Tanure, Barcellos and Cyrino, 2006).

International transfers enable a company to avoid problems caused by over-centralization. Marketing decisions can be made locally, although always with a global perspective in mind. In addition, these relocations permit the standards of the parent company to be transferred to foreign countries by the expats, thereby promoting the diffusion of shared values – a crucial element for global integration and the development of a global mindset. International transfers also provide crucial cross-company coordination leverage at transnational companies (from the subsidiaries to the parent company and among the subsidiaries).

However, managers of multinational companies face a recurring problem in regard to international relocations. Those involve the high rates of early expat repatriation (Baker and Ivancevich, 1971; Henry, 1965; Misa and Fabricatore, 1979; Tung, 1981; Zeira, 1975). The fact that expats are unable to adapt to new cultural and business environments results in direct and indirect losses for companies (Gonçalvez and Miura, 2002). Examples of direct losses include a decline in productivity, lost business opportunities, lack of market share gains and a reduction in competitiveness. Indirect losses include injury or impairment of the staff, damage to supplier and client relationships, and damage to the company’s image and reputation (Shaffer and Harrison, 1998; Aycan, 1997).

Gonçalves and Miura (2002) emphasize that the failure of an international relocation harms not only the corporation, but also the particular expat, who may suffer from a loss of self-esteem and self-confidence, a loss of prestige among colleagues, a weaker performance after returning to the country of origin, and career interruption (Shaffer and Harrison, 1998; Aycan, 1997).

During expatriation, the professional and his/her family need to adapt very quickly to a cultural environment that is usually completely different from the one to which they are accustomed (Prasad and Shetty, 1976). Johnson *et al.* (2006) define cross-cultural competence in international business activities as the “individual’s efficacy in resorting to a set of knowledge, skills and personal attributes in order to achieve success while working with people from different national cultures in the country of origin and abroad.”

According to Caligiuri (2000), international adjustment is the “intensity with which individuals feel psychologically comfortable when they live abroad”. Black (1990) defines international adjustment as the “individual’s effective psychological response to a new environment”. According to Black *et al.* (1991), international adjustment has three aspects. They are (1) adjustment in the work place (i.e., to job tasks and demands) (2) adjustment in social interactions (i.e., with members of the foreign culture) and (2) adjustment to the foreign environment in general (i.e., to the living conditions in the foreign country).

Black *et al.* (1991) state, “the broader the distance between the culture of the foreign country and that of the country of origin, the harder it is for international adjustment to be successful.”
Thus, the higher the degree of cultural novelty, the lower the degree of international adjustment, especially in the interaction and general adjustment dimensions. In addition, the variables related to the context outside of the work place may have a strong impact on the adaptation of the expat and, in particular, his/her family.

Likewise, Johnson et al. (2006) argue that cultural distance has a negative influence (this term is used by them to encompass not only cultural, but also business differences) that moderates the individual's ability to respond appropriately to cultural differences in the work place.

On the other hand, Selmer (2004, 2006) contradicts the common belief that it is much harder to adapt to vastly different cultures than to a similar one. In a study on the integration of American expats in China, the researcher tested the hypothesis that cultural novelty negatively correlates with three social-cultural adjustment variables (adjustment in general, adjustment to the work place and adjustment in terms of personal relationships), and found no significant connection among the variables. Selmer (2004, 2006) suggests that adapting to countries with similar cultures is as difficult as adapting to countries that have very different cultures.

Selecting the expats

An assumption often held by HR executives is that “domestic performance is equal to international performance” (Mendenhall and Oddou, 1985). Technical expertise and domestic performance are the main criteria for choosing expats at US companies (Baker and Ivancevich, 1971; Miller, 1973; Tung, 1981; Vassel, 1983), as well as in the Australian private and public sectors (Anderson, 2005). The selection processes usually disregard factors, such as the candidate’s intercultural skills and the family’s willingness to live in a foreign country. However, the aspects that determine an expert’s success can be classified as professional and technical competencies, communication and relationship skills, leadership characteristics, family circumstances and cultural awareness (Pucik and Saba, 1998; Tanure, Evans and Pucik, 2006).

