GOING GLOBAL: DESIGNING SUITABLE TRAINING PROGRAMS FOR CHINESE EXPATRIATES

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ABSTRACT

In recent years, the spring of “going global” has come to Chinese companies with the establishment of Asian Infrastructure Investment Bank (AIIB) and the promotion of “One Belt One Road”. China’s outward foreign direct investment (OFDI) is increasing rapidly. While expanding their markets in the world, Chinese companies have found their lack of qualified expatriates and the rate of expatriate failure is relatively high. Because they are deficient in establishing an international management system and exploring effective methods of expatriate training. This paper aims to try to find out some suitable expatriate training methods for Chinese enterprises though literature review and case analysis.

Keywords: Chinese expatriates, Cross-culture, Training

I. INTRODUCTION

A. Research Background

Since the “reform and opening up” policy was carried out, China's economy has achieved rapid development. Today, China has become the second largest economy just behind the United States. With the further development of economic globalization, at the turn of the century for the first time, the central authorities stepped up the implementation of the “going out” strategy of opening up and put “bringing in” and “going out” closely together. Also, in recent years the Chinese government proactively promoted “the Belt and Road Initiative” and steadily carried out international cooperation of production capacity, constantly improving the working system for “going global”. There is no doubt that the establishment of the Asian Infrastructure Investment Bank (AIIB) and the promotion of the “One Belt One Road” strategy have offered golden opportunities for the increase of China’s outward foreign direct investment (OFDI).
Table 1: China’s Annual OFDI Flows and Stock from 2006 to 2015

<table>
<thead>
<tr>
<th>Year</th>
<th>Flows</th>
<th>Stock</th>
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<tbody>
<tr>
<td></td>
<td>(Billions of US Dollars)</td>
<td></td>
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<td></td>
<td>Global Amount</td>
<td>Global Ranking</td>
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<tr>
<td>2006</td>
<td>21.16</td>
<td>13</td>
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<td>2007</td>
<td>26.51</td>
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<tr>
<td>2008</td>
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<td>2009</td>
<td>56.53</td>
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<td>74.65</td>
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<tr>
<td>2013</td>
<td>107.84</td>
<td>3</td>
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<tr>
<td>2014</td>
<td>123.12</td>
<td>3</td>
</tr>
<tr>
<td>2015</td>
<td>145.67</td>
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</table>

Note: Annual growth rate for the year 2006 refers to that of the non-financial OFDI.

Table 1 shows China’s OFDI net flows (hereinafter referred to as “flows”) has a fluctuate growth over the last decade and the flows in 2015 reached $145.67 billion, almost 7 times of 2006. For the first time, the flows of OFDI ranked second in the world. It revealed that Chinese enterprises tried to seize the historic opportunity to speed up integrating into the economic globalization process.
With the increase of China’s OFDI, the year 2015 witnessed a dramatically increase of the staffs employed by overseas enterprises, especially for the amount of expatriates, soared from 1 million to 1.5 million.

B. Research Significance and Purpose

Under the background of further development of economic globalization and increasing number of Chinese companies going global, a large scale of home staff are expatriated to overseas department. Though globalization creates tremendous opportunities for the companies and their employees, at the same time brings tremendous challenges. One particular challenge, expatriate management, happens anytime a manager from one culture interacts with and manages employees outside their home country. It is clear that the utilization of expatriate managers is of much importance because their overseas performance is directly linked to the development of a company’s overseas business. And usually it comes at a very expensive price and with a lack of certainty in its outcome. In addition, in contrast to their developed country counterparts, both Chinese multinations enterprises (MNEs) and their expatriates lack experience in foreign operations. So it is critical for Chinese MNEs expatriate management to have a highly qualified, well-prepared expatriate pool to successfully compete globally. The question is that how to improve the cross-cultural work abilities of expatriate managers? Besides what our Chinese MNEs can do and need to do to train their expatriate managers? All of these questions are worth doing some research and it has great significant influence on our Chinese companies which are going global or are planning to do business overseas.
C. Research Methods

Literature review method. This method enables us understand the achievements of predecessors in this field and reference some practical ideas to our research.

