

# Up or out

## Next moves for the modern expatriate

A report from the Economist Intelligence Unit

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# About this report

*Up or out: Next moves for the modern expatriate* is an Economist Intelligence Unit (EIU) report sponsored by Regus. In researching this report, we conducted a survey in July 2010 of 418 executives who were either currently or recently in expatriate assignments, or had responsibility for them. The surveyed executives were based in 77 different countries; 31% were in North America, 29% in Asia-Pacific, 23% in western Europe. Over half were board level or C-suite; the rest were in senior management roles, in a wide range of functions, covering 19 industries. Almost two fifths (39%) worked in companies with annual global revenues below \$500m and 28% in companies above \$10bn.

In addition, we conducted in depth interviews with 10 company executives, academics and consultants with expertise in the field.

The report was written by David Bolchover and edited by Paul Lewis. We would like to thank all those who participated in the survey and the interviews for their time and insights. The Economist Intelligence Unit bears sole responsibility for the content of this report.



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# Executive summary

If globalisation is seen as inexorable then companies, to a greater or lesser extent, will need a globally mobile workforce tasked with administering their far-flung but rapidly growing operations. With demand stagnating in Western markets, the pressure to expand abroad in the search for revenue growth is intensifying, especially in emerging markets where the operating environment can be particularly challenging.

But getting the right people in the right place for the right length of time to execute that international strategy is no simple matter. It involves an array of considerations, such as the type of assignment and its remuneration; investment in staffing and places to work; and numerous professional, cultural and family pressures that can overwhelm the hardiest executives.

The expatriate experience provides a valuable insight into globalisation's big trends, while touching many of the business operational dilemmas that companies encounter when investing abroad.

Some of the key findings of this report are as follows:

**Recession holds back international assignments.** The recession years have created tension in the pursuit of companies' global objectives. Although emerging markets continue to be seen as the engine for future corporate growth, and therefore meriting substantial investment, short-term financial imperatives have necessitated postponing the transfer of expensive expertise to these regions. Thus, although our survey indicates that 39% of companies plan to increase their expatriate staff over the next five years, only 13% have done so over the last two years.

**Asia is the most likely emerging market destination for expatriates.** Companies are far more likely to send expatriate staff to China, India and other Asian countries than to any other emerging market region. The Middle East, Russia and Eastern Europe combined are the next most common destinations. However, companies are also increasingly selecting managers from emerging markets to run other regions.

**The traditional expat model is alive and well...** The movement of expatriates from North America and Western Europe to the emerging markets remains strong. Many are sent as country or regional managers to launch a local operation and to train staff until they are sufficiently proficient to take over the reins themselves. More than one-half of such senior expatriate personnel are sent to a particular



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destination for a period of between two and five years. However, a significant proportion of expatriates are more junior, sent to fill skills gaps, particularly in emerging markets. There is also a perceived rise in short-term and “commuter” assignments.

**...but the full expat package is offered less often.** High demand to acquire career-propelling overseas experience has meant that companies feel empowered to offer local salaries plus allowances, rather than the full expat package, to more junior assignees. In other words, the need to attract potential expatriates with extremely attractive financial arrangements has diminished.

**A spell in a major emerging market boosts careers.** Although most multinational companies will not explicitly state that foreign assignments are a necessary step up the career ladder, employees believe this to be the case. However, it is only experience in “major” markets that is seen to make a difference. Whereas only about one-third believe that an assignment in a “minor” market aids career progression, 80% believe that an assignment in a “major emerging” market does so. The heightened career expectations of returning expatriates present a management dilemma, particularly in a depressed economic environment where fewer senior opportunities might be available.

**Cultural and family pressures present the greatest difficulties.** An inability to understand local culture and cultural or national conflicts among staff is seen as one of the greatest difficulties for expatriate managers. Cultural sensitivity is thus regarded by some margin as the most important attribute for an individual being sent abroad, and companies admit that it is not easy to find the right type of person in their ranks. More than one-half of expatriates do not relish the prospect of learning another language, suggesting a possible lack of commitment to their role.

**The spouse’s needs have become more important than ever.** Perhaps the greatest obstacle to the success of an expatriate placement lies with the expat’s spouse or children, who may resent the sudden separation from their own career, social life, schooling and routine. The resulting strain on family relationships can often bring assignments to a premature end.

**There is major tension between corporate HQ and local expatriate management.** Around three in five expatriates believe that their corporate HQ does not sufficiently grasp the nature of the local business environment. One in three complains of excessive interference, and a similar proportion maintains that the corporate centre has excessive revenue expectations from the local market.

**Yet demand for an expatriate posting is as strong as ever.** The overwhelming majority of surveyed executives would still welcome an expatriate posting. However, given the stresses of expatriate life—cultural conflicts and misunderstandings, and insufficient empathy from bosses back home—those who already have experience abroad are less interested in a new assignment than those yet to have a foreign posting on their résumé.



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### Key points

- High demand for overseas postings, especially from junior staff, has led companies to replace the full traditional expatriate package with “local plus” deals, based on host market conditions and a few perks.
- The view that an overseas assignment will propel an expatriate’s career generates expectations that often cannot be met by the company, creating retention risks.

## Part one: the expatriate strategy

### Delaying the inevitable

Two forces are currently bearing down on companies’ overseas expansion plans in general and their expatriate strategy in particular. On the one hand, emerging markets are seen, everywhere, as key to corporate growth in coming years. It is hardly surprising, therefore, that nearly two-fifths (39%) of companies surveyed by the EIU plan to increase expatriate staff levels over the next five years, indicating a strong strategic desire to expand in certain territories. On the other hand, only 13% have done so over the past two years, revealing a sizeable differential between current intention and recent reality that can best be explained by straitened financial circumstances.

Brian Friedman, founder of The Forum for Expatriate Management, suggests that what is now being seen is a conflict between the long-term “megatrend” of globalisation and a short-term “microtrend”, created by the economic climate, in which companies are temporarily exerting very tight control over the high cost of expatriate assignments. Put simply, this now appears to be a blip—the commercial imperatives created by globalisation will ensure that increased investment in employee mobility will soon return.

