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# Expatriate Managers: Reasons for Failure and Implications for Training

## **Abstract**

The high incidence of expatriate U.S. managers' being unable or unwilling to complete their overseas assignments suggests that more needs to be done to prepare those managers and their families.

## **Keywords**

human-resources management, multinational corporations, HR models, expatriate, hospitality industry

## **Disciplines**

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## **Comments**

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# Expatriate Managers

## Reasons for Failure and Implications for Training

*by Jeffrey Shay and J. Bruce Tracey*

**The high incidence of expatriate U.S. managers' being unable or unwilling to complete their overseas assignments suggests that more needs to be done to prepare those managers and their families.**

**A** number of hotel companies have operated in the international arena for decades. However, intense competition and over-saturation in domestic markets have encouraged additional hotel companies to look beyond their nation's borders for more-attractive markets. International expansion presents a complex set of corporate and mana-

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gerial challenges. One of the most critical decisions centers on who will manage properties in markets where the firm has little or no prior experience. A common response is to transfer managers with impressive domestic track records.<sup>1</sup> That policy has not had encouraging results.

Discussions of the problems associated with expatriate failure have appeared in management literature for nearly three decades, yet it is difficult to draw useful conclusions for the hotel industry from them. Most studies have been conducted across a variety of industries. Because they fail to consider the specific requirements of hospitality management, the studies are not specifically relevant to hotel managers. To remedy that shortcoming, we examine how the general findings might apply to hospitality managers, present our findings from a study on expatriate issues in the hotel industry, and propose a training plan for improving the likelihood of expatriate success.

### Expatriate Failure

Cross-industry studies have estimated U.S. expatriate failure, defined as the premature return from an overseas assignment, at between 25 and 40 percent when the expatriate is assigned to a developed country and about 70 percent when the expatriate is assigned to a still-developing country.<sup>2</sup> When those rates are considered in light of esti-

<sup>1</sup>M. Mendenhall and G. Oddou, "The Dimensions of Expatriate Acculturation: A Review," *Academy of Management Review*, Vol. 10, No. 1 (1985), pp. 39-47; and M. Mendenhall and G. Oddou, "Acculturation Profiles of Expatriate Managers: Implications for Cross-Cultural Training Programs," *Columbia Journal of World Business*, Vol. 21, No. 4 (1986), pp. 73-79.

<sup>2</sup>See: R. Tung, "Selection and Training of Personnel for Overseas Assignments," *Columbia Journal of World Business*, Spring 1981, p. 77; and J.C. Baker and J.M. Ivancevich, "The Assignment of American Executives Abroad: Systematic, Haphazard or Chaotic," *California Management Review*, Vol. 13, No. 3 (1971), p. 42.

### Exhibit 1

#### Growth estimates measured by number of rooms, 1989-93

	Growth	Average annual growth	Rooms added (000s)
East Asia and Pacific	30.0%	6.8%	337
Caribbean	25.0%	5.8%	32
Africa	20.3%	4.7%	63
South Asia	15.9%	3.7%	17
Central and South America	6.9%	1.7%	34
Western Europe	6.7%	1.6%	303
North America	5.3%	1.3%	187
Middle East	-0.9%	-0.2%	-2
Eastern Europe	-20.4%	-5.6%	-87

Note: Despite being several years old, these WTO data are estimated (versus being actual) for two reasons. First, the data collected from the many different countries are not uniformly accurate due to the varying sophistication of collection techniques. As such, sampling errors are likely. Second, different countries define "hotel room" in different ways. For instance, a room with two beds may count as two rooms in some places and as one in others while what counts as a room in one country may not be counted at all in another.

Source: Graham Todd and Sue Mather, *The International Hotel Industry: Corporate Strategies and Global Opportunities* (New York: The Economist Intelligence Unit, 1995), p. 8.

mates that the direct cost of each failure is between \$250,000 and \$1 million,<sup>3</sup> the situation becomes alarming. In fact, one study estimated that the cost of failure for U.S. multinationals is over \$2 billion a year.<sup>4</sup>

But that is only the tip of the iceberg. Multinational corporations also suffer from damaged relations with clients, local businesses, and local government officials, while the expatriate returns home with a loss of self-esteem, self-confidence, and prestige among peers.<sup>5</sup>

Moreover, defining failure as a premature return from an overseas assignment provides a limited view of this critical problem. That definition ignores this question: How well do expatriate managers perform

<sup>3</sup>Shari Caudron, "Training Ensures Success Overseas," *Personnel Journal*, December 1991, p. 27; and Shari Caudron, "Surviving Cross-Cultural Shock," *Industry Week*, July 6, 1992, pp. 36-37.

