



# Do as the large enterprises do? Expatriate selection and overseas performance in emerging markets: The case of Taiwan SMEs

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## ABSTRACT

This study investigated the less explored expatriation practices of small- and medium-sized enterprises (SMEs) in emerging markets. Data for 133 Taiwan SMEs operating in Malaysia and Vietnam revealed that four personality traits of expatriates, *i.e.*, control ability, independence, openness and social ability exert significant influences on overseas performance given that different types of performance require different of expatriate competency. Analytical results also indicated that the widely perceived influence of the favorable evaluation of the expatriate by top managers does not impact the overseas performance of expatriates. Further, the expatriate practices of Taiwan SMEs vary depending on cultural differences between the home country and host countries. Taken together, the findings of this study have valuable implications for both academicians and practitioners in international management.

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## 1. Introduction

International business plays an important role in the global economy as it dominates a major part of global commercial activities. Interactions across national borders have pervaded the daily activities of companies worldwide. In 2006, the US Department of Commerce estimated that, over the next two decades, 80% of the growth in world trade would come from developing and newly industrialized countries. The global economy provides multinational corporations (MNCs) with an increasingly competitive, dynamic and interdependent business environment.

MNCs must manage, coordinate and integrate the operations of their foreign partners with those of the parent company. To accomplish these tasks, parent companies often send expatriate managers to affiliate as corporate representatives and ambassadors (Yavas & Bodur, 1999). Numerous scholars have emphasized the importance of deploying competent expatriates to establish a global competitive advantage (O'Donnell, 2000). A successful global manager must possess a complex set of technical, political, social, organizational and cultural competencies (Harrison & Shaffer, 2005). However, acquiring these collective competencies may be one of the most challenging tasks faced by rapidly expanding global organizations (Takeuchi, Tesluk, Yun, & Lepak, 2005). The increasing importance of expatriate management has led to a substantial demand for relevant research.

Extant western theories assert that a firm engaged in foreign direct investment (FDI) must have strong resources and capabilities, particularly in scale. In reality, however, many MNCs appear to be small and weak (Coviello & McAuley, 1999; Lu & Beamish, 2001). To date, the differences between the expatriate management to the global success of small- and medium-

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sized enterprises (SMEs) in comparison with larger MNCs have seldom been addressed. Therefore, an investigation into SME expatriation could significantly contribute to this field of study.

Since experience and support from their home countries are often insufficient, SMEs tend to engage in start-up FDI in emerging markets to realize ownership advantages over less competitive local firms. Because of the environmental uncertainty of emerging markets, SMEs attempt to initiate monitoring host country environments heavily through their expatriates, and good expatriate staffing largely contributes to their overseas performance (Jaw & Liu, 2004).

Although integrated International Human Resource Management (IHRM) is highly desired for large-sized MNCs, SMEs may be unable to implement an entire complement of IHRM. Often, SMEs are at a resource disadvantage compared to larger firms and may be unable to invest in the hiring and training of international personnel (Golhar & Deshpande, 1997). Owing to such constraints, SMEs that invest overseas generally select expatriates from among their existing employees. From the perspective of SMEs, selecting effective expatriates is of priority concern for overseas success (Mol, Born, Willemsen, & Van der Molen, 2005). This study therefore examines the criteria SMEs use when selecting expatriate employees in their beginning operation in foreign markets. A further inquiry is what criteria contribute to overseas performance of subsidiaries.

An effective means to address above question would be investigating expatriate management of Taiwan SMEs (TSMEs) in emerging markets such as Malaysia and Vietnam. Aryee, Chay, and Chew (1996) emphasized that the global economic center of gravity has shifted away from the Atlantic to the Asia-Pacific region. Most Taiwan companies are SMEs and they often look beyond their shores to stay competitive by heavily investing in these two countries. According to the *Taiwan Ministry of Economic Affairs* (2007), Taiwan ranked as the second largest investor in Vietnam from 1995 to 2005 and led investment in Malaysia from 1990 to 1996. In addition, Vietnam and Malaysia are primarily Buddhist and Islamic societies, respectively, in which, Buddhism and Islam being the two dominant religions in Southeast Asia. Given that past studies have reported on the enormous impact religious belief wields in the social and economic life of a society (Basu & Altinay, 2002; Mueller & Goic, 2002), considering religious heritage in a cultural influence assessment may shed additional light on overseas subsidiary management issues.

This study selected the year 2000 as the basis of observation for two reasons. First, most TSMEs, particularly manufacturers, were compelled to expand their overseas operations into Southeast Asia by the early 1990s when Taiwan was undergoing an economic transformation. Data reflecting the expatriation practices of these small and relatively young FDI investors (less than 10 years experience in overseas operations) are particularly valuable, as the longer the overseas operations the more likely they become larger MNCs with large firms expatriate management practices. Second, because of the opening of trade between Taiwan and China since 2000, many TSMEs have clearly switched their investment to China (Jaw & Liu, 2004) and reduce their FDI in Southeast Asia. Since Taiwan and China share a similar cultural heritage, studying TSME expatriation in China in comparison with that in Malaysia and Vietnam has less generalized value for SME expatriate management when taking cultural difference issues into consideration. Restated, this batch of data is extremely valuable in terms of the number of responding firms and the timing of data collection.

This study was conducted using the following two approaches. First, since the expatriate practices of SMEs have seldom been explored, we still refer to the selection criteria suggested in the literature, perhaps that of large-sized MNCs, and then modify them to match with SMEs and regional characteristics. Second, the investigation focuses on only two major TSME concerns: expatriate selection and overseas performance. To establish the link between expatriate selection and overseas performance, this study assessed the views of key personnel who manage these expatriates rather than on the self-reported data from the expatriates themselves.

## 2. Previous studies and hypotheses

Kranias (2000) reported that scholars have clarified the multidimensionality of expatriation dynamics from the 1970s to 1990s, but only from the perspective of large North American MNCs. At the individual level, expatriate research emphasizes personality (e.g., Arthur & Bennett, 1995; Caligiuri, 2000b), motivation (e.g., Suutari & Brewster, 2001), competencies (e.g., Aycan, 2000), job adjustment (e.g., Mendenhall & Oddou, 1985), cultural adaptation (e.g., Arthur & Bennett, 1995) and family support (e.g., Tung, 1986). At the organizational level, most studies have focused on IHRM, encompassing in expatriate selection, training, compensation, performance appraisal and repatriation issues (Harvey & Novicevic, 2001).

Nowadays, as more and more countries engage in global competition, the imperatives of globally competent human capital indicate that the market for expatriates is changing and becoming more demanding (Clegg & Gray, 2002). As a result, a much more structured and contingent approach to expatriate management may be required. For example, external environmental issues (Harvey & Novicevic, 2001) should be approached from a regional perspective, and the unique expatriation management of SMEs rather than those of large-sized MNCs are also worthy of study. However, a comprehensive literature review still generates very few studies of the combination of SMEs and expatriation.<sup>1</sup>

Among the unexplored issues of SME expatriation, selection may be a good initial inquiry. Several scholars have suggested that MNCs should focus on more comprehensive selection criteria (Harrison and Shaffer, 2005). Increasing

<sup>1</sup> A review of four academic journals is processed on an issue by issue basis, in which SME-expatriate related papers were most likely to be published. These included "International Business Review" (1994–2006), "Management International Review" (1996–2006), "Journal of International Business Studies" (1994–2006), "Journal of Small Business Management" (1994–2006), and "International Journal of Human Resource Management" (2000–2006).

evidence suggests that effective selection is related to expatriate performance (Mol et al., 2005; Selmer, 2001). Managers and researchers of IHRM attribute expatriate failure rates largely to infelicitous selection of candidates for overseas assignments. Dowling, Welch, and Schuler (1999) also reported that, in addition to adequate cross-cultural adjustment and training, selection remains a critical element in attaining a high level of expatriate success, especially for inexperienced SMEs (Baird, Lyles, & Orris, 1994).