Pharmaceutical firm AstraZeneca, which faces tougher times when many of its patents expire in coming years, sees opportunities to grow the business in fast-growing emerging economies. “We have strategic imperatives that are not connected to current economic conditions in Western markets”, explains Helen Walton, Director of Global Mobility at the company. “If you have someone who can make a significant impact on our operations in China, India or Russia, then costs seem minimal compared to the benefits that person can bring.”

**How has the global economic downturn affected your company's plans to send staff abroad in past two years?**  
(% respondents)



Source: Economist Intelligence Unit.



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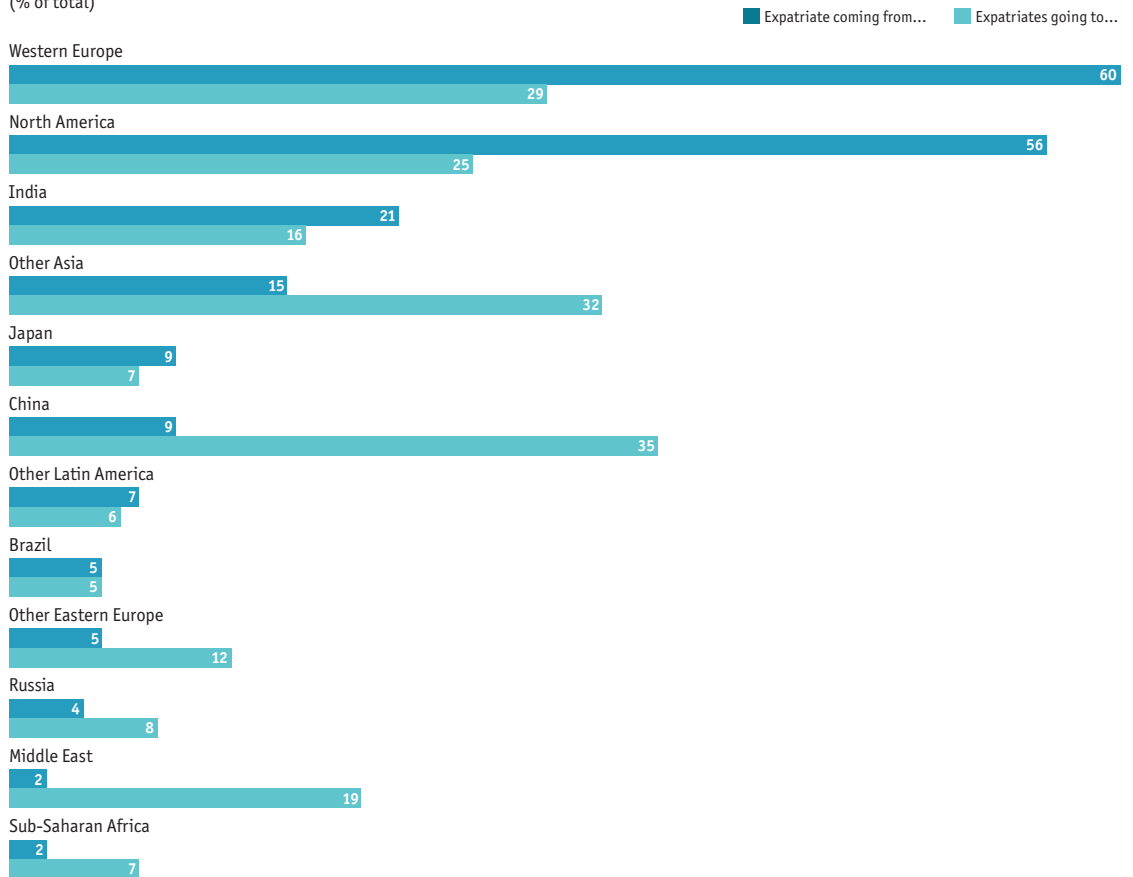
### Expat guises

Most expatriates hail from North America and Western Europe, where the multinational company has traditionally been based. Although, according to our survey, around one-half of these expatriates are simply relocated within the developed world to strengthen another operation, the remainder is sent to represent their company in newly emerging markets.

The most popular destination of all for expatriates is China, with 35% of respondents believing it to be one of the top three destinations for their company's overseas representatives. "Other Asian destinations", a category that excludes India and Japan, was selected by 32%. With India (16%) also featuring strongly, it appears clear that the Asian region is attracting more significant corporate interest and investment than any other emerging market region. The Middle East and the combination of Russia and Eastern Europe appear to be the next most popular destinations.

A good number of expatriates are sent as a matter of course to administer operations in any new markets the company enters. "When we establish something new," explains Ellen Shipley, head of global mobility and international assignments at BT, the telecommunications company, "we generally send people over for three years—the first year learning about the market and commercial culture, the

**Insofar as you can assess, from which countries do most expatriates come (either in your company overall or in the subsidiary in the location where you work), and to which markets do most expatriates move?**  
(% of total)



Source: Economist Intelligence Unit.



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### Locating the new international commuter

Commuter assignments arguably reduce costs (although when hotels and constant travel are taken into account, it is open to question by how much) and prevent the family unit from being uprooted. This can place great strain on personal relationships and, consequently, on the assignment itself (see box *“The trailing spouse”*).

For travel within the European Union, such “commuter assignments” do not require work visas. However, one major challenge companies face is that line managers are frequently neglecting potential problems with tax and immigration authorities when sending individuals away on these assignments, while failing also to notify the mobility department within their own company.

This can cost their company dear.

“Commuter assignments were non-existent until ten years ago, but now they are much more common,” says Ellen Shipley, head of global mobility and international assignments at BT, the telecommunications company. “With the recession, tax authorities everywhere are looking for additional tax revenue. They are good at tracking people too. To add to the problem, staff are often poor at communicating where they are to the people responsible for mobility at their own companies—they can think that this is all just red tape that doesn’t concern them.”

As a result, BT has invested in software that provides a breakdown of employees’ short-term visits, and warns the company if any employee is in imminent danger of falling foul of any tax or immigration authorities.

second year hiring, and the third year training the new hires.” The positions of “country manager” and “regional manager” are those most likely to be filled by an expatriate.

