An Emerging Conceptual Framework to Assess Expatriates’ Return on Investment*

Franca Cantoni**, Ilaria Galavotti***

Abstract

This paper develops a conceptual framework on expatriates’ Return on Investment (eROI) that disentangles the drivers of value creation from expatriation projects and identifies the psychological contract as crucial to overcome the traditional tension between organizational and individual objectives. Mainly designed for traditional medium- and long-term expatriation projects, our framework can also be extended to nascent types of assignments in times of COVID-19 pandemic, e.g. virtual assignments.

Keywords: Expatriate ROI; Psychological Contract; Personal Resources; Competencies; Transversal Dimensions; Expatriate Invested Capital; Performance Management; Retention; International Assignment; COVID-19; Global Markets

1. Expatriate ROI (eROI): An Overview

The exponential growth of international business has increasingly pressured firms to effectively respond to the challenges of global competition (Arthur & Rousseau, 1996; Canegrati, 2009; Galavotti et al. 2020). International expansion through the establishment of foreign subsidiaries has been accompanied by a growing reliance on expatriation to control subsidiaries (Harzing, 2001) and execute incrementally complex global assignments (Bonache et al., 2001; Ghobadian et al., 2007; Harvey & Novicevic, 2001). Expatriates thus represent a strategically valuable resource among multinational corporations (MNCs), as they facilitate the operation of foreign subsidiaries, spread and sustain corporate culture, and transfer skills and knowledge both towards foreign affiliates and back to the parent company (Huang et al., 2005).

In this scenario, pressures to reduce mobility costs while simultaneously maintaining competitive advantage are encouraging firms to take a closer look at their expatriation policies and practices by assessing their expatriates’ return on investment (eROI) (Mc Nulty et al., 2013) to plan mobility programs in a more efficient and effective way (Collings et al., 2007). Such assessment, however, is

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jeopardized by the multiple dimensions associated with both costs and returns of expatriation projects.

Therefore, this study contributes to the existing conversations on eROI by developing a conceptual framework that disentangles the multiple determinants of value creation in international assignments. From a theoretical point of view, our framework goes beyond the traditional company-centered approach, mainly focused on cost minimization and process efficiency, as opposed to an expatriate-centered perspective, where expatriation is conceived as a personal investment for career advancement. In doing so, we propose a new approach that integrates the psychological contract as a potential tool to boost returns from expatriation.

2. Individual vs Corporate ROI: Main Challenges in eROI Assessment

We define eROI as “a calculation in which the financial and non-financial benefits to the firm are compared with the financial and non-financial costs of the international assignment, as appropriate to the assignment's purpose” (McNulty & Tharenou, 2004, p. 73). Therefore, expatriate ROI results from a combination of two main dimensions, namely corporate ROI (cROI) and individual ROI (iROI), each associated with a specific system of objectives and interests. Indeed, “[...] the expatriate accepts the assignment for career advancement, compensation and adventure as opposed to the company who sends an expatriate for the purpose of transferring the home corporate culture and meeting project objectives” (Paik et al. 2002, 646). Thus, because expatriation plays a strategic role for both the firm and the individual, incorporating both dimensions in eROI assessment is crucial.

This dual dimensionality of eROI has had two major implications. First, academics have long taken a conflicting approach due to the inherently contrasting interests of firms versus employees: while firms prioritize efficiency maximization in expatriation processes, expatriates are guided by expectations of personal development through international careers. However, the two are strongly intertwined: while ROI will be different for the individual and the firm, individual ROI has an impact on the overall corporate ROI (McNulty et al., 2013). For instance, the expatriate’s perception of the value of an international assignment is a key driver of his/her motivation and commitment and is likely to significantly affect corporate ROI (Stahl & Cerdin, 2004). Furthermore, career enhancement at the individual level may contribute to the development of global staffing capabilities for the firm with ultimate benefits in terms of expatriates’ retention (McNulty et al., 2013).

