Analyzing Engagement Effects for Repatriate Retention

Cave, Adam H.

Hankuk University of Foreign Studies

15 February 2014

Online at https://mpra.ub.uni-muenchen.de/54052/
MPRA Paper No. 54052, posted 05 Mar 2014 01:19 UTC
‘Analysis of Current Repatriate Retention Concepts and Potential Future Avenues’

Adam H. Cave

February 2014
Volume 1, Number 1
Pages 37-52

ISSN: 2332-3388 (print)
2332-3396 (online)
Analysis of Current Repatriate Retention Concepts and Potential Future Avenues

Adam H. Cave*

Abstract

Due to the nature and increasing rate of globalization companies are continuing to send their employees abroad to gain experience and knowledge to maintain or develop a competitive advantage. However, at some point, these companies need to repatriate their employees and bring them back into the fold. Currently general consensus suggests there is a very high turnover rate for repatriates and the loss of the knowledge and experience gained is a serious setback for an organization. Further research in examining the antecedents of turnover intention with the aim of reducing this behavior is needed to enhance future competitive capabilities. The main goal of this paper is to suggest the application of engagement as a mediating factor in an empirical analysis of factors that may affect the turnover intention of repatriates. The implications suggest that further research into turnover intention of repatriates could lead to a better understanding of strategic planning in terms of human resources and ease the transition of repatriates back into their organizations.

Keywords Job satisfaction; Organizational commitment; Repatriation; Turnover intention; International HRM (IHRM);

Acknowledgements This paper was supported by the Hankuk University of Foreign Studies Research Fund of 2013.

* Assistant Professor, College of Business Administration, Hankuk University of Foreign Studies, Seoul, South Korea, Email: profahcave@gmail.com
Introduction

As international barriers continue to come down and companies reach beyond their own borders in order to expand, or access resources, new and reoccurring issues are continually faced in terms of human resources. Industries span countries and continents and the attention to quality and management issues require the continual movement of labor from headquarters to subsidiaries. A lot of scholarly attention has been placed on the use of expatriate managers and their ability to transfer knowledge, maintain parent controls and simply to ensure that processes and guidelines are properly implemented. Receiving less attention in this regard is the retention of these employees after their foreign placement and how this experience affects their views on headquarters and the conditions of their continued employment. This aspect of employee turnover is becoming more and more of an issue as global expansion continues and has become a very important threat to be addressed in human resource management.

Employee turnover, especially for senior managers, technical personnel and in sales, will inevitably take business experience, technical secrets, and customer relations away to other firms. When these people move to other organizations, the enterprises’ core technology and key resources also flow along with them allowing competitors to obtain successful techniques, financial resources and customer networks without extensive investment of time or money. As for the original company, it suffers equally in terms of the lost investment in training and development of the employee. In this vein, repatriates are invaluable as they play an integral role in the organization due to the knowledge acquired through communication between the parent company and its subsidiaries. Therefore, many companies regard repatriates as a significant investment in human capital (Caligiuri & Lazarova, 2000; Fink & Rohr, 2005). Hence, if they leave, the company is not only losing money in terms of retraining, but also losing the knowledge and experience of that employee. In terms of the repatriate level of turnover, Black (1989) finds that in the United States almost 25% of repatriated employees quit their jobs within one year. Pursuant to this, Yan et. al, (2002) suggest that an international assignment is only truly successful if an organization is able to retain its repatriated employees.
Gomez-Mejia & Balkin (1987) indicate that the major problem of repatriates is that these employees are not satisfied with their repatriation, suggesting that in any study of turnover intention, the concept of job satisfaction becomes extremely important as an overriding concern. The purpose of this study is to look into previous research to develop a potential research avenue and determine whether and how job satisfaction and its associated factors affect employees’ turnover intention.

**Research Background**

**Turnover Intention**

Nauman (1992) suggests that turnover means that an individual leaves an organization and goes elsewhere to look for employment. This can refer to the voluntary or involuntary departure, but signifies the permanent withdrawal from an organization (Ngo, 2009). The initial difference to note here is that turnover is a type of behavior while turnover intention refers to motivation. It is generally too late to urge employees not to leave when a resignation is the topic of discussion. In contrast, however, knowing the motivational aspects of employees before they want to leave can reduce turnover behavior. Cotton and Tuttle (1986) posit that turnover intention is referred to as an individual’s estimated probability that they will stay at their current organization. According to research based on the turnover cost of IT professionals by the American Kepner-Tregoe consulting service company’s research, an employee’s turnover will directly cause the company financial losses of at least 25% on top of their personal annual income.