Johnson et al. (2006) identified three dimensions in cross-cultural competency. They are general and specific knowledge about the given culture, skills and talents, and personal attributes (values, norms, beliefs and personality traits, such as flexibility, perseverance, ambition, etc. Other researchers have also analyzed the characteristics of successful expats, like level of adaptation, social relationships, family structure and others (Tung, 1981; Oddou, 1991).

According to Tanure, Evans and Pucik (2006), who based their study on the model Tanure and Cyrino (2006), the expat selection process must also take into account the company’s internationalization strategy. Depending on whether the objective is to replicate its business model by centralizing the decision-making process at headquarters, or operating independent subsidiaries, the company must look for different characteristics in their expats’ profile. The selection process is related to the subsequent step, the training phase, which must also take into account these different internationalization strategies, because they, according to the authors of the study, also have an impact.

Training for the cultural integration of the expats

Most multinational companies send expats and their families abroad without any cultural training. Very few companies offer some kind of cultural training before the expatriation.
(Baker and Ivancevich, 1971; Tung, 1981; Vassel, 1983; Zeira, 1975; Dunbar and Katcher, 1990). These authors emphasize that most companies are aware of the importance of expats’ international adaptability. Still, most companies believe that expats must make their own way with no consistent effort from the firms to help them to adapt to a new culture.

Lack of a deep commitment to the training and professional improvement of future expats is one of the most common criticisms of HR management practices at multinational companies. For example, Hutchings (2005) concluded in a study about Australia’s expatriates in China that, although organizations recognize the need to select those who have prior China knowledge, organizational preparation remains negligible.

Mendenhall and Oddou (1985) mention a number of reasons given by HR directors for the company’s non-involvement in training before the expats’ relocation abroad. These include the belief that training programs are usually ineffective and expats’ dissatisfaction with it (Baker and Ivancevich, 1971; Schapper, 1973; Tung, 1981; Zeira, 1975; Brislin, 1979), the short time span between expats’ selection and relocation, and the temporary nature of relocation (Baker and Ivancevich, 1971; Tung, 1981).

However, academic and business literature share a common opinion on the need for companies to invest in the training and orientation of the expats before they relocate abroad (Black and Mendenhall, 1990; Tanure, Evans and Pucik, 2006; Baumgarten, 1995; Black et al., 1991; Tung, 1988; Zakaria, 2000; Forster, 2000). Caligiuri et al. (2001) discussed the theory of met expectations applied to expatriate adjustments. In a study of 73 expatriates, they suggested that both cross-cultural training and the language spoken in the host country affect the accuracy of expatriates’ expectations prior to the assignments, thereby positively affecting cross-cultural adjustment. Eschbach et al. (2001) in a study of 79 US expatriates showed that expatriates cross-cultural training reduces the severity of cultural shock and the time to adjust to the new culture and job. Selmer (2002) suggests the importance of training for the faster adjustment of expatriate managers in China, as well as for their satisfaction with the assignments.

The training of expats has usually focused on intercultural issues, based on the idea that the greater the cultural distance from the host country, and the more work involved in social interaction, the more important these issues become (Tung, 1981; Mendenhall and Oddou, 1986). Selmer (2004, 2006), however, disagrees, and suggests that companies should expect adjustment difficulties from their expats at a similar level, regardless of the cultural differences between the countries. In his opinion, intercultural preparation and training are equally necessary for countries where the cultural distance is not great.