Given the limited research in the area, a particular theory applied to study SME expatriate management may raise concerns of reductionism for actual HRM practices of SMEs (Delery & Doty, 1996). This exploratory study thus drew upon findings from extant literature and observations in qualitative interviews in deriving the research hypotheses. The following sections review the literature related to overseas performance and selection criteria at the personal and organizational levels.

### 2.1. Overseas performance

For resource-insufficient SMEs, investing overseas is a bold move requiring careful calculation. Generally, performance is tightly monitored. Various scholars have suggested that, to reduce bias and to reflect the multi-dimensional nature of the volatile overseas environment, the evaluation of expatriate performance should consider multiple criteria (Forster & Johnson, 1996). The three most common dimensions for evaluating expatriate success have been cross-cultural adjustment, completion of the global assignment and performance on the global assignment (Schuler, Fulkerson, & Dowling, 1991). In this study, only the third dimension, “performance on the global assignment”, was examined given that the prevailing assumption of TSMEs is that effective expatriate selection leads to good cultural adjustment and completion of assignment. Since ethnic Chinese abound in Southeast Asia, mal-adaptation of Taiwan expatriates may be rare given that Taiwan is one kind of ethnic Chinese who can easily communicate with those in Southeast Asia using Taiwan dialect. The similar Sino-cultural setting between Taiwan and most Southeast Asian countries (e.g., Malaysia, Vietnam, Singapore, etc.) lead many TSMEs limit the early return of their expatriates so that Taiwanese generally treat the early return as disgraced, which also diminish the early return possibilities of TSME expatriates (Lin & Wei, 2006).

For TSMEs, the most important performance measure is the achievement of production goals since most TSMEs investing in Southeast Asia are manufacturers. From a strategic perspective, TSMEs seek to relocate labor-intensive production to low-cost emerging countries in order to achieve cost effective production. To fully realize the benefits of mass production, managing host national workers is another overseas performance requirement due to the lack of experienced host managers in emerging markets (Selmer, 2004a). Thus, the second goal is management efficiency (Blackwood & Mowl, 2000). These two goals are consistent with the views of scholars who suggest that expatriate performance should be measured by productivity and the work process.

Additionally, this study analyzes environmental scanning performance for good reason. Given the tragic history of Chinese-exclusion movements in Southeast Asia, Taiwan expatriates must keep a close eye on local socioeconomic agitation for proper and timely coping strategies. Expatriates are regarded by top management teams in Taiwan as important “agents” to scan and collect local information. Therefore, this study assessed expatriate performance from the perspectives of production, management and environmental scanning effectiveness.

### 2.2. Expatriate selection criteria at the personal level

Blackwood and Mowl (2000) reported that SMEs have the relatively high probability of HRM failure due to their under-developed managerial systems. Hornsby and Kuratko (1990) also suggested that selecting a quality workforce is the most important HRM task for resource-constrained SMEs to easily perform. Assumed that SMEs may have less international experience than large MNCs, they still make efforts to select appropriate expatriate by referring the visible personnel characteristics of potential candidates.

Harvey and Novicevic (2001) performed a quite thorough literature review on expatriate selection and found that technical or functional expertise was the primary selection criterion in the initial stage of expatriate employee selection; yet a high failure rate prompted further studies devoted to identifying personal characteristics that could improve the success rates of expatriates. Scholars have described and prescribed expatriate selection criteria based on the assumption that certain factors are predictors of successful expatriation (Black, Gregersen, & Mendenhall, 1992). Mendenhall and Oddou (1985) identified five categories of personal attributes related to successful overseas adjustment, namely, job factors, relational dimensions, motivational state, family situation and language skills.

To further elucidate these five categories of criteria, Appendix A displays a list, though not exhaustive, of identical and additional variables mentioned in various studies. Personal traits are regarded as essentially owned traits other than experience or technical skills and this study focuses on those naturally owned traits since TSMEs have less experience helping expatriate candidates to acquire such competencies. Regarding expatriate family problems, which are well documented, the situation of TSMEs differs from those described in the literature and is explained in the control variables section. As for language skills, language is considered of minor importance in this study since many ethnic Chinese speak Mandarin or a Taiwanese dialect in Malaysia and Vietnam and is included as a control variable in the “job support” section. Integrated with the preliminary findings of the pre-study interview are five groups of personal level selection criteria, which are derived and described as follows.

### 2.2.1. Control ability

Since mass production and assembly are the major overseas operations of TSMEs investing in emerging markets (Chen & Chen, 1998), their ability to control production processes and workers is a major expatriate selection concern. “control ability” is defined here as the degree to which an expatriate can dominate and supervise local operations. Jaw and Liu (2004) also found that the major task of Taiwan expatriates is to control and monitor host nationals to ensure local workers efficiently accomplish the production goals for better overseas performance.

**Hypothesis 1a.** The control ability of a TSME expatriate significantly predicts the overseas performance of the stationed subsidiary.

### 2.2.2. Independent decision-making ability

For SMEs, internationalization is essentially an entrepreneurial activity (Lu & Beamish, 2001), and expatriates can be treated as entrepreneurs with many timely decisions to make. Unlike some large-sized MNCs which less empower their expatriates, most expatriates working in TSMEs in emerging markets are forced to act as “entrepreneurs” in each subsidiary. Given their limited resources, expatriates of TSMEs are on their own in the host country. Each is responsible for a particular task. These expatriates must make effective and often prompt decisions independently without consultation. As noted in the literature, such a characteristic also requires critical recognition to do timely decision and is a major factor in whether TSMEs can achieve their goals.

**Hypothesis 1b.** The independent decision-making ability of a TSME expatriate significantly predicts the overseas performance of the stationed subsidiary.

### 2.2.3. Openness to host nationals

To be functionally effective in a host country, an expatriate requires support from host nationals. Expatriates who are open to host national employees tend to have better contacts, receive more accurate feedback, and adjust and perform better (Black & Mendenhall, 1990). Regarding the concerns of host country workers, expatriates also show more desire to fit in the local situations, since host nationals are especially valuable sources of social support, assistance and friendship to fledgling expatriates of TSMEs investing in unfamiliar emerging markets (Caligiuri, 2000a). Expatriates can also learn informal norms through the host nationals to improve their management efficiency. Interpersonal and communication skills can be also reflected on such trait.

**Hypothesis 1c.** The openness of a TSME expatriate to host nationals significantly predicts the overseas performance of the stationed subsidiary.

### 2.2.4. Social networking ability

In addition to openness, social networking is also crucial to success (Caligiuri, 2000a). Here, “social networking ability” is the willingness to communicate and establish social relationships with powerful external parties in host countries rather than the openness to internal employees. Internationalization increases uncertainty for SMEs, especially those investing in emerging markets (Chen & Chen, 1998). Due to the political unrest and the newly developing democratic environment in Southeast Asia, most TSME expatriates must be socially active to obtain sufficient and timely critical information. Formal and informal personal networking with powerful local people, known as “Guan-Xi” by the Chinese, is critical for TSMEs to operate smoothly in the local situations (Wang & Kanungo, 2004).

