An Eastern and SME version of expatriate management: an empirical study of small and medium enterprises in Taiwan

Carol Yeh-Yun Lin and Yu-Chen Wei

Abstract

This study, different from previous ‘individual level’ research, explored ‘company-level’ expatriate training, expatriation policies and the perceived willingness on the part of expatriates to take on an enhanced role in organizational performance. Based on data from 254 Taiwanese SMEs with foreign investments, an Eastern and SME version of expatriate management is presented. The most significant predictors of expatriate premature return and company sales are the ‘number of expatriates’ and ‘ratio of expatriates with managerial positions’. Companies that have a greater percentage of expatriates with spousal accompaniment experience more premature return while insufficient training explains lower company sales. Insights regarding regional expatriate differences and methodological implications are also elaborated.

Keywords: Expatriate; SME; Taiwan; regression analysis.

Introduction

In an increasingly competitive environment, business partnering across national borders poses an interesting yet challenging task for top management teams in most countries. Some corporations, such as Coca-Cola, McDonald’s, IBM and Xerox, rely on overseas operations to generate a major part of their revenues. Harvey (1996) commented that the key to competing successfully in the global marketplace could very well be staffing important expatriate positions with skilled leaders. Mobile managers who are competent and willing to move internationally and work as expatriates are major corporate assets. However, various studies have indicated a high expatriate failure rate (a premature return), ranging from 16 per cent to 45 per cent (Fitzgerald-Turner, 1997; Marquardt and Engel, 1993; Shilling, 1993; Tung, 1986). For organizations, the costs of expatriate failure are immense. Research findings reveal that the cost of sending a failed manager and his family back home is around US$250,000 (Gregersen and Black, 1990; Ioannou, 1995; Swaak, 1995; Taylor and Napier, 1996). In addition, the indirect costs of such failures are substantial. They may include a blow to the company’s reputation, failed negotiations, psychological depression of the expatriates, family dysfunction and the possible loss of good employees (Adler, 1994; Black, 1988; Black and Mendenhall, 1989; Katz and Seifer, 1996; Naumann, 1992; Zeira and Banai, 1984). Companies that have a physical operation in a foreign country generally encounter expatriation-related problems. These situations have prompted expatriate research from different perspectives.

Historically, the literature has primarily highlighted studies of multinational corporations in Western countries. However, in the words of Adler (1986), 'Paralleling the shift of business from the Atlantic to the Pacific Basin, we move from the field’s conceptually occidental history to an Oriental perspective.' In the Orient, foreign-directed investment based in Taiwan is becoming a major source of economic strength, especially in Asia. Lee (1994) reported that the aggressive outbound investments of Taiwanese small- and medium-sized enterprises (SMEs) in Southeast Asia have had a substantial impact on the economic development of the Pacific region. According to Taiwan’s 2002 Annual Industry Report, the accumulated investment of Taiwanese companies in Southeast Asia has reached US$41.4 billion. The investigation of Taiwanese business practices is taking on added significance not only because of the increasing stature of Taiwanese investment in Asia, but also because
of the roles played by Asian nations in the world economy.

Another feature of this research is that, unlike previous MNC studies, we have investigated SMEs’ expatriate management, which has heretofore remained little explored. The study of SMEs is gaining importance in an era emphasizing innovation, speed and flexibility (Acs and Audretsch, 1993; Van Dijk, 1995; Hu, 1999). Taiwan’s economic miracle over the last few decades has been attributed to SMEs, which constitute about 98 per cent of the island’s business entities (White Paper Book, 2002). Their distinctive international business operation model, mainly in emerging economies such as China and Vietnam, has exerted a great impact on Taiwan’s economic growth as well as that of Southeast Asia. Some local studies have shown that their expatriate management differs significantly from that of large Western companies (Huang, 1995; Lin, 2001).

In addition, previous research has tended to focus on the individual expatriate’s response (Tien and Lin, 2003). This study takes a different approach by drawing upon ‘company-level’ information in the hope that a more direct connection can be drawn between expatriate management and company performance, especially for resource-meagre SMEs. Specifically, this study attempts to explore the influence of a company’s perceived deficiencies in expatriate training, expatriation policies, expatriates’ willingness and cultural distance on company performance.

**Literature review and hypotheses development**

In business, the success of overseas operations has been attributed to several factors, such as good strategy, smart marketing, efficient production and excellent management. Among them, effective expatriate management has been well documented (Mendenhall and Oddou, 1986; Dowling et al., 1999). Developing successful and effective expatriates is a great challenge for international companies. In monetary terms, unsuccessful expatriation results in financial losses, expensive sunk expatriate costs and recovery expenses for assignment setbacks. From a strategic standpoint, expatriate failure causes not only the loss of new business opportunities and a damaged company reputation but also weakened relationships with customers, suppliers and government officials in the host country. The direct and indirect functions of expatriates include ensuring a uniform company policy, keeping a close eye on the subsidiary’s operations, directing and coordinating and affirming that subsidiary activities are in conformance with expectations at headquarters (Stahl et al., 2000). Their liaison and strategic control roles are becoming ever more vital (Boyacigiller, 1990; Harzing, 2001).

Even though a prevailing understanding exists concerning the importance of expatriate management and precautionary measures are by and large taken, expatriate failure to various extents and degrees still hinders overseas operations. Expatriate failure, according to Dowling and associates (1999), refers to the premature return of an expatriate. However, Tu and Sullivan (1994) commented that many expatriates endure willy-nilly to the end of their term abroad, yet perform at levels far below their capacities and the company’s expectations. As an indicator of expatriate failure, premature return may be misleading because it does not take into account the real productivity delivered, yet it remains the most widely used variable (Grove, 1990).

Expatriate management can be studied from various levels of analysis, including the individual level and the organizational level, and from various points of view, namely, those of international human resource management, a strategic point of view and a sociological perspective. Extant expatriation literature focuses more on the individual micro-level analysis (Tien and Lin, 2003) and international human resource management that is application oriented (e.g. Ashamalla, 1998; Harzing, 2001). This study adopts a different view by examining the effectiveness of expatriate management from a company perspective, with a combination of strategic and sociological concerns. Basically, this research is founded on resource-based theory, social capital theory, social cognitive theory and cultural distance theory. The rationale behind drawing on the concepts of these four theories is that effective expatriation is a complex mixture of resource obtainment, social networking and personal willingness in a different cultural environment. A single theory may not be sufficient to explain its dynamics.