Ferguson & Ferguson (1996), divided the turnover types into two classifications, voluntary turnover and involuntary turnover. Voluntary turnover indicates the movements in an organization that are an employee’s active behaviors, which belong within the grouping of personal decision. Involuntary turnover means the reasons someone leaves an organization are not based on their own choice and is essentially unavoidable, such as retirement and death. Abelson (1987) further points out that employees leaving an organization can be divided into the groupings of avoidable and unavoidable, in terms of the organization. Avoidable turnover
means that an organization has some measure of control and can affect turnover, such as dismissal, layoff, forced retirement, better pay or working conditions elsewhere or a problem with leadership/administration. Unavoidable turnover refers to cases where, irrespective of employees' choices, the organization cannot control and prevent turnover, such as severe medical issues, death, spouse imposed relocation, mid-career change, staying home to care for spouse/children, pregnancy and a decision not to return after a period of absence.

Xun (2009) focused on the turnover intention problem at Hefei JunHua Electronics Industrial Co, Ltd, in which the R&D Institute of China was invested, as a research sample and discovered that the four main reasons behind a high rate of turnover intention were: (1) reward and inspiration; (2) management issues; (3) enterprise development; and (4) individual factors. According to recent trends in turnover research, most scholars focus on factors that lead to work exhaustion as a cause for leaving current employment (Shih et.al, 2011). In addition to exhaustion, a great deal of study shows that organizational justice and job satisfaction are two crucial elements which affect employee turnover intention. Xing (2010) takes software engineers as a sample, and explores organizational justice dimensions and their relationship with job satisfaction and turnover intention, and the results indicate that the various dimensions of organizational justice, job satisfaction and turnover intention display very significant relationships. Chen (2010) posits that job satisfaction is an important psychological indicator in the management of modern human resources.

**Job Satisfaction**

Hoppock (1935) provides one of the earliest indicators of the concept of job satisfaction and posits that job satisfaction is the personal satisfied feeling both psychologically and physiologically to the environment. Xu, (1995) further points to job satisfaction as occurring when “A worker has positive feelings and affective responses to his job”. Based on scholarly opinions, the conclusion is that job satisfaction is based on personal emotion, and that job satisfaction generally is based on the relationship of the individual job characteristics toward the whole job attitude (R. Hodson, 1991). There are a great deal of factors that affect job satisfaction, but the main points differ according to scholars (Herzberg, 1989; Vroom, 1964;
Hulin & Smith, 1965; Carrell & Elbert, 1974; Voydanoff, 1980; Victor & Samantha, 1996). Through this, according to the research on job satisfaction, most studies have examined the effect of overall satisfaction on turnover with only a few investigating the specific relationship between turnover and the specific aspects of job satisfaction, such as payment and nature of work.

Economists’ research indicates that payment has a strong negative association to turnover. Price's (1977) model points out the impact of payment on turnover intention through job satisfaction as a motivator for employees to get involved in organizations. The higher and lower levels of payment will reflect the increasing and decreasing of employees’ job satisfaction. Payment primarily helps repatriated employees to settle financial pressures after returning to their home countries, and further, would affect their job satisfaction. Dowling, et. al, (1994) and Martocchio (1998) indicate that when expatriates are overseas, they receive not only a basic salary, but also an overseas work allowance, bonuses, an income tax allowance, currency protection, subsistence allowance (educational subsidy for children, moving allowance, vacation allowance and spousal assistance, etc.) and other supplements: such as medical treatment, insurance, and return visits, among others. However, a significant shock to repatriates is when they return to the parent company; most of these additional allowances are discontinued, which strongly influences their financial situation.

Zhao (1998) suggests that the payment systems of domestic enterprises are not adequate, which results in repatriated employees’ poor performance in terms of job adaptation and organizational input, in turn leading to the high turnover of repatriates. Lin (1991), and Li, et. al, (2003) discovered that expatriates consider financial factors as a significant influence in their satisfaction, thus further cementing the concept of payment as integral to repatriates' levels of satisfaction.

In addition to payment, the literature suggests that job satisfaction depends on the match between employee abilities and knowledge on the one hand and job content or tasks on the other (Robbins, 1998). Based on Hackman's (1979) research, job repetitiveness is considered important in decreasing employees’ job satisfaction and further increases their
turnover intention. Different job activities allow employees to feel more challenged in which they can make further use their abilities and skills. Repatriates in particular have issues with the nature of work because after returning, they find they cannot apply the knowledge they acquired overseas. Bossard and Peterson (2005) claim that, unfortunately, many companies assign repatriates to jobs that do not match the knowledge, abilities or skills acquired abroad. In fact, this situation is one of the main complaints of repatriates upon their return. According to Peltonen (1997), approximately 60% of repatriates state that the company does not take into account their international experience and skills when assigning them to roles after the repatriation process. Other literature further suggests that the company should place repatriates in a position where their experience and knowledge are useful and valuable (Black et al., 1999; Hurn, 1999). This should enhance not just repatriates’, but all employees' commitments to their organization.