**Hypothesis 1d.** The social networking ability of a TSME expatriate significantly predicts the overseas performance of the stationed subsidiary.

### 2.2.5. Cultural awareness

In this study, cultural awareness implies that “one can interpret one’s environment effectively and be sensitive to culture-specific situations”. The literature indicates that cultural awareness is related to perceptual thinking (Mendenhall & Oddou, 1985), which in turn affects performance. Sanchez, Spector, and Cooper (2000) commented that expatriates who understand cultural subtleties stand the best chance of coping effectively with unfamiliar situations. For TSMEs, emerging markets like Southeast Asia may have more culture-specific cases of local operation and expatriates must interpret them correctly to react appropriately.

**Hypothesis 1e.** The cultural awareness of a TSME expatriate significantly predicts the overseas performance of the stationed subsidiary.

## 2.3. Expatriate selection criteria at the organizational level

No profile of the ideal expatriate exists, and many issues should be considered when selecting SME expatriates. Harris and Brewster (1999) commented that expatriate selection criteria lists, which imply that the process is formal, rational and

professional, have little practical impact on selection, which is typically characterized by a strong North American bias. Considerable evidence shows that expatriate selection and staffing procedures are still rather informal in many MNCs (Brewster, 1997; Caligiuri, Hyland, Joshi, & Bross, 1998; Delaney & Huselid, 1996), and this phenomenon is even more apparent in resource-constrained TSMEs. Therefore, testing whether TSMEs have a profound international selection system may not be significant. Conversely, the impression of a top manager regarding an expatriate candidate is an important organizational factor in Chinese society.

The pre-study interviews revealed considerable evidence of such informal “impression” influences on expatriate selection. Most TSMEs are family-owned enterprises; therefore, many positions, including expatriate positions, can be considered career paths for young family members or important cronies. An expatriate candidate should be considered “trustworthy” by top managers. Such informal selection criteria are embedded in various norms of a SME and can be summarized in two dimensions: “good organizational recognition” and “superior promotion record”.

### 2.3.1. Organizational recognition

Expatriation is regarded as a preferment and promotion practice by most family-owned SMEs. Here, “recognition” is defined as the impression and perceived reliability of an expatriate. Therefore, recognition by the management team and the business owner is essential for a manager to be considered an expatriate candidate. Because TSMEs have fewer overseas sites and fewer expatriation opportunities for their employees than larger MNCs, expatriation is often a symbolic reward for outstanding employees in the Asian context (Osman-Gani & Tan, 2005). Expatriates given such recognition also have more autonomy, respect and better resources at their disposal to accomplish their overseas tasks and ultimately improve their performance.

**Hypothesis 2a.** The organizational recognition of a TSME expatriate significantly predicts the overseas performance of the stationed subsidiary.

### 2.3.2. Promotion record

Moreover, overseas expansion is an important strategic objective for TSMEs, and expatriates generally have an enviable promotion record (Chen, Choi, & Chi, 2002). Rapid promotion also reflects past performance and experience. Unlike “recognition”, which specifies the importance of loyalty or reliability in an expatriate, “promotion record” implies the potential of the candidate. Actually, middle level managers with outstanding performance records are the most likely to become expatriates. Top managers of TSMEs utilize such “input-oriented” criteria as a simple way to select expatriates. Since the promotion record is a proxy of past performance and future potential, it can contribute to overseas performance of an expatriate as well.

**Hypothesis 2b.** The positive promotion record of a TSME expatriate significantly predicts the overseas performance of the stationed subsidiary.

## 2.4. Selection criteria and overseas performance in different host countries

Different countries have different cultures. The MNCs investing in foreign countries may experience various cultural differences between their home and host countries which may affect their strategies and overseas performance. Aryee et al. (1996) reported that an expatriate assignment in a culturally dissimilar country entails more disruption than one in a culturally similar country. For instance, most Vietnamese are Buddhist whereas Islam is more prevalent in Malaysia. Since Taiwan is primarily a Buddhist society, the cultural difference between Taiwan and Vietnam is assumedly smaller than that between Malaysia and Taiwan.

Since culture remains an important factor in expatriate staffing policy and performance in MNCs (Waxin & Panaccio, 2005), the influence of culture is specified in Hypothesis 3. Gong (2003) suggested that MNCs possess different expatriate staffing policies in different cultural contexts. Similarly, Graf (2004) noted the importance of identifying effective selection skill profiles in different cultural contexts as well. For example, Taiwan MNCs tend to duplicate existing HRM systems to their Chinese subsidiaries, which is culturally similar to Taiwan. To further examine whether cultural differences can elucidate the investigated variables, the following hypothesis is proposed:

**Hypothesis 3.** Selection criteria and overseas performance of TSME expatriates significantly differ between host countries and indicate the different cultural differences between home country and each host country.

## 3. Method

The data of interest were collected by questionnaire survey. Measurement, data collection and sample profile are presented in this section.

### 3.1. Measurement

To reflect actual concerns of TSMEs rather than in the eyes of western researchers, questionnaire items were developed in three stages as follows (see Fig. 1).



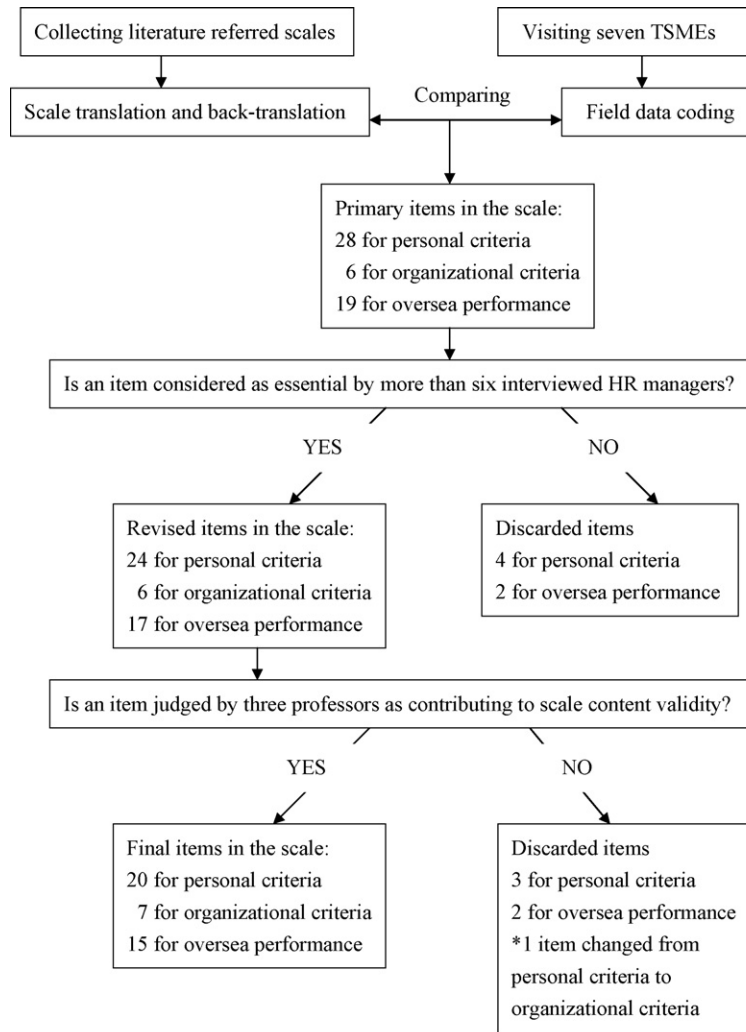


Fig. 1. Procedure for the scale developing in this study: Note: one “expatriate candidate potential” personal selection criterion item was changed to an organizational selection criterion in this stage.