However, the era when expatriates were almost invariably senior in their company’s hierarchy appears to have passed. “Expats used to be only at a high level—now we are seeing people at all levels in the organisation going abroad,” says Scott Radford, head of the mobility centre at EADS, the aerospace company, which boasts a strategy labelled “Vision 20/20”, with its stated goal that 20% of the workforce will be based outside its European base by 2020.

Indeed, one in four of our respondents state that expatriates are “sent primarily to fill skills gaps rather than run a foreign operation”. Because of this perceived skills shortage, companies are also increasingly looking to bring people over from emerging markets in order to broaden their knowledge and perspective and thus prepare them for future managerial challenges back home. Mr Radford of EADS, for example, maintains that “the expat model is working both ways, with people from developing countries such as China and Mexico coming to Europe to give them more management experience to take back”.

Our survey bears out this two-way trend, with almost one-half (45%) of our respondents declaring

**Which of the following statements best reflects your company's policy towards expatriates?** Select up to two that best apply. (% respondents)



Source: Economist Intelligence Unit.



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**For how long a period does your company typically post senior staff overseas?** Select one that best applies.

(% respondents)



Source: Economist Intelligence Unit.

**“Fifty to twenty years ago, they would only send out expatriates to manage local operations. Now more local talent has developed.”**

*Sally Lockhart, International mobility consultant*

that a significant proportion of expatriates from their company hail from China, India or other Asian countries. Companies have clearly understood the potentially escalating human resource costs of globalisation and continually posting expensive expatriates to new destinations. “It’s just not sustainable to keep sending people out. And we see significant competitive advantage, as our businesses grow, in managing to identify and train talent in developing countries like China to make the business model workable in the long term,” says Ms Walton of AstraZeneca.

More than one-half of expatriate postings still last the traditional length of between two and five years, although there appears to be a trend towards assignments that are much shorter in duration. “If you talk to relocation specialists, they will tell you that they are just as busy, but with a different focus,” says Sally Lockhart, who specialises in international mobility consulting. “There are many more short-term assignments, sent to fulfil one specific task.” She believes that this development is not just a temporary response to the economic constraints of recession. The training process has already had its effect: “Fifteen to twenty years ago, they would only send out expats to manage local operations. Now more local talent has developed.”

According to some in-house heads of mobility interviewed for this report, there is also a major rise in so-called commuter assignments, where the employee works during the week in a foreign location, and returns at the weekend to his home (see box “*Locating the new international commuter*”).

### Getting to the top

Few companies will openly say to their employees that a stint in an overseas office is a necessary step up the corporate hierarchy. However, employees will inevitably study how their company makes promotions, and come to their own conclusions.

Yvonne McNulty, who has recently completed her doctorate in global mobility at Monash University in Australia, believes that “talented young executives realise they have to acquire international experience to advance their career”. Ian Cloke, vice-president of global mobility and reward services at Unilever, the consumer goods company, believes that employees only have to look at the top tier of their company to understand how difficult it can be to get to the top without international experience. “Out of our senior management cadre of a hundred people, only a few have never worked outside their home country,” he says.

Our survey supports these assertions, with experience in emerging markets believed to be especially



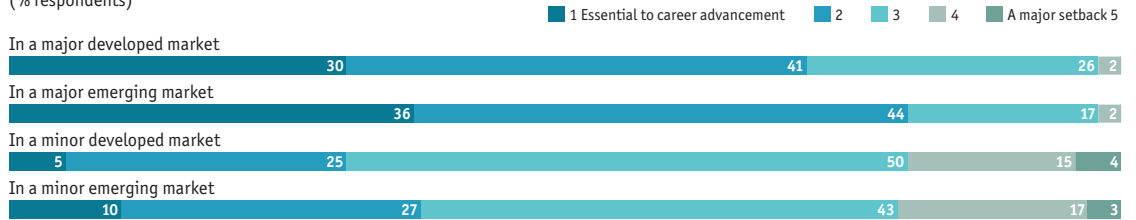
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### To what extent might any of the following overseas posting in your company help advance an employee's career?

Rate on a scale of 1 to 5, where 1 = Essential to career advancement and 5 = A major setback.

(% respondents)



Source: Economist Intelligence Unit.

beneficial to career progression. More than one in three believes that a posting in a “major emerging market” is “essential” for career advancement, whereas only 2% reckon it can cause a setback. This is understandable, given the primacy of the developing world within the overall corporate strategy of many multinationals. “As we have a clearly stated belief at Unilever that one of the main drivers of our growth will come from emerging markets, a successful stint in one of these countries will inevitably be positively viewed,” confirms Mr Cloke.

Our survey reveals, however, that the prime importance of an expatriate assignment in an individual’s career progress is not nearly as evident in smaller companies. Whereas only 14% of those in companies with revenue less than US\$1bn believe that an overseas posting is “essential to a manager’s career development”, 34% of their counterparts in larger companies believe this to be the case.

The realisation among ambitious young employees in large companies that an overseas assignment will propel their career has serious repercussions for their relationship with employers. It creates an expectation that often cannot be met, particularly in harsher economic times, thus prompting a knock-on effect on commitment and retention.

The tacit understanding that if you go abroad for a stint your job prospects improve dramatically—can become difficult to sustain. In a recession, fewer overseas opportunities are available in the first place. “If the company hasn’t got the money to offer an overseas appointment, you can’t say your career progress is dependent on it,” says Ms Lockhart.

Much recent research has revealed a widespread feeling of so-called entitlement among Generation Y, the age cohort that has been entering the workforce during the past decade. This generational expectation of rapid career progress can only add to potential disappointment. “More and more young people are eager for an assignment” says Adele Yeargan, head of global mobility at IIT Corporation, the global engineering and manufacturing company. “This undoubtedly presents a management challenge when considering readiness and qualifications. There is a chance that they will become disillusioned if they don’t get an assignment and this can become a talent retention challenge.”

