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**IS EXPATRIATION GOOD FOR MY CAREER?  
THE IMPACT OF EXPATRIATE ASSIGNMENTS  
ON PERCEIVED AND ACTUAL CAREER  
OUTCOMES**

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## **Is Expatriation Good For My Career? The Impact of Expatriate Assignments on Perceived and Actual Career Outcomes**

### **ABSTRACT**

This study examines the impact of expatriate assignments on career growth and the external marketability of U.S. employees of a large professional services firm. We use survey and archival data to compare expatriates currently overseas, repatriates, and domestic U.S. employees on compensation, recent promotions, and external recruiting contacts. We then examine how actual pay, promotions, and external recruiting influences anticipated salary growth within the firm and external employment opportunities. We find that despite little or no impact on their current careers, employees with overseas work experience perceived greater internal and external opportunities than domestic U.S. employees. Implications for managers and researchers are discussed.

Keywords: Expatriates, Careers, Human Capital

The importance and increasing use of international work assignments has made expatriates a topic of immense interest for HR managers and researchers (Joinson, 1998; Romero, 2002). While many global organizations have incorporated more short-term and localization efforts to help reduce costs, traditional long-term assignments of several years in duration still represent the majority of overseas assignments (GMAC, 2005; Tarique, Schuler, & Gong, 2006). Extensive research has been done on the types of employees that are best suited for expatriate assignments (Selmer, 2001; Tharenou & Harvey, 2006; Tung, 1998), the expatriate adjustment process (Bhaskar-Shrinivas, Harrison, Shaffer & Luk, 2005; Black & Gregersen, 1991; Selmer, 2006), willingness to accept international assignments (Aryee, Yue Wah, & Chew, 1996; Konopaske & Werner, 2005), cross-cultural training (Caligiuri, Phillips, Lazarova, Tarique & Bürgi, 2001; Selmer, 2005), and organizational support practices used to facilitate expatriation and repatriation (Brewster & Pickard, 1994; Caligiuri, Joshi, & Lazarova, 1999; Suutari & Brewster, 2003). One area where important questions remain, however, is the short-term impact of expatriate assignments on careers (Brewster & Suutari, 2005; Fish & Wood, 1997; Lazarova & Caligiuri, 2000). In this study, we examine the effects of expatriate assignments on employee organizational careers and the external marketability of U.S. employees of a large professional services firm.

This research contributes to the existing literature on expatriation in several ways. First, we take advantage of a unique matched sample to compare the objective career outcomes and perceived opportunities of employees who are currently working overseas (expatriates) and employees who have recently returned from overseas (repatriates) to domestic employees working in the U.S. Previous work on expatriation tend to focus on either expatriates or repatriates when looking at international assignments and only a few studies have compared

expatriates to a control group of domestic employees (Yan & Hall, 2002). Feldman and Thompson (1993) investigated adjustment to new geographical locations among expatriates, repatriates, and domestic employees. Bonache (2005) examined job and career satisfaction across expatriates, repatriates, and domestic employees from Spain. We take this research design a step further by testing how expatriate experience impacts actual career outcomes within an organization and how actual career outcomes impact the perceptions of career opportunities during and after an expatriate assignment compared to employees without international work experience.

Second, we address an important question in the research literature on careers of expatriates: whether or not expatriation is actually good or bad for employee's careers in the short-term (Stahl, Miller & Tung, 2002). Calls for additional research on the career outcomes of international assignments to address this disconnect began in the 1990's and continue today (Brewster & Suutari, 2005; Bonache, 2005; Dickmann & Harris, 2005; Tung, 1998; Welch, 1998). Surveys of expatriates indicate that they often have high expectations that overseas experience will benefit their careers when they return to their home countries (Black, 1992; Black & Gregerson, 1992, Foster, 1994; Solomon, 1995; Stroh, Gregersen & Black, 1998; Riusala & Suutari 2000; Welch, 1998). Other studies have shown that repatriates often complain about being placed in unchallenging jobs with low levels of authority and little utilization of the newly acquired international skills and knowledge when they return home (Brewster & Suutari, 2005; Gomez-Mejia & Balkin, 1987; Gregersen & Black, 1996; Harvey, 1989; Stahl et al., 2002; Stroh et al., 1998; Selmer, 1999). No previous studies, however, have examined the actual and anticipated career outcomes of expatriation simultaneously.

Finally, it is unknown whether the actual career progression of expatriates and repatriates influences their expectations for future growth within their current firms or their ability to get a job elsewhere. In addition to testing how expatriates and repatriates compare to similar employees who stay in the U.S. in terms of pay, promotion and external recruiting contacts, we examine how actual pay and promotion experiences affect their anticipated salary growth within their current firm and their perceived employment opportunities with other firms. We develop four hypotheses on the career impacts of expatriation and test them using a sample of U.S. accountants and consultants from a large professional services firm.

Human capital theory would predict that expatriate assignments are valuable learning experiences that develop new knowledge and skills. A key component of the human capital model is work experience that provides opportunities for learning and skill development. Research shows that placing employees in unusual or difficult assignments, such as working overseas, often results in substantial learning (McCall, Lombardo & Morrison, 1988; McCaulley, Ruderman, Ohlott & Morrow, 1994). Moreover, expatriate assignments are thought to provide a depth of experience that develops leadership abilities (Gregersen, Morrison, & Black, 1998; Mendenhall, 2001), general knowledge of international business (Carpenter et al., 2001; Tung, 1998), and specific international technical skills (Fink, Meierwert & Rohr, 2005). For some time now, researchers have predicted that the increasing globalization of business should create a premium for professional experience working in other countries or working in multi-national teams (e.g. Ilgen & Pulakos, 1999). Based on this we predict that expatriates should perceive positive impacts on their long-term careers within their current organization as well as external opportunities. However, predictions about the career impacts of expatriate assignments based on human capital theory need to be reconciled with research showing that organizations often do a

poor job placing, supporting and compensating expatriates (Feldman & Thomas, 1992; Lazarova & Caligiuri, 2001). This evidence suggests that internal labor markets function less than perfectly in the short-term. Based on this we predict that expatriates will report lower pay and fewer promotions than their domestic counterparts.