First, expatriates stationed in four TSME subsidiaries in Vietnam and three subsidiaries in Malaysia were interviewed in 2000. In the semi-structured interviews, expatriates were asked to provide the most critical factors related to their foreign post selection and overseas performance. The interview transcripts, field observation reports and archival data were coded in this stage.

Second, after extensively reviewing the relevant literature and the coding results for the qualitative data, primary question items were formulated. For “selection criteria”, 14 traditional referred selection factors at personal level<sup>2</sup> were summarized based on literature with two selection criteria for each selection factor. Consequently, 28 items at the personal level were utilized. Additionally, six organizational level selection criteria items were derived from the field data. Prior to field data collection, we followed the translation procedures for those primary items adopted from literature (Brislin, 1970). Accordingly, 28 primary items at the personal level had been translated into Chinese and then back-translated to English. The English version questions were translated into Chinese by the authors and then back-translated to Chinese by a faculty member who had lived in the United States for decades. To ensure the appropriateness and consistency of the items to our field data, the faculty and the authors had jointly refined these items.

To enhance content validity, following the suggestion by Lawshe (1985), the authors visited 10 additional TSMEs and asked the HR manager of each parent company to confirm or disconfirm each of these generated criteria. By choosing 10

<sup>2</sup> They were (1) ability to control, (2) decision-making competency, (3) interpersonal skills, (4) good communication skills, (5) social knowledge, (6) internal/external business networking, (7) concern for host country workers and desire to fit in, (8) adaptability, (9) extroversion, (10) openness, (11) intrinsic motivation (12) self-efficacy, (13) agreeableness, and (14) tolerance for ambiguity.

TSME HR managers as *Subject Matter Expert Raters*, this study asked them to rate whether each item reflects their expatriate selection criteria. According to Lawshe (1985), if more than half the panelists indicate that an item is essential, that item has at least some content validity. Based on the rule, a specific item was accordingly discarded if more than four HR managers deemed it not necessary. Especially, every item remained in our scale had a content validity ratio (CVR) of more than 0.8, which is above the threshold of CVR 0.6 in the case of 10 panelists (Lawshe, 1985). Four personal selection criteria related to “adaptability” and “agreeableness” were deleted. For “overseas performance”, 19 field-generated items were revised and two new market exploration-related criteria were removed since most TSMEs rely on parents rather than subsidiaries to explore new markets. Thus, 17 items were retained.

Third, the revised questionnaire items covering *expatriate selection criteria*, *overseas performance*, and two control variable dimensions *job support* and *assistance to expatriate family* were reviewed by three college professors for final refinement<sup>3</sup> to enhance more content validity. According to Lynn (1986), the content validity includes two level meanings: “item content validity” and “scale content validity”. Suggested by Hinkin (1998), the content validity of a complete scale should be evaluated by its relevance to mirror the importance and significance associated with the actual knowledge with interest. Hinkin and Tracey (1999) asserted that experts with sufficient knowledge could better judge the “scale content validity”. While the “item content validity” had been assessed by the expert evaluation of ten TSME HR managers, we believed that the “scale content validity” should be finally refined by these three professors owing to their complimentary knowledge both in the academic and the practitioners fields to refine our entire scale with a whole picture. Based on their comments, one “expatriate candidate potential” related item was changed to an organizational selection criterion, and five items were removed from the primary scale (three from personal selection criteria and two from overseas performance) since these items were considered repetitive or overly similar to other items.

*Selection criteria at personal level* had a total of 20 items while seven items were adopted for *organizational level criteria*. Please refer to Table 2 for question items. All items were written in Chinese and responses were according to a five-point Likert scale ranging from 1 (totally disagree) to 5 (totally agree). For “cultural difference”, a dummy variable of “0” was assigned to Vietnam to reflect the cultural similarity between Taiwan and Vietnam, and a “1” was assigned to Malaysia to reflect the cultural differences between Taiwan and Malaysia. For *overseas performance*, 15 items (five items each for *production*, *managerial* and *environmental scanning performance*) were developed. See Table 3 for question items.

Four dimensions were controlled as indicated. First, previous studies suggest that parent company characteristics affect its subsidiary performance, and this analysis included four parent-related control variables: size (*i.e.*, total number of employees); age, capital and whether the business is family-owned. Second, this study also controlled for four subsidiary characteristics: age; number of employees; subsidiary ownership (*i.e.*, joint-venture or wholly-owned) and number of expatriates stationed.

Third, two dimensions associated with “job support” and “assistance to expatriate family” were also controlled in a regional context confirmed by the field data (Selmer, 2004b, 2005). For job support, expatriate training and appropriate compensation help expatriates in their performance, and sufficient job-related information from the parent company also contributes to effective overseas performance (Selmer, Ebrahimi, & Mingtao, 2000). Expatriate family assistance somewhat differs from the western concept of “family support”. Taiwan expatriates tend to leave their spouses and families in Taiwan when they are sent to developing countries, primarily out of concern for the educational needs and safety of their children. Therefore, expatriates of TSMEs are rarely accompanied by family members in the host country. This finding suggests that the home company should be very concerned with the welfare of expatriate family members remaining in Taiwan and should help them adjust to life with the parent working abroad as well as provide sufficient financial support for regular home visits by expatriates.

As a result, the five-item “job support” and three-item “assistance to expatriate family” were developed mainly based on interviews. Job support includes local language training, host country assistance, home company information, additional compensation and overseas budget. Assistance to expatriate family includes financial support for family member visits to the host country, increased expatriate home visits and problem solving for family members remaining in Taiwan.

### 3.2. Data collection

Units of analysis for this study were TSME subsidiaries operating in Malaysia and Vietnam. In Taiwan, SMEs are defined as firms with fewer than 200 employees or with capital less than US\$ 2,400,000 (exchange rate US\$ 1: NT\$ 32). The most reliable sample source is the “2000 Member Directory” published by the Taiwan External Trade Development Council (TETDC), which indicates that 309 and 392 TSMEs have invested in Vietnam and Malaysia, respectively. After confirming the company names and addresses by telephone calls, 207 TSMEs that have invested in Vietnam and 210 TSMEs that have invested in Malaysia were found to be active at the time of this study. Accordingly, questionnaires were sent to these confirmed firms.

<sup>3</sup> Among the three professors consulted with, two have extensive research in IHRM and the other in international business strategy. In addition, two IHRM professors are good at quantitative and the international business strategy professor is familiar with qualitative study. All of them have long-term exposure in SME issues and are well-recognized experts in Taiwan.

