

## Chapter 26

# Adverse Effects and Intangible Costs for American Expatriates in Russia

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### ABSTRACT

*Expatriates of U.S.-based multi-national companies (MNCs) on overseas assignments face unique adjustment and job-performance issues that have affected employer operations, resulting in economic and financial loss, and low morale. The poor adjustment of Americans in Russia is generally due to the type of job, type of position, and prior-international experience. This chapter addresses how expatriate adjustments and job-performances remain pivotal elements for