<sup>4</sup>L. Copeland and Lewis Griggs, *Going International: How to Make Friends and Deal Effectively in the Global Marketplace* (New York: Random House, 1985), p. xix.

<sup>5</sup>Mendenhall and Oddou, "Dimensions," p. 39.

their jobs even when they complete their assigned length of stay?

Copeland and Griggs estimate that between 30 and 50 percent of the expatriates who do complete their assignments are considered ineffective or marginally effective.<sup>6</sup> Thus we should not only be concerned with the premature return of expatriates but also address the characteristics required for success in an international assignment.

Those arguments become even more salient when we consider that the most attractive and growing regions of the world are in developing countries. For example, the World Tourism Organization, in its 1995 economic report, showed that some of the highest growth areas are in developing regions of the world (see Exhibit 1).

If the failure rate is about 70 percent for U.S. expatriate managers in developing countries, and developing regions continue to grow and provide opportunities for expansion, then U.S. hospitality organizations

<sup>6</sup>Copeland and Griggs, *op. cit.*

should take a hard look at their practices in preparing and supporting expatriates.

### Understanding Expatriate Failure

Tung provided the groundwork for this topic by examining expatriate failure and success in several industries. Her seminal study found that the three most common reasons for American expatriate failure were that (1) the spouse couldn't adapt to the host culture, (2) the manager couldn't adapt to the host culture, and (3) there were severe family-related problems that stemmed from the international assignment. Not surprisingly, Tung also found that the three most desirable attributes for expatriate managers were adaptability, flexibility, and good communication skills.<sup>7</sup>

Tung's research provides some valuable information about the reasons for failure and attributes that may be required for expatriate effectiveness. The findings have several implications for identifying and preparing individuals for international assignments. For example, it may be that the selection criteria should extend beyond domestic track records and include an assessment of a manager's acculturation potential. Doing so, however, may not be feasible, as valid selection tools are currently unavailable to make effective selection decisions. Mendenhall and Oddou argue that "the dimensions of acculturation are simply not known well enough to devise sound selection instruments."<sup>8</sup>

A more viable alternative may be cross-cultural training. Tung found that European and Japanese expatriates, who had markedly lower failure rates (about 5 to 10 percent) than Americans, had considerably greater opportunities to participate

in cross-cultural training (69 and 57 percent, respectively) than did their U.S. counterparts (32 percent).<sup>9</sup>

Those results, though far from conclusive, suggest that cross-cultural training may be one of the best ways to enhance expatriate success.

In fact, Black and Mendenhall recently reviewed 29 studies that examined the effectiveness of cross-cultural training and found that participants (1) felt that the programs yielded positive results, (2) showed better interpersonal effectiveness, (3) had more cultural awareness and understanding, and (4) experienced less culture shock.<sup>10</sup> Thus it appears that such programs can help prepare managers to meet the challenges they will face on their assignments.

The research by Tung and others, however, did not include hospitality organizations. The results may therefore have limited utility for hospitality practitioners. It is likely that the desirable attributes for expatriate hotel managers are somewhat different from those for expatriate managers in other industries. While adaptability, flexibility, and good communication skills may be desirable characteristics for any expatriate manager, the nature of the hospitality industry requires a highly developed set of interpersonal and relational skills, and expatriate hotel managers must understand the local culture and comprehend the needs of a diverse customer base.

Indeed, a recent study found significant differences between the success factors in manufacturing industries versus the service sector. For instance, the findings showed that service-sector expatriates as-

cribe high importance to relational and social factors.<sup>11</sup>

### Hospitality Issues

Because of the lack of hospitality research on expatriate failure and performance, we asked a number of questions that are summed up by the following general questions:

- (1) Are perceived failure rates for expatriates in the hotel industry similar to failure rates in other industries?
- (2) Are the reasons for failure and the desirable attributes for expatriates in the hotel industry similar to the reasons for failure and the desirable attributes in other industries?
- (3) Is cross-cultural training necessary, and what are the perceived benefits of training?