Second, most literature on expatriate ROI has focused primarily on corporate ROI (McNulty et al., 2009; Schimdt & Missen, 2007), thus leaving the individual ROI comparatively underexplored. As a consequence, existing frameworks on eROI still need to incorporate individual dimensions of costs and returns. This has resulted in a partial view of expatriate ROI that does not properly account for several aspects associated with the individual sphere.

According to extant research, multiple obstacles undermine the possibility to calculate eROI and hence its diffusion as a tool among global firms, including the absence of established guidelines, the difficulties in keeping track of all the costs incurred in the various phases involved in an international assignment (before, during, after), the complexity of effectively determining the benefits of expatriation.
(many of which are not easily and immediately monetizable), the frequently heterogeneous and dispersed information sources, along with the potentially chronic lack of time or support by the top management team (McNulty et al., 2009; Welch et al., 2009). Thus, the lack of a clear specification of what should be incorporated in eROI may be held partially responsible for the limited use of this performance metric in global firms investing in expatriation projects (McNulty et al., 2009).

Furthermore, while costs are relatively easier to measure and are entirely faced by the company (Nowak & Linder, 2016), returns raise difficulties in terms of both measurement and allocation since they involve subjective indicators. In particular, a portion of returns, especially those related to the enhancement of transversal dimensions, are difficult to determine and belong to both the firm and the employee.

An additional challenge to eROI calculation stems from the need to incorporate the temporal element by taking a long-term and dynamic perspective (McNulty & Tharenou, 2004). For instance, McNulty et al. (2009) claim that eROI needs to be measured at different times, depending on the various purposes of the assignments, as the specific objectives associated with the international assignment play a crucial role in determining what should be included in the calculation and, in turn, the most appropriate timeframe to be adopted (Bonache et al., 2001). The need to integrate the time dimension also reflects the process of knowledge transfer, which starts with the international assignment but continues over a long time after the expatriate assignment has ended (Dickmann & Baruch, 2011).

As an implication, though a great value may be derived from assessing the returns associated with expatriation programs, the absence of structured frameworks and shared metrics makes the calculation of eROI extremely complex and, as a consequence, not frequently adopted in MNCs. Thus, we elaborate a conceptual framework aimed at providing a contribution to the conversations on eROI assessment especially by elaborating on the drivers of individual ROI.

3. A Conceptual Framework for Assessing eROI

As a starting point of our conceptual framework, we extend the traditional financial perspective on the return on investment and argue that eROI may be considered as the ratio between the returns and the capital invested in the international assignment.

It should be noted that while costs are incurred before, during, and after the international assignment, returns do not necessarily materialize right at the beginning of the assignment. The different time spans of costs relative to performance and potential realization should hence be incorporated in the eROI calculation. We therefore propose the following:

\[ eRoi = \frac{\sum_{t=d}^{T} \text{Returns}}{\sum_{t=0}^{r} \text{Expatriate Invested Capital}} \]

where:
0 = beginning of the period considered,
d = departure,
r = return,
T = end of the period considered.
Costs, as a key input of the expatriate invested capital, include two main components, namely defined costs and hidden costs, where the latter are comparatively more difficult to observe and quantify (Krishnan, 2006).

When moving to the numerator, we argue that returns can be disentangled into three main components: a) the performance of the expatriate during the assignment; b) the potential of the expatriate, which may predict future performance as the result of the development of the transversal dimensions accrued during the assignment; and c) the perception of the expatriate about the assignment’s activity and context. Specifically, we argue that the expatriate’s perception of both the content and context of the international assignment will have a multiplying effect on both the performance and the individual potential, as it shapes the individual motivation, self-efficacy, and satisfaction. Therefore, we propose the following:

\[ \frac{\sum_{t=d}^{T} ((e\text{Performance} + e\text{Potential}) \times e\text{Perception})}{\sum_{t=0}^{T} (\text{Defined Costs} + \text{Hidden Costs})} \]

In the next subsections, the single items of our conceptualization will be outlined in more details.