Furthermore, even if an employee manages to get a prized overseas assignment, that employee might well be disappointed upon returning home. “The vast majority of companies imply or even state explicitly that an international assignment is a step to becoming a future leader,” explains Stuart Woollard, director of the HRM Learning Board at King’s College, London. “But they renege on that promise almost from the start. They don’t give sufficient thought to their next move and to giving them a job commensurate with their experience. The consequence is a serious loss of knowledge and



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“Expatriate assignments used to be very much company-generated. Companies selected individuals. This tradition has now been turned on its head, and many assignments are now self-initiated.”

*Yvonne McNulty, Monash University*

expertise, with a significant percentage of former expats leaving the organisation within 12-18 months of their return.”

According to Mr Woollard, the cost of this brain drain of returning expats is only just starting to hit home to senior executives. “Because of the relatively recent introduction of rigorous metrics relating to poor retention, companies are only now beginning to understand its potential ramifications in financial terms,” he stresses. “When business leaders understand the true impact, they start to act differently. They can say: we are losing 30-40% of our expats, this is costing us \$x million so we need to manage these people properly.”

### Meet you out there

From their own perspective, many driven young workers seem intent on getting an overseas assignment, whether or not their own employer can eventually deliver on their career promise. Their perspective seems to be: if my own company won’t reward me in the future for my international experience, then another company surely will.

According to Dr McNulty, this judgment is leading to a fundamental shift in the relationship between employer and employee in to the area of international work. “Expatriate assignments used to be very much company-generated. Companies selected individuals. This tradition has now been turned on its head, and many assignments are now self-initiated. Employees say to themselves that they need to do this for the sake of their future career, either within this company or within the industry as a whole.”

Individuals, particularly young individuals with no ties, are increasingly looking to find a job for themselves at a location of their choosing. And as Mr Radford of EADS points out, there simply aren’t so many extreme “hardship” destinations nowadays, where employees are unwilling to go, and where employers would find it exceptionally difficult to look after their welfare.

A PricewaterhouseCoopers survey from 2008 confirms the sheer level of desire among young people for experience in other countries. Out of 4,200 graduates in 44 countries, 80% said they wanted to work internationally.

The widespread demand for expat postings is inevitably having a profound effect on remuneration. In many instances, the full traditional expatriate package, with high salary, generous housing allowances and various other benefits, is no longer considered necessary to attract high-quality candidates at a more junior level.

“We need of course to take into account our obligations in terms of fairness and safety,” says Ms Yeargan of ITT. “But the fact remains that a lot more people are now willing to go on a local package.” Dr McNulty agrees: “Young expats are happy to take the ‘local plus’ package. In some industries, it is simply essential to move away.”

“Local plus”, which is particularly popular for destinations in developed countries, as opposed to “hardship” destinations where the traditional package is more prevalent, consists of a salary and contract terms based on host market conditions, but with various additional perks to help them relocate, such as a housing allowance and contribution to school fees. Meanwhile, home country items such as pension contributions and medical cover are continued within the “local plus” terms.

In a further indication that the remuneration trend for more junior employees is downwards,



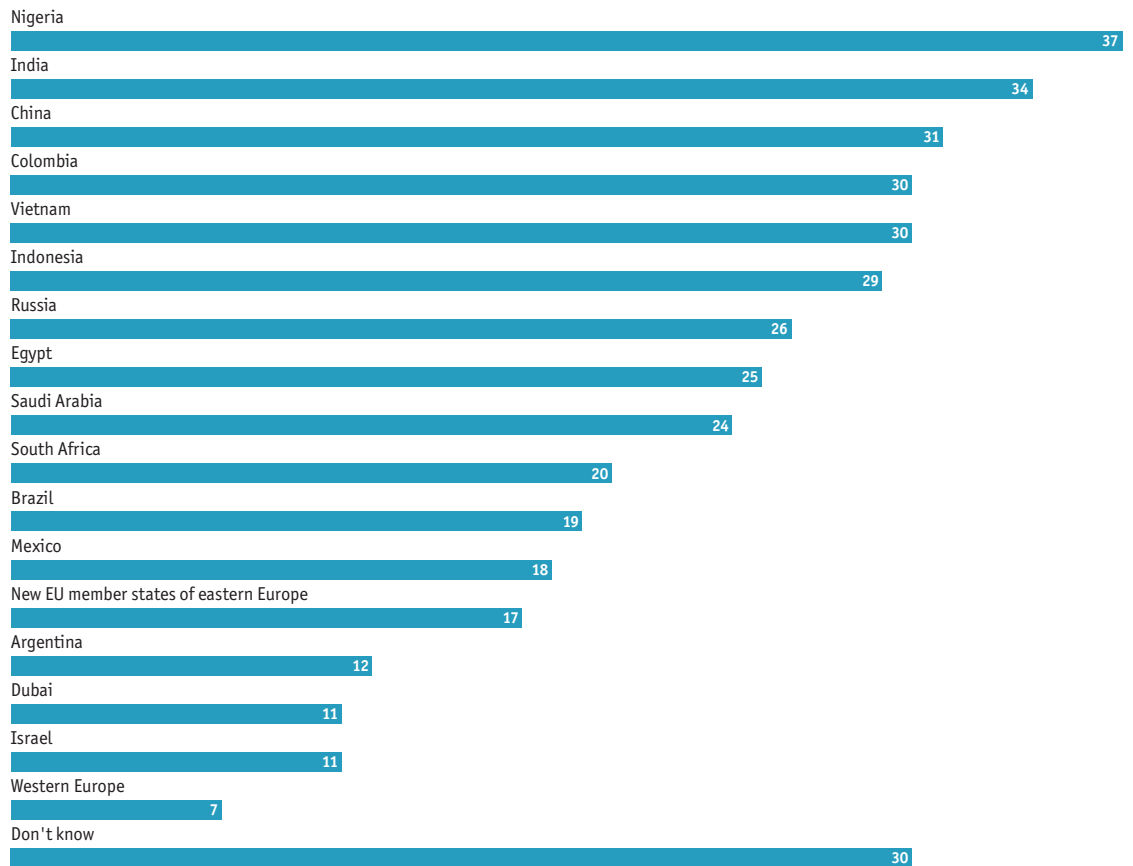
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### In which of the following new markets does a posting qualify for some form of "hardship" living allowance?