We sent questionnaires to 110 managers who were employed in large multinational hotel companies and had been assigned to an overseas position during the past two years. Forty usable surveys were returned. The typical respondent was male, was married, had children, had about 16 years of international experience, and spoke three or more languages. As a group the respondents represented 15 nationalities and had worked in 20 countries. Only 25 percent of the study participants had themselves participated in cross-cultural training. This suggests that such training isn't very widespread, an observation that is reinforced by the lack of any literature on hospitality-specific cross-cultural training.

Survey items assessed the respondents' perceptions about industry failure rates, reasons for failure, desirable attributes for expatriate managers, and the types and effectiveness of training that may be used to pre-

<sup>11</sup>Winfred Arthur and Winston Bennett, "The International Assignee: The Relative Importance of Factors Perceived to Contribute to Success," *Personnel Psychology*, Vol. 48 (1995), pp. 99-114.

<sup>9</sup>Tung, p. 76.

<sup>10</sup>J.S. Black and M. Mendenhall, "Cross-Cultural Training Effectiveness: A Review and a Theoretical Framework for Future Research," *Academy of Management Review*, Vol. 15, No. 1 (1990), p. 132.

<sup>7</sup>Tung, p. 76.

<sup>8</sup>Mendenhall and Oddou, "Dimensions," p. 40.

**Exhibit 2**  
**Reasons for failure in overseas assignments**

	Mean rating
Spouse couldn't adjust	3.43
Manager couldn't adjust	3.43
Personal or emotional immaturity	3.14
Lack of preparation	2.97
Other family problems	2.91
Lack of technical expertise	2.75

Note: Response choices ranged from 1 (never) to 5 (most frequent).

pare managers for an international assignment. Keep in mind that we asked the managers themselves for their perceptions of how many managers returned prematurely from overseas assignments and the reasons why, and about possible mitigating factors. Whether those perceptions fairly mirror reality could be the basis for another study.

**Question 1.** *Are perceived failure rates for expatriates in the hotel industry similar to failure rates in other industries?*

The respondents indicated that the failure rates for expatriates in the hotel industry are about 30 percent. That result is similar to those for U.S. expatriates in cross-industry studies. As noted above, Tung's prior research showed that U.S. expatriates had higher failure rates than expatriates from other countries. However, because 75 percent of our respondents were from European countries, we expected a failure rate closer to that found for the European expatriates in Tung's study (i.e., 5 to 10 percent). Thus our findings suggest that failure rates in the lodging industry may be higher than those in other industries and that expatriate failure may be even more important than we first thought.

If the costs of failure are also similar, a multinational hotel firm with 100 expatriate managers in developed countries could lose

\$7.5 million owing to a 30-percent expatriate failure rate (30 failures at \$250,000 each). Moreover, because there are many attractive opportunities for international hotel expansion in developing regions around the world, companies could face even greater losses if the estimated failure rate of 70 percent in those regions is accurate. For example, a multinational hotel firm employing 100 expatriates in developing countries could face \$17.5 million in losses (70 failures at \$250,000 each). Those estimates don't include the hidden costs associated with damaged business and government relations—which are critical when establishing a foothold in new markets. The foregoing discussion is all speculation, of course, but the potential losses could still be staggering even if those estimated costs and rates of failure are too high.

**Question 2.** *Are the reasons for failure and the desirable attributes for expatriates in the hotel industry similar to the reasons for failure and the desirable attributes in other industries?*

We found several similarities between the results of our study and previous studies in other industries. First, we found that the spouse's inability to adapt to the host culture and the manager's inability to adapt to the host culture were the two most prominent reasons for failure (see Exhibit 2). However, the respondents indicated that the third most important reason for failure is the manager's lack of personal or emotional maturity. Those findings highlight the importance of relational and social skills for hotel expatriates and suggest that technical skills (which may be more important for expatriates in other industries) are not as important as other factors.