A resource-based viewpoint regards valuable, rare, inimitable and non-transferable resources as the key to competitive advantage (Barney, 1986; Prahalad and Hamel, 1990; Wernerfelt, 1984). This school of thought believes that resources are dynamic and constructive. Simply identifying core resources is not enough. In coping with a rapidly changing business environment, genuine human resources should be self-pacing and self-generating to ensure lasting competitiveness. Management and organizational processes are the mechanisms that help achieve this goal. In terms of Foreign Direct Investments (FDI), competent and devoted expatriates are valuable, rare and non-transferable and are regarded as a company’s strategic resource. Expatriates require a host-country-specific set of knowledge, skills and experience. Training and development is an important management operation that facilitates the continuous supply of valuable human resources and enables expatriates
to be more productive, thereby enhancing the competitiveness of FDI. Tung (1982) reported that one of the reasons that European and Japanese expatriate failure rates were lower than American ones is that they had established more rigorous training programmes for expatriates. In addition, American companies, such as DuPont, IBM, Motorola and Shell Oil, that have set up appropriate cross-cultural training programmes have witnessed reduced expatriate failure rates (Callahan, 1989; Caudron, 1991; Hagerty, 1993; Kitsuse, 1992).

Needs assessment is a precursor of effective expatriate training and development. Kaufman et al. (1993) indicated that the functions of needs assessment include identifying gaps between current results and desired ones, prioritizing the gaps and selecting the most important ones for training development. This study has adopted an organizational viewpoint, with the understanding that a training deficiency detected by the company is more likely to be addressed through company initiatives. In other words, training needs reported by individuals may not be regarded as high priorities, particularly in SMEs with very limited resources.

Based on the assumption that adequate training facilitates effective development of the expatriate resource for company performance, a connection between insufficient expatriate training and both home-country and host-country performances can be drawn. Total sales volume (including overseas revenues) is an objective indicator of homecountry performance, whereas host-country performance may be examined through premature expatriate return. We argue that insufficient expatriate training may undermine the effective development of competent expatriates, which in turn would lead to a higher level of premature expatriate return. For the same reason, insufficient expatriate training may result in under-performance abroad in terms of company sales. Although whether training actually influences company sales has been a subject of debate (Kealey and Protheroe, 1996; Tahvanainen, 2000), expatriate training is of different nature; consequently it may have a more direct impact on company performance and has therefore been deemed worthy of empirical testing. Thus, based on this body of literature, we predicted that:

**Hypothesis 1:** More training deficiencies predict a higher level of expatriate premature return.

**Hypothesis 2:** More training deficiencies predict lower company sales.

In addition to perceived expatriation training deficiencies, an organization’s expatriation policies also affect the performance of FDI. Expatriation policies may include the number of expatriates, the positions of expatriates and the gender of expatriates. Social capital theory explains the decision-making of an organization’s expatriation policies. Social capital represents the knowledge embedded in the relationships that the firm has with suppliers, customers and any entity outside the boundaries of the firm (Bontis and Fitz-enz, 2002). It is the aggregate of the connectedness of firm members with external stakeholders and this network of human relationships constitutes a valuable resource for conducting social affairs (Nahapiet and Ghoshal, 1998; Pennings et al., 1998). The primary rationale for sending expatriates to a host country is to establish smoothly functioning human relationships and effectively conduct social affairs for the benefits of the home-country company. Kostova and Roth (2003) reported that it is important for MNCs to build the social capital necessary to facilitate the co-ordination of cross-border activities.

Expatriation policies reveal company values that may be interpreted by host nationals as favourable or unfavourable, and thus liable to affect the outcome of cross-border interactions. For the home-country company, expatriates are boundary spanners who collect essential information. Therefore, budget constraints permitting, the greater the number of boundary spanners in overseas markets, the greater the number of relationships with the host-country natives that can be established; consequently, the information they provide will be regarded as of a more reliable and unbiased nature. What is more, MNCs tend to send abroad expatriates in managerial positions, since higher-ranking representatives stand a better chance of gathering social capital (Harzing, 2001; Kostova and Roth, 2003; Manev and Stevenson, 2001). Gabby and Zuckerman (1998) in particular emphasized the expatriate’s role in interacting with local government agencies, banks, suppliers, customers and alliance partners and bridging cultural, social, and political gaps. These tasks require expatriates with a managerial perspective.

Expatriate gender selection is another basic expatriate policy consideration. Although US statistics compiled in 1990 showed that women held about 40 per cent of all management positions (Marlow et al., 1995), few have been given opportunities to expand their career horizons through access to international careers (Adler, 1994). Adler (1993) found out that only 3 per cent of expatriate managers were women; Harris (1993) reported their number within a range between 2 and 5 per cent. From a social capital perspective, there are pros and cons in
sending female expatriates abroad. On the one hand, female expatriates are reportedly more competent in relational skills, which is critical to the success of overseas operations (Harris, 1993; Shilling, 1993). On the other hand, a given local culture may not readily accept a female expatriate as a home-country representative (Adler, 1987), and this would hamper cross-country interactions. The ratio of female expatriates may reflect company philosophy in utilizing international human resources. The above-stated expatriate policies, namely the number of expatriates, the ratio of expatriates with managerial positions and the ratio of female expatriates should have some influence on host-country social capital building, and thus impact on company performance. Therefore, we hypothesized that:

**Hypothesis 3:** Company expatriation policies (the number of expatriates, the ratio of expatriates with managerial positions and the ratio of male expatriates) significantly affect expatriate premature return.

**Hypothesis 4:** Company expatriation policies (the number of expatriates, the ratio of expatriates in managerial positions, and the ratio of male expatriates) significantly affect company sales.

In addition to company-perceived expatriate training deficiencies and expatriation policies, the perceived willingness of expatriates may also influence premature return and enthusiasm to promote company sales. Social cognitive theory may provide some insight here. Social-cognitive theory promotes the notion that there is a reciprocal relationship between behaviour, cognition and environmental factors, all of which operate interactively as determinants of one another. Bandura (1986) maintains that the beliefs and expectations of individuals are related to their capacity to execute necessary courses of action to satisfy situational demands successfully. Social cognitive theory can be applied to this study by the assumption that expatriates who have a sense of self-efficacy and are willing to accept overseas assignments are more likely to succeed. Dowling and associates (1999) reported that willingness to relocate is an important predicator of expatriate success. Stronger willingness reflects a stronger eagerness to relocate and to adapt to a new environment, whereas an expatriate with a negative mindset is more likely to perform unsatisfactorily.