While we do not develop separate hypotheses for expatriates and repatriates, we have analyzed them separately based on the notion that expatriates are still in the process of developing new skills while repatriates have completed the learning and are better able to capitalize on their new skills. We do not know the extent to which the value of the human capital developed through expatriate assignments accrues when the employee returns home, but we would expect that repatriates would report the largest effects followed by current expatriates and domestic U.S. employees.

### **Expatriate Experience and Organizational Careers**

While there have been no direct examinations of objective data on the short-term career outcomes of expatriates and repatriates, there have been a number of surveys asking whether expatriates perceive that international experience has been beneficial for their careers at their present employers (e.g. Feldman, 1991; Feldman & Thomas, 1992; Fish & Wood, 1997; Stahl et al., 2002; Stroh, 1995; Suutari & Brewster, 2003; Tung, 1998). The findings from the various surveys on the career benefits of expatriate experience are mixed (Stahl et al., 2002). One recent study of 53 expatriates outbound from Finland found that that they viewed expatriation as positive for their careers (Suutari & Brewster, 2003). Survey respondents reported that 68% had experienced a positive change in organization status and 77% believed that international assignments had enhanced their career progress. Some surveys have found that expatriation can

be both good and bad for employees. For example, two older surveys of repatriates found that approximately one-quarter reported they were promoted and one-fifth reported they were demoted upon return from overseas (Derr & Oddou, 1991; Mendenhall, 1991). Other surveys of expatriates and repatriates have indicated that they do not experience short-term career benefits. In one survey of U.K. repatriates, 54% reported a negative effect on their careers (Forster, 1994). In a more recent qualitative study of U.K. international executives it was reported that international assignments had not benefited their careers (Dickmann & Harris, 2005).

Based on these accumulated findings, researchers have generally concluded that working overseas delays or even damages careers, at least in the short-term (Adler, 2001; Black, Gregersen, Mendenhall, & Stroh, 1999; Derr & Oddou, 1991; Forster, 1994; Hammer, Hart, & Rogan, 1998; Oddou & Mendenhall, 1991; Stahl et al., 2002). While human capital theory would predict that expatriate assignments develop new skills and knowledge which should be recognized and rewarded, in practice organizations responsible for deploying expatriates may not recognize the value of these new skills. Several reasons have been suggested for why expatriate assignments have negative short-term impacts on employee careers.

The most commonly cited problem is being “out of sight, out of mind” which occurs while employees are overseas and away from organizational decision-makers (McSheehy, 2001; Suutari & Valimaa, 2002). The common wisdom is that expatriates are forgotten while overseas and organizations put little thought or effort into ensuring that the international experience fits into the employees’ job and career when they return. One study found that expatriates are frequently sidelined in jobs and underemployed while overseas (Bolino & Feldman, 2000). Likewise, repatriates often report returning home to unchallenging jobs with low levels of authority and little utilization of the newly acquired international abilities (Black et al., 1992;

Gomez-Mejia & Balkin, 1987; Gregersen & Black, 1996; Harvey, 1989; Stahl et al., 2002; Stroh et al., 1998; Selmer, 1999).

The inability of organizations to utilize international experience that repatriates have accumulated is particularly problematic since repatriates have lost the opportunity to develop domestic skills, experience, and networks while overseas. Research on the fit between the skills and job requirements of expatriates and repatriates suggests that they often hold jobs that do not fit their skills, abilities and experience. One survey of U.S. outbound employees found only 39% of repatriates believed they used the international skills they acquired during their overseas assignments when they returned home (Stroh, Gregerson & Black, 2000). Similarly, a survey of expatriates from Spain indicated they believed that they did not use all of their skills in the jobs they held upon repatriation (Bonache, 2005).

The inability to utilize expatriates and repatriates skills coupled with the loss of contact while the expatriates are overseas should diminish salaries and the chances of receiving promotion. It is true that many expatriates receive foreign service premiums and many companies have policies to adjust pay so that expatriates are “made whole” and not impacted by factors such as cost of living abroad and foreign taxes. In fact, the company examined in the present study has such a policy. While this means that expatriates begin their assignments at the same compensation levels as similar domestic employees, we predict that differences develop over time as expatriates receive smaller annual pay raises and are promoted less frequently. We argue that expatriates and repatriates should be paid less and promoted less often than their domestic counterparts primarily because of they are disconnected from with their home office and subject to the “out of sight, out of mind” phenomenon. For these reasons we predict:



**H1: Expatriates and recent repatriates (a) are paid less and (b) are promoted less often than comparable domestic employees without expatriate experience.**

At the same time, other surveys show that expatriates and repatriates have generally optimistic expectations when it comes to future career prospects within their organizations (Brewster & Suutari, 2005; Suutari & Brewster, 2003; Welch, 2003). In a survey of 409 U.S. expatriates, the majority perceived that an international assignment would have a positive impact on subsequent career advancement in either their current organization or elsewhere (Tung, 1998). Similarly, in a study of Finnish expatriates, 74% believed that their international experience would be valued in their organization and 62% felt that the international assignments would help promote their careers (Rusala & Suutari, 2003). However, the question of whether or not these expectations for career growth have been affected by current and past employee experiences in terms of pay and promotion has not been investigated.

It may seem like a contradiction that employees could experience negative impacts from expatriation on pay and promotions and still feel that the experience will benefit them within their organizations. However, human capital theory suggests that expatriates and repatriates may view the international assignment as an investment where they are willing to limit their progression in the short-term for larger payoffs later. This is analogous to employees who leave their jobs to acquire additional educational degrees, another form of human capital, with the expectation that the loss of income in the short-run will pay dividends in long-run (Loewenstein & Spletzer 1999; Veum, 1999). These employees may also recognize the human capital that they have acquired will eventually differentiate themselves from other employees the next time they are up for a promotion. In fact, employees of organizations with a significant international

presence often believe that international experience is necessary to be promoted to top levels of management (Kobrin, 1994).