### 3.1 Expatriate Invested Capital

Costs could be divided into two main categories, namely defined costs and hidden costs. Defined costs include all cost items that can be easily estimated and outlined throughout the different phases of the assignment. As opposite, hidden costs tend to be more elusive and hence more hardly quantifiable. Specifically, hidden costs can arise at multiple levels:

- at home, i.e. costs associated with the replacement and the on-boarding costs of an employee filling a temporarily vacant position;
- in the host location: hidden costs may include costs associated with the reactions of locals, including issues of legitimacy, the potential perception of career ceilings, and the impact on host country relations and reputation. For instance, issues of organizational justice represent one of the most disruptive hidden costs that may arise in the host location (Siers, 2007), especially in terms of perceived distributive injustice associated with compensation disparity between locals and expatriates (Leung et al., 2009). Justice effects are pervasive for both the firm and the individual, with potentially detrimental consequences on job satisfaction, expatriate trustworthiness and perception of the social context in which the international assignment is executed.
- all costs related to the successful management of the expatriate program from the different teams in both the home and host country in line with the applicable laws and company policies.

Thus, the costs of international assignments are usually more difficult to estimate compared to the total employment cost of a local employee especially because hidden costs are latent.

Table 1 displays representative examples of the most common costs that drive the expatriate invested capital in the main phases of the expatriation process.
Table 1: Cost Items Driving the Expatriate Invested Capital

<table>
<thead>
<tr>
<th>Defined Costs</th>
<th>Hidden Costs</th>
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<tbody>
<tr>
<td><strong>Pre-departure Phase</strong></td>
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<tr>
<td>Visa/Work Permit/Immigration, planning the assignment (including tax implications), Language Training, Pre-Assignment Trip, Relocation Travel, Shipping, Storage transit and deposit, Lease Termination Different Allowances, family budget, On-boarding</td>
<td>Individual selection, conducting preparatory training and development, administering the relocation program</td>
</tr>
<tr>
<td><strong>International Assignment phase</strong></td>
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<tr>
<td>Base compensation (including variable one), Tax equalization/tax protection, COLA, Housing benefit, Home Leave, Education (family), Storage, Health and Welfare Benefits, Emergency travel, Tax assistance, performance management, preparation for repatriation or re-assignment</td>
<td>Integration with the receiving entity, International performance management, perceived injustice in compensation gap between local managers and expatriates</td>
</tr>
<tr>
<td><strong>Repatriation, Post-assignment phase</strong></td>
<td></td>
</tr>
<tr>
<td>Travel, Shipping, Storage Transit, Departure Services, Interim Living, Tax assistance, Managing of trailing tax liabilities</td>
<td>Efforts to re-integrate returning international assignees into organizational career systems</td>
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</table>

3.2 Expatriate Performance

Expatriate performance management (EPM) is a crucial mechanism that enables to align objectives of parent and subsidiary (Tahvanainen & Suutari, 2005) thanks to a virtuous process based on the definition of objectives, the assessment of results, and the implementation of corrective actions.

Goal setting is of utmost importance in performance management, as it shapes the chances of success vs. failure of the expatriation project. If objectives are not clearly defined and discussed, the expatriation project may be subject to a greater risk of failure due to potential opportunism and information asymmetry between expatriates and headquarters. However, establishing a clear threshold between individual and organizational goals is far from trivial. As corporate goals are the concrete expression of long-term, strategic directions, mobilizing efforts and including expatriates in the objective-setting process (Lindholm et al., 1999, Lindholm, 2000) may be a key antecedent to spur motivation and a harmonious unity in developing goal attainment strategies (Locke & Latham, 1984). Indeed, research has extensively reported that several benefits may be accrued by involving employees in a bottom-up approach when setting specific performance goals, as direct involvement, compared to a top-down approach, enhances motivation and commitment to goals attainment, reduces information asymmetry, and helps to identify truly attainable, yet challenging objectives (Meyer et al., 1965).