An employee’s willingness to relocate internationally is a general predisposition that has an association with personal, financial and family-related issues. Among them, ‘family problems’ has been identified as most critical (e.g. Harvey, 1998; Fish and Wood, 1997). Tung (1988) pointed out that most expatriate failure resulted from the inability of expatriate spouses to adapt to the new culture. The problem critically affects not only the failure of expatriate adaptation (Black et al., 1991; Shaffer et al., 1999), but also increase in refusals to relocate overseas (Harvey, 1997).

In Taiwan, whether a spouse is willing to relocate is an issue, alongside the question of adaptability. Quite a high percentage of the spouses of Taiwanese expatriates choose to stay in the home country, mainly out of concern for their children’s education and security, when their mates are relocated to developing countries (Lin, 2001). Regardless of whether the decision is voluntary or involuntary, expatriates generally experience more pressure and are less able to adapt to new conditions without spousal accompaniment (Huang, 1995). Performance may thus be affected. Therefore, relocation with or without a spouse is also a subject worthy of investigation. The personal willingness of expatriates and spousal accompaniment are termed ‘expatriate willingness’ hereafter for brevity’s sake. Based on the above reasoning, we predicted that:

**Hypothesis 5:** A higher degree of expatriate willingness for an overseas assignment predicts lower premature return.

**Hypothesis 6:** A higher degree of expatriate willingness for an overseas assignment predicts more company sales.

In expatriation literature, culture is another widely researched topic. Hofstede’s studies pointed out that cultural differences exist all over the world and have an influence on management practices in international business (Black and Mendenhall, 1992; Neelankavil et al., 2000; Li et al., 2001). In this study, cultural distance theory provides support in examining the topic of our interest. Cultural distance is the degree to which the cultural norms in one country are different from those in another country (Hofstede, 1980; Kogut and Singh, 1988). Greater cultural distance hinders the integration of a subsidiary into the parent company (Jemison and Sitkin, 1986); it also creates difficulties for the successful cultural adaptation of expatriates (Black and Mendenhall, 1992). In line with our previous argument that expatriates are instrumental in building social capital in the host
country, we posit the following: the potential threat that greater cultural distance may lead to misunderstanding, friction and conflict between managers (Lincoln et al., 1981; Adler, 1997) should be minimized through various management mechanisms, such as increasing expatriate training, increasing the number of expatriates and sending higher-ranking expatriates abroad. Wu et al., (2000) surveyed 104 expatriates and reported that the greater the cultural distance between the host country and the parent country, the greater the cross-cultural training needs. In addition, a greater cultural distance may influence a company’s expatriation policies in determining, for example, how many expatriates are needed, what proportion of managerial expatriates are required and what the acceptance level of female expatriates in the host country might be. Moreover, cultural distance is generally one of the key factors for an individual in considering an overseas assignment and perhaps the most important factor for the spouse in deciding whether or not to go along (Aryee et al., 1996). Therefore, we hypothesized that:

**Hypothesis 7:** Cultural distance has significant effects on expatriate training deficiencies, expatriation policies and expatriate willingness.

**Methodology**

Having garnered government support for this study, the present undertaking is the first large-scale research of its kind in Taiwan, one that has utilized a telephone survey and specifically targeted SMEs. In addition, it has been particularly designed to be a company-level survey, which set out to explore the relationship between expatriate management and company performance. To facilitate a successful telephone survey, we took specific measures based on Lyberg’s (1988) recommendations to ensure the quality of the data collected, including hiring experienced telephone interviewers in a poll centre as seed interviewers, pilot surveys, interviewer training and on-site supervision and support. Data collection methods and measurement are explained in the following sections.

**Data collection**

The data of interest were collected through a telephone survey. Based on the 2000 Directory of Manufacturing and Service Industries in Northern Taiwan, the companies were randomly selected by computer. A large-scale survey generally has a sample of normal distribution. For this set of data, our predetermined sample size was around 1,500. As a result, 1,504 companies were successfully interviewed. Among the 1,504 companies, 254 companies (17 per cent) have expatriation experience. This paper presents a partial study of a large-scale project, and the following data analyses are based on the responses of all 254 companies.

Table 1 presents a profile of the companies surveyed. For total number of employees, 82.5 per cent of the companies have fewer than 100 employees, including 68.9 per cent with fewer than fifty employees. For company age, 58.5 per cent of the companies are over twenty years old. Slightly more than half of the companies are in the service industry. About three-quarters of the companies have invested in mainland China. The two main tasks of the expatriates are administration and marketing. The personnel who answered our questions included owners and presidents (11.1 per cent), top managers (12.6 per cent), middle managers (32.8 per cent) and key staff in the general manager’s office (43.5 per cent). Only 137 (54 per cent) companies provided their sales revenues (unexpected results were found for those companies with missing ‘sales’ values, which will be elaborated on below). Among these 137 companies, approximately three-quarters have less than 15 million US dollars in annual sales. The above statistics indicate that our samples are typical SMEs in Taiwan. In addition, the positions of the information providers show that they are the persons who are involved in the daily operations of Taiwanese SMEs and have a good understanding of overseas management. Therefore, this set of data is valuable for further analyses.
This section explains the measurement used, including performance, company-level perceived expatriate training deficiencies, expatriation policies, expatriate willingness, cultural distance and some control variables. In order to obtain a clear response to our questions over the telephone, the interviewee was first requested to identify the major overseas operation if the company has more than one overseas subsidiary.

Performance We used two variables, premature return and total company sales, to measure a company’s performance in the host and in the home countries, respectively. For premature return, the question we posed was: ‘Do you have any expatriates who returned to Taiwan prematurely?’ The respondents answered either ‘yes’ or ‘no’, which was coded as a dummy variable. For companies with overseas investment, a significant amount of revenue was generated in their overseas operations. Therefore, it is justifiable to investigate the relationship between expatriate management and total sales. ‘Sales’ was the total sales recorded in the home country, including overseas sales.