Studies of long-term career success of professional employees and managers have consistently shown that individuals with significant international experience earn more, perform better, are promoted more often, and are more likely to take high-level executive positions (Bretz, Boudreau, & Judge, 1994; Carpenter, Sanders, Gregersen, 2001; Daily, Certo & Dalton, 1996; Egan & Bendick, 1994; Magnusson & Boggs, 2006; Roth, 1995). Knowing this, expatriates may be making a trade off where they are willing to accept overseas positions and the negative impact on their pay or promotion opportunities with the expectation that their opportunities for salary growth will be larger when they return. We predict that expatriates and repatriates should see greater future opportunities for salary growth within their current organizations than domestic employees, regardless of their past experience with pay and promotion.

**H2: Controlling for actual pay, promotion and recruiting contacts, expatriates and repatriates anticipate greater wage growth in their current firms than comparable domestic employees without expatriate experience.**

### **Expatriate Experience and External Employment Opportunities**

Reflecting the shift in the research and theory on careers from more traditional organizational careers to “boundaryless” careers that potentially span multiple organizations, more recent research on expatriation has begun to examine external employment opportunities in addition to internal career outcomes (Stahl et al., 2002; Suutari & Brewster, 2003; Tung, 1998). Human capital theory suggests that the acquisition of sought after skills like the ones acquired during expatriation increases marketability significantly. There are very few studies, however,

that have empirically examined marketability of overseas experience to other firms (Caligiuri & Lazarova, 2001; Stahl et al., 2002; Suutari & Brewster, 2003). The notable exceptions are Suutari and colleagues who suggest that expatriates and repatriates are in high demand (Riusala & Suutari, 2000; Suutari & Brewster, 2003). In a survey of 448 expatriate engineers from Finland, 63% expected to easily find a domestic job that matched their qualifications (Riusala & Suutari, 2000). In a smaller interview sample of 36, all expatriates had received at least one job offer while overseas and 25% received four or more job offers (Suutari & Brewster, 2003). The authors also found repatriates received job offers even more frequently when they returned from abroad. No existing research, however, has examined the actual or perceived employment opportunities among expatriates and repatriates compared to similar domestic employees without overseas work experience.

External recruitment such as that experienced by these Finish expatriates is not surprising given that overseas work requires a lot of boundary-spanning activities by the employees which brings them into contact with many people inside and outside their own organizations (Feldman & Tompson, 1993). Employees working outside the U.S. often meet others through expatriate communities abroad and also develop new networks through the course of their work. These new contacts may in turn recruit the expatriate to come work for another company (Bossard & Peterson, 2005). In the present study, professional services employees are often working with several different clients and are likely to receive frequent recruiting contacts. We predict that the recruiting contacts they receive should be greater than U.S. employees without international experience because they have wider exposure caused by having to create overseas networks in addition to the ones back in the U.S. Based on this we predict that:

### **H3: Expatriates and repatriates are contacted by recruiters more often than domestic employees without expatriate experience.**

Direct recruiting contacts are certainly related to perceptions of external employment opportunities and may be the source of the optimism that expatriates and repatriates often report regarding their careers (Brewster & Suutari, 2005; Welch, 2003). For researchers and firms alike, however, it is important to know the actual source of expatriate perceptions of perceived marketability. First, do expatriates perceive career options outside their present firms because of these increased contacts or due to another aspect of the expatriate experience? Second, do the actual career experiences of expatriates in terms of pay and promotion influence their perceived ability to find a job with another organization?

It is likely that expatriates and repatriates realize that they have acquired important human capital that qualifies them for additional jobs regardless of their current position or the number of headhunting contacts they have received (Riusala & Suutari, 2000; Suutari & Brewster, 2003). Many believe that expatriation positively affects careers because it is a unique developmental experience that provides personal challenges and professional skills that cannot be duplicated by other means (Gregersen, Morrison, & Black, 1998; Mendenhall, 2001). Fink, Meierwert and Rohr (2005) argue that expatriates develop unique knowledge and skills while overseas. Expatriates are likely to know that these skills are in high demand (e.g. GMAC, 2005) and that international work is an excellent way to develop such global competencies (Gregerson, Morrison, & Black, 1998).

Moreover, expatriates should also realize that international work experience is easy to identify on a resume and provides a strong signal to potential employers that they are well qualified (Bernhardt & Scoones, 1993; Bretz, Boudreau, & Judge, 1994; Spence, 1973). The

employees who are selected to go overseas tend to be high-performing employees with important managerial/technical skills and knowledge (Boyacigiller, 1991; Gregersen, Black, & Morrison, 1998; Spreitzer, McCall & Mahoney, 1997). Returning from an overseas assignment sends a signal that the individual has international skills and can complete a challenging assignment. Based on this we hypothesize that repatriates will perceive greater employability than employees without international experience regardless of career outcomes they have experienced in their own firms or the number of recruiting contacts they receive.

**H4: Controlling for actual pay, promotion and recruiting contacts, expatriates and repatriates perceive greater external employment opportunities than domestic employees without expatriate experience.**

Taken together the four hypotheses suggests that despite short-term setbacks in terms of pay and promotion, expatriates and repatriates perceive greater employment mobility and internal career growth prospects than similar employees without international experience. We test these hypotheses using data from a large international professional services firm for a sample of current expatriates, recent repatriates, and U.S. domestic employees.

## **METHODS**

The 2005 study was conducted with an international professional services firm that employs more than 28,000 U.S. employees. The firm supplied electronic employee records for all current U.S. employees and all U.S. employees who had participated in an expatriation program between 2002 – 2005. In order to serve the needs of multinational clients and build networks between offices around the world, the firm runs an extensive expatriate program sending U.S. employees to 38 countries. All 224 current U.S. outbound expatriates were

surveyed along with 199 employees who had repatriated to the U.S. since 2002 and were still with the firm.