As far as the monitoring and evaluation phase is concerned, determining the real contribution of the international assignment to the overall organization’s strategic goals remains substantially elusive (McNulty and Inkson, 2013). Therefore, the definition of appropriate evaluation metrics becomes a particularly salient pre-
requisite for eROI assessment. McNulty and Inkson (2013) argue that using a mix of metrics is of paramount importance in virtue of the multifaceted nature of perspectives involved in a firm’s corporate strategy: combining different metrics enables a more comprehensive view of eROI that goes beyond the mere financial costs, and rather captures also non-financial dimensions that might otherwise be overlooked.

Following McNulty and Inkson (2013), metrics should be clear, feasible, and useful where: clarity requires that any eROI metric is not ill-defined, ambiguous, trivial, or irrelevant; feasibility refers to whether a manager can collect data in a systematic and chronological way; and usefulness refers to the extent to which outcomes stemming from the eROI metrics can be effectively used. These three attributes are not mutually exclusive. In this sense, the strategic fit of metrics is particularly relevant. For instance, if an eROI metric satisfies both clarity and feasibility requirements but does not provide the firm with appropriate and valuable information on the gains deriving from international assignments, then that metric, although well-defined and applicable, would actually have only limited informative power and hence would not meet the usefulness criterion.

Given the complexity of an international assignment and the multiple interests involved, several tools may be used to evaluate the individual performance, including graphic rating scales, standards-based rating scales, the critical incident method, the checklist method, behavior rating scales, and behavioral observation scales. Each tool relies on specific evaluation metrics – for instance, the behavior rating scales are a combination of the graphic rating scales and the critical incident method and the performance evaluation is articulated on multiple levels. Therefore, each company should adopt the most appropriate evaluation tool based on a contingency approach.

Moving to the implementation of corrective actions, the headquarters has to provide support to the expatriate to create an environment that is conducive to the achievement of the agreed-upon objectives. Overall, it should be noted that performance measurement systems should consider that the success of an international mobility project could actually have two dimensions: one related to the employee’s performance concerning target objectives and a more general dimension regarding the success of the specific company project.

3.3. Expatriate Potential

The second key element that needs to be considered when exploring the returns from international assignments is the potential developed during the experience abroad. Human potential can be broadly defined as “the patrimony of personal characteristics and unexpressed talents that each individual possesses” (Borgogni & al., 2009). Understanding the potential that the expatriate develops during an international assignment represents an important opportunity to promote personal development and to encourage individual exploration. Through the assessment of potential, therefore, firms enact awareness about future organizational needs (Borgogni et al., 2010), identify key competencies and the personal resources linked to the intrinsic characteristics and traits of the individual.

We suggest that the expatriate’s potential is a multidimensional construct that can be captured by a combination of both personal resources and competencies. Personal resources go beyond specific professional skills and rather embrace those dimensions.
that are linked to the individual psychological configuration. In this view, personal resources represent a repository of individual potential that can be nurtured and developed to the benefit of both the employee and the organization. Indeed, personal resources rest on two constituent elements, i.e. psychological capital and agentic capabilities. Psychological capital may be defined as the “positive evaluation of the circumstances and the probability of success based on motivated effort and perseverance” (Luthans et al. 2007, p. 550). In other words, it represents a positive state of mind that aggregates the most relevant psychological resources and integrates them into a common dimension of cognitive and behavioral agility. On the other hand, agentic capabilities are cognitive capabilities that enact the individual proactiveness and autonomy. Therefore, they determine the perception of self-efficacy, i.e. believes about one’s own capability to perform actions at designated levels (Bandura 1986, 1999).

Competencies are underlying characteristics of an individual (Spencer & Spencer, 1993) that should not be confused with abilities. Indeed, while abilities refer to the probability of successfully completing an activity, competence is gained from experience that has been validated by previous feedback (Greve, 2003). Competencies have therefore passed the scrutiny of experience and are connected to work success. In light of the above, we argue that personal resources and competencies are inherently “transversal” as they are individual characteristics that are not anchored to specific skills but rather to personal characteristics. Hence, they can be extended and transversally applied to new contexts and activities while still retaining their value. Regardless of the endowment of technical skills, a higher degree of personal resources and competencies is associated with greater flexibility and adaptation to changes.