Training deficiencies Expatriate training has been found to be minimal in Taiwan (Huang et al., 1998; Lin and Shieh, 1998). Therefore, if we asked whether a company provides expatriate training or how extensive the scope of the expatriate training was, the most likely answer would be ‘no’ or it would be unreliable. Therefore, we phrased the question as: ‘Do you think the expatriates of your company need cross-cultural knowledge training?’ The respondent answered either ‘yes’ or ‘no’. The training items we asked included cross-cultural knowledge,
local language, local employee management, industry-related knowledge, local market information, local
government relationship and host-country laws. These training items were based on a pre-study market survey,
meaning we determined the most popular course titles offered by local training agencies.

**Expatriation policies** Three variables were selected to represent the expatriation policies under investigation in
this study, namely, number of expatriates, ratio of expatriates with managerial positions and ratio of male
expatriates. Expatriate number was determined by the actual number of a company’s expatriates. The two ratios
were determined by the percentages of managerial level expatriates and male expatriates.

**Expatriates’ willingness** Since this is a company-level study; we assessed the perceptions of our interviewees,
who were involved in expatriate management. This factor consists of two questions, the personal willingness of
expatriates and spousal companionship. Expatriates’ personal willingness was measured by the degree of the
expatriates’ enthusiasm in accepting their overseas assignment, with a scale of 5 -high, 3 =average and 1 =low.
Expatriate with spouse was rated as ‘the percentage of married expatriates with spousal accompaniment’.

**Cultural distance** To test the effects of cultural distance, we employed two groups in terms of host country –
‘China’ and ‘non-China’. Since Taiwanese companies invest heavily in China and share the same cultural
heritage with China, the cultural distance between Taiwan and China should be small.

**Control variables** In order to provide a control for some company characteristics, we selected four variables,
namely: company size, number of overseas operations, number of overseas employees and company age.
Company size is the total number of employees in the parent company. Number of overseas operations is the
total number of different overseas operations. The overseas employee number is the total number of employees
in the chosen overseas operation, including expatriates and local employees. Company age is the number of years
in operation of the parent company.

**Results**
This section presents the results of the descriptive analysis and hypotheses testing.

*Descriptive analysis*

The means and standard deviations of all the variables investigated are reported in Table 2. Training
insufficiency was measured by the dummy variable (1 = need and 0 = no need). Thus, the value in Table 2 is the
proportion of company-level training insufficiency. The results indicated that knowledge of host-country laws
(mean = .58) was the most needed item. The sequence of other areas of training insufficiency was local employee
management (mean = .44), local market information (mean = .38), industry-related knowledge (mean = .33),
relations with local government (mean = .27), local language (mean = .22) and cross-cultural knowledge (mean
= .13). Contrary to previous findings (e.g. Chi, 1996), the low priority of language and cross-cultural knowledge
training found in this study may be explained by the shared language and culture of Taiwan and China
(three-quarters of the companies invested in China). The mean number of expatriates was 4.37. Since the
majority of companies had fewer than 100 employees, an average expatriate number of 4.37 was notably high
and worthy of special mention. In addition, most of the expatriates were supervisors (83 per cent) and male (87
per cent). On a scale of 5, the average degree of expatriate willingness was 3.62. Barely one in five (21 per cent)
of the married expatriates was accompanied by spouses. Interestingly, the average number of employees in the
home companies was 61, whereas that of the chosen overseas operations was 397, meaning that overseas
employees outnumbered those of the parent company. This is a typical example of how Taiwanese SMEs
leverage their limited resources. Table 2 shows that 17 per cent of the surveyed companies (n = 43) had
prematurely returning expatriates. The reasons included: inability to adjust (n = 13), inability to handle overseas
tasks (n = 12), family factors (n = 10), company policies (n = 2), personal factors (n = 2) and health factor (n = 1).
Three interviewees did not provide a specific reason. If premature return is defined as ‘expatriate failure’, the
expatriate failure rate in the present study was 17 per cent. This rate represented a company level and a
somewhat inflated statistic, for no matter how many expatriates a company might send overseas, a single
premature return case was counted as a failure. Taking the mean expatriate number of 4.37 into consideration,
the expatriate failure rate could be as low as 4 per cent (17 per cent divided by 4.37) if it is taken as an individual
count. Still, 17 per cent is at the extreme low end of the 16–45 per cent failure rate reported in Western literature.
Since about 46 per cent of the sample did not provide sales revenues, we separated the data into two groups, one with sales and the other without sales, and tested for significant differences between them. The rationale was that SMEs unwilling to disclose sales information might have different management practices. Their means and t-test results were incorporated into Table 2. Missing values on 'sales' were common in Taiwan. Our past research experience indicated that many Taiwanese companies had a 'no sales disclosure policy' for fear of disclosing important information to competitors. This government-supported research project encountered another problem, i.e., the surveyed companies tend to think that reporting strong sales revenues could reduce their opportunities to