One implication of those results is that hotel companies might be well advised to include spouses in the expatriation process. Only

**Exhibit 3**  
**Desirable attributes**

	Mean rating
People skills	4.90
Adaptability, flexibility, and tolerance	4.85
Emotional maturity	4.58
Industry experience	4.38
Self-confidence	4.28
Motivation for overseas assignment	4.26
Functional experience	4.15
Technical skills	4.08
Intellectual skills	4.00
International experience	3.93
Loyalty	3.58
Language skills	3.53

Note: Response choices ranged from 1 (unimportant) to 5 (very important).

12.5 percent of the spouses in our study participated in company-supported training programs designed to prepare managers and their families for the assignment. That is a noteworthy point, because a spouse's adjustment may be more difficult to manage than that of the manager. Spouses must acclimate to the local culture without the benefit of familiar work-related activities.

Second, we found that the two most desirable attributes were people skills and the characteristics of adaptability, flexibility, and tolerance (see Exhibit 3). In fact, five of the top six attributes are associated with interpersonal and social skills rather than technical skills. Those results are markedly different from Tung's results, in which western European and Japanese expatriates viewed technical skills (i.e., technical knowledge of the business) as the most important attribute for success. Moreover, when the reasons for failure and the desirable attributes are placed in order of importance, an interesting profile of the characteristics that may be necessary to ensure expatriate success is revealed.

## Exhibit 4

### Potential outcomes of training for expatriate managers

	Mean rating
Improves job satisfaction and retention of overseas staff	4.40
Improves effectiveness in rapidly changing business environments	4.38
Gives a company a competitive edge over other global players	4.23
Prevents loss of business due to insensitivity to cultural norms	4.10
Helps firms avoid wasting resources on ill-conceived strategies	4.00
Improves a firm's ability to identify viable business opportunities	3.93
Has no effect on preparation for an overseas assignment	2.50

Note: Response choices ranged from 1 (strongly disagree) to 5 (strongly agree).

Those results support the notion that there are industry-specific reasons for failure and requirements for success. In addition, the information provides a framework for developing programs that may be used to enhance expatriate effectiveness.

**Question 3.** *Is cross-cultural training necessary, and what are the perceived benefits of training?*

The answer to the first part of that question was no surprise. All respondents agreed or strongly agreed that cross-cultural training was necessary in the expatriation process. The respondents also reported that such training can improve job satisfaction and performance and provides a competitive advantage over other global players (see Exhibit 4). Thus training has the potential of making a significant impact on international ventures.

<sup>12</sup>A.A. Lado and M.C. Wilson, "Human Resource Systems and Sustained Competitive Advantage: A Competency-Based Perspective," *Academy of Management Review*, Vol. 19, No. 4 (1994), pp. 699-727; M. Huselid, "The Impact of Human Resource Management Practices on Turnover, Productivity, and Corporate Financial Performance," *Academy of Management Journal*, Vol. 38, No. 3 (1995), pp. 635-672; J.S. Russell, J.R. Terborg, and M.L. Powers, "Organizational Performance and Organizational Level Training and Support," *Personnel Psychology*, Vol. 38 (1985), pp. 849-863; and D.E. Terpstra and E.J. Rozell, "The Relationship of Staffing Practices to Organizational Levels of Performance," *Personnel Psychology*, Vol. 46 (1993), pp. 27-48.

Although training appears to have several important benefits, only 25 percent of the respondents felt that they had received adequate and relevant training. The reasons they indicated were high costs, the trend toward employment of local nationals, and lack of time. That is unfortunate. Recent studies have shown that effective human-resources-management practices, particularly training, can have a direct impact on individual and financial performance and may be an important source of sustained competitive advantage.<sup>12</sup> Focused efforts should be made to develop and implement programs that prepare expatriate managers for the challenges they and their families will face abroad.

### Cross-Cultural Training

To develop cross-cultural training programs that adequately prepare hospitality managers for overseas assignments, these questions must be answered: What should be the content of a cross-cultural training program? How should the program be structured? Who should do the training?

**Content.** There are a variety of models that may serve as a foundation for cross-cultural training programs. One of the most economical and useful models delineates "objective" and "subjective" characteristics of culture.

Objective characteristics are tangible and observable: currency, government system, architecture, language, and so on. Programs that emphasize the objective aspects of culture help managers understand what to expect in their daily routine and the social dynamics they will encounter. The information should create an awareness of the general dimensions on which cultures differ and the likely effect of the differences on expatriates.

