

ISSUE 77 WINTER 2014

The Untapped Value of Overseas Experience

How skilled return migrants can be your company's agents of change.

BY DAN WANG

The Untapped Value of Overseas Experience

How skilled return migrants can be your company's agents of change.

YOUNG
PROFS

by Dan Wang

Viktor had worked for several years as a programmer for a global software company in Eastern Europe when his manager chose him for a prestigious assignment in the company's Silicon Valley headquarters. The experience opened his eyes to several operations practices that he knew would be valuable back in his home country. But when he returned a year later, he was surprised to find himself ignored.



“There was plenty that I could contribute, but my coworkers—even my supervisor—did not listen.”

Viktor's story is all too common: Many companies that send employees abroad or hire people because they've worked overseas are not taking advantage of that global experience—either because the companies are not prepared to learn from the employees or because company leaders have not made an effort to overcome cultural barriers. Yet at the same time, international work experience has become a critical part of the path to success in multinational firms. Such firms are developing or expanding programs for temporary

overseas assignments, and they increasingly view such assignments as essential for would-be leaders. According to PwC's “Talent Mobility 2020” report, annual international assignments will increase by 50 percent between today and 2020—having already increased by 25 percent over the last 10 years.

Only 48 percent of employees returning from overseas assignments reported having shared knowledge and then having seen it implemented.

Voluntary return migration is also on the rise, as more skilled workers around the world who have been working abroad are attracted by economic opportunity at home. According to the National Science Foundation's annual survey of doctoral recipients, since 2000, the United States has seen a yearly decrease in the percentage of foreign nationals with Ph.D.s from U.S. institutions who wish to stay in the country. In particular, as developing countries experience unprecedented

growth, skilled immigrants are being lured back home in large numbers. These workers are often heralded as catalysts of their countries' future economic development.

In China, for example, enticing skilled workers to return is a key part of the government's talent strategy. Research by Haiyang Li at Rice University revealed that China has experienced a 17-fold increase in the annual return migration rate over the past 10 years. And in Brazil, the wealth generated by natural resources has fueled the growth of knowledge-based industries. A 2008 study by the Organisation for Economic Co-operation and Development (OECD) found that nearly 11 percent of the Brazilian skilled migrants

abroad were attracted home, up from an estimated rate of return of less than 2 percent in 2000. Other countries in Asia, Eastern Europe, and South America have reported similar trends.

Senior leaders expect these employees, often called returnees, to bring back new ideas and technical skills, the social and professional relationships to connect their firms to foreign markets, and the ability to bridge cultural gaps. As companies explore new markets abroad, having a local understanding of regulatory and cultural differences is critical to making a successful entry. Firms such as eBay—which lost out to domestic competitors despite first-mover and resource advantages in both Japan and China—know this painfully well.

To understand why the impact

returnees have on home companies is falling short of leaders' expectations, I conducted the largest survey of skilled return migrants ever collected. The 4,108 respondents represented 81 countries of origin, and had spent between three months and two years in the U.S. at some point during the years between 1997 and 2011 under a category of the J-1 visa designated for professional training. All had bachelor's or master's degrees, as well as work experience in fields such as aviation engineering, software development, architecture, and financial services. They spent time alongside U.S. colleagues in large firms such as Google and JPMorgan Chase, as well as thousands of small startups and mid-sized companies.

The results confirmed our worst suspicions about global knowledge transfer: Almost all of the respondents reported having learned about practices overseas that they could implement in their home countries, but only 67 percent reported having shared any of this knowledge upon their return. Worse, only 48 percent reported having shared knowledge and then having seen this knowledge implemented. This means that on average, for every two workers with international experience hired by a given firm, only one will successfully share knowledge from overseas at some point during his or her tenure.

But the survey results also offer senior leaders a way to rethink their expectations, and to set up their returnees for success. Although I focused on workers who traveled to the U.S. for their overseas experience, the following three findings can apply to people going to any country, including the rising number of U.S. employees who are sent to developing markets.

1. Experience at home matters just as much as experience abroad.

As part of my survey, I developed a five-point workplace "embeddedness" scale to measure the richness of returnees' work experiences in their home country before going overseas, and also in the U.S. during their time abroad. (A 5 indicated the richest experiences.) The scale relies on questions about the workplace activities in which respondents participated—for example, group presentations, technical training sessions, town hall meetings, and socializing with coworkers—and the frequency with which they took part. I found that having a rich work experience abroad means little for returnees if they lack a strong cultural and professional familiarity with workplace practices in their home countries. Thus the returnees who most successfully shared knowledge had engaging work experiences at home as well as abroad; that is, they had a high embeddedness score for both workplaces. A high score in only one area did not increase their success.