Case analysis method. We can analyze some successful cases and some failed cases to obtain some operable experiences or lessons.

D. Research Scope

This article is based on the methods of literature review and case analysis to draw some conclusions about success factors and failed factors of expatriate managers. And then make some practical recommendations for our Chinese companies to improve the work abilities of their expatriate managers.

II. LITERATURE REVIEW

A. The definition of global manager

Taylor (1991) interviewed Percy Barnevik, former CEO of Asea Brown Boveri, and asked the question “Is there such a thing as a global manager?” Barnevik responded with yes, but we don't have many. He defined them as managers that have exceptionally open minds. They respect how things are different and can imagine why these things are different. Global managers are “incisive” as well as generous and patient (Bartlett and Ghoshal, 1995). Other research efforts have defined global managers as “global brains”. In effect, global managers have the capacity to comprehend world trends as they affect business, governments, and standards of competition. They have an understanding of their own roots, are sensitive to global issues/cultures and are adaptable to new things (Brake et al, 1995).

B. The significance of global manger

Historically, managers were selected for overseas assignments based on their technical competence and/or fire fighting ability (Harvey, 1996; Black and Gregersen, 1999). Much of the need for expatriation was to solve an immediate business problem (i.e. troubled plant starts, government tax issues, etc). Most of these assignments were considered somewhat short term and very little cultural training offered.

This does not hold true for today's business environment, sending expatriates to live and work in foreign affiliates has been considered as an effective mechanism to transfer knowledge, integrate corporate cultures and generate close links between headquarters and subsidiaries (Harzing 2001;
Expanding global competition and the growing number of international assignees have increased the need to better understand why some expatriates are more successful than others in their foreign work assignments. Ability to manage global assignments effectively is critical to competing internationally. ‘Shortages of international management talent are increasingly constraining the implementation of international strategies’ (Scullion and Collings 2006, p. 87). Multinational firms have progressed beyond exporting goods and services. Most, if not all, are considered international, global or transnational firms. The majority have foreign subsidiaries that are in place to help foster growth in local markets. Critical to the success of the operation is the transfer of the most critical capabilities between the home office and the foreign subsidiaries as well as subsidiary to subsidiary (Conn and Yip, 1997).

C. How to cultivate an expatriate manager into a global manager?

Black and Gregersen (1999) suggest that in seeking out global managers five characteristics must be present: drive to communicate (extroverted); broad-based sociability; cultural flexibility; cosmopolitan orientation; and collaborative negotiation style. It is important to note that these defining attributes are neither technical nor specialized (engineer, lawyer, financier, etc). These characteristics are considered soft-skills and are becoming increasingly recognized as foundation characteristics for overseas selection. If a manager lacks them, the goal might not be achieved regardless of the credentials. However, not every company has this kind of talent integrated with all these attributes and it is quite difficult and very expensive to recruit this sort of employees directly. It is now widely accepted, by both academic researchers and human resources (HR) practitioners, that pre-departure training and cross-cultural briefings can help expatriate staff adapt to living and working in new environments (Forster, 2000). So it is of much importance for MNEs to offer their expatriate managers training programs. Previous studies (e.g. Chew 2004; Fee, McGrath-Champ and Yang 2011) have revealed that many western MNEs tend to ignore rigorous and adequate training for expatriates. Cross-cultural training is recognized to be an effective mechanism to reduce expatriate failure, although the exact link between training and expatriate performance has not been well established and training is not the sole determinant of successful expatriate assignments (Abbott et al. 2006; Littrell et al. 2006; Shim and Paprock 2002). Moreover, as different assignments have different requirements for interaction in the workplace and expatriation duration, different expatriates should have well-tailored training programs in terms of training method, contents, skills and duration and any other factor. (Wang, 2011)

Given the short history of the internationalization of Chinese firms and the significant cultural and institutional differences between Chinese and other cultures, well-tailored training program
is that essential for Chinese expatriates in order to avoid expatriation failure. So far, most of the existing research on expatriates focuses on expatriates of western countries and there is a dearth of research on Chinese expatriates. Because of cultural differences, research results that are effective in Western countries may be not that effective for Chinese expatriates.

