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Do global firms measure expatriate return on investment? An empirical examination of measures, barriers and variables influencing global staffing practices

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Abstract

Many managers in global firms regard the ability to obtain a return on investment (ROI) from expatriates as important, given the substantial costs associated with global staffing practices, particularly international assignments, and the risks and uncertainties of deploying key talent. This research examines how expatriate ROI is measured for long-term assignments in 51 global firms, across 18 industries, and with headquarters in North America, UK, Europe, Africa, and Asia Pacific. Our findings suggest that firms do not have formal procedures in place to measure expatriate ROI and instead rely heavily on informal practices that are seldom aligned to a global strategy. Cultural, operational, and strategic barriers to measuring ROI also exist. In

addition, we are challenged to consider whether measuring expatriate ROI is actually a goal for managers in global firms, given the evidence which suggests that for some firms having expatriates is often a cost of doing business for which a formal measure may be unnecessary. An alternative view suggests that if international assignments are considered a necessary cost of doing business for global firms, how expatriates are managed in terms of the HR practices that support their activities and how the outcomes of those activities impact broader firm performance may be far more important concerns. Based on evidence that the nature of expatriation is rapidly changing, we conclude that expatriate ROI remains a challenging and complex process that managers in global firms are currently not well-equipped to address. The findings have important implications for the planning and management of international assignments.

Keywords:

expatriates | HRM strategies and practices | qualitative research methods | return on investment

Notes

1. Only a small number of managers in the study (n = 6; 12%) indicated that initiatives are currently underway to implement new expatriate ROI projects (see for example McNulty 2008). These projects are intended to develop new or revised HR (and non-HR) systems approaches to global staffing which are aligned to the value and uniqueness of each firm's expatriate population.

2. Managers who self-selected their participation in the study did so on the basis of obtaining the final report (offered in exchange for their participation) to assist them to improve their ROI practices. Interest in the need for a more effective approach to expatriate ROI was therefore very high.

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