The importance of having an engaging experience abroad may seem obvious. The importance of the home country experience is less

work experience, and 25 percent of returnees scored a 5 for their home country experience, only 2 percent of returnees achieved the highest score on both.

2. Not all knowledge is created equal.

The traditional model of sending workers abroad or of hiring workers with international work experience has focused on technical skills. The idea is that people will acquire technical knowledge about the procedures needed to perform a specialized task, whether it's testing a new pharmaceutical drug or developing components for an aircraft, that might otherwise be unattainable in their home country. My survey, however, showed that the currency of international talent mobility lies not in these types of skills, but rather in realizable practices. Returnees were more likely to transfer nontechnical knowledge about managing relationships and coordinating work among employees than asset- or industry-specific technical knowledge—and they placed a much higher value on the former, as well.

Workflow knowledge tends to be tacit, difficult to demonstrate or describe. This is why the returnee is valuable. Respondents who were effective at transferring such workflow

The returnees who most successfully shared knowledge had engaging work experiences at home as well as abroad.

so—yet upon reflection it makes sense: People who have a deep understanding of and connection to their home country workplace will know how best to reintegrate themselves and share their knowledge upon their return. Unfortunately, I found that although 30 percent of returnees scored a 5 for their U.S.

practices were also skilled at adapting them to local environments. Respondents who worked in software development often cited their attempts to institutionalize peer code review practices that they had learned in the United States. Peer code reviews are a standard practice in companies such as Google and

Microsoft. When a developer writes code for a new software project, he or she has to have it tested by a co-worker before it is formally implemented. The procedures for peer code review can be complex, especially in ensuring quality control and maintaining efficiency in rotating review assignments, and can potentially slow down development cycles. Returnees who shared this practice often faced initial challenges from their domestic coworkers, but many reported eventual success through a combination of demonstrating and localizing the process.

3. Cultural bias can thwart the best intentions. Firms often, unfortunately, ignore the cultural barriers to incorporating workplace practices from abroad. Indeed, many of the returnees in my survey reported resistance from their home country colleagues, not because of the quality of their knowledge, but because it came from a culturally unfamiliar place. Further analysis revealed that returnees to countries that scored high on a standard xenophobia scale or held negative attitudes toward the U.S. were less successful at transferring knowledge, even controlling for other country-level economic and political factors.

It's not just their coworkers' attitudes in play, either. Returnees often reported experiencing reverse culture shock. Earlier research has shown that instituting cultural diversity training among all employees can facilitate the readjustment process for returnees by fostering a mind-set more open to new and foreign ideas. Repatriation or readjustment training, through which workers regularly discuss their expectations and experiences with cultural training professionals, is also critical. Back in 1999, in a study of

multinational companies based in Europe, INSEAD's Hal Gregersen and his colleagues found that more than half of those who returned to their home country offices quit within a year of coming back, largely because of reverse culture shock. However, the researchers also found that readjustment training reduced the quitting rate to less than 25 percent. For those who began this training prior to their return, the rate dropped to less than 10 percent. Fifteen years later, this advice remains sound, and can help ease cultural barriers to knowledge sharing.

For multinationals, the potential payoff of integrating employees with overseas experience into their workforce is huge. But it won't come easy. An overwhelming majority of respondents to my survey reported that although they were hired because of their overseas experience, their home country workplaces offered little opportunity for them to share the skills or knowledge they had gained abroad. When instituting policies on international work experience, whether for current employees or potential new hires, companies need to understand the value of such policies—and how to capture that value. It's critical for them to do so. When returnees bring home practices, they are almost never replicated exactly. But it is through the process of adaptation that new practices can emerge, making these workers a wellspring of innovation that in all too many companies today remains untapped. +

Reprint No. 00283

Dan Wang

djw2104@columbia.edu

is an assistant professor of management at Columbia University.

strategy+business magazine
is published by PwC Strategy& Inc.
To subscribe, visit strategy-business.com
or call 1-855-869-4862.

For more information about Strategy&,
visit www.strategyand.pwc.com

- strategy-business.com
 - facebook.com/strategybusiness
 - <http://twitter.com/stratandbiz>
- 101 Park Ave., 18th Floor, New York, NY 10178



strategy&
Formerly Booz & Company

Articles published in *strategy+business* do not necessarily represent the views of PwC Strategy& Inc. or any other member firm of the PwC network. Reviews and mentions of publications, products, or services do not constitute endorsement or recommendation for purchase.

© 2014 PwC. All rights reserved. PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.