This report aims to bridge the gap in the literature by examining the expatriate skills training strategies of Chinese MNEs and to bring some new insights to the key research question, namely, how Chinese MNEs cope with cross-cultural training and how to successfully cultivate their expatriates into global managers when assigned overseas.

III. CASE ANALYSIS

A. Case One: A Negative Example

Shanghai Automotive Industry Company (SAIC) and Ssangyong Motor’s marriage, as the first cross-border M&A in the domestic auto industry, had received much attention. Once was regarded as the benchmark for Chinese enterprises to go out and a win-win cooperation. However, after their marriage, they did not enjoy the honey moon, instead, the cultural conflict led to many obstacles. In 2009, SAIC ended up with losing 4 billion RMB in exchange for the lessons of failure.

Except the lack of an accurate assessment of host culture and organic integration of bilateral strategy and culture, another major cause is that the lack of well-tailored training for the expatriate management. Because they thought Korean companies and Chinese enterprises both belong to the Asian cultural circle, they almost have little cultural difference. After SAIC dominated Ssangyong, the Chinese high-level management dismissed Ssangyong’s former president, instead, sent a team without systematic cross-cultural and M&A training to Korea. Chinese expatriate management was too strong during the communication with trade unions in South Korea, and ignored the hostility of the Ssangyong union to Chinese enterprises. At the beginning of the M&A, the signs of opposition appeared, but the Chinese expatriate management failed to realize that this is a manifestation of low tolerance. After the merger, SAIC attempted to resolve the Ssangyong losses caused by mistakes in business decisions by massive layoffs. Instead of timely communication, Chinese expatriate management responded in a strong attitude, which eventually leaded to the Ssangyong workers’ strikes in 2008.

This case not only indicated SAIC was in shortage of the establishment of international management system and international personnel training but also revealed the status quo of the Chinese companies which have just embarked on the international track. In contrast to MNEs of developed countries, Chinese companies still have a long way to go and a lot of things to learn.
What we can also learn from this case is that to understand the macro operating environment and all the other power which has great impact on the overseas operation, including host country’s government, legislation, trade unions etc. is quite essential for expatriate managers no matter the host country has the same cultural background or not. It will enhance their sensitivity to related problems. In addition, they ought to be more collaborative negotiation style in whatever circumstance instead of showing tough attitude.

B. Case Two: The Japanese Approach

We have to admit that Japan has rich experience in the expatriate training. Let us inspect what Japanese multinationals do to keep their loss rate so low which provides worthwhile ideas for Chinese MNEs. China and Japan both belong to the East Asian cultural circle. Though Chinese and Japanese are different in culture, we still have a lot in common. For example, Japanese, like Chinese attach deep emotional-tie to their homeland and family. Japanese companies recognize that leaving Japan to work and live elsewhere is much more than a re-location, but a change with the impact of confusion and disorder. So they do not assign expatriates before their companies have thoroughly prepared them for the demanding task of working and living in a foreign culture. Thus, with the same systematic, thorough approach applied for attacking issues of productivity and quality, the majority of Japanese firms have figured out comprehensive programs that release overseas assignments and equip their expatriate personnel to have a good performance in unfamiliar arena.

Generally, Japanese multinationals set out overseas assignments at least one year before actual departure. In the year previous to departure, assignees learn the customs, culture, and ways of doing business of country of destination as part of their work. Usually, they learn the language as well. Such complete pre-move preparation is only the outset.

From the moment of arrival in the country they are destined, the new Japanese manager or technician has a guide who is account for support the newly arrived manager to deal with any problem. Mentoring is not limited to the first several months of assignment; it lasts over a year or two until the fresh manager has adjusted himself to the new environment. In the assessment of the expatriate at the first year overseas, the company demonstrates its understanding that most of the first year is spent in learning about the new host country and acclimatizing to the way business is operated there.

Meanwhile, the Japanese managers on a foreign assignment do not have to be anxious about their future in the company and the readjustment of both employees and a family upon their return to Japan. Because home headquarter has designed a set of promotion mechanism for well-performed expatriate managers and offer them a period of time to readjust themselves to the
domestic environment. And they also know that their foreign assignment is an integral and necessary step in a career plan preparing for their future responsibilities.