Select all that apply.

(% respondents)



Source: Economist Intelligence Unit.

companies are now paying fewer "hardship" allowances, an additional payment for relocating to harsher living conditions prevailing at the host location. The "hardship" estimate is based on such factors as political stability and crime levels, and the quality of housing, health and education.

Just over one-third (37%) of respondents report that their company provides a "hardship" allowance to the country deemed to be the most likely to qualify for one—Nigeria.

It may well be that fewer destinations are as tough as they once were, but increased demand from employees is also certainly exerting downward pressure on these allowances. AstraZeneca runs a scheme for high-potential young employees, in which they are sent to various locations for up to a year to gain management experience. No hardship allowances are paid. "There's no such thing as hardship in this case," explains Ms Walton. "South Africa, China—it's a great opportunity, not a hardship. It's a hardship if you are uprooting your family, if you have an established pattern of life, not generally when you are 25."

All this should not lead to the conclusion that the full "bells and whistles" expatriate package is dead. It may be on the wane, but particularly for more senior staff located in the developing world it is



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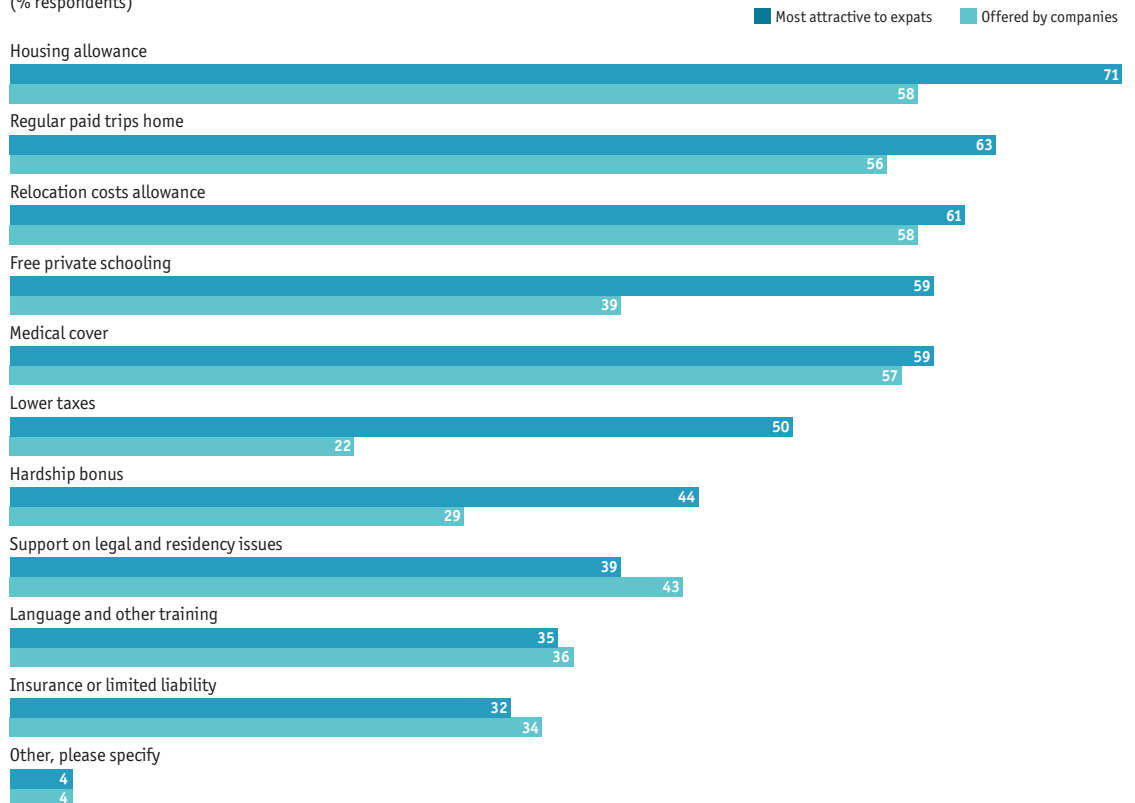
still very much in operation. According to our survey, 39% of companies offer free private schooling, and 56% say expatriate staff are given regular, paid trips back home.

Siobhan Cummins, managing director of international compensation services for HR consultancy ORC (owned by Mercer) in the EMEA region, believes that there has been a gradual move towards “multi-tiering” of packages. Junior employees are happy to be relocated on more modest or locally based salaries, whereas senior executives perceived to be capable of substantial impact have to be offered generous packages in order to persuade them to undergo the inevitable disruption in their personal and family lives. Often these executives will be asked to go on sequential assignments, further compounding this disruption. “If companies wish to keep their senior people mobile, they need to have the flexibility to reward them appropriately,” says Ms Cummins.

Michael Geoghegan, the chief executive of HSBC, the banking and financial services company, was certainly not the victim of unreasonable corporate parsimony when he relocated to Hong Kong in 2010. In addition to his basic salary of £1.15m, Mr Geoghegan was reportedly awarded a relocation allowance amounting to £300,000, and a separate payment for housing and “other benefits in kind that are normal for this location”.

### Which of the following formal benefits would you personally find to be the most attractive part of an expatriate package, and which of these are actually offered by your company?

(% respondents)



Source: Economist Intelligence Unit.



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### Key points

- “Cultural sensitivity” is the most important attribute of an expatriate. Willingness to learn the local language may be the best indicator of this.
- The challenges of family life in a distant and testing location is forcing companies to change the age profile and family circumstances of the average expatriate.