Organizational Commitment

Organizational commitment is described as an individual’s level of loyalty toward his/her organization (Price, 1997). In Meyer and Allen (1991), a model of organizational commitment was proposed that was divided into a three-dimensional construct consisting of the components: 1) affective commitment, an employee’s emotional attachment, identification with, and involvement in an organization; 2) continuance commitment, and commitment based on costs that an employee is associated with upon leaving the organization; and 3) normative commitment, the employee’s feeling of obligation to stay with the organization. Shu & Zhao, (2005) determined in their study that organizational commitment is negatively related to turnover intention. Through these results, it is important for human resource management to realize how certain initiatives may strengthen or weaken an individual's commitment to their organization. In particular for repatriates, Black et al. (1992) found that 79 percent felt that market demand for their international skills was at a high level, and that they were not subject to only one opportunity to work in a parent company, but could find similar and more satisfactory jobs in other firms. Thus, determining how to enhance and strengthen repatriate commitment to the organization also exists as a major problem in terms of turnover intention.
Lazarova & Caligiuri, (2001) and Lazarova & Tarique, (2005) point out that the reason why the turnover rate is high among repatriates is because most repatriates know they are inherently valuable to the company after finishing their international assignment, no doubt having a feeling of superiority. If a company assigns repatriates to jobs that fall below their expectations, they may think of leaving and look for a more personally rewarding job, thereby helping establish and expand an MNC’s international business due to their first-hand knowledge and precious experience in different markets.

In addition, previous studies on repatriation have suggested a variety of factors that affect whether expatriates remain with their company upon repatriation. Some of these factors include: being placed in non-challenging jobs, lack of promotion opportunities, lack of a future career plan, lack of support from managers and colleagues, and sluggish career advancement (Abueva, 2000; Black et al., 1992). Of these many factors, it seems apparent that the parent company does not satisfy or attempt to solve these problems upon return, thus lowering repatriate affective commitment to their organization. Harvey, (1989) suggests that if the potential repatriation problems are thoroughly considered by the MNC in advance, repatriate turnover will decrease.

Framework

Job Satisfaction

A lot of previous research supports the relationship between job satisfaction and lower turnover rates (Chen, 2010; Xing, 2010; Trevor, 2001; Khilji and Wang, 2007; Tett and Meyer, 1993). Trevor (2001) and Xing (2010) determine that job satisfaction plays a major role in most theories of turnover. Xing (2010) points out that the various dimensions of job satisfaction and turnover intention are both obviously and negatively correlated. Hence, it is clear that increasing the repatriate's job satisfaction is paramount in attempting to reduce their intention to leave the company. Job satisfaction is the positive emotional response to a job situation resulting from attaining what the employee wants and values from a job (Olsen, 1993). In meta-analysis, Carsten and Spector (1987) found a significant negative correlation of -.26 between
job satisfaction and turnover. Similarly, Hellman (1997) conducted a meta-analysis and found that the relationship between job satisfaction and intent to leave was significantly different from zero and consistently negative.

Harrington et al. (2001) observed that emotional exhaustion, lower levels of intrinsic job satisfaction and dissatisfaction with salary and promotional opportunities were the main predictors for turnover intention. Chen (2010) shows that job satisfaction is significantly negatively related to turnover intention, and the impact of which is reduced in the following order: work remuneration, working conditions, job prospects, working relationships, working environment and a few others. Further in Chen (2010), a study of 387 Chinese staff members in STS electronic company found that the main factor affecting turnover intention for employees is payment. According to the research of Xun (2009), out of four main reasons that resulted in a high turnover intention rate, number one was reward and inspiration. Harvey (1989) also found the financial proclivities of repatriates in his research, which suggests that when repatriates make comparisons with those who have not had expatriate assignments, they become discouraged due to the impression of undervaluing their experience in terms of payment. Keeping this in mind, dissatisfied employees are more likely to leave an organization than satisfied employees.

Carter (1989) and Harris (1989) note that changes in international positions entail great pressure. Once expatriates live overseas for some time, they are bound to be influenced by the local environment and develop differences from their home countries, which may cause modifications in perceptions of the expatriates and have an impact on their repatriation adaptation (Black and Gregersen, 1991). In this case repatriates have to learn how to re-adapt themselves to their new jobs and relevant issues in their life, and the company plays an important role in this regard. Morgan et al. (2004), found that repatriates display greater levels of satisfaction when they are assigned to what they consider is a suitable position upon their return. Similarly, Spencer and Steers (1981) found a strong negative relationship between nature of work and turnover intention. Chen (2010) tested job satisfaction factors that included: work characteristics, work remuneration, working environment, working relationship,
working conditions, and job prospects. In this study, the factor work characteristics, was considered as one of the main factors that was negatively related to turnover intention. Therefore, offering a suitable and appropriate match of job position to a repatriates' knowledge or talent can further lower their turnover intention.