<table>
<thead>
<tr>
<th>Variables</th>
<th>Total Means (SD)</th>
<th>With sales Means (SD)</th>
<th>Without sales Means (SD)</th>
<th>t</th>
<th>p</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training deficiencies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cross-cultural knowledge</td>
<td>.13(.34)</td>
<td>.15(.36)</td>
<td>.11(.32)</td>
<td>0.99</td>
<td>.05a</td>
</tr>
<tr>
<td>Language ability</td>
<td>.22(.42)</td>
<td>.26(.44)</td>
<td>.19(.39)</td>
<td>1.29</td>
<td>.01a</td>
</tr>
<tr>
<td>Local employee management</td>
<td>.44(.50)</td>
<td>.47(.50)</td>
<td>.41(.49)</td>
<td>1.02</td>
<td>.06</td>
</tr>
<tr>
<td>Industry-related knowledge</td>
<td>.33(.47)</td>
<td>.38(.49)</td>
<td>.27(.45)</td>
<td>1.81</td>
<td>.00b</td>
</tr>
<tr>
<td>Government relationship</td>
<td>.27(.44)</td>
<td>.29(.46)</td>
<td>.24(.43)</td>
<td>0.95</td>
<td>.06</td>
</tr>
<tr>
<td>Host-country laws</td>
<td>.58(.49)</td>
<td>.61(.49)</td>
<td>.54(.50)</td>
<td>1.20</td>
<td>.04a</td>
</tr>
<tr>
<td>Local market information</td>
<td>.38(.49)</td>
<td>.42(.49)</td>
<td>.33(.47)</td>
<td>1.56</td>
<td>.01b</td>
</tr>
<tr>
<td>Company expatriation policies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of expatriates</td>
<td>4.37(4.3)</td>
<td>3.84(3.4)</td>
<td>5.00(5.1)</td>
<td>-2.11</td>
<td>.00b</td>
</tr>
<tr>
<td>Ratio of managerial expatriates</td>
<td>83% (25%)</td>
<td>83% (24%)</td>
<td>82% (25%)</td>
<td>0.42</td>
<td>.69</td>
</tr>
<tr>
<td>Ratio of male expatriates</td>
<td>87% (21%)</td>
<td>88% (21%)</td>
<td>87% (22%)</td>
<td>0.47</td>
<td>.53</td>
</tr>
<tr>
<td>Expatriates’ willingness</td>
<td>3.62(1.9)</td>
<td>3.46(1.9)</td>
<td>3.80(1.8)</td>
<td>1.39</td>
<td>.01b</td>
</tr>
<tr>
<td>Ratio of expatriates with spouses</td>
<td>21% (35%)</td>
<td>20% (34%)</td>
<td>25% (36%)</td>
<td>-0.47</td>
<td>.39</td>
</tr>
<tr>
<td>Company characteristics</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company size</td>
<td>61(96)</td>
<td>60(101)</td>
<td>61(90)</td>
<td>-0.04</td>
<td>.97</td>
</tr>
<tr>
<td>Number of overseas employees</td>
<td>397(1203)</td>
<td>432(1361)</td>
<td>348(1945)</td>
<td>0.52</td>
<td>.49</td>
</tr>
<tr>
<td>Number of overseas operations</td>
<td>1.89(1.36)</td>
<td>1.93(1.42)</td>
<td>1.84(1.29)</td>
<td>0.53</td>
<td>.47</td>
</tr>
<tr>
<td>Company age</td>
<td>21.7(18.1)</td>
<td>21.9(18.5)</td>
<td>21.4(17.4)</td>
<td>0.61</td>
<td>.21</td>
</tr>
<tr>
<td>Expatriate performance</td>
<td>17(.38)</td>
<td>21(.41)</td>
<td>12(.33)</td>
<td>2.02</td>
<td>.00b</td>
</tr>
<tr>
<td>Sales (in million US$)</td>
<td>10.2(9.5)</td>
<td>10.2(9.5)</td>
<td>0</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes:
* p < .05; ** p < .01; *** p < .001.
obtain governmental financial support. Table 2 shows that Taiwanese SMEs which were more defensive in sales information generally had fewer expatriate training deficiencies, sent more expatriates overseas, had a higher degree of expatriate willingness and experienced a lower level of expatriate premature return. It seemed that the group without sales data performed better. To further verify the differences between the groups with and without sales, the general profile variables in Table 1 were also tested for significant differences. The chi-square results indicated that these two groups did not demonstrate any statistical differences in terms of number of employees, company age, industry, countries invested in, main task of expatriates and positions of respondents.

To justify the employment of regression analyses, a correlation analysis was performed. Initial analysis revealed that most of the seven different types of training deficiencies are significantly correlated. To minimize the multicollinearity, scores of the seven training deficiencies were collapsed into one composite mean score for further analysis.

Hypothesis testing

To test Hypotheses 1, 3 and 5, we used a logistic regression analysis because ‘premature return’ is a binomial variable. Hypotheses 2, 4 and 6 were tested by multiple regression analysis for the variable ‘sales’ is numerical. The rationale for conducting regression analyses is to detect significant predictors of expatriate premature return and company sales, that is, whether expatriate training deficiencies, expatriation policies, expatriate willingness and company characteristics exert any influence on company performance. Both Tables 3 and 4 exhibit the results of two regression models – ‘with’ and ‘without’ control variables. Table 3 indicated that, with a correct classification rate of about 85 per cent and above at alpha .01, the models have good predictive validity. In Table 4, an R square of .121 and .399 for Model (1) and Model (2) respectively also indicated acceptable predictive power. Since the significant variables of Model (2) encompass those of Model (1), and Model (2) has a better predictive power in both tables, we now explain the results of Model (2) only.

Statistics in Table 3 indicate that Hypothesis 1 is not supported. Training deficiencies have no impact on expatriate premature return. For expatriation policies, in companies with a sales group, a greater number of expatriates lead to more premature return and a greater number of expatriates in managerial positions results in less premature return (negative coefficient). The expatriation policies of companies ‘without sales’ have no influence on premature return at all. Therefore, Hypothesis 3 is partially accepted. ‘Expatriates with spouses’ significantly predicts premature return for companies ‘with sales’, meaning expatriates with a spousal companion are more likely to return to Taiwan prematurely. Yet, it did not have any effect for companies ‘without sales’. As a result, Hypothesis 5 is partially accepted. This result somewhat agrees with relevant Western literature regarding spousal mal-adaptation. For the control variables, only ‘number of overseas employees’ has a significant impact on premature return, meaning more overseas employees result in a higher level of premature return.

The statistics exhibited in Table 4 indicate that training deficiencies significantly predict company sales. The negative coefficient explains that more training deficiencies predicted lower company sales. Therefore, Hypothesis 2 is accepted. For expatriation policies, ‘number of expatriates’ and ‘ratio of expatriates in managerial positions’ significantly explains the variance in company sales and partially supported Hypothesis 4. The different directions of the coefficients indicates that more expatriates leads to more sales; however, more expatriates in managerial positions results in lower sales. Expatriate willingness exerts no influence on company sales. Therefore, Hypothesis 6 is rejected. For the control variables, more home-country employees, more overseas operations and more overseas employees all lead to more company sales.

To test Hypothesis 7 concerning the influence of cultural distance, we used chi-square and t-test analyses. Tables 5 and 6 showed that Hypothesis 7 is partially accepted. Based on the frequency percentage, the chi-square statistics in Table 5 indicate that, for both ‘with sales’ and ‘without sales’ groups, Taiwanese SMEs with investments in non-China countries significantly need more host-country language training, yet less host-country legal training. For companies ‘with sales’, companies with investments in China need more local employee management training and more government relations training.
Table 3  Logistic regression on expatriates' premature return