According to Harris and Brewster (1999), the number of information sources for this subject is consistently rising. More specifically, cultural guidebooks, books, videos, case studies, intercultural simulations, and websites are readily available. However, not all training takes place in a classroom. Future expats, before relocation, can go on scheduled visits to their relocation site, where they can perform tasks as a subordinate under the guidance of an experienced executive, while still maintaining their original job. Open conversations on crucial issues that arise during the expert’s selection process should also take place. Some companies start the training process long before the employee’s relocation abroad to ensure that the expat is properly prepared (Tung, 1981; Mendenhall and Oddou, 1986).
Other authors argue that training sessions conducted to provide information about the culture of the new country are more efficient after the mission has begun, because the training is then reinforced by the expert’s own experience. Therefore, they provide expats with a short and practical training program just before departure and deal with more complex issues later on. The problem with this kind of approach is that, once the expat is settled in the new environment, he/she will probably lack the time needed to pursue the training program. According to Tanure, Evans and Pucik (2006), the ideal approach is to divide the preparation into two stages. The first stage should occur before relocation, while the second should take place after the mission has begun, when the expat can provide valuable inputs. Preparing and training the family – or at least the spouse – deserve the same kind of attention and support that is provided to the future expat.

In regard to the content of the training program, a study conducted by Mendenhall and Oddou (1985) identifies four important dimensions for the expert’s adjustment process – orientation for the expat him/herself, orientation for the others, perception, and “cultural difficulty” – and suggests that effective expat training should focus on these. On the other hand, Selmer (2006) suggests that the training must differ according to the psychic distance in relation to the host country. The preparation for relocation to countries where the psychic distance is greater must include substantial elements of cognitive training, with an emphasis on factual information about the host country (Gudykunst et al., 1996). In the case of more culturally similar countries, the focus should be on instilling motivation so that the future expats refine their social and cultural behaviors, by identifying essential nuances of the cultural differences and their behavioral implications in the host country.

### III - METHODOLOGY

This section includes data from research conducted in 2005 and 2006 on the expatriation processes of 12 Brazilian companies. This study, conducted by one of the authors of this paper, involved two stages. In the first study, we identified a group of Brazilian companies involved in the process of internationalization based on data concerning the companies’ degree of internationalization in assets, sales, human resources and suppliers. Twenty-five companies were identified and contacted. Of these, 12 agreed to take part in the research. The first part of the research was qualitative and involved three interviews at each company. Two of the three respondents were expats and one was an HR staff member. The interview followed to a loosely structured script that was revised after the first two interviews.

These interviews were of paramount importance in the formulation of two hypotheses: (1) Cultural adaptation is a challenge for expatriates, even in psychically similar countries; (2) Brazilian human resource managers and expatriates have different perceptions of the expatriation processes - especially concerning the challenge of cultural adaptation posed by psychic distance and its impact on the selection and training stages, which can negatively influence the success rate of the expatriations.

Those hypotheses led to the development of the two questionnaires. One questionnaire focused on the expat, while the other focused on the company, which was represented by the HR manager. Two pre-tests were conducted for each questionnaire for the HR representative, who was asked to complete one and to forward the other to the expats. The expat respondents were instructed to hand in the answered questionnaires directly to the researcher, in order to avoid any bias due to the HR department. This guaranteed the confidentiality of the respondents’ answers; 143 expats and 7 HR managers answered.
The quantitative research questionnaires had three sections. The first provided information on the expat or the HR manager (such as demographics and country of the expatriation). The second section investigated the perceptions of the respondents on the expatriation process. With regard to the operationalization of the three key dimensions discussed in this study, the respondents were asked to rank 10 possible reasons for the expatriations, as well as 11 possible success factors of the expatriation processes in order of importance. In the case of the other key dimension analyzed, namely, the type of management of the cultural integration process, the respondents were asked to select from four options that best described how the company treats the integration process. Other dimensions covered in this section were the practices financed by the company during each stage of the process, the benefits package offered, the management of the repatriation process and perceptions of the knowledge management in the company. In the third section, the respondent was asked to detail the main lessons that he/she learned from the expatriation.

IV - RESULTS

The results of this research confirm our first hypotheses and is consistent with the hypotheses formulated by Selmer (2004, 2006), namely that the cultural adaptation of expats presents a challenge, even if cultures are similar.