## Part two: the expatriate’s experience

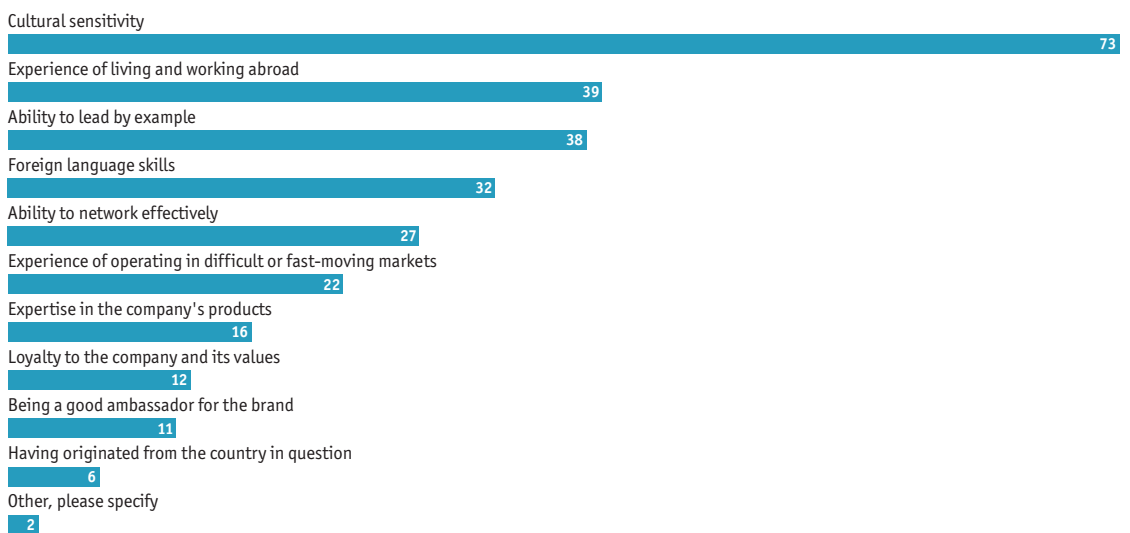
### Expatriate traits

When it comes to what makes a successful expat, one attribute is the clear winner among those surveyed. “Cultural sensitivity” was selected by almost three-quarters (73%) of respondents, with the next most popular attribute at 39%.

Several of our interviewees also mentioned the related trait of adaptability. Moving abroad for a period of several years is not for those naturally resistant to change. “I call it a ‘rebirth’,” says Mr Friedman of the Forum for Expatriate Management. “You have no accommodation, the kids need a new school, you need a new car, to pay bills, to learn a foreign language; your partner often can’t work. The initial period in a new posting involves considerable personal trauma. The main reason for expatriate failure is lack of adaptability, or the family unit’s lack of adaptability.”

“If you are to succeed,” agrees Ms Walton of AstraZeneca, “you can’t try to recreate exactly what you have at home. If you are a control freak, you are going to struggle.”

**Which of the following attributes do you consider most important in a successful expatriate?** Select up to three.  
(% respondents)



Source: Economist Intelligence Unit.



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There is a particular type of personality that can thrive in an international assignment, so companies can find it difficult to get the right person. In the light of their overwhelming response that “cultural sensitivity” is the most important attribute for an expatriate, 70% of respondents agree that it is more difficult to identify and recruit managers for an overseas posting than it is to recruit managers in their home market.

Companies do often try to measure this “cultural sensitivity” in online tests before committing to send someone abroad. They also routinely offer “cultural awareness” and foreign language training for the expatriate and their family, and send the family to the destination for a short period to get a taste of what to expect.

Some say, however, that the training offered is often inadequate, given the challenges that lie ahead. “Cultural training is essential, but is too often seen as excessively time-consuming and costly,” says Ms Lockhart. There is a feeling too that the pre-assignment excursion is merely an exercise in corporate box-ticking, and does not properly prepare the expatriate for what lies ahead. “While companies may send a person out for a week to get to know the environment,” says Mr Woollard of King’s College, “I do find it strange that they don’t ask them to actually work there for at least a couple of weeks, subject to immigration constraints.”

### Mind your languages

Given the widespread belief that it is difficult to find an expatriate with the “cultural sensitivity” to succeed, are companies nevertheless succeeding in doing so? Our survey hints that they still have much work to do on this front. Less than one-half (46%) of our respondents find “dealing with a new language” an attractive proposition. With all the other stresses that expatriates confront, it can be assumed that unless they are very keen to learn a new language, they probably won’t. And how sensitive can an expat be to a surrounding culture without understanding what is being said?

Our survey shows that a willingness to learn a foreign language contributes heavily to enjoying the expatriate opportunity and fully embracing its challenges. Among former expatriates that found “dealing with a foreign language” to be “highly attractive”, four in five would like to be sent on another overseas posting. Among those who found it “highly unattractive”, only one-half would like another assignment. Perhaps the will to learn a foreign language is a measurable marker of the more nebulous “cultural sensitivity”.

Our survey also reveals that although companies are absolutely right to identify cultural awareness as a key ingredient of the expatriate makeup, managers continue to struggle with cultural and national differences. When asked to name the “greatest difficulties” for an expatriate, more than one in two respondents cite “cultural or national conflicts between staff”, and almost as many mention the “inability of foreign managers to understand the local culture” while one third cite the “inability of foreign managers to speak the local language”.

There also appears to be a fair degree of envy among local staff about salary differentials, and widespread accusations that foreign managers are arrogant or believe themselves to be superior.

Several individual comments from survey respondents further highlight these tensions. Examples include: “Many expats are unaware of their own national culture, and tend to think they behave



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### The trailing spouse

According to a 2010 survey by Brookfield Global Relocation Services, only 17% of expatriates are women, and 79% of expatriates are accompanied by a spouse or partner.

And in a further survey from the Permits Foundation from 2008, 82% of spouses or partners have a university degree. Almost 90% were working before their partner's assignment; only 35% during the assignment itself.

Put those figures together, and the potential for personal discontent and relationship discord starts to become clear. A husband is under considerable stress to get to grips with a very foreign working environment and meet tough targets, and a highly intelligent partner is sitting bored at home, frustrated by a lack of career opportunities. The stereotypical image of the placid, homebound wife, happy to sacrifice her own ambitions for her husband, is a picture that few recognise today.