In Table 2 we propose a set of transversal dimensions in terms of both personal resources and competencies that can be used to assess the expatriate’s potential in an international assignment.

As some peculiar transversal dimensions are more solicited than others during an international assignment, companies need to choose the most representative ones with respect to the specific organizational context and assignment targets. Depending on the characteristics and nature of the expatriation project, specific personal resources and competencies will be activated. Given the number and heterogeneity of the transversal dimensions, for each element deemed relevant for the company, it would be useful to administer both self- and peer-assessment tests. To ensure measurability, detection scales should be defined in advance in order to allow the benchmarking of the selected transversal dimensions before and after expatriation.

3.4 Expatriate Perception

The returns from expatriation projects are affected by a third dimension, i.e. the individual perception (Mamman & Richards, 1996; Tung, 1998; Siers, 2007). In our framework, we argue that perceptions may be disentangled into two main components, namely the perception of the content, i.e. of the activity involved in the international assignment, and the perception of the context, in both physical and social terms.
Table 2: Transversal Dimensions in the Context of an International Assignment

<table>
<thead>
<tr>
<th>Personal Resources</th>
<th>Competencies</th>
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<tr>
<td><strong>Hope</strong> – persist in pursuing objectives and, if necessary, change the strategy to achieve them.</td>
<td><strong>Problem Solving</strong> – propose solutions by identifying the necessary steps for their implementation (Kanfer &amp; Busemeyer, 1982; Puccio et al., 2005)</td>
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<tr>
<td><strong>Self-Efficacy</strong> – belief in one’s ability to put in place the necessary efforts to achieve challenging goals (Luthans et al., 2007)</td>
<td><strong>Sense-breaking</strong> – modify one’s reference schemes in light of the experiences and situations encountered (Pratt, 2000; Lawrence &amp; Maitlis, 2014)</td>
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<tr>
<td><strong>Resilience</strong> – react to problems and difficulties that arise and overcome them to achieve success (Luthans et al., 2007; Pironti et al., 2018; Cantoni et al., 2019)</td>
<td><strong>Dealing with change</strong> – align action plans and behavior to the changing context (Pulakos et al., 2000)</td>
</tr>
<tr>
<td><strong>Anticipation</strong> – develop a forward-looking approach and formulate cognitive representations of the consequences, in the short- and/or long-term, of one’s actions (Bandura, 1991)</td>
<td><strong>Entrepreneurship</strong> – search for new business opportunities in the market (Kuratko, 2014; Man et al., 2002)</td>
</tr>
<tr>
<td><strong>Self-reflection</strong> – analyze one’s own experience and capitalize on it by identifying the best behavioral and cognitive strategies to be retained and discarding those that proved to be ineffective (Bandura, 1991)</td>
<td><strong>Working for Excellence</strong> – take actions to improve current performance beyond expected standards (Lombardo &amp; Eichinger, 2000)</td>
</tr>
<tr>
<td><strong>Problem Solving</strong> – propose solutions by identifying the necessary steps for their implementation (Kanfer &amp; Busemeyer, 1982; Puccio et al., 2005)</td>
<td><strong>Networking</strong> – build and maintain a network of relationships and contacts both within and outside the organization (Whiting &amp; De Janasz, 2004; Brondoni, 2015)</td>
</tr>
<tr>
<td><strong>Sense-breaking</strong> – modify one’s reference schemes in light of the experiences and situations encountered (Pratt, 2000; Lawrence &amp; Maitlis, 2014)</td>
<td><strong>Effective Communication</strong> – communicate effectively with others even when working remotely with the use of digital media (Spitzberg, 2006)</td>
</tr>
</tbody>
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Broadly, the perception of the activity involved in the international assignment is a derivative of the degree of autonomy given to the expatriate, the workload, the time-pressure felt, the extent to which the task and role’s boundaries have been clearly defined, and the personal meaning attached to the job. Perceptions of the context involve both physical and social dimensions: while the physical context refers to working and environmental conditions, like employees’ comfort and safety on the job, the social context reflects the internal constituencies of the organization (e.g., top management team, supervisors, and colleagues) and the broader sphere of interpersonal relationships (Borgogni et al., 2010).