In addition to surveying all current expatriates and repatriates since 2002, we selected a sample of domestic U.S. employees who had not worked overseas for comparison. For each expatriate and repatriate surveyed we randomly selected a U.S. domestic employee from the same office location and business unit with the same gender and title. This procedure yielded a total sample of 423 domestic U.S. employees matched with 423 current expatriates and recent repatriates. Of the 846 who were sent a survey, 401 or 47.2% responded. Response rates were similar across current expatriates (47%), employees without international experience (43%) and repatriates (49%).

Surveys were conducted with an invitation email from the firm that contained a link to a web-based survey operated by a university-based research center. As part of the informed consent information, reasonable assurances were given to respondents that their identities would be protected and only aggregated data would be provided to the firm. Respondents were asked to provide their employee id numbers which were then used to match survey responses to the archival data provided by the firm. Nine employees who had been with the company for less than 4 years were excluded from the analysis. Missing data reduced the final sample analyzed to 365 employees including 96 expatriates, 82 repatriates, and 187 domestic U.S. employees without international work experience.

## **Analyses**

All four hypotheses were tested using hierarchical OLS regression. In each regression control variables were entered first followed by dummy variables for expatriates and repatriates.

Because previous research suggests that demographic variables can play an important role in career success we control for gender, minority status, age, tenure, education, business unit and job title (Caligiuri, Hyland, Joshi & Bross, 1998; Ng, Eby, Sorensen, & Feldman, 2005).

Hypotheses 1 and 3 were tested by regressing current compensation, promotions 2002-2005 and the number of external recruiting contacts in the past year on the set of control variables in step 1 and adding dummy variables for expatriates and repatriates in step 2. Hypotheses 2 and 4 predict that expatriates and repatriates will anticipate greater wage growth in their current firms and perceive greater external employment opportunities than employees without international work experience controlling for actual career outcomes. Hypotheses 2 and 4 were tested using a three step process which a set of control variables were added in step 1 followed by actual compensation, promotions, and external recruiting contacts in step 2, followed by dummy variables for expatriates and repatriates in step 3.

## **Measures**

*Expatriate/Repatriate.* We compare current expatriates, recent repatriates and domestic U.S. employees using two variables coded dichotomously based on archival records provided by the firm. Expatriates are defined as U.S. employees who are current on an extended work assignment overseas (1) versus those returned from overseas and those who have never worked overseas (0). Repatriates were defined as U.S. employees who have returned to the U.S. since 2002 (1) versus those who are currently overseas and those who have never worked overseas (0). Domestic U.S. employees who have not worked overseas were excluded so regression results for the expatriate and repatriate dummy variables should be interpreted in comparison to this group. To confirm the current status of the three groups of employees, survey respondents were asked to

indicate if they have participated in the expatriation program and whether they had returned home.

*Compensation.* Respondents were asked through the survey to provide their total annual compensation in their current jobs including base salary, bonuses, and incentives. While there always is a concern about response bias with self-reported data, we were able to compare self-reported compensation to archival records provided by the firm for a subset of respondents (archival compensation data were not available for Partners). We found a strong correlation ( $r = .93$ ) between the survey and archival values for current compensation indicating that employee responses were reliable. Self-report data were used in the analyses instead of archival data to preserve as many cases as possible for analysis. Current salaries ranged from \$54,000 to \$1,600,000 with an average of \$207,384. Because of the presence of several large outliers, current compensation was *ln* transformed to normalize the distribution.

*Promotions.* The number of promotions received 2002-2005 was drawn from personnel records provided by the firm. The number of promotions ranged from zero to three and the mean number of promotions was .76. To ensure that the number of promotions was measured for the same four year time period for all employees, three employees who had joined the firm since 2002 were excluded from the analysis.

*Number of times contacted by a recruiter.* Survey participants were asked the single-item question “Over the past year, how many times has a recruiter or headhunter personally contacted you?” The number of times an employee was contacted by a recruiter ranged from zero to 200 with a mean of about 17 times a year. The number of recruiting contacts was *ln* transformed to minimize the impact of several large outliers.



*External employment opportunities.* Six items were selected from the Employment Opportunities Index (EOI) developed by Griffith et al. (2005). The items used in this study were selected to measure perceived job alternatives through networking and perceived ease of movement. Items included, “I have contacts in other companies who might help me to line up a new job” and, “Given my qualifications and experience, getting a new job would not be very hard at all.” The resulting Cronbach's Alpha was .79.

*Anticipated salary growth.* Survey participants were asked the single-item question “If you continue in your current career track, what could you reasonably expect to earn (base compensation plus incentive/bonus) at [name of organization] 5 years from now?” Expected compensation five years from now was then compared to the respondent’s current compensation to create anticipated salary growth over the next five years measured as a percentage of current compensation. Anticipated salary growth ranged from zero to four times the amount of income the employees are currently receiving. On average respondents expected to double their salary over the next five years.

*Gender.* Gender has been shown to be an important factor in understanding expatriate success (Fish, 2005; Caligiuri, Joshi & Lazarova, 1999) and perceived marketability (Griffith et al, 2005). For example, males and females tend to adjust differently while overseas (Selmer & Leung, 2003) and may be accepted by their overseas colleagues at varying degrees (Varma, Toh, & Budhwar, 2006) which may ultimately leads the success of the expatriation. Gender is also typically used as a control in studies of career outcomes (e.g. Trevor, 2001). Gender was dichotomously coded female (0) and male (1). A little more than one-third (36%) of the sample was female.

*Minority status.* Ethnicity has been shown to affect the expatriate experience (e.g. Bell & Harrison, 1996; Mammam, 1995). For example, Bell and Harrison (1996) suggests that bicultural individuals (non-Caucasian) may be more effective while overseas. Minority status was dichotomously coded Caucasian/non-Caucasian because of the small percentage (15.2%) of minorities.

*Age.* Age has been shown to affect the success rates of expatriates (e.g. Harrison & Hubbard, 1998; Selmer, 2001; Mammam, 1995) and is typically used as a control in the employability literature (e.g. Trevor, 2001). Age was calculated by subtracting the birth date from the date of collection. The age in the sample ranged from 27 to 61 with a mean of 37.