Latin America (South America and Mexico [54.7% of the expats] is the main destination of Brazilian expats. This attests to the preference of Brazilian companies for regions that are psychically closer, when planning international expansion. Other destinations include Europe (22.6%), the United States (8.3%), Africa (4.7%), Asia (7.2%) and the Middle East (2.5%). Although they are generally relocated to regions that are culturally similar to Brazil (countries from Latin America), the respondents identified adaptation to the new environment as the main success factor in the expatriation process.

The research also confirms our second hypotheses. We identified a difference in perception of the main success factors of the expatriation processes by companies and expats (Table 1). The former believe that expat selection is the most important critical success factor, followed by the adaptation of the expert’s family members. This corporate perception, which gives lower priority to the expat’s adaptation to the new environment in relation to the selection process, may help explain the company’s lack of strong commitment to the intercultural training of its expats.

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<tr>
<th>Perception of the company</th>
<th>Perception of the individual</th>
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<tr>
<td>Selection</td>
<td>Adaptation of the expat</td>
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<td>Adaptation of the family</td>
<td>Selection</td>
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<tr>
<td>Adaptation of the expat</td>
<td>Adaptation of the family</td>
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<tr>
<td>Management qualifications</td>
<td>Benefits and Remuneration Package</td>
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<td>Local acceptance</td>
<td>Management qualifications</td>
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<td>Technical Qualifications</td>
<td>Technical Qualifications</td>
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<tr>
<td>Language</td>
<td>Local acceptance</td>
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<td>Benefits and Remuneration package</td>
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<td>Relationships with clients</td>
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Table 1 – Main success factors of the expatriation processes (in order of priority): Brazilian companies

As for the selection criteria, our study shows that companies consider, above all, the level of confidence that they have in the expats in their role as implementation/controlling agents, who
will act as the parent company’s “eyes and ears” at the foreign subsidiary. On the other hand, the expats consider that their professional development is the main reason for their expatriation. This blatant difference in expectations and understanding of the expatriation role is permeated by Brazilian cultural characteristics, namely difficulty in dealing with confrontation and different opinion.

The companies revealed that they are aware that their expectations of expatriation differ from those of the expatriation candidates. Companies also recognize that they do not take any action to clarify this difference in expectations. One of the reasons given by the companies is that taking action in this respect might interfere with the individual’s motivation and, therefore, lessen the chance that he/she will accept the challenge.

Brazilian companies do not generally take into account such factors as the candidate’s intercultural skills or the family’s willingness to live abroad when selecting their expatriates. In this sense, human resource managers may be underestimating the challenge that psychic distance presents for expatriate's adaptation to the new environment and job position.

As for the training stage of the expatriation process, our research results also support our second hypothesis, showing that there is generally no coherence between the company’s and the expats’ positions concerning the cultural adaptation support provided to the expat. (Table 2) We concluded that 63% of the companies feel that they were providing support to the cultural integration process (with planned follow-up and/or during the cultural adaptation process in the case of unexpected events), while 60% of the expat respondents indicated that the company does not even interfere in this process and considers integration as a challenge that the expat must deal with on his/her own. This partially explains the high incidence of cultural adaptation problems faced by Brazilian companies.

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<tr>
<th>EXPATRIATE – CORPORATE</th>
<th>EXPATRIATE – INDIVIDUAL PERCEPTION</th>
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<tbody>
<tr>
<td>Expat and his/her family participate in</td>
<td>The company did not interfere (60%)</td>
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<tr>
<td>Planned follow-up (36%)</td>
<td>Natural process (33%)</td>
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<tr>
<td>Natural Process (25%)</td>
<td>Follow-up from the beginning (7%)</td>
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<td>Follow-up (unexpected events) (25%)</td>
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<th>FAMILY – CORPORATE PERCEPTION</th>
<th>FAMILY – EXPATRIATE PERCEPTION</th>
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<tr>
<td>Follow-up on a regular basis (33%)</td>
<td>The company did not interfere (62%)</td>
</tr>
<tr>
<td>Natural process (34%)</td>
<td>Natural process (29%)</td>
</tr>
<tr>
<td>Follow-up (unexpected events) (33%)</td>
<td>Follow-up (unexpected events ) (29%)</td>
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</table>