In conclusion, what Japanese companies do for their expatriate managers is:

--Arm them with the intercultural skills necessary to keep a good performance in an unfamiliar and demanding environment.

--Minimize the personal anxiety that comes from encountering cultural shock and unanticipated situations.

--Reduce the feeling of alienation and homesickness from the company and family that inevitably happen to expatriates.

--Mitigate the readjustment of both employees and family when they come back home.

IV. REASONS FOR EXPATRIATE FAILURE

Expatriate failure is usually defined as a posting that either ends prematurely or is considered ineffective by senior management. Most research into the matter has come to the conclusion that failure rates are high and can vary between 20% and 50% depending on the country. Emerging countries such as those of Southeast Asia are considered higher risk than so-called developed nations.

Expatriate failure is harmful for both companies and individuals, because expatriate managers play a key role in the overseas business. When crises make it necessary to replace them, company operations are disrupted, reputation and image are damaged, and a period of lost profits and opportunities ensues. Meanwhile, valuable human assets of the company are permanently sank; even those whose performance prior to an overseas assignment was quite good rarely stay with the same company after failing as expatriates. In addition, expatriate failure means a huge shock or tragedy for the assignees which is likely to overwhelm them and make them lose heart, anxious, frustrated even sell their homes, leave their jobs. There are a variety of reasons which causes expatriate failure.

A. Personal Reasons

1. Insufficient capacity of expatriate managers.

The primary requisite for expatriates is managerial and technical job competence. In addition, foreign language, interpersonal skill and the understanding of culture, legislation, and ways of doing business of the host country are also of much importance. Among these abilities, any a
deficiency probably leads to failure of the assignment. Besides, cultural flexibility should be taken much into consideration when MNEs select expatriates. The major reason for the high expatriate failure rate actually is not the technique deficiency but cultural inflexibility. It is common for expatriates to be overwhelmed by the different culture or subject to the cultural shock. But most inexperienced expatriates cannot adjust themselves to adapt to the cultural differences promptly which hinder their ability to establish friendship with local people and conduct cross-cultural management effectively. When expatriates cannot adapt to the new environment, negative feelings about local culture and people arise, including irritability, hostility, and defensiveness.

2. Family Stress

Disapproval of spouse and family is one of the reasons for expatriate failure. According to a survey, among the reasons for personnel who are reluctant to be expatriated, family factor accounts for 57.74% as the major reason. So either assignee chooses to refuse the assignment or ignore the disfavor of their family to accept the expatriate mission which will probably lead to a lot of pressure. After all, China is country with strong family concept. Another case is that assignees are allowed to take his or her spouse. As we know, most expatriate managers are challenged to be in the new postings. They need to spend a lot of time at work since they are under pressure to adapt to the new culture and their overall responsibilities are often larger than they have experienced before. As a result, the wives of expatriates spend a lot of time by themselves – and yes, trailing spouses are still usually female – and are cut-off from their own family and friends. At the same time, the wife is usually dealing with problems for which she has no previous experience. Consequently, she will probably discover that live life abroad with much comfort and satisfaction is next to impossible. It is no surprise that it is generally the trailing spouse who suffers the greater culture shock in the new country. The result can be an unhappy spouse who does her best to impair the performance of the expatriate manager. However, total marriage breakdown is not an uncommon result.

3. Physical Breakdown

Expatriates are generally motivated to succeed and excited about gaining international experience. As a result, they often work long hours in the early part of their postings to do “whatever it takes” to be successful. They are also adapting to seemingly overwhelming cultural differences with local staff and greatly expanded responsibilities. On the home front, the families of expatriates are almost certainly going through their own severe cultural adjustments and may be clamoring for the managers’ time and attention to help them through it. The combination of emotional despondency and physical exhaustion from elevated stress levels and overwork is a
common problem for new expatriates -- otherwise known as burn-out. Unless alleviated, the result can dramatically reduce effectiveness and cause work-interrupting illness for managers.