*Education.* Education level is a critical variable for understanding perceived employability (Finegold, Benson, & Mohrman, 2002) and expatriate adjustment (Mammam, 1995). Due to the nature of the work performed, all employees had at least an undergraduate degree. Graduate education measured using a dummy variable for undergraduate degree (0) and graduate degree (1). About 37% of the respondents held graduate degrees.

*Business unit.* Employees from three different operating units in the firm were surveyed. These units reflected different professional specialties and two dummy variables were used to control for the differences in the career dynamics among the units. Two variables were coded dichotomously with the third operating unit left out as the referent group.

*Job title.* To control for potential variance explained by job title, three variables were utilized: Senior Manager, Director, and Partner. Senior Manager, Director, and Partner were each dummy coded (1/0) with the title “Manager” excluded as the referent group.

## Results

Descriptive statistics comparing expatriates, repatriates and domestic employees are presented in Table 1 and correlations are presented in Table 2. Table 1 also reports the results of ANOVA's examining differences between the three comparison groups for variables included in the study. In general the sampling process yielded a comparison group of domestic U.S. employees that shared similar characteristics to our sample of expatriates and repatriates. The domestic U.S. employees were more likely to be female and slightly older than expatriates and repatriates included in the analyses. Repatriates were and less likely to be Managers and more likely to be Senior Managers than current expatriates or U.S. employee without overseas work experiences. The three groups were similar in other respects and the differences noted are controlled in the multivariate analyses.

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*See Tables 1 and 2*

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Regression results are presented in Tables 3 and 4. Hypothesis 1 proposes that expatriates and repatriates have lower pay and promotion outcomes than domestic U.S. employees and is partially supported. In the first regression predicting current compensation, expatriates and repatriates are not paid significantly differently than domestic U.S. employees without international work experience. Because the high correlations between compensation and title suggest the potential of multicollinearity, additional diagnostic statistics were calculated. None of the values of the variance inflation factor (VIF) suggested that multicollinearity was the source of the insignificant relationships in the three models (Hair, Anderson, Tatham & Black, 1998). In the second set of regressions predicting the number of promotions received 2002-2005

repatriates received significantly fewer promotions ( $\beta = -.1, p < .05$ ) when compared to domestic U.S. employees without international work experience. The addition of the dummy variables for repatriates and expatriates, however, explained less than 1% additional variance in the number of promotions received in the last four

Hypothesis 3 predicting that expatriates and repatriates are contacted by recruiters more often than domestic U.S. employees was not supported. Findings are reported in Table 3 with regressions examining actual career outcomes. After the control variables were entered in step 1, dummy variables for expatriate and repatriate were entered in step 2 and explained an additional 11% ( $p < .001$ ) variance in number of times contacted by headhunters. This explained variance was driven by the experience of expatriates who received significantly fewer contacts than domestic U.S. employees ( $\beta \text{ expatriate} = -.361, p < .001$ ). Repatriates were no more or less likely to be contacted by headhunters over the past year than domestic U.S. employees.

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*See Table 3*  
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Regression results for Hypotheses 2 and 4 regarding perceived career opportunities are reported in Table 4. Hypothesis 2 that expatriates and repatriates have higher anticipated salary growth in their present firms than domestic U.S. employees controlling for pay, promotion, and external recruiting contacts was supported. Control variables were entered in step 1 and compensation, promotion, and recruiting contacts were entered in step 2. In step 3 dummy variables for expatriates and repatriates were entered and significantly predicted anticipated salary growth (expatriate  $\beta = .11, p < .05$ , repatriate  $\beta = .217, p < .001$ ). Expatriates perceived

that their salary would grow 11.1% more than domestic U.S. employees without overseas work experience and repatriates believed that their salary would grow 21.7% more over the next five years if they stay with the firm. The addition of the dummy variables indicating current or recent expatriate experience explained an additional 3.8% ( $p < .001$ ) of variance in anticipated salary growth.

Hypothesis 4 predicting that expatriates and repatriates perceive greater employment opportunities than domestic U.S. employees regardless of current compensation, promotion, and recruiting contacts was also supported. Dummy variables for expatriates and repatriates were entered in step 3 and explained an additional 2.8% ( $p < .001$ ) of variance in perceived job alternatives controlling for compensation, recent promotions and recruiting contacts. Expatriates and repatriates both perceive significantly greater external employment opportunities (expatriate  $\beta = .13$ ,  $p < .05$ , repatriate  $\beta = .172$ ,  $p < .001$ ) than similar domestic U.S. employees without overseas work experience.

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*See Table 4*  
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## **DISCUSSION**

The results of this study provide new insight on the impact of expatriate assignments on employee careers. While these findings are based on professional employees from a single firm, there are notable differences with previous research on the impact of expatriation on employee careers. First, there were no significant differences between expatriates, repatriates and domestic U.S. employees in current compensation. When compared to similar employees without recent overseas work experience, expatriates and repatriates were paid about the same as domestic U.S.

employees. Repatriates, however, were significantly less likely to have been promoted in the past four years. On average repatriates received .67 promotions 2002-2005 compared to .79 for current expatriates and .78 for U.S. domestic employees. This difference supports the notion that expatriates may be “out of sight, out of mind” and passed over for promotion as a result (McSheehy, 2001; Suutari & Valimaa, 2002). While significant, a decreased rate of promotion for repatriates was the only negative impact found when comparing expatriates and repatriates to a control group of domestic U.S. employees without overseas work experience and suggests that short-term career setbacks that accompany expatriate assignments may not be as great as argued in the previous literature.