In our framework, we suggest that the individual’s perception of the international assignment at content- and context-level will have a multiplying effect on both performance and potential. Indeed, how the activity and the context are perceived plays a key role in determining the expatriates’ perceived self-efficacy and, in turn, his/her affective dispositions, perceptions of obstacles, job satisfaction, productivity, and burnout (Figure 1). Specifically, positive perceptions of both the content and the context increase commitment, satisfaction, and engagement towards the organization, which in turn contribute to enhancing performance and deploying one’s own potential (Johns 2006; Borgogni et al., 2009; Borgogni et al., 2010). Thus, the perception-performance relationship is mediated by a host of individual dimensions and emotional states that are directly influenced by the individual perception of both content and context.
We, therefore, suggest that, as part of a mobility experience, monitoring perceptions would allow firms to be better knowledgeable about the conditions affecting perceived self-efficacy and individual performance, thus possibly acting on the levers that may influence the emotional and cognitive sphere of the individual. It is however worth noting that most existing instruments designed to capture perceptual items have been reported to lack reliability and construct validity. Additionally, no comprehensive tool for the measurement of perceptions yet exists. We, therefore, recognize that the identification of adequate metrics is a pre-requisite to any methodological development of our conceptual framework.

4. The Role of the Psychological Contract

The traditional view of individual ROI and corporate ROI as distinct and conflicting sides of eROI implies the need to consider that one of the most significant hidden costs is the potential loss of loyalty over time. Many expatriates –especially after repatriation– may gradually lose their sense of loyalty towards their firms, thus leading to a dramatic shift in the employment relationship.

Traditionally, expatriates’ commitment and loyalty to their firms were regarded as a function of the compensation package, as it contributes to reduce both financial and non-financial risks associated with the expatriate’s life and work abroad. Contrary to this view, growing empirical evidence indicates that the economic benefits provided by compensation packages do not represent per se a sufficient condition granting the commitment and loyalty of expatriates and may even become detrimental. For instance, scholars have suggested that the adoption of a “local-plus compensation”1 is associated with diminished loyalty among many expatriates, with most of them even seeking alternative employment opportunities both during the assignment and upon repatriation (McNulty et al., 2013).

As an implication, the long-established assumption that a positive relationship between compensation incentives and loyalty exists has been gradually abandoned in favor of a new, more human-centered perspective that underscores the importance of personal international careers and family life. In fact, achieving a satisfactory balance between private and professional life and enriching the pool of experiences and skills are gaining primary importance in the expatriate’s inner landscape of personal expectations and values. Nowadays, employees give less emphasis on job security and compensation and rather take more responsibility for their career development by building competencies and networks with the ultimate purpose of remaining employable and attractive to the external labor market (Baruch 2001). Accordingly, companies are encouraged to deemphasize efficiency maximization in
expatriation processes and rather to embrace a more attentive consideration of the needs of an increasingly demanding worker.

The existence of divergent perspectives between the firm and the expatriate implies the need to manage the “unknown factor”, especially during repatriation. Repatriation represents a delicate phase in the expatriate circle, is subject to potential ambiguity and reverse cultural shocks (e.g. Black, 1992; Forster, 1994), and is strongly affected by the expatriate’s expectations (Bonache et al., 2001). Returning expatriates have enhanced their breath of international experience and skills, which represents both a highly valuable enrichment of the company’s knowledge base and competence endowments and, at the same time, an extremely attractive and marketable asset for the expatriate. Therefore, the extent to which parent companies are able to transfer back and absorb this knowledge determines whether the expatriate’s potential is fully deployed and the likelihood to retain within the organization. Reverse knowledge transfer is in fact of key importance to MNCs (Schlegelmilch et al., 2003) and, while the company appropriates the value associated with the results achieved by the expatriate (performance), the value associated with her/his potential remains tied to the employee, who could either stay or leave the company.