"The whole family has to be keen to go," says Helen Walton of AstraZeneca. "They have to be honest with themselves before embarking on the assignment. Expats fail most frequently because of partners—either because they can't find work that satisfies their needs, or have given up too much. And the expat lifestyle can be isolating for some people. There are certain countries where the culture is very different and it's difficult to make friends."

Companies try to help the partner, labelled by mobility experts

as "the trailing spouse", to acclimatise in a variety of ways. A few may even attempt to find them a job within the company itself. Most will offer a sum of a few thousand dollars to be used for vocational training, starting a new business, club membership, a specific course in a subject of interest—or anything that might help them to integrate socially or professionally.

### Repent at leisure

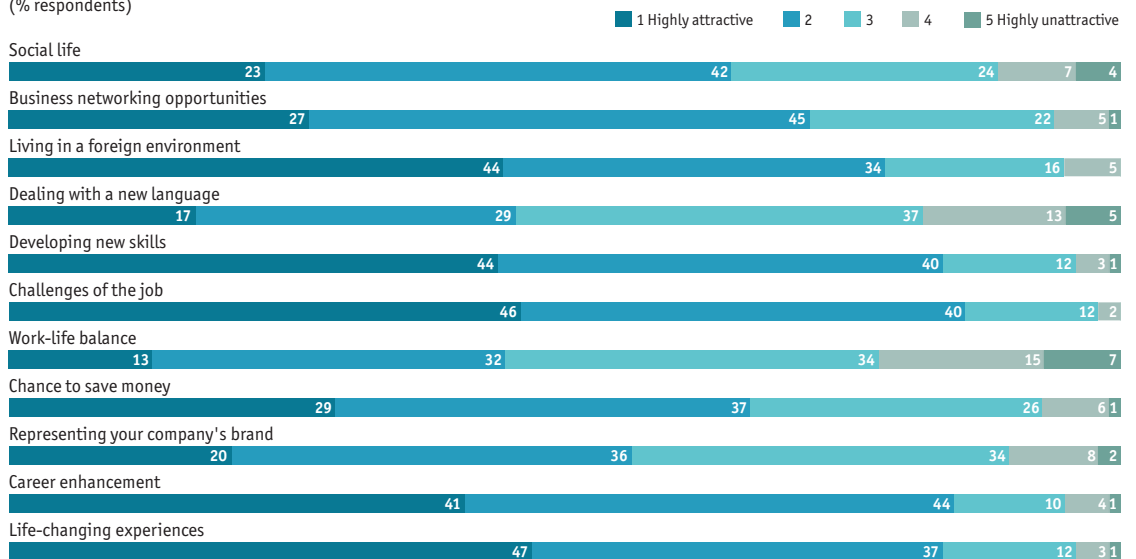
Spouses are put in contact with expat networks, and international outplacement consultants are often hired to help with suggestions for employment and advice on how to secure the relevant job. But there are nevertheless some locations where the partner has virtually to resign herself to not working. "We have to be realistic," says Scott Radford of EADS. "If you're going to China as a partner or spouse, it is highly unlikely that you're going to get a job. Therefore our advice has to be location-specific."

The challenges of family life in a distant location, with very different social mores and restrictions on work visas, may be combining with the perceived career-boosting potential of an expatriate assignment to change the age and family circumstances of the average assignee. The 2010 Brookfield survey reported that less than one-half of expatriates had children accompanying them, an all-time low, whereas a survey from the same year by Cartus, a global provider of relocation services, reported that the under-30 age group now comprises 29% of assignees, up from 19% in 2007.

### How attractive to you are the following informal aspects of expatriate life?

Rate on a scale of 1 to 5, where 1 = Highly attractive and 5 = Highly unattractive.

(% respondents)



Source: Economist Intelligence Unit.



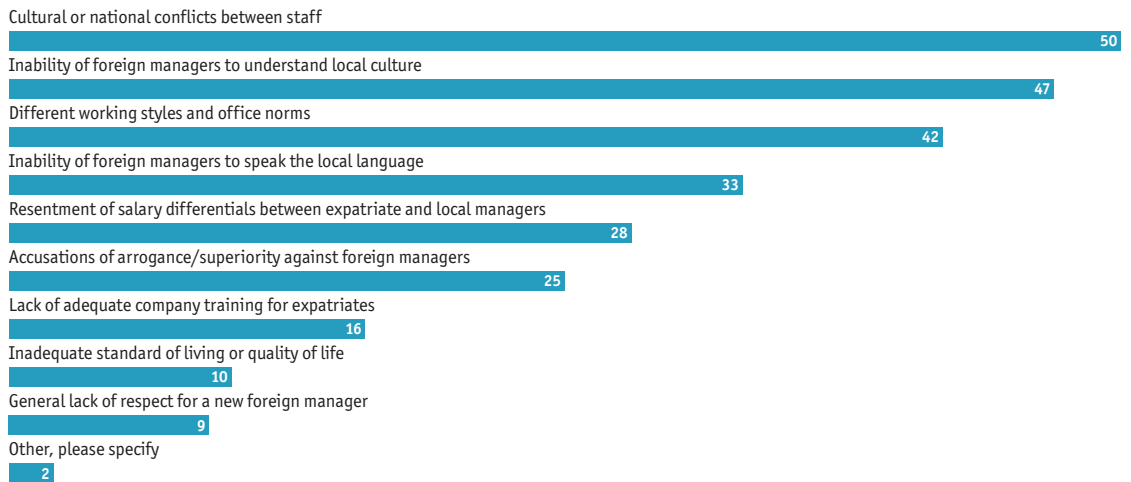
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### Which of the following management issues do you consider to present the greatest difficulties for expatriate managers?

Select up to three.

(% respondents)



Source: Economist Intelligence Unit.

‘normally’; “Sometimes local staff or managers tend to criticise cultural/ social/ culinary habits to the extent of causing hurt”; “Difficulties often arise from the expat’s wish to ‘import’ his culture to the new office”; “The US CEO asked British staff to work harder and follow her example of giving up some of her holiday allowance! It was not very well received at all by the local staff!”; “Language barriers and the arrogance of the expatriate staff have resulted in conflict and violent situations and often lead to administrative interventions and deportations.”