Second, a direct comparison of external employment opportunities between expatriates, repatriates, and domestic U.S. employees show that when compared to domestic employees, expatriates actually received significantly fewer external recruiting contacts. Suutari and Brewster (2003) found that Finnish engineer expatriates and repatriates received numerous recruiting calls, but it is not known how these recruiting contacts compare to similar domestic employees. While 95% of the respondents in this study had received at least one recruiting contact in the past year, employees who were currently overseas received significantly fewer calls from headhunters than both repatriates and domestic U.S. employees. This suggests that instead of expanding external opportunities through new overseas networks, expatriation actually reduces the contacts that lead to new jobs. One reason why this may occur is that when expatriates go overseas their contact information becomes obsolete. The physical separation means that emails and phone numbers are more difficult to find for home country recruiters. Furthermore, going overseas removes expatriates from their existing network of contacts at home. While overseas their new networks built with foreign co-workers and clients do not

translate into greater numbers of recruiting contacts. Future research should investigate why the number of recruiting contacts declines while overseas and whether foreign networks remain intact upon repatriation.

This study also has important implications for the ways in which we think about expatriate experience and explanatory theories of how expatriates react to overseas experience. Several surveys have reported that expatriates and repatriates are generally optimistic about their career prospects, but it was unclear as to whether or not this optimism was derived from their actual career outcomes as they went overseas and gained new and marketable skills (e.g. Bonache, 2005; Bossard & Peterson, 2005; Brewster & Suutari, 2005). The findings from this study demonstrate that the expatriate experience leads to perceived career opportunities within their current organizations and perceived external employment opportunities independent of actual experiences of pay, promotion, or external recruiting. In other words, there is something about either the type of person selected for expatriate assignments or the expatriate experience itself that generates the perceived career growth and marketability of skills.

From a human capital perspective expatriation is often considered as a developmental experience that leads to new skills, knowledge, and an international viewpoint which are highly valued in multi-national firms. Research has shown that international experience is beneficial for long-term career success (Bretz, Boudreau, & Judge, 1994; Carpenter, Sanders, Gregersen, 2001; Daily, Certo & Dalton, 1996; Egan & Bendick, 1994; Magnusson & Boggs, 2006; Roth, 1995). The findings from this study confirm that employees who accept international assignments expect that the skills and knowledge acquired overseas will benefit them in terms of salary growth and external marketability. At the same time, however, our findings also confirm that organizations have a difficult time in recognizing and rewarding the human capital developed

through expatriation. Repatriates are promoted less frequently than their domestic counterparts and both expatriates and repatriates report fewer external recruiting contacts. However, the less frequent promotions and recruiting calls do not reduce the optimism that expatriates and repatriates have about their longer-term career prospects. Taken together this suggests that employees willingly defer potential short-term gains to develop the skills and resumes that they expect will be rewarded later in their career.

Several limitations of this study should be considered when interpreting the findings. Most importantly, this study examines professional employees in a single organization. This has the benefit of controlling for occupation and firm effects in testing how expatriation impacts salary, promotion, and perceived employment opportunities. Studying a single organization also permitted access to archival measures and the ability to select a matched sample of domestic U.S. employees. However, studying a single firm decreases the generalizability of the findings. First, it limits the sample size (96 expatriates and 82 repatriates) which decreases generalizability of the findings. Second, the participating organization had a long history of sending expatriates abroad and had focused a great deal of time and effort on providing support for adjustment overseas and repatriation afterwards. It is possible that this firm also did a particularly good job of placing expatriates and repatriates in positions that fit their skills and made good to compensate them at similar rates as their domestic counterparts. Although this does not impact the interpretation of the findings regarding external employment opportunities and anticipated salary growth within the firm is likely influenced by the particular policies and culture of the firm.

In addition, the fact that the individuals worked in the same occupation potentially limits generalizability to other types of employees. The survey participants were all highly-paid



professional employees who have many career opportunities. They are mobile employees who are headhunted frequently by clients and other firms. The relationship between expatriation and external employment opportunities may be different for employees with skills that are less transferable and in demand. Finally, it is possible that this study overlooked important variables also related to perceived career growth and employment opportunities. For example, research on expatriate adjustment has identified a number of different factors that influence how employees react to overseas assignments. Is it possible that individual characteristics such as a proactive personality or attributes of the assignment itself such as the assignment location influence expatriates anticipated career growth and external marketability, particularly for those currently overseas.

Findings from this study suggest several important questions that should be addressed in future research with expatriates and repatriates. For example, a longitudinal design could measure perceived marketability over time as employees depart for an overseas assignment, when they repatriate, and after working for a period of time back in their home country. It is possible that the results from this study have been influenced by expatriate turnover while overseas or upon repatriation. Employees with negative pay and promotion experiences may have left the firm prior to the survey and would therefore not be represented. In addition, since expatriate assignments have been shown to be related to greater anticipated salary growth and external employment opportunities, future studies should examine how these expectations impact expatriate and repatriate attitudes towards their organizations, work performance, and career choices.

Most importantly, future work should examine how perceptions of internal and external marketability detailed in this study relate to turnover. Research on expatriate and repatriate

retention indicates that companies tend to lose people that return from overseas assignments at greater rates than those employees without international experience (Black et al., 1999). A recent survey of 125 organizations conducted by a global relocation consulting firm concluded that turnover rates among expatriates were slightly more than twice the turnover rates among the general employee populations (GMAC, 2005). While there have been many studies examining expatriates' willingness to complete overseas assignments as well as repatriate turnover, most of this research has focused on what the organization does to push the employees out or expatriate participants' own internal motivation to leave (e.g. Black et al., 1999; Stahl et al., 2002; Suutari, 2003; Suutari & Brewster, 2003; Tung, 1998). However, the effects of perceived employability or market pull on expatriate turnover have not been explored (Takeuchi, Marinovab, Lepak & Liu, 2005). Since the findings from this study show that expatriates and repatriates perceive greater employment opportunities than employees without overseas experience, future research should investigate whether this leads to a greater turnover risk.

Finally, the findings from this study have several important implications for companies that choose to send employees on expatriate assignments. First is that current expatriates are significantly less likely to receive calls from headhunters while overseas. While this did not diminish the perceived employment opportunities of expatriates while overseas, this indicates that these employees responded to fewer inquiries for potential jobs and may be less tempted to change jobs while overseas. For managers this means that sending employees overseas protects them from being recruited outside the organization. Organizations may be able to use expatriate programs strategically by sending young high-potential employees overseas to shelter them against outside recruitment.