**Table 1**  
Profile of sample companies invested in Vietnam and Malaysia.

Variable	Group	Vietnam N = 70	%	Malaysia N = 63	%	Total
Industry	Textile	22	31.4%	10	15.9%	32(24.1%)
	Shoe	14	20.0%	11	17.5%	25(18.8%)
	Food	16	22.9%	11	17.5%	27(20.3%)
	Electronic	5	7.1%	26	41.3%	31(23.3%)
	Others	13	18.6%	5	7.9%	18(13.5%)
(1)HQ-Capital (US\$1=NT\$32).	<1.6 million\$	51	72.9%	7	11.1%	58(43.6%)
	>1.6 million\$	19	27.1%	56	88.9%	75(56.4%)
(2)HQ-year	6-10 years	9	12.9%	0	-	9( 6.8%)
	11-20 years	56	80.0%	39	61.9%	95(71.4%)
	>20 years	5	7.1%	24	38.1%	29(21.8%)
(3)HQ-size	< 20	22	31.4%	3	4.8%	25(18.8%)
	21-100	45	64.3%	48	76.2%	93(69.9%)
	101-200	3	4.3%	15	19.0%	15(11.3%)
(4)Sub-year	<1 year	11	15.7%	0	-	11( 8.3%)
	1-5 years	20	28.6%	4	6.3%	24(18.0%)
	6-10 years	39	55.7%	46	73.0%	85(63.9%)
	>11 years	0	-	13	20.7%	13( 9.8%)
(5)Sub-size	100	11	15.7%	24	38.1%	35(26.3%)
	101-500	51	72.9%	36	57.1%	87(65.4%)
	501-1000	8	11.4%	3	4.8%	11( 8.3%)
(6)Sub-expatriate	1	0	-	0	-	0 -
	2-5	28	40.0%	55	87.3%	83(62.4%)
	6-9	42	60.0%	8	12.7%	50(37.6%)
(7)Sub-number	1	30	42.9%	0	-	30(22.6%)
	2	37	52.9%	4	6.3%	41(30.8%)
	3	3	4.2%	29	46.0%	32(24.1%)
	4	0	-	25	39.8%	25(18.8%)
	5	0	-	5	7.9%	5( 3.7%)

*Remark:*

- Capital of the parent (2) years of history of the parent (3) total employee number of the parent (4) years of history of the subsidiary (5) total employee number of the subsidiary (6) expatriate number in overseas subsidiary (7) total number of overseas subsidiary.
- Missing value is excluded.
- Shaded areas are highlighted for comparing and contrasting.

Questionnaires were mailed to the public relationship manager of each parent company in Taiwan and addressed to the attention of two key persons – chief executive officers (CEOs) or general managers and HR managers to avoid common method variance (CMV) biases (Posakoff & Organ, 1986). The HR managers of the parent company were asked to answer questions related to expatriate selection criteria, job support and family assistance items related to HRM practices. The CEOs or general managers were asked to respond to questions regarding basic company data and overseas performance that should be strategically evaluated. In the instruction letter, each public relationship manager was asked to collect the separate responses from CEOs and HR managers and finally sent them back.

Restated, this study tries to assess the views of parent company managers who select and evaluate expatriates rather than on the self-reported data from the expatriates themselves. Our respondents, *i.e.*, TSME HR managers and CEOs of parent companies, are the persons who have a whole picture of expatriate selection criteria and overseas performance. To have a better focus, in the survey instruction letter, the respondents were asked to evaluate the subsidiary expatriate executive or general manager – defined as the home country national who is regarded as the crucial home company representatives taking most charge of whole responsibility of a subsidiary's local operation. For example, an HR manager respondent was asked to report the rules and criteria used when selecting a subsidiary expatriate executive.

### 3.3. Sample profile

Data were collected from March to August, 2000. Excluding two questionnaires lacking information for subsidiary location, 79 and 73 completed questionnaires were returned from TSMEs with investments in Malaysia and Vietnam, respectively. Nineteen copies were dropped for receiving the single-answered questionnaire by either CEOs or HR managers. In total, 21 returned copies were unusable. As a result, 70 and 63 valid questionnaires were data analyzed for Vietnam and Malaysia expatriate management, respectively, which represents a response rate of 32%. Table 1 profiles the samples retrieved from SME manufacturers, which were mostly food, textiles, electronics and shoemaking firms.



**Table 2**  
Factor loadings of expatriate selection criteria on at personal and organizational level.

Question Items	Control	Indepe.	Open	Social	Aware	Recogn.	Record
"According to the real situations in your company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's capability to dominate other people is seriously taken into account. ("According to the real situations in your company" is shorten in other items as below).	0.889						
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's capability of supervising local employees is seriously taken into account.	0.854						
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's willingness to strongly commit to goal achievement is seriously taken into account.	0.844						
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's capability to handle with working pressure and stress is seriously taken into account.		0.933					
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's capability to perform time management is seriously taken into account.		0.932					
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's capability to make right decision on oneself is seriously taken into account.		0.770					
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's capability to achieve tasks independently is seriously taken into account.		0.616					
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's willingness to quickly adapt to different environment is seriously taken into account.			0.923				
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's capability to be open-minded to the employees is seriously taken into account.			0.865				
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's capability to feel easy in getting along with people is seriously taken into account.			0.830				
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's capability to be comfortable with public relationship building is seriously taken into account.				0.826			
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's willingness to actively participate in industrial networks is seriously taken into account.				0.823			
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's capability to interact with government officers and influential people is seriously taken into account.				0.799			
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's willingness to open into new and unfamiliar cultures is seriously taken into account.					0.780		
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, the candidate's willingness to respect for different cultures, values, and religions is seriously taken into account.					0.758		
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, a candidate is considered at first if he/she is pre-determined by important supervisors.						0.707	
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, a candidate is considered at first if he/she is having great image by the top managers' team.						0.672	
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, a candidate is considered at first if he/she is regarded as highly involved in the company affairs.						0.666	
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, a candidate is considered at first if he/she has royalty to the company.						0.570	
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, a candidate is considered at first if he/she has excellent track in top manager development.							0.723
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, a candidate is considered at first if he/she has high potential approval by the CEO or the general manager.							0.662
"Accordinging...company", when selecting an expatriated executive to Vietnamese/Malaysian subsidiary, a candidate is considered at first if he/she has faster job promotion in the career path.							0.541

**Remarks:**

- Control, control ability; Indepe., independent decision making ability; Open, openness to host nationals; Social, social networking ability; Aware, culture awareness; Recogn., organizational recognition; Record, promotion records.
- Items were developed in Chinese and translated into English in Tables 2 and 3 by the aid of our college who is an English native speaker.

**Table 3**  
Factor loading of overseas performance.

Question items	PP	MP	ESP
During the past three years, an expatriated executive to Vietnam/Malaysia assists the stationed subsidiary to achieve the pre-determined production goal in an acceptable level.	0.800		
During the past three years, an expatriated executive to Vietnam/Malaysia assists the stationed subsidiary to attain production efficiency to save resources and time for subsidiary operation in an acceptable level.	0.777		
During the past three years, an expatriated executive to Vietnam/Malaysia assists the stationed subsidiary to meet the day-by-day quality control requirement in an acceptable level.	0.601		
During the past three years, an expatriated executive to Vietnam/Malaysia assists the stationed subsidiary to effectively and usefully supervise local workers in an acceptable level.		0.849	
During the past three years, an expatriated executive to Vietnam/Malaysia assists the stationed subsidiary to effectively implement and execute HR policy from parent companies in an acceptable level.		0.775	
During the past three years, an expatriated executive to Vietnam/Malaysia assists the stationed subsidiary to achieve fewer against, striking events and turnover rates of local workers in an acceptable level.		0.702	
During the past three years, an expatriated executive to Vietnam/Malaysia assists the stationed subsidiary to facilitate host country business management with the relationship of local influential people in an acceptable level.			0.906
During the past three years, an expatriated executive to Vietnam/Malaysia assists the stationed subsidiary to better predict the trends of local information to the parent company in an acceptable level.			0.837
During the past three years, an expatriated executive to Vietnam/Malaysia assists the stationed subsidiary to set up communication channel between the subsidiary and the local government officers in an acceptable level.			0.829
During the past three years, an expatriated executive to Vietnam/Malaysia assists the stationed subsidiary to proactively join the important and public association in host country in an acceptable level.			0.801

*Remarks:*

- a. PP, production performance; MP, managerial performance; ESP, environmental scanning performance.  
b. Only loadings greater than 0.50 are reported.