Table 2 – Corporate Perceptions and Expatriate Perceptions regarding cultural adaptation support

Based on the table above, one can say that, in view of the impact of this cultural characteristic, the company’s action, if any, is not perceived by the parties directly involved. This may be because of the emotional characteristics and expectations in comparison to more important and guiding roles performed by the company. The impact of Brazilian culture on the negotiation process between the company and the employee must be considered when analyzing these different perceptions. Personal and emotional characteristics are also tremendously important for the family members involved.

V – FINAL COMMENTS

An acknowledgment of the characteristics of the expatriation processes of Brazilian companies, as referred to in this paper, can help both the companies and the expatriates
involved in the internationalization efforts. This can also be useful for other corporations, especially those from emerging countries that have joined the internationalization process at a later stage.

One can argue that the theoretical issues previously mentioned in the literature about the challenge imposed by psychic distance to the expatriation processes are valid, although different issues have been revealed in the previously mentioned research.

The internationalization process of Brazilian companies, which has advanced from an exporting phase to the actual implementation of business operations abroad, is very recent. Its history is less than ten years old. As young multinationals, the Brazilian companies have limited experience in internationalization processes, especially with international people management, including the expatriation of employees. Consequently, they have often failed in international ventures.

This study has attempted to improve the success rate by contributing towards a better understanding of the different situations that affect the many stages of the expatriation process. These include the selection process, training and cultural adaptation.

Several issues are important. They range from recognition of the challenges imposed by intercultural differences, even in countries that are considered psychically close, the need for clear identification of the internationalization strategy and, therefore, the appropriateness of the expat’s profile, to the negotiation of the expectations of the company, the expat and his/her family.

Latin America was the first destination of most Brazilian multinational companies. Thus, managers based their decisions of foreign market selection on the assumption that the psychic distance would be short and expatriation easy. However, this research shows that the process of adaptation to a new business environment and culture needs to be managed and monitored carefully, even if it is psychically close to the home market, as Latin America is in relation to Brazil.

For Brazilian managers, the key concern in the expatriation process was to select the right person with the necessary skills to be the “trusted company man” (or woman, which is rarely the case) abroad.

The unique characteristics of Brazilian culture, such as high power distance and personal relationships, reveal their influence in the course of the selection process. This is confirmed by the absence of clarity and negotiation of expectations between the company and the employee chosen to relocate. This contributes to the company's failure to act in a clear manner from the very start of the process, even though it acknowledges the existence of a difference in the expectations of the company and the expats.

The company and the expats also have different perceptions regarding the support/training for cultural adaptation. The company's action in this area, if any, is not perceived by the parties directly involved. This partially explains the high incidence of cultural adaptation problems faced by Brazilian companies. Adequate pre-departure cross-cultural training might positively improve the accuracy of the expatriates’ expectations of the culture and business environment in the foreign country, ultimately leading to met expectations and cross-cultural adjustment.
It is interesting to note that the reflections and analyses generated by existing theories, and the field research data discussed in this paper, introduce new theoretical issues that can be developed more thoroughly and that require more extensive study and clarification, even though they point to issues that may comprise this new theoretical model. These results suggest a need to develop a different kind of knowledge and learning that would take into account the unique and distinguishing characteristics of the local culture and business environment. Therefore, doing business in Brazil and Brazilian companies doing business abroad implies accepting and acknowledging the characteristics of the Brazilian style of management and/or the business environment of the country. It is important to identify the strengths and weaknesses of the internationalization process, and especially the expatriation process, in order to incorporate the best practices for dealing with the daily challenges that corporations face.

VI - BIBLIOGRAPHY


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