In view of increasingly boundaryless career paths (Arthur & Rousseau, 1996), employees are well aware that changing job positions to nurture their expertise is a key driver of the attractiveness of their profile. Recent evidence advises that such self-awareness has a broad resonance, especially among expatriates, who are particularly knowledgeable that the merits of international assignments and the skills they have developed often tend to be valued more by other employers compared to their current ones (Stroh et al., 2000).

In this context, the “psychological contract” (Argyris, 1960; Levinson et al., 1962; Schein, 1980) may represent a powerful tool to avoid the risk that the knowledge and capabilities acquired internationally are not transferred back to the parent firm and are rather spent in the job market. From a theoretical point of view, the psychological contract is grounded in social exchange theory and the employment relationship is captured by a subjective dimension. The psychological contract has an inherently perceptual nature related to the individual’s believes about a “promissory contract” (Robinson, 1996, p. 575). Specifically, psychological contracts refer to the employees’ perception of what is owed to the company and what they are expectedly entitled to receive back in virtue of preliminary promises, either implicitly or explicitly conveyed (Robinson, 1996). Therefore, psychological contracts capture a cognitive state that is subjective and interpretative.

In our proposed framework, psychological contracts may play a key role in the expatriate’s assignment experience since they draw attention to the transactional and relational elements of the employment contract. As a complement to formal contracts, the psychological contract incorporates implicit mutual expectations between the firm and the employee. Thus, it shapes the mutual perceptions of fairness and trustworthiness (Robinson, 1996), with potentially positive implications in terms of enhancing the expatriate’s loyalty and commitment and thus reducing the leakage of valuable knowledge resources to the firm.

Integrating psychological contracts into firms’ career development paths during the entire expatriate circle may thus create the conditions for a deviation from the traditional divergent perspective towards an emerging, convergent perspective, in
which objectives and expectations of firms and expatriates, though not necessarily aligned, may actually coexist (Guzzo et al., 1994). We hence suggest that the psychological contract should be better leveraged by MNCs relying on expatriation projects as it confers enormous value to the development of the employee's potential abroad beyond the achieved performance. Therefore, given the retention problems that firms often face, our framework suggests that psychological contracts could provide promising prospects in terms of enhancing the expatriate’s job satisfaction (Naumann, 1993) and increasing the commitment and loyalty towards the parent firm (Selmer, 1998). Indeed, because the psychological contract mediates the relationship between organizational practices and retention-relevant outcomes (Pate & Scullion, 2010), our proposed approach may enhance the company’s retention capability after repatriation.

5. Virtual Expatriation in Times of COVID-19

The need to deepen our knowledge on eROI assessment seems particularly pressing, especially during the current COVID-19 era (Verbeke, 2020). Prior research has suggested that external shocks, like the 2008/2009 global financial crisis, terrorism acts such as September 11th, and the 2003 SARS and 2009 H1N1 influenza outbreaks, call for the development of a more in-depth exploration of eROI (McNulty & De Cieri, 2011). In this sense, the COVID-19 pandemic represents an external, unprecedented shock that is imposing changes in global value chains and international business (Verbeke, 2020). Hence, we extend our framework to a particularly salient expatriate figure, namely the virtual one, as an increasingly widespread practice among firms during this global health emergency. Indeed, consequences on international mobility following the recent pandemic have compelled MNCs to re-think their immediate future and figure out new and creative ways of working in the short-term, while also designing new long-term initiatives.

With corporate and business continuity representing a vital priority, virtual mobility is increasingly appearing on the operating agenda as a business imperative that many MNCs are de facto taking advantage of within the current pandemic. This new form of international mobility could be deployed more in the next future, as international firms are increasingly recognizing its potential especially in terms of its impact on the related costs and benefits.