Objective-based programs typically focus on managing change and

coping with the stress that accompanies an overseas assignment.<sup>13</sup> The preparation and adjustment associated with cross-cultural assignments can induce a great deal of anxiety and pressure.<sup>14</sup> Expatriates must therefore have an opportunity to acquire knowledge and skills that will help them manage the "culture shock," prepare them for the initial and continuous challenges they will face, and reduce the likelihood of premature return.

It is not enough, however, for expatriates to learn about the salient objective characteristics that distinguish the host culture from that of their home country. Expatriates must also understand the more elusive, subjective characteristics: customs, values, beliefs, norms, and so on. Cross-cultural training programs that incorporate subjective cultural characteristics help trainees develop a deeper understanding of the values and beliefs that influence behavior in the host country; for example, attitudes about work (e.g., individualism versus collectivism), authority (e.g., relevance of organizational hierarchy), and punctuality (e.g., "island time").

The importance of subjective cultural characteristics cannot be overstated. Without a thorough grounding in those aspects, an expatriate may arrive at the host property and mistakenly think that because the front desk, kitchen equipment, and room furnishings look the same as those in New York City, the property should function as it might in New York City. While the objective aspects (e.g., the reservations system) may operate the same, the people will not necessarily perform their jobs the same way.

Understanding the objective aspects should help to make the expatriate feel comfortable in the new environment, and a comprehensive understanding of the subjective aspects of the host culture will facilitate acculturation and enhance performance. Cross-cultural training programs should include both objective and subjective aspects of culture.

**Structure.** The more general, objective cultural characteristics should be presented before the more specific, subjective cultural characteristics. It is important to develop a general awareness of cross-cultural issues first. Managers who have a broad understanding of a culture can generalize that knowledge to many cultural contexts. Once they learn about general cultural issues, they are ready to acquire the various social-interaction skills necessary to be effective in the host country. That format, proceeding from the general to the specific, is an effective strategy for achieving desired learning outcomes in any training program.<sup>15</sup>

To facilitate an understanding of the objective culture, passive methods, such as lectures, readings, and videos can be used. Those methods can be effective for learning about history, geography, climate, population demographics, and the economy of the host culture.

For developing more specific knowledge and skills, experiential methods, such as cultural assimilators and role-playing, are most appropriate. ("Cultural assimilators" refers to communication exercises or practice involving brief intercultural interactions to assist members of one culture with adjusting to members of another culture.) The behavioral skills are acquired

through practice, repetition, and immediate feedback about performance. In this stage of training the managers not only learn about the culture but practice their newly acquired understanding and skills in situations that don't carry the risks involved with learning on the job and in the culture.

**Trainers.** Robert Kohls, considered one of the foremost experts in the field of cross-cultural training, suggests that trainers should have these characteristics and qualifications: (1) previous experience living abroad, (2) personal experience with the challenges associated with culture shock, (3) a comprehensive knowledge of the host country, (4) a clear understanding of the values of the home culture and the host culture and the ability to differentiate between the two on various dimensions, and (5) a positive attitude about experiencing new cultures and value systems.<sup>16</sup>

Kohls also argues that trainers should have a thorough grounding in both the empirical and the theoretical literature on expatriate acculturation and should interact one-on-one with the trainees throughout the program. The best source of trainers may in fact be a company's present and former expatriate staff.

### Future Success

Taking account of this paper's findings should help human-resources managers develop an active approach to resolving concerns about expatriate failure and ineffectiveness. As long as the hotel industry's expansion relies on expatriate managers, the industry must provide the training that will improve the chances for expatriate success. **CQ**

<sup>13</sup>J.K. Harrison, "Developing Successful Expatriate Managers: A Framework for the Structural Design and Strategic Alignment of Cross-Cultural Training Programs," *Human Resource Planning*, Vol. 17, No. 3 (1994), p. 22.

<sup>14</sup>Mendenhall and Oddou, "Dimensions," p. 41.

<sup>15</sup>R. M. Gagne and L.J. Briggs, *Principles of Instructional Design*, 2nd ed. (New York: Holt, Rinehart, and Winston, 1979).

<sup>16</sup>R. Kohls, *Intercultural Training: Don't Leave Home without It* (Washington, D.C.: SIETAR [International Society for Intercultural Education, a French organization], 1984), p. 20.