Referring to [Armstrong and Overton \(1977\)](#), a one-way analysis of variance (ANOVA) was performed to check for non-response bias by comparing characteristics of the top-third and bottom-third respondents. Non-response bias was minimal since the analytical results revealed no significant group differences in capital, age, or size of firms.

#### 4. Results

To analyze the data, factor analyses were first performed to test the construct validity of the measurement scales used in this study. The reliability of each extracted factor was then examined. Finally, to test the hypotheses, regression analyses and multivariate analyses of variance (MANOVA) were conducted.

First, the Kaiser–Meyer–Olkin analytical results were 0.678 and 0.673 for selection criteria and overseas performance, respectively, which showed acceptable data adequacy ([Hair, Rolph, Ronald, & William, 1998](#)). After determining the appropriateness of exploratory factor analysis (EFA), principal component analysis and varimax rotation with the criterion of eigenvalue greater than one was applied.<sup>4</sup> Items with dual loadings or loadings below 0.50 were dropped ([Zwick & Velicer, 1986](#)). [Table 2](#) exhibits the extracted seven factors of selection criteria, which agreed with our research interest and were named as *control ability*, *independent decision-making ability*, *openness to host nationals*, *social networking ability*, *cultural awareness*, *organizational recognition* and *promotion record*.

For overseas performance of expatriates, [Table 3](#) indicates that, as expected, EFA extracted three factors, which were *production performance*, *managerial performance* and *environmental scanning performance*. Further tests were performed to determine whether the results should be considered orthogonal or oblique ([Hofmann, 1978](#)). In accordance with [Venkatraman \(1989\)](#), scale unidimensionality was confirmed for all extracted factors.

Cronbach alpha values of the extracted factors and control variables were mostly from 0.77 to 0.89, indicating high reliability ([Robert & Wortzel, 1979](#)), with the exception of exploratory factors, namely *organizational recognition* (alpha = 0.614) *promotion record* (alpha = 0.602) and *assistance to expatriate family* (alpha = 0.501). According to [Nunnally \(1978\)](#), reliability approximating 0.60 is still acceptable in an exploratory analysis. Therefore, “*organizational recognition*” and “*promotion record*” were retained in the analysis given that the intra-correlations among items related to either of these two constructs were all positively significant ([DeVellis, 1991](#)). Given the exploratory nature and the value of these unique factors observed in Asia, they were retained for further data analyses.

Being the only construct with reliability lower than 0.60, “*assistance to expatriate family*” was thus separated into three single items in this analysis ([Robert & Wortzel, 1979](#); [Tsai, 2001](#)). These relatively low reliabilities also led us to examine the raw data. Some interesting findings are described in the following sections.

Hierarchical regression analyses were then performed to investigate predictors of overseas performance of expatriates. [Table 4](#) summarizes the results of eight regression models. Models 1 and 2 tested the predictive power of the control

<sup>4</sup> With the nature of our exploratory study, we could not assert whether our testing characteristics have or have not any relationships. We conduct factors analyses of our raw data in Varimax, Quartmax, Equamax, Oblimin, Promax rotation methods, the results show that there are no different factor structures among these methods.

**Table 4**  
Results of hierarchical regression on overseas performance.

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7	Model 8
	OP	OP	OP	OP	OP	PP	MP	ESP
Dependent variable (standardized <i>B</i> coefficient is presented)								
Control variable								
Culture	-0.176	-0.185	-0.209	0.179	0.293*	0.321*	0.099	0.196
Sub-year	-0.073	-0.075	-0.076	-0.154	-0.176	-0.174	-0.103	-0.095
Sub-size	0.058	0.080	0.072	0.086	0.100	0.007	0.043	0.089
Sub-expatriate	0.137	0.159	0.147	0.112	0.133	0.124	0.009	0.102
Sub-JV	0.000	-0.005	-0.007	-0.007	-0.011	-0.086	-0.011	0.069
HQ-family	-0.121	-0.101	-0.118	-0.093	-0.086	-0.020	-0.067	-0.077
HQ-capital	0.100	0.092	0.095	0.028	0.016	-0.028	-0.030	0.014
HQ-year	0.018	0.003	0.003	0.045	0.058	0.055	-0.013	0.129
HQ-size	-0.024	-0.059	-0.072	-0.008	0.042	-0.123	0.223	-0.061
JS		-0.149	-0.143	0.023	0.060	-0.042	0.166	0.009
AF-allowance		0.050	0.046	0.067	0.089	0.120	-0.065	0.112
AF-visit		-0.110	-0.105	-0.078	-0.098	-0.119	0.008	-0.083
AF-helping		-0.111	-0.113	-0.085	-0.043	-0.035	-0.066	-0.008
Independent variable								
Control				0.175	0.215* (3)	-0.130	0.514*** (1)	-0.048
Independent				0.246*	0.252* (2)	0.449***	0.046	0.077
Social				0.244*	0.278** (1)	0.146	-0.027	0.477***
Open				0.171	0.207* (4)	0.011	0.258** (2)	0.077
Aware				0.063	0.122	0.126	0.039	0.058
Recognition			0.001		0.118	0.103	0.013	0.137
Record			-0.066		0.077	-0.018	0.001	0.000
<i>F</i>	1.459	1.487	1.302	1.998*	1.870*	1.851*	2.642**	1.843*
<i>R</i> <sup>2</sup>	0.096	0.140	0.143	0.240	0.250	0.248	0.321	0.248
Adjust <i>R</i> <sup>2</sup>	0.030	0.046	0.033	0.120	0.116	0.114	0.199	0.113

Remarks:

- a. JS, job support; AF, assistance to family.  
 b. The numbers in ( ) are the sequence of forward stepwise regression analysis. For example, in Model 5, social networking ability has the greatest predicting power.  
 c. \**P* < 0.05; \*\**P* < 0.01; \*\*\**P* < 0.001.

**Table 5**  
Results of MANOVA (fixed variable = cultural difference).

Dependent variables	Means (S.D.)	Sum of squares	Degree of freedom	<i>F</i> value
(1) Multivariate tests – dependent variables as selection criteria at personal level <sup>a</sup>				
Control	M – 3.63 (0.78) V – 4.04 (0.76)	5.518	1	9.303**
Independent	M – 3.15 (0.73) V – 3.58 (0.62)	5.926	1	13.096***
Open	M – 3.28 (0.79) V – 3.92 (0.67)	13.929	1	25.977***
Social	M – 3.70 (0.95) V – 4.09 (0.71)	4.719	1	6.876**
Aware	M – 2.67 (0.74) V – 3.32 (0.93)	14.215	1	19.913***
(2) Multivariate tests – dependent variables as selection criteria at organizational level <sup>b</sup>				
Recognition	M – 3.85 (0.67) V – 3.93 (0.71)	0.220	1	0.460
Record	M – 2.48 (0.65) V – 2.92 (0.65)	6.487	1	15.301***
(3) Multivariate tests – dependent variables as overseas performance <sup>c</sup>				
MP	M – 3.19 (0.41) V – 3.40 (0.44)	2.777	1	4.958**
PP	M – 3.60 (0.63) V – 3.73 (0.58)	0.521	1	1.442
ESP	M – 3.77 (0.68) V – 3.97 (0.63)	1.300	1	3.020

Table 5 (Continued)

Dependent variables	Means (S.D.)	Sum of squares	Degree of freedom	F value
OP	M – 3.19(.41) V – 3.40 (0.44)	1.433	1	7.878**

<sup>a</sup>Remarks:

a. Multivariate effect indicators of the MANOVA are indicated as below: Wilks' Lambda = 0.562; Pillai's trace = 0.438;  $F = 19.767^{***}$ .

b. "M" stands for Malaysia and "V" stands for Vietnam.

c. \*  $P < 0.05$ ; \*\*  $P < 0.01$ ; \*\*\*  $P < 0.001$ .