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model (1)</th>
<th>Model (2)</th>
<th>Model (1)</th>
<th>Model (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training deficiencies (H1)</td>
<td>.18 (13)</td>
<td>0.15 (.14)</td>
<td>.04 (.18)</td>
<td>.03 (.25)</td>
</tr>
<tr>
<td>Expatriation policies (H2)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of expatriates</td>
<td>1.65 (.50)***</td>
<td>1.65 (.57)***</td>
<td>1.33 (.68)</td>
<td>−.39 (1.1)</td>
</tr>
<tr>
<td>Ratio of managerial expatriates</td>
<td>−.97 (.95)</td>
<td>−2.91 (1.2)***</td>
<td>−2.18 (1.3)</td>
<td>−2.26 (1.8)</td>
</tr>
<tr>
<td>Ratio of male expatriates</td>
<td>.06 (.53)</td>
<td>.36 (.38)</td>
<td>−.66 (.68)</td>
<td>−1.04 (1.97)</td>
</tr>
<tr>
<td>Expatriates' willingness (H5)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expatriates' personal willingness</td>
<td>−.38 (.53)</td>
<td>−.65 (.52)</td>
<td>−.46 (.71)</td>
<td>−1.89 (1.0)</td>
</tr>
<tr>
<td>Expatriates with spouses</td>
<td>.58 (.48)</td>
<td>.79 (.34)</td>
<td>.03 (.47)</td>
<td>−.03 (.76)</td>
</tr>
<tr>
<td>Control variables</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company size</td>
<td>.01 (.48)</td>
<td>.05 (.71)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of overseas operations</td>
<td>−.14 (.31)</td>
<td>.45 (1.60)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of overseas employees</td>
<td>.84 (.32)</td>
<td>.12 (.50)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company age</td>
<td>−.91 (.57)</td>
<td>1.36 (1.1)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>p²</td>
<td>227</td>
<td>323</td>
<td>176</td>
<td>419</td>
</tr>
<tr>
<td>−2 log likelihood</td>
<td>112.84 ***</td>
<td>101.878 ***</td>
<td>64.189 **</td>
<td>40.74 **</td>
</tr>
<tr>
<td>Concordant</td>
<td>82.4%</td>
<td>85.12%</td>
<td>88.2%</td>
<td>88.29%</td>
</tr>
<tr>
<td>N</td>
<td>137</td>
<td>137</td>
<td>117</td>
<td>117</td>
</tr>
</tbody>
</table>

Notes
* p < .05; ** p < .01; *** p < .001.
Numbers in parentheses are standard errors.
(H1) means that factor is tested for hypothesis 1 and so on.
Table 4  Multiple regression on company sales

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model (1)</th>
<th>Model (2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training deficiencies (H2)</td>
<td>$-0.07(0.03)$</td>
<td>—</td>
</tr>
<tr>
<td>Expatriation policies (H4)</td>
<td>—</td>
<td>$-0.08(0.03)$</td>
</tr>
<tr>
<td>Number of expatriates</td>
<td>$0.48(0.16)$</td>
<td>$0.29(0.14)$</td>
</tr>
<tr>
<td>Ratio of managerial expatriates</td>
<td>$-0.40(0.28)$</td>
<td>$-0.62(0.28)$</td>
</tr>
<tr>
<td>Ratio of male expatriates</td>
<td>$0.11(0.16)$</td>
<td>$0.09(0.14)$</td>
</tr>
<tr>
<td>Expatriates’ willingness (H6)</td>
<td>$0.02(0.14)$</td>
<td>$-0.05(0.12)$</td>
</tr>
<tr>
<td>Expatriates with spouses</td>
<td>$0.03(0.08)$</td>
<td>$-0.02(0.09)$</td>
</tr>
<tr>
<td>Company size</td>
<td>—</td>
<td>$0.56(0.12)$</td>
</tr>
<tr>
<td>Number of overseas operations</td>
<td>$0.18(0.08)$</td>
<td>$0.19(0.07)$</td>
</tr>
<tr>
<td>Number of overseas employees</td>
<td>—</td>
<td>$0.09(0.13)$</td>
</tr>
<tr>
<td>Company age</td>
<td>—</td>
<td>$-0.09(0.13)$</td>
</tr>
<tr>
<td>$R^2$</td>
<td>$0.121$</td>
<td>$0.399$</td>
</tr>
<tr>
<td>$F$</td>
<td>$2.74^{*}$</td>
<td>$7.20^{**}$</td>
</tr>
<tr>
<td>df</td>
<td>$(11,125)$</td>
<td>$(15,121)$</td>
</tr>
</tbody>
</table>

Notes

* $p < .05$; ** $p < .01$; *** $p < .001$.

(H2) means that factor is tested for Hypothesis 2 and so on.
Table 5  The chi-square results of cultural differences on training deficiencies

<table>
<thead>
<tr>
<th>Training deficiencies items</th>
<th>With sales (China) n = 105</th>
<th></th>
<th></th>
<th>Chi-square value</th>
<th>Without sales (China) n = 86</th>
<th></th>
<th></th>
<th>Chi-square value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cross-cultural knowledge</td>
<td>18(17.1%)</td>
<td>7</td>
<td>6</td>
<td>0.687</td>
<td>9(10.5%)</td>
<td>7</td>
<td>6</td>
<td>0.305</td>
</tr>
<tr>
<td>Local employee management</td>
<td>58(55.2%)</td>
<td>2</td>
<td>5</td>
<td>8.089 **</td>
<td>38(44.2%)</td>
<td>2</td>
<td>3</td>
<td>0.622</td>
</tr>
<tr>
<td>Language ability</td>
<td>19(18.1%)</td>
<td>6</td>
<td>1</td>
<td>9.712 **</td>
<td>11(12.8%)</td>
<td>6</td>
<td>2</td>
<td>9.512 **</td>
</tr>
<tr>
<td>Host-country market information</td>
<td>45(42.9%)</td>
<td>3</td>
<td>2</td>
<td>0.116</td>
<td>23(26.7%)</td>
<td>4</td>
<td>1</td>
<td>6.841 **</td>
</tr>
<tr>
<td>Host-country laws</td>
<td>72(68.6%)</td>
<td>1</td>
<td>3</td>
<td>10.094 **</td>
<td>52(60.5%)</td>
<td>1</td>
<td>5</td>
<td>8.618 **</td>
</tr>
<tr>
<td>Industry-related knowledge</td>
<td>42(40.0%)</td>
<td>4</td>
<td>4</td>
<td>0.577</td>
<td>22(25.6%)</td>
<td>5</td>
<td>3</td>
<td>1.074</td>
</tr>
<tr>
<td>Government relationship and communication</td>
<td>36(34.3%)</td>
<td>5</td>
<td>6</td>
<td>5.926</td>
<td>24(27.9%)</td>
<td>3</td>
<td>6</td>
<td>2.115</td>
</tr>
</tbody>
</table>

*Note*

*p < .05; **p < .01.*
For companies 'without sales', those with investments in countries other than China need significantly more host-country market information training. Table 6 indicates that, for both the 'with sales' and 'without sales' groups, significantly fewer expatriates are accompanied by spouses for companies with investments in China. In addition, for companies 'with sales', those invested in China significantly assign more expatriates in managerial positions.