Second, this study shows that the expectations that expatriates and repatriates hold regarding their anticipated salary growth and their external opportunities are independent of their actual pay, promotion and recruiting experiences. This finding has a couple of implications for companies that send employees overseas. It suggests employees have heightened expectations of the benefits of expatriating regardless of whether or not they have seen actual benefits in terms of pay and promotion themselves or among their co-workers that have returned from overseas assignments. It also suggests that companies still have an opportunity to meet these expectations for critical employees even if expatriation has not benefited employees while they are aboard or shortly after they return home.

By all accounts, the impact of international work experience on employee careers within and across organizations is an important but understudied aspect of expatriation (Banai & Harry, 2005; Feldman and Thomas, 1992; Tung, 1998). In this study we have shown in a direct comparison of actual and perceived career outcomes among repatriates, expatriates and domestic U.S. employees without international work experience that expatriates and repatriates have greater expectations of internal and external career development regardless of their actual career experiences. These results based on comparison of similar employees with and without expatriate experience provide some additional clarity to previous findings regarding the short-term effects expatriate assignments on careers. They also indicate that more needs to be learned about the nature of the human capital and expectations developed through expatriate assignments that leads expatriates and repatriates to be optimistic about their career prospects within and beyond their current organizations despite the fact they experience no additional pay, promotion or external recruiting contacts than employees without expatriate experience.

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**Table 1. Sample Comparison and ANOVA**

|                  | Combined Sample<br>n = 365 | Expatriates<br>n = 96 | Repatriates<br>n = 82 | Domestic<br>Employees<br>n = 187 | F        |
|------------------|----------------------------|-----------------------|-----------------------|----------------------------------|----------|
| Male             | 63.3%                      | 75.0%                 | 67.1%                 | 55.6%                            | 5.578 ** |
| Non-Minority     | 85.5%                      | 80.9%                 | 86.7%                 | 87.2%                            | 1.006    |
| Age              | 37.1                       | 36.0                  | 36.3                  | 37.9                             | 3.181 *  |
| Graduate Degree  | 37.2%                      | 39.4%                 | 28.1%                 | 40.1%                            | 1.906    |
| Business Unit #1 | 10.4%                      | 12.5%                 | 13.4%                 | 8.0%                             | 1.192    |
| Business Unit #2 | 72.6%                      | 68.8%                 | 76.9%                 | 72.7%                            | 0.724    |
| Business Unit #3 | 17%                        | 18.8%                 | 9.8%                  | 19.3%                            | 1.971    |
| Manager          | 36.2%                      | 39.6%                 | 19.5%                 | 41.7%                            | 6.593 ** |
| Senior Manager   | 29.0%                      | 22.9%                 | 43.9%                 | 25.7%                            | 5.924 ** |
| Director         | 11.5%                      | 12.5%                 | 17.1%                 | 8.6%                             | 2.1      |
| Partner          | 23.3%                      | 25.0%                 | 19.5%                 | 24.1%                            | 0.435    |

**Table 2. Correlations**

|   | 1.    | 2.    | 3.    | 4.    | 5.    | 6.    | 7.    | 8.    | 9.    | 10.   | 11.   | 12.   | 13.   | 14.   | 15.   | 16.   | 17.   | 18.   |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| 1. Expatriate                           |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 2. Repatriate                           | -0.30 |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 3. Domestic Employees                   | -0.62 | -0.56 |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 4. Total 2004 compensation              | -0.02 | -0.07 | 0.07  |       |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 5. Number of promotions 2004-2005       | 0.04  | -0.04 | 0.00  | -0.44 |       |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 6. Recruiting contacts in the last year | -0.18 | 0.01  | 0.15  | -0.17 | 0.20  |       |       |       |       |       |       |       |       |       |       |       |       |       |
| 7. Perceived Employment Opportunities   | 0.06  | 0.19  | -0.20 | -0.05 | 0.18  | 0.19  |       |       |       |       |       |       |       |       |       |       |       |       |
| 8. Anticipated Compensation Growth      | 0.06  | 0.23  | -0.24 | -0.31 | 0.34  | 0.12  | 0.26  |       |       |       |       |       |       |       |       |       |       |       |
| 9. Male                                 | 0.15  | 0.04  | -0.17 | 0.06  | 0.03  | -0.03 | 0.07  | 0.02  |       |       |       |       |       |       |       |       |       |       |
| 10. Non-Minority                        | -0.08 | 0.01  | 0.06  | 0.07  | 0.04  | 0.00  | -0.15 | -0.01 | 0.03  |       |       |       |       |       |       |       |       |       |
| 11. Age                                 | -0.13 | -0.08 | 0.18  | 0.59  | -0.63 | -0.26 | -0.25 | -0.40 | -0.03 | -0.08 |       |       |       |       |       |       |       |       |
| 12. Graduate Degree                     | 0.00  | -0.11 | 0.09  | -0.02 | 0.03  | -0.04 | -0.19 | -0.08 | -0.09 | -0.06 | 0.15  |       |       |       |       |       |       |       |
| 13. Business Unit #1                    | 0.00  | 0.06  | -0.05 | 0.08  | -0.09 | -0.11 | -0.09 | -0.15 | -0.01 | -0.02 | 0.13  | 0.22  |       |       |       |       |       |       |
| 14. Business Unit #2                    | -0.02 | 0.04  | -0.02 | -0.11 | 0.13  | 0.23  | 0.15  | 0.20  | 0.06  | -0.03 | -0.27 | -0.15 | -0.54 |       |       |       |       |       |
| 15. Business Unit #3                    | 0.04  | -0.06 | 0.02  | 0.08  | 0.01  | -0.12 | 0.00  | -0.04 | -0.05 | 0.11  | 0.10  | 0.05  | -0.12 | -0.59 |       |       |       |       |
| 16. Manager                             | 0.03  | -0.16 | 0.10  | -0.42 | 0.32  | 0.15  | -0.07 | -0.07 | -0.06 | 0.05  | -0.45 | 0.05  | 0.05  | -0.05 | 0.05  |       |       |       |
| 17. Senior Manager                      | -0.06 | 0.17  | -0.09 | -0.21 | -0.02 | 0.06  | 0.09  | 0.26  | -0.02 | -0.01 | -0.08 | -0.07 | -0.09 | 0.24  | -0.16 | -0.49 |       |       |
| 18. Director                            | 0.03  | 0.09  | -0.10 | -0.07 | -0.09 | -0.10 | 0.02  | -0.01 | 0.06  | -0.14 | 0.17  | 0.09  | -0.02 | -0.22 | 0.12  | -0.28 | -0.23 |       |
| 19. Partner                             | 0.00  | -0.08 | 0.06  | 0.78  | -0.28 | -0.16 | -0.03 | -0.19 | 0.05  | 0.06  | 0.48  | -0.06 | 0.06  | -0.04 | 0.03  | -0.41 | -0.34 | -0.19 |