<sup>b</sup>Remarks:

Multivariate effect indicators of the MANOVA are indicated as below: Wilks' Lambda = 0.892; Pillai's trace = 0.108;  $F = 7.871^{**}$ .

<sup>c</sup>Remarks:

Multivariate effect indicators of the MANOVA are indicated as below: Wilks' Lambda = 0.940; Pillai's trace = 0.060;  $F = 2.724^*$ .

variables on overall overseas performance. Model 3 added two organizational level selection criteria with minor  $R^2$  increase. Model 4 added five selection criteria at personal level with a great  $R^2$  increase from 0.140 to 0.240. Model 5 ran all variables on overall performance. The  $R^2$  was only slightly larger than that of Model 4. Contrary to the hypotheses, *organizational recognition* and *promotion record* did not significantly predict overall performance. Therefore, personal level selection criteria clearly have a dominant influence on overall performance. To further detect which significant factor has more influence, a stepwise regression was conducted. Model 5 indicated that *social networking ability* has the most predictive power, followed by *independent decision-making ability*, *control ability* and *openness to host nationals*.

Models 6–8 ran all predicting and control variables on *production performance*, *managerial performance* and *environmental scanning performance*, respectively. In Model 6, only *independent decision-making ability* significantly explained *production performance*. In Model 7, *control ability* and *openness* significantly predicted *managerial performance*. Interestingly, the  $R^2$  of Model 7 was even higher than that of the overall performance in Model 4 (0.321 vs. 0.240). In Model 8, only *social networking ability* significantly contributed to *environmental scanning performance*. Thus, Hypotheses 1a–1d were supported whereas Hypotheses 1e, 2a and 2b were rejected.

A MANOVA test was then applied to Hypothesis 3 regarding the effects of cultural differences on the variables of interest. The MANOVA results displayed in Table 5 indicate that, except for *organizational recognition*, *production performance* and *environmental scanning performance*, all other variables significantly differed between the two countries. Interestingly, all variable means of Vietnam were higher than those of Malaysia, i.e., TSMES in Vietnam perceived that they had been able to recruit highly capable expatriates who could achieve superior overseas performance.

The sample profile in Table 1 reveals that companies that had invested in Vietnam were smaller in scale in terms of parent company employees and number of overseas subsidiaries; however, they had more host country employees and dispatched more expatriates. Apparently, they were smaller, younger and tended to focus more on labor-intensive production; thus, their operations required more supervision and more expatriates. Despite their limited resources, they displayed a significantly high level of achievement. Generally, Hypothesis 3 was supported.

## 5. Discussion and implication

Although Taiwan-based FDI has been very active in Southeast Asia for more than decades, research in this regard has been rather slow. This study has been able to obtain a number of responses for both countries of interest, particularly from rather reliable sources such as CEOs and HR managers. Major findings are discussed below.

The most impressive finding of this research is that "only personal ability counts". The results revealed that personal abilities have a dominant influence on overseas performance, especially those directly related to work. A possible explanation is that, because of their limited resources, SMEs need a special team that can independently build and run a business entity overseas. This special team must be sufficiently capable, shrewd and resilient to perform well in whichever country they are sent, even without adequate job support. In addition, well-performed expatriates should not be overly concerned about their promotion records, even with the insufficient company assistance provided to their families remaining in the home country. These critical competencies are either ingrained characteristics that are not easily malleable or cannot be rapidly acquired. To ensure that expatriates are competent on their first day in an overseas post, effective selection is still the best strategy for SMEs.

Second, the commonly held concept in Taiwan that "expatriates with organizational recognition and a good promotion record perform better" was not supported in this study. Table 5 indicates that the selected expatriates indeed had high organizational recognition (the highest mean score), but this did not significantly predict overseas performance. A possible explanation is that, in an overseas setting far from the protection of the home company, expatriates need to be on their own. Top management preferences are less of a concern as long as the selected expatriate employees have an open mind, social networking skills, a high level of control and independent decision-making ability. These findings reveal that overseas operations may be good places to develop competent professional managers who may not have exemplary track records but do have significant potential and lofty aspirations.

Third, different types of performance require expatriates with different personal competencies. In terms of production performance, independent decision-making ability was the only significant predictor and was much more important than control and social networking ability. Regarding managerial performance, control ability and openness to host nationals are the two most significant predictors. The ability to control is very important for expatriates working in developing countries with a large number of local employees. However, control is not enough; a willingness to communicate with an open mind is also crucial. For environmental scanning performance, the only significant predictor was social networking ability. As mentioned earlier, competent expatriates in emerging markets must be sensitive to local political and social changes. The ability to form relationships with powerful local people is important to obtaining critical information in a timely manner.

Fourth, when examining the raw data in search of an explanation for the comparatively low reliabilities of the exploratory factors as mentioned earlier, a resource allocation pattern of TSMEs emerged. For instance, the “assistance to expatriate family” factor contained three questions: “allowances for family members to visit the expatriate – mean 2.89”; “providing expatriates with more home visits than usual – mean 3.44”; and “helping family members solve problems – mean 2.95”. These figures revealed two phenomena, which also explained the low reliability of the “assistance to expatriate family” factor. First, money spent on expatriate home visits is justified (mean 3.44). Second, it is difficult for a resource-limited TSME to provide all types of assistance with equal enthusiasm. Restated, if TSMEs support more home visits for expatriates, they may reduce allowances to family members and expend less effort in helping expatriate families solve problems.

Fifth, it is worth contemplating whether cultural differences truly explain the significant difference in expatriate selection criteria and overseas performance (*Hypothesis 3* and *Table 5*). Restated, the mean scores of Vietnam were consistently higher than those of Malaysia. Certainly, the difference in managerial performance can be attributed to cultural similarities with Vietnam. However, when interpreting selection criteria in combination with *Table 1*, the sample profile differences cast some doubt as to the actual influence of cultural differences. The TSMEs investing in Vietnam were comparatively smaller and younger. Perhaps, they may have been more desperate for overseas success, less able to afford a losing battle and more careful about selecting capable expatriates. This intriguing issue merits further investigation.

Sixth, among all the factors investigated, “promotion record” of TSME expatriates had the lowest score and was the only factor with a mean value under 3 on a scale of 5. This low score can be interpreted in several ways. Three items for this factor were “expatriates are selected for top management development”, “expatriates are high potential employees”, and “expatriates have faster job promotion than non-expatriates”. Follow-up interviews revealed that, in TSMEs, few top-level manager positions exist. In addition, in a family company, the top management positions are often reserved for family members. Similarly, SMEs with a limited hierarchy may not offer many promotion opportunities. Thus, the situations described in the survey may not have been of significance to the respondents. As for the issue of whether expatriates are high potential employees, the relatively low score (mean 2.52) may either reflect that the expatriates are indeed not high potential employees or that this is a habitual response in Taiwan. The Confucian view of the relationship between top management and employees is akin to that of father and son. Chinese fathers rarely describe their sons as being “high achievers” or having “great potential” because, no matter how outstanding the son is, he always has room for improvement.

The discussed results revealed that our research findings provide both theoretical and practical implications. Accordingly, four implications are as follows.