B. Company Reasons

1. The criteria of expatriate selection are not appropriate.

One employee who has excellent performance in home country does not mean he or she will have equal performance when working abroad. Many MENs especially Chinese MENs mainly consider the professional ability and demand of technique in the selection of expatriates without fully consideration of the cultural flexibility of the assignees. It is not uncommon to see that an expatriate manager who has merit performance in home lose customers and business opportunities because he or she does not know the customs of the host countries very well and even offend the supplier because of details during the intercultural communication, like inappropriate wording or gestures.

2. Lack of Systematic and Effective Training.

Systematic and effective training targets the real needs of expatriates, both job-related and life-related and focuses on the acquisition and practice of the special skills requisite for making a successful transition to working and living in an unfamiliar country. We have seen Japanese companies make considerable investigation and input to train their expatriates in order to equip them with effective coping skills when doing overseas business, though selected expatriates called “elites” usually come out from layers screening. In the contrary, Chinese companies seem to hold the skepticism of training for overseas that principally explains their neglect of it. Another reason is that some companies hold the view that training is expensive and not worthwhile. Thus, many Chinese companies just offer personnel short simple ineffective training even no training.

C. Social Reasons

The main social reason causes expatriate failure is the cultural differences, mainly including governance environment, legislation, trade union, language, and social customs. The case of SAIC is a very good example. Because these differences are likely to significantly hinder expatriates’ ability to the work and life abroad, say, expatriates’ working experiences and management methods at home may do not work in host country, impacted by the political environment, expatriates need to establish a good connection with officials of host country and under different cultural backgrounds, the development of new customers and the mode of dealing with wholesalers will be different.
V. RECOMMENDATIONS FOR EFFECTIVE EXPATRIATES TRAINING PROGRAMS

We have discussed the characteristics of global manager, a negative case of Chinese MENs, the Japanese approach and the reasons for expatriate failure. Based on the studies of cross-cultural training guidelines and programs, affect of Chinese culture on cross-cultural communication training contents and methods, operable cross-cultural training programs have been developed for Chinese expatriates. In the design, different requirements, cross-cultural interaction and duration, different expatriation assignments for cross-cultural training programs have been given due consideration. This paper proposes the recommendations in the order of pre-departure, in the service and post-assignment.

A. Pre-departure

1. Adjustment and Guidance of Personnel’s Family factors

As mentioned above, China is a country with strong family concept. Family factors from spouse or parents’ disapproval has a great influence on the decision of whether accept the assignment or not. Now, the generation of 1980s is the backbone of most Chinese enterprises. However, among the post-80s, many of them are only child in their own family because of the “one Child” policy which results in their family structure like a inverted triangle. The responsibility to take care there parents and parents’ concern about the safety of their child overseas have increasingly become the factors to impact whether they take the assignment or not. Thus, in order to win the approval of family, it is necessary for Chinese companies to design a reasonable expatriate duration and offer personnel’s family appropriate allowance.

2. Targeting Trainees and Their Needs

Mainly trainees involved are technique or management expatriate managers at middle and high levels. But they come from all walks of life with different aims. Additionally, the duration of missions is also different. To ensure that individuals get what they need and are not exposed to time-consuming activities of little utility, it is necessary to assess their needs carefully, and then propose tailor-made training programs.

Firstly, a personal self-assessment. Assignees can be directly involved in the sketching out the profiles that will determine the focus of their training via a personal self-assessment conducted by themselves. This active participation in diagnosing one’s own needs starts the training on the right foot. Meanwhile making the assignee co-responsible for his own training, it gives him a clear understanding of the skills he must acquire to be successful.
Secondly, focus interviews. What these needs are can be revealed by persons well grounded in cross-cultural affairs and familiar with the situations and frustrations likely to break down expatriates upon being immersed in another fresh culture. People who have already worked in the country of assignment with rich cross-cultural experience and skills and the executives of the company can make for the profiles of each person assigned after the focus interviews. On the one hand, they will project the know-how and skills essential to success in the new job; on the other hand, will indicate the assignee’s ability to cope and adjust.