### Table 6 T-test results of cultural differences on expatriation policies and expatriates' willingness

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>With sales (China) n = 105 Mean (SD)</th>
<th>With sales (Non-China) n = 28 Mean (SD)</th>
<th>t-value</th>
<th>Without sales (China) n = 86 Mean (SD)</th>
<th>Without sales (Non-China) n = 28 Mean (SD)</th>
<th>t-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of expatriates</td>
<td>4.03(1.59)</td>
<td>3.13(2.72)</td>
<td>1.24</td>
<td>4.82(4.97)</td>
<td>4.84(4.89)</td>
<td>-0.02</td>
</tr>
<tr>
<td>Ratio of managerial expatriates</td>
<td>88%(21%)</td>
<td>72%(29%)</td>
<td>2.65</td>
<td>***82%(25%)</td>
<td>82%(26%)</td>
<td>0.08</td>
</tr>
<tr>
<td>Ratio of male expatriates</td>
<td>89%(20%)</td>
<td>86%(23%)</td>
<td>0.64</td>
<td>***87%(22%)</td>
<td>89%(22%)</td>
<td>0.43</td>
</tr>
<tr>
<td>Expatriates’ personal willingness</td>
<td>3.48(1.95)</td>
<td>3.46(1.98)</td>
<td>0.04</td>
<td>3.89(1.80)</td>
<td>3.62(1.94)</td>
<td>0.65</td>
</tr>
<tr>
<td>Expatriates with spouses</td>
<td>18%(31%)</td>
<td>30%(42%)</td>
<td>-1.61</td>
<td>**15%(19%)</td>
<td>42%(45%)</td>
<td>-2.96 ***</td>
</tr>
</tbody>
</table>

**Notes**

**p < .05; ***p < .001.**
This section further elaborates on the research results reported earlier, including discussion of predictors of expatriate premature return and company sales, cultural distance in management research, expatriates’ spouses and the management practices of ‘sales defensive’ companies.

Predictors of expatriate premature return and company sales

Contrary to our hypothesis and findings from Western literature, expatriate training deficiencies does not explain premature return. Yet more training deficiencies predict lower company sales. The finding may reflect the warning that many expatriates endure to the end of their term abroad, yet perform at levels far below their capacities and the company’s expectations (Tu and Sullivan, 1994). Two other findings – the more expatriates, the higher the level of premature return and the more overseas employees, the greater the increase in premature return – are understandable because both situations pertain to size: the greater the number, the higher the incidence of failure. The result that expatriates accompanied by spouses had a higher premature return confirmed the findings of previous Western studies.

For company sales, four significant results were expected: namely, the more expatriates, the more the sales; the larger the company, the more the sales; the more the overseas operations, the more the sales; and the more overseas employees, the more the sales. All these relationships are associated with the scale of the company’s operations. Large companies tend to send more expatriates abroad, have more overseas subsidiaries and hire more overseas employees, all of which result in more company sales.

Another interesting finding is that a higher ratio of expatriates in managerial positions has a negative impact on company sales, yet a positive impact on overseas assignment retention. Two possible reasons may explain this result. First, premature return is an individual choice. Expatriates in managerial positions, who have more position power to carry out their duties, are more likely to experience a sense of accomplishment; consequently, they are less likely to return prematurely. On the other hand, ‘sales’ are the result of the collaborative efforts of the parent company and the overseas subsidiaries. Assuming the control role in foreign operations, a greater number of managerial expatriates may jeopardize the autonomy of overseas employees. Furthermore, about 55 per cent of the companies surveyed are in the service industry, which requires a strong sales force to bring in revenues. Generally speaking, sales personnel, who have direct contact with customers, require more autonomy than other types of employees. Still, the negative impact of more managerial expatriates on the two different kinds of performance poses an interesting issue worthy of further investigation.

Another observation is that the degree of expatriate personal willingness does not affect either premature return or company sales, which may explain why some Taiwanese companies keep on sending unwilling expatriates abroad. Since there is no adverse influence on company performance, these SMEs may have no alternative due to very limited manpower resources. In addition, Taiwanese expatriates are resilient enough to accept their assignments even though their initial enthusiasm may not be high.

Cultural distance in management research

Expatriation literature shows that companies investing in similar cultures have better overseas management (Black and Mendenhall, 1992; Harrison et al., 2000; Li et al., 2001; Manev and Stevenson, 2001). However, what does cultural distance actually mean in management research? Can we say that people from the same ethnic origin have similar cultures? Or should social and economic development also be considered when interpreting cultural issues in a business setting?

People in Taiwan and China are of the same ethnic origin, both being Chinese. Half a century ago, these two groups of people were under the same rule. Thus, their cultures could not be closer. Interestingly, current research has revealed that Taiwanese SMEs investing in China lack the knowledge of how to manage local employees, are less familiar with the relevant laws in China and need to learn more about how to communicate with the Chinese government. Apparently, ethnic origin should not be the only factor when cultural distance is measured in management research. During their fifty-year separation, Taiwan adopted capitalism whereas China practised socialism. The wide economic development gap – one entity (Taiwan) with a GNP per capita of US$12,916 for the year 2002 and the other with US$977 – must also be a part of the answer (Statistics Department, Taiwan Ministry of Economic Affairs). Social and economic developments affect people’s perceptions, preferences and expectations, thus influencing management practices.

Expatriate spouses
As found in Western studies, spousal mal-adaptation might also be one of the reasons for expatriate premature return in this study. Yet, on the average only 21 per cent of married Taiwanese expatriates are accompanied by spouses. Geographic proximity, economic concerns and social values might play some role in this phenomenon. First, a majority of the host countries, i.e. China and the countries in Southeast Asia, are within a one-day flight distance from Taiwan; therefore, home visits can easily be scheduled. For example, a home visit every three months is common for Taiwanese expatriates in China. Second, the social value of the spouse remaining in the home country to maintain the stability of the children’s education was evident and accepted in Taiwan. In general, there are two expatriate pools in Taiwan. One group includes middle-aged male managers with track records, who tend to occupy high positions and are responsible for the overall performance of overseas subsidiaries. Another group consists of male and female single professionals, who are usually capable of adapting to the local environment rather well and encounter fewer problems. If given the choice of being expatriated to developing countries, a high percentage of the spouses of the first group would choose to stay in Taiwan because of concern for their children’s education. This phenomenon may be quite different from that in Western countries and related expatriation problems will also vary from those in the West.