Gregersen and Black (1990) suggest that when workers have less autonomy, worker performance is likely to decline due to task monotony or a perceived lack of skills. Likewise, once repatriates stop getting support and assistance from their companies, they may also feel isolated and increase their desire to leave their current positions. Suris (1988) found that generally a negative relationship exists between supervision and turnover intention. Sun (2006) discovered that through various factors such as opportunity, communication, salary, distributive justice, promotion opportunities, job repetition, social support, and communication with supervisors and employees all will be positively related to job satisfaction and aid in further increasing employee retention, lowering turnover behavior. Therefore, we can conclude that differences supervision in terms of interpersonal skills can affect employee turnover intention.

Organizational Commitment

Before Porter et. al’s (1974) study, scholars focused on job satisfaction as the major cause of turnover. However, their study highlighted the importance of organizational commitment in explaining turnover and claimed that organizational commitment was a better predictor than job satisfaction and displayed a negative correlation to turnover intention. This is further supported in research as many other studies have found that organizational commitment, like job satisfaction, has been shown to be negatively related to turnover (eg. Arnold and Feldman, 1982; Bluedorn, 1982; Porter et al, 1974; Wong, Chun and Law, 1996). Wiener (1988) points out that organizational commitment is an ability to internalize the norms and allow the behavior to mesh with the organization’s goals and interests. A high degree of organizational commitment may cause employee behavior to change within the following characteristics: (a) may reflect increased personal expense in the organization; (b) may reflect greater personal attention to the organization; and (c) may reflect time spent getting further
involved in the organization. Furthermore, Feldman (1991) determined that an elder’s organizational commitment is higher than young expatriates because young expatriates have no family responsibility or commitment. Consequently, if they are not satisfied with the job or company, they are more likely to change. Based on Kathleen Benttein and Robert Vandenber (2005), the lower the affective and normative commitment, the higher the employees’ turnover intention, and the greater the possibility of real turnover. Liu (2002, 2003) show that affective and continuance commitment have a strong impact on turnover intention.

**Repatriate Characteristics**

From a company’s perspective, any turnover intention should be viewed as a negative regardless of level or status of employee. However, in the view of many studies, it is generally understood that repatriates are generally considered managerial level and contain a special skill set and knowledge due to their expatriate assignments. Adler (1981); Abueva (2000) and Black et al (1992) give some significant reasons which can affect expatriate desire to leave a company, such as being placed in a substandard position, lack of independence, position autonomy, lack of enterprise planning and tutorship, lack of support from supervisors and colleagues, and slow promotion. Even though general employees may have some of the same or similar turnover reasons, Black et al. (1992) find that repatriated managers and supervisors quit their jobs at almost two times the rate of domestic or general employees. However, to date, there is a lack of empirical study contrasting repatriate and general employee turnover intentions.

**Conclusion**

This study is aimed at developing ideas in order to provide enterprises with solutions to retain the talents of general employees and repatriates who are endowed with a wealth of overseas experiences. It would be much easier for repatriates to prepare to face the impact upon return if they and their companies communicated with each other more frequently (Black, et al, 1992).
Fomenting greater organizational commitment in repatriates is suggested as an important aspect in reducing turnover intent, while also considering factors including pay or nature of work. In this vein, there can be no doubt that there is a very important need to establish a strong bond between the employee and the employer. Enhancing employee commitment or engagement to an organization can go a long way to retaining their services. In order to solve problems arising from employee turnover, managers should look into employing the use of EAPS (Employee Assistance Program). The emphasis of EAPS is to assist the repatriated employees in greater achievement at work by providing essential training, better payment and repatriation guarantees. Some companies have already provided these essentials as Phillips offers life career plans and a guarantee of job position upon return (The World Magazine, 1996). Managers should also look at “Mentorship” as a way of reducing turnover rate. Research by Citibank and IBM (Liu, 2010) suggest that “Mentorship” helps repatriates to solve adjustment problems, but also can be a bridge for communication by further reducing communication problems between supervisors and employees after they return.

Human resource management has become much more complex in striving to provide the greatest benefit to employees and engender feelings of job satisfaction. With the much freer movement of labor and the access to information, employees have a myriad of ways to find alternative employment and to compare current positions to others. Combining current repatriate strategies in international business with engagement factors and social exchange theory may help to uncover a few more insights in the context of repatriate retention. Providing a greater rate of retention will help organizations grow through maintaining knowledge stocks, experiential support abilities and further development of human resources as a competitive advantage.
References