Thirdly, scenario simulation. To have optimal impact the training should be problem-centered and particularized to the country of assignment. Issues encountered in Italy are not the same as those met in Nigeria. To fit in with Saudis and do business with them a person does not act as with the Japanese. With the profiles mentioned above, the training effort can focus on the situations and problems that will actually come across in India, Zambia, or Saudi Arabia.

3. Training Contents

The first part is language. Because language provides knowledge of host communication system and it is an important carrier and medium of culture. As the expatriates take on different jobs, requirements for their language ability are different. Accordingly, language training module includes several parts, ranging from daily greeting to more advanced language training.

The second part is culture differences between China and host country. Knowledge of our own cultural system will definitely help us to understand another culture. Cultural difference provides insights into cross-cultural communication process and therefore can be a very powerful tool in making sense of cultural practices and cultivate the cultural sensitivity of the assignees.

The third part is the macro operating environment and micro operating environment. The macro operating environment refers to all the forces that have great impact on the operation of the company, like government, legislation, trade unions and environmental protection organization etc. The micro operating environment mainly refers to ways of doing business which includes how to develop customers and how to negotiate with suppliers and how to compete with rivals in the industry.

4. Training methods

Lecture: it is mainly used for basic theory training with focus on cognitive improvement. Lecturer can introduce a lot of information in shortest time, so this training method is economical in time, money, and human resources.
Movie watching: Movies are powerful media for revealing culture. Movie watching can make training more interesting, vivid and effective. The first step is to choose right movies that reflect distinct host culture or explore cultural conflicts. The second step is to design training plan.

Case studies: Case studies are either real or hypothetical stories dealing with people in cross-cultural situations where something has gone wrong or miscommunication occurs. The specific cases are chosen because they serve to illustrate general principles and practices of intercultural communication. Case studies are useful because they tap into the knowledge and affective components of cross-cultural competence. They are used to identify current practices and shape future responses.

Discussion: It is used together with case studies. After trainees know the case, organize them to discuss in small groups. The trainees analyze the case and share their opinions together, and then the trainer concludes the discussion.

B. Service Period

1. Mentoring

For most Chinese companies who do organize training programs for expatriate personnel just limit the training to pre-move orientation. On the contrary, Japanese companies not only start the training personnel destined for overseas assignment long before departure, but arrange for mentors or a guides to help them cope with sorts of problems no matter rise from the office or the neighborhood in the very beginning, once the assignee lands in the host country. It is also an effective way can not only continue support them to alleviate the negative impact of cultural shock, but keep a close watch on their expatriates. Besides, mentors can give the headquarter feedbacks according to the practical performance of the expatriates to determine whether the expatriate is qualified or not. Obviously, it is not appropriate for Chinese companies to blindly imitate the Japanese. But seeing how the Japanese stretch out the training and support of their expatriate assignees over a protracted period prompts us to doubt whether pre-departure training by itself can sufficiently sustain an expatriate through a whole mission.

2. Family Visiting

When expatriates are subject to cultural shock they will probably become homesick, missing their family, their friends, local food…Also there are some other negative feelings arising, like nervousness, depression, uncharacteristic mood swings, anxiety, and anger. So if companies can offer an opportunity for the expatriate’s family to go to visit him or her, it will give them much comfort.
C. Proper Arrangement of Post-assignment

When expatriates return to homeland, for one thing, they will probably have this kind symptom that they are failed in re-adapt the domestic social environment and the atmosphere in the office due to their long-term living and working abroad. This kind of reverse cultural conflict will discomfort returnees’ life and cause work pressure and anxiety. For another thing, many returnees cannot be placed in a suitable position for a period of time which causes a giant psychological gap. However, the reason why personnel take assignment is that they want to improve their competence and capability via the foreign assignment to meet the requirements of a higher position. So In order not to damage the enthusiasm of expatriates and retain talents, the parent headquarter should resettle overseas returnees properly. Mosanto Company has some successful experience in this aspect. Usually 6 months before the tenure is over, expatriates should submit a self-assessment of performance and a future career planning to the parent company. After the evaluation of the HR department of the parent company and then according to their performance and the company's vacancies, the returned expatriates working arrangements can be finally determined. What has to be underscored is that all the procedures have to be completed before term of office is end.

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