### *5.1. Conduct more regional expatriate management research*

Up to the present, most expatriate management studies have been from western perspectives or oriented towards large MNCs. In Asia, studies have examined Japanese expatriates (e.g., *Gong, 2003; Kranias, 2000*), Chinese expatriates (e.g., *Selmer et al., 2000*) and Singaporean expatriates (e.g., *Aryee et al., 1996*). The extant literature presents a rather clear picture of appropriate expatriate management in a western context. However, cultural and resource differences may prevent MNCs in other non-western countries from practicing ideal expatriate management (*Graf, 2004*). Therefore, in addition to testing western-style expatriate management in various countries, unique practices in different regions should also be systematically explored. Since emerging markets in Southeast Asia, Latin America, Eastern Europe and Africa are expected to play significant roles in future international business, region-specific research in expatriate management practices would be of great value.

### *5.2. Emphasize job-related personal competencies*

In expatriate selection within SMEs, job-related personal competencies should be emphasized. In an era of globalization, MNCs, including SMEs, can capitalize on global resources to sustain competitive advantages. Generally, SMEs lack extensive management systems and rely heavily on expatriates to run overseas operations with limited resources. In such cases, effective selection to identify expatriates with desirable job-related personal competencies is of primary importance (*Caligiuri, 2000b*). In particular, those possessing social networking skills and who have clear organizational goals must be clearly identified and nurtured.



### 5.3. Select expatriates with a combination of various competencies

This study found that, for different performance requirements, selection criteria may vary. When production performance is the major concern, selecting expatriates with strong decision-making independence is wise; when managerial performance is vital, control ability and openness to host nationals should be emphasized; in times of political and social instability, expatriates with strong social networking skills may play a crucial role. This simple rule also applies to the different life cycles of overseas operations. For instance, at the stage of applying for a new establishment, social networking ability is crucial because the company representative must have frequent contact with host country government officials and influential community members; at the mass production stage, an independent decision-maker is needed to achieve production goals; when an overseas operation reaches the point at which management plays a decisive role, expatriates with control ability and openness to host nationals should be selected. Ideally, each and every expatriate should possess all critical competencies at every organizational life cycle. However, if it is not feasible for SMEs to obtain such qualified expatriates; a need-based selection process or a combination of competencies among several expatriates can be planned for a complete set of critical competencies.

### 5.4. Build competitiveness through overseas resource leveraging

This study revealed that TSMEs leverage their resources through overseas expansion. The data showed that most of the sample companies were building larger organizations overseas than those in the home country. Taiwan is a small island with land and resource limitations; consequently, TSMEs are keen to utilize overseas resources to sustain competitiveness. Although their challenges lie in managing large companies with small-company experience, their aggressive leveraging of resources may still serve as a model for SMEs in other countries.

## 6. Conclusion and limitation

Developing global leadership through expatriate managers has been described as a “contest” for global core competency (Harvey & Novicevic, 2001). Successful expatriation is a crucial yet daunting task for individual expatriates as well as for home company management teams. Expatriates working in the host country with unfamiliar political, cultural and economic conditions are confronted with both job-related and personal adjustment problems, which become worse when the expatriate is assigned to difficult, dangerous or unpleasant locations (Latta, 1999).

In conclusion, this study empirically demonstrated the relationship between job-related expatriate selection criteria at personal level and the overseas performance of TSMEs invested in Vietnam and Malaysia. Accordingly, we argue that expatriate management of SMEs should be further explored theoretically; additionally, region-specific characteristics and a given external environment should be considered as research findings from a non-western cultural setting may unveil new topics for further study. In practical terms, SMEs can leverage their limited resources by capitalizing on the most critical international management issues, such as job-related personal competencies and expatriate selection to combine different competencies. Our findings may provide a valuable guideline for SMEs desiring to invest in Southeast Asia or other emerging markets but lack the resources to implement ideal expatriate management practices.

Our research limitations are as follows. First, due to the exploratory nature of this study, the reliability of the self-developed scale measurement requires further refinement. Since the data analyses of this study showed that the frequently studied factors are more reliable than exploratory factors, additional research is needed to refine the measurement and to discover a discernable pattern of expatriate management in SMEs operating in emerging markets. Second, the unavoidable subjective perception of the respondents is acknowledged. Third, individual expatriate responses were not compared with data obtained from management teams in parent companies. Fourth, this study only investigated the impact of expatriate selection on subsidiary overseas performance; other expatriate practices (e.g., training or compensation) were not analyzed despite their potential influence on overseas performance. In addition, issues related to host-country national employees are also relevant. Fifth, this study investigated only the expatriation practices of TSMEs with limited international experience; TSMEs with more overseas experience may have different stories to tell. Sixth, since there are only two main respondents: TSME HR managers and CEOs in this survey, the sources of our data could be insufficient. Although Posakoff and Organ (1986) commented that two data sources are acceptable in dealing with the CMV bias in an organizational research, we have added qualitative data sources (e.g. the interviews of seven subsidiary expatriate executives) to remedy the problem. Seventh, emerging economies continue to grow and change. A follow-up study to assess current expatriate conditions in Malaysia and Vietnam may further contribute to this field of study given that some recent studies seem to share the insights of our research findings. For example, the study of Miah and Bird (2007) and Hooi (2006) revealed the significance of expatriate traits as a key variable in achieving effective subsidiary performance in Southeast Asia. Comparing relevant studies in other emerging markets would definitely enhance the understanding of region-specific expatriate management practices.

## Appendix A. Five categories of expatriate selection criteria

### Job factors (job behavioral tendency):

1. Technical competency/knowledge (e.g., Aycan, 2000; Forster & Johnson, 1996),
2. Self-preservation – ability to control, enjoy and maintain mental health (e.g., Mendenhall & Oddou, 1985),
3. Managerial and decision making competency (e.g., Marquardt & Engel, 1993),
4. Perceptual skills (strategic awareness, sensitivity to environmental constraints, world events and their impact on the long-range perspectives of the business (e.g., Feldman & Tompson, 1993; Torbion, 1982),
5. Past performance (e.g., Suutari & Brewster, 2001),
6. Earlier international experience (e.g., Aycan, 2000; Suutari & Brewster, 2001).

### Relational dimensions:

1. Interpersonal skills (e.g., Caligiuri, 2000a,b),
2. Good communication skills (e.g., Abe & Wiseman, 1983),
3. Social knowledge, internal/external business networking (e.g., Abe & Wiseman, 1983; Harvey & Novicevic, 2001; Suutari & Brewster, 2001),
4. Concern for host country workers and desire to fit in (e.g., Mendenhall & Oddou, 1985).

### Motivation state (include personality and personal traits):

1. Adaptability (e.g., Arthur & Bennett, 1995),
2. Cultural empathy and cultural toughness (e.g., Arthur & Bennett, 1995; Mendenhall & Oddou, 1985),
3. Extroversion, agreeableness, conscientiousness, emotional stability, and openness – the big five (e.g., Caligiuri, 2000b; Torbion, 1982),
4. Flexibility (e.g., Arthur & Bennett, 1995; Forster & Johnson, 1996; Torbion, 1982),
5. Intrinsic motivation (e.g., Suutari & Brewster, 2001),
6. Potential (e.g., Torbion, 1982),
7. Self-efficacy (e.g., Torbion, 1982),
8. Tolerance for ambiguity (e.g., Suutari & Brewster, 2001).

### Family situation: family support (e.g., Torbion, 1982; Tung, 1986).

### Language skills: (e.g., Mendenhall & Oddou, 1985; Suutari & Brewster, 2001).

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