Note: Values greater than .10 are significant at  $p < .05$ . Values greater than .13 are significant at  $p < .01$ .

**Table 3. Regression Results for Actual Experiences**

|   | Current Compensation |                | Promotions (2002-2005) |                | Recruiting Contacts |                |
|---|----------------------|----------------|------------------------|----------------|---------------------|----------------|
|   | Step 1<br>Beta       | Step 2<br>Beta | Step 1<br>Beta         | Step 2<br>Beta | Step 1<br>Beta      | Step 2<br>Beta |
| Male                                      | .017                 | .012           | .018                   | .030           | -.043               | .017           |
| Minority                                  | .032                 | .034           | -.032                  | -.035          | -.004               | -.034          |
| Age                                       | .297 ***             | .306 ***       | -.648 ***              | -.673 ***      | -.207 **            | -.290 ***      |
| Graduate Degree                           | -.030                | -.027          | .129 **                | .123 **        | .039                | .046           |
| Business Unit #1                          | .030                 | .023           | -.078                  | -.062          | .041                | .051           |
| Business Unit #2                          | .002                 | .001           | -.056                  | -.054          | .249 ***            | .232 ***       |
| Senior Manager                            | .195 ***             | .186 ***       | -.049                  | -.027          | .012                | .025           |
| Director                                  | .186 ***             | .176 ***       | -.032                  | -.007          | -.023               | .011           |
| Partner                                   | .777 ***             | .771 ***       | .031                   | .046           | -.098               | -.061          |
| Expatriate                                |                      | .025           |                        | -.068          |                     | -.361 ***      |
| Repatriate                                |                      | .039           |                        | -.100 *        |                     | -.094          |
| R <sup>2</sup> (adjusted R <sup>2</sup> ) | .820 (.815)          | .821 (.815)    | .392 (.375)            | .401 (.381)    | .157 (.134)         | .266 (.242)    |
| R <sup>2</sup> change                     |                      | .001 N.S.      |                        | .009 N.S.      |                     | .110 ***       |
| <i>F</i>                                  | 171.15 ***           | 140.52         | 24.24 ***              | 20.50 ***      | 6.93 ***            | 11.01 ***      |
| <i>N</i>                                  | 348                  | 348            | 348                    | 348            | 345                 | 345            |

\* p < .05

\*\*p < .01

\*\*\*p < .001

**Table 4. Regression Results for Perceived Career Outcomes**

|   | Anticipated Salary Growth |                |                | Perceived Employment Opportunities |                |                |
|---|---------------------------|----------------|----------------|------------------------------------|----------------|----------------|
|   | Step 1<br>Beta            | Step 2<br>Beta | Step 3<br>Beta | Step 1<br>Beta                     | Step 2<br>Beta | Step 3<br>Beta |
| Male                                      | -.013                     | -.007          | -.024          | .039                               | .040           | .017           |
| Minority                                  | -.026                     | -.011          | -.006          | -.175 ***                          | -.180 ***      | -.170 ***      |
| Age                                       | -.508 ***                 | -.333 ***      | -.256 ***      | -.330 ***                          | -.305 ***      | -.232 **       |
| Graduate Degree                           | .016                      | -.009          | .003           | -.149 **                           | -.161 **       | -.153 **       |
| Business Unit #1                          | -.054                     | -.042          | -.073          | .027                               | .019           | -.009          |
| Business Unit #2                          | -.005                     | -.021          | -.032          | .041                               | -.001          | -.013          |
| Senior Manager                            | .325 ***                  | .396 ***       | .353 ***       | .135 *                             | .087           | .054           |
| Director                                  | .192 ***                  | .262 ***       | .213 ***       | .138 *                             | .092           | .056           |
| Partner                                   | .207 **                   | .483 ***       | .477 ***       | .200 **                            | -.004          | -.012          |
| Total 2004 compensation                   |                           | -.350 **       | -.375 ***      |                                    | .288 *         | .265 *         |
| Promotions 2004-2005                      |                           | .089           | .115           |                                    | .111           | .128 *         |
| Recruiting contacts                       |                           | .077           | .106 *         |                                    | .190 ***       | .231 ***       |
| Expatriate                                |                           |                | .111 *         |                                    |                | .134 *         |
| Repatriate                                |                           |                | .217 ***       |                                    |                | .172 **        |
| R <sup>2</sup> (adjusted R <sup>2</sup> ) | .250 (.229)               | .290 (.263)    | .328 (.298)    | .148 (.124)                        | .197 (.167)    | .225 (.191)    |
| R <sup>2</sup> change                     |                           | .040 ***       | .038 ***       |                                    | .049 ***       | .028 ***       |
| <i>F</i>                                  | 11.93 ***                 | 10.87 ***      | 11.05 ***      | 6.35 ***                           | 6.68 ***       | 6.73 ***       |
| <i>N</i>                                  | 331                       | 331            | 331            | 339                                | 339            | 339            |

\* p < .05

\*\*p < .01

\*\*\*p < .001