Management practices of ‘sales defensive’ firms

An unexpected finding of this study relates to the management practices of ‘sales defensive’ companies. As explained previously, a rather high percentage of our samples were unwilling to reveal their sales revenues for fear of disclosing their ‘secrets’ to competitors and reducing their opportunities of obtaining government financial support. As predicted, they seemed to be the better-managed group. They had fewer training deficiencies, sent more expatriates (presumably in better financial standing), their expatriates exhibited a higher degree of willingness to relocate, encountered a significantly lower level of premature return and had fewer problems in local employee management. Table 3 shows that for this group none of the researchers’ concerns was a problem for them. They embody a group of rather confident yet ‘sales defensive’ research subjects. In the past, researchers tended to discard data with missing values. By comparing these two groups, this study unexpectedly turned up some methodological insights. First, large-scale missing values usually have a hidden research message. Second, academic research was based mainly on the information provided by those who were willing to participate, yet those who were unwilling to participate might have additional valuable information to reveal. Third, for quantitative studies, researchers still have blind spots that need to be overcome in reducing the defensive perceptions of participants.

Implications

This study explores company-level information to draw a connection between company performance and expatriate development, various expatriation policies and expatriate willingness for the purpose of more effective management in obtaining resources and building social capital. Research results have shed some light on the issues of expatriate number and expatriates in managerial positions. An unexpected methodological insight is also obtained. As a result, three implications may be derived from the research results, one regarding the appropriate configuration of expatriates under resource constraints, another concerning regional expatriate differences and a final methodological one.

Appropriate configuration of expatriates under resource constraints

In this study, the influence of the number of expatriates and the ratio of managerial expatriates on performance varies. Even after employing statistical controls for the size of the company, the number of overseas operations and the number of overseas employees, having more expatriates shows more premature return yet at the same time more sales, while more managerial expatriates contribute to lower premature return yet lower sales. This perplexing situation was apparently unknown before this relatively large-scale study was undertaken. The trade-off lay in sending more non-managerial expatriates to generate more sales with the risk of more premature return or in sending more managerial expatriates to reduce the premature return rate yet suffer a loss in sales. Effective expatriate management is especially crucial for resource-insufficient SMEs. With the insights provided by this research, companies should explore this controversy in depth to uncover the underlying reasons and determine an appropriate configuration of expatriates, such as how many, who, at which level and what profession to ensure cost-effectiveness and return on expatriation investment, while maintaining reasonable expatriate retention and achieving sales goals at the same time.

Regional expatriate differences
Is overseas relocation dependent on the free will of expatriates? Does cross-national expatriation imply that a family has to move to another country for a number of years? This study reveals different characteristics of expatriates in the Eastern hemisphere. Based on these comparatively objective company-level data, only 21 per cent of married expatriates were accompanied by spouses and a lower level of spousal companionship results in a lower incidence of premature return. In addition, various degrees of personal willingness do not have any impact on expatriate premature return and company sales, meaning Taiwanese expatriates are rather submissive and do not let personal preference get in the way of work performance once the task is assigned. The sense of responsibility among even unwilling expatriates and the social acceptance of spousal separation for a few years found in this study enable resource-meagre Taiwanese SMEs to leverage their limited human resources and to reduce expatriation problems that arise from spousal mal-adaptation. These regional expatriate differences may shed some light for a possible expatriate commuting system, which may allow expatriates to focus more on assigned tasks than to worry about spousal mal-adaptation. Inducing expatriates to perform irrespective of their initial willingness may prove instructive for companies under resource constraints that are searching for expatriation solutions.

Methodological implications

As mentioned in the ‘Discussion’ section, researchers should pay more attention to subjects who are unwilling to participate. Academic findings will become more complete by also tapping into the ‘secrets’ of those who are unwilling to provide information. Better measures have to be designed and more efforts have to be made to probe such missing pieces of information. Another possible methodological finding is that, based on these company-level data, the personal willingness of the expatriate does not have any influence on either premature return or company sales. Is this a data-approach difference, meaning that data from a management perspective revealed the perception that ‘sales counts but not individual preferences’? Or is this a culture-bound result, signifying that in Taiwan even unwilling expatriates assumed their responsibility and performed up to company expectations? Research in different cultures usually generates a different perspective on interpretations and can contribute to a better understanding of the global economy.

Conclusion

The issue of expatriation has been studied extensively over the past two decades. However, few empirical studies have collected data from an Eastern and SME perspective. With the support of a government grant, we have been able to conduct a large-scale telephone survey of SME management practices in Taiwan. The major findings of this study include: (1) approximately 17 per cent of the SMEs surveyed have expatriation experience; (2) the company-level expatriation failure rate is 17 per cent; however, the individual expatriate failure count may be as low as 4 per cent; (3) expatriate training deficiencies have a negative impact on company sales; (4) for companies with sales data, having more expatriates is a predictor of a higher incidence of premature return, but more sales; (5) for companies with sales data, more expatriates with managerial positions explain lower premature return yet lower sales; (6) for companies with sales data, having a spouse along results in more premature return; (7) Taiwanese companies with investments in China need to know more about host-country laws and have fewer expatriates accompanied by spouses. In an era when experienced expatriates are critical human capital, the results of this study of Taiwanese SMEs provide some insight for those who are interested in expatriate management practices in Eastern countries.

The major limitations of this study were threefold. First, in order to facilitate a telephone response, we needed to simplify many survey items into ‘yes’ or ‘no’ questions; second, we were unable to obtain an actual number of prematurely returned expatriates to calculate the individual premature return rate for reason of feasibility; and, third, quite a large percentage of the surveyed SMEs were unwilling to provide their sales information. In the future, several research topics should prove of value, including further clarifying the conflict effects of sending a higher percentage of managerial-level expatriates, calculating the most appropriate configuration of expatriates, probing the difference between company-level and individual-level information and investigating the predisposition of unwilling expatriates. Furthermore, comparing Western and Eastern expatriate management styles and those of MNCs and SMEs will definitely enrich this field of study.

References