Our proposed framework for assessing eROI could still prove valid for MNCs as a tool to estimate the return of such a new kind of assignment. Of course, establishing virtual expatriation programs entails some implications on eROI calculation in terms of both invested capital and returns. As far as costs are concerned, virtual expatriation may require a lower overall investment. In this sense, cost advantages in terms of defined costs are well manifest. The implementation of virtual international assignments may substantially reduce hidden costs at multiple levels: i) at home, as the virtual worker does not necessarily create a vacant position anymore; ii) in the host location, since off-site international assignments may not create issues of legitimacy; and iii) at the overall organizational level, as costs related to the management of the expatriate program from both home country and host country teams would be substantially reduced. Additionally, compared to physical expatriation, virtual expatriation may avoid several issues connected to the stress and
strains of living and working in an unfamiliar environmental setting e.g. decrease in productivity linked to relocation stress, adjustment time, family distance, etc. Specifically, since the relocation is not required and its associated costs would hence not be incurred, eROI assessment implies a greater attention devoted to the returns side, especially in terms of effectiveness. The virtual assignee would need to make considerable efforts compared to the traditional expatriate as the roles of effective influencer (Novicevic & Harvey, 2001). Network leader and process champion (Evans et al., 2002, pp. 471-472), guardian of culture (Sparrow et al., 2003, p. 27) and knowledge management champion (ibid: 24) have to be executed at a distance, with potential implications in terms of effective achievement of the corporate strategy goals associated with expatriation projects.

6. Implications and Concluding Remarks

eROI is a crucial tool for measuring and enhancing the expatriation experience for both the individual and the company. Though the benefits of assessing eROI are widely acknowledged among both academics and practitioners, MNCs rather tend to adopt a short-term vision of expatriation characterized by the achievement of partial returns at the expense of individual satisfaction and psychological expectations (Harvey, 1997, Bonache et al., 2001).

Our framework therefore contributes to the existing conversations on the importance of measuring the returns from international expatriation vis-à-vis the investments required during the overall expatriation cycle. In our conceptualization, approaching eROI in a more integrated way may help to close the gap between the firm’s need to develop its human capital in terms of both technical skills and transversal dimensions and the individual’s need to develop a career capital with a marketable value (Inkson and Arthur, 2001; Inkson & Clark, 2010). Such integration of perspectives would also help to better clarify the link between the individual and the organizational levels as well as the link between international assignments and their outcomes (Dickmann & Doherty, 2010). Building on extant research, we indeed offer a new perspective that encompasses the multiple aspects involved in eROI measurement. These include the firm’s financial investment in expatriates, the expatriates’ performance, their promotion relative to their career paths, and their repatriation and retention. Such aspects are all part of the talent pipeline and give a contribution to the organizational reservoir of skills, knowledge, and capabilities.

In terms of managerial implications, our conceptual framework could be helpful for both HR and mobility managers to assess the contribution of the expatriate to value creation at corporate level. Specifically, returns from expatriation projects may be assessed in relation to the original aspiration levels that motivated the international assignment itself. In case returns are negative or do not meet the original aspiration levels, firms may consider opting for different solutions, for instance by appointing a host country national or by implementing non-conventional arrangements like rotational, commuters, contractual assignees, virtual. As opposite, in case returns are positive and/or exceed aspiration levels, firms may benefit from learning effects in subsequent international mobility programs. In this sense, it is worth noting that for a better evaluation of an expatriate’s return on investment, a comparison should be made with the potential results associated with alternative choices, such as the use of
local managers or the reliance on alternative entry modes compared to direct investments (e.g. strategic alliances).

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**Notes**

1 A local-plus package is one where employees are paid according to the salary levels, structure, and administration guidelines of the host location, as well as being provided with limited ‘expatriate-type’ benefits such as transportation, housing, and dependents’ education in recognition of the employee’s ‘foreign’ status (Stanley, 2009).