If these workplace issues weren’t challenging enough for the expatriate, that person also has to deal with family problems, with children and spouse also learning to adapt to a new life. “As well as cultural awareness,” says Dr McNulty, “expats need something that is impossible to test—a sensitivity to family dynamics.” (see box “*The trailing spouse*”).

### HQ doesn’t understand

Finally, in addition to local office and family issues, there is growing evidence in our survey of tension between local expatriate management and corporate headquarters (HQ). A majority of respondents in our survey do not believe that their company HQ has a sufficient grasp of the local business environment.

Somewhat like for a parent dealing with a teenager, it appears to be difficult for the corporate centre to get the balance right in dealing with local expatriate management. One in three complain of “too much interference from HQ” and “excessive budget expectations”, while one in five talk of “insufficient involvement by HQ”. The criticism can work both ways, with one in three believing that “foreign subsidiaries too often work to their own rules”.

Given the huge workplace and family pressures on the typical expatriate, it is unsurprising that as many as one in five former or current expatriates has no desire to go out there again. It can be speculated that they are satisfied with acquiring the apparently necessary expatriate section on their

“Expats fail most frequently because of partners—either because they can’t find work that satisfies their needs or have given up too much”

Helen Walton, director of global mobility, AstraZeneca

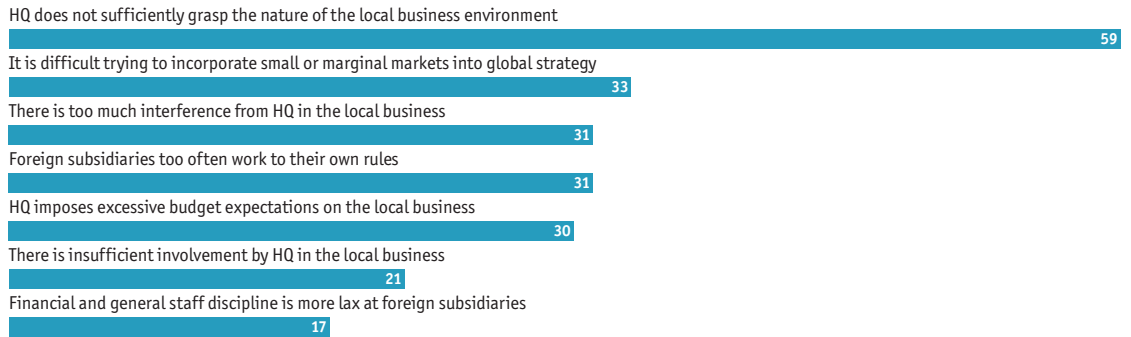


## Up or out

Next moves for the modern expatriate

### Which of the following statements most reflect your experience of the relationship between overseas offices and company headquarters (HQ)? Select all that apply.

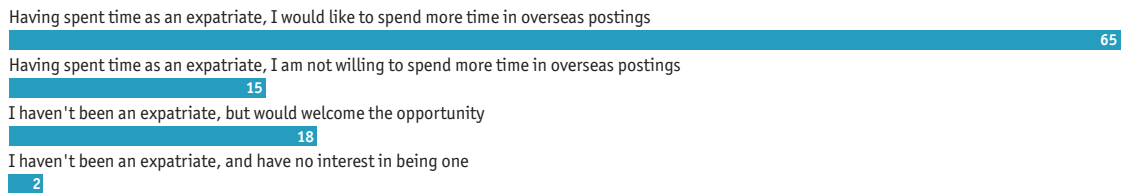
(% respondents)



Source: Economist Intelligence Unit.

### Which of the following most applies to you?

(% respondents)



Source: Economist Intelligence Unit.

résumé, and having had a negative or relatively neutral experience are happy to call it a day.

But of those who have never been on an assignment, only one in ten says they have no interest in being an expatriate. Perhaps they feel that their career is being held back without assignment experience, or perhaps they are as yet unaware of the drawbacks.

However, the overriding impression is that the majority of respondents would like to be an expatriate, despite all the managerial and personal stresses.

Our survey concentrated on the opinions of senior managers. If their enthusiasm for an expatriate posting is combined with the similar attitudes of graduates, it becomes clear that companies will be hard pressed to maintain the commitment of the many people who are inevitably passed over for sought-after overseas appointments.



## Up or out

Next moves for the modern expatriate

# Conclusion

**T**he short-term consequences of the economic downturn should not obscure the deeper trends that are emerging within the world of expatriate assignments.

Globalisation is pushing companies to make their workers more mobile than ever before. Employees, for their part, have welcomed this development, with many of them enthusiastically seeking the experience abroad that gives such a perceived boost to their career, particularly in larger companies.

Indeed, it appears that demand is outstripping supply, particularly among younger workers. This reality, combined with the heightened and often unfulfilled expectations of returning expatriates, is having profound implications for the international strategies of multinational companies.

The move towards locally based remuneration policies for more junior roles is a readily visible consequence of a surge in demand. However, there are potentially negative consequences too for companies that do not work extremely hard to carve out satisfactory alternative career paths for ambitious young executives who are not awarded an overseas opportunity, and appropriate openings for returning expatriates eager for the status and responsibility they feel they now merit. Without detailed, individually tailored career planning and constant open communication with employees, costly turnover will be the inevitable result.

This growing demand will also surely further complicate a selection process that is already widely accepted as challenging, and appears to lead to very mixed results. Of the many eager candidates, how do companies find those equipped with the “cultural sensitivity” deemed necessary to succeed?

As for the employees themselves, their typical profile will become younger, with a greater proportion unattached. They will also exhibit greater international diversity as globalisation spreads, and more people receive high-quality commercial training and experience. As competition for prized jobs intensifies, company managers will also no doubt be confronted with even sharper intercultural tensions, which even now lurk close to the surface of outward displays of corporate uniformity.

While every effort has been taken to verify the accuracy of this information, neither The Economist Intelligence Unit Ltd. nor the sponsor of this report can accept any responsibility or liability for reliance by any person on this white paper or any of the information, opinions or conclusions set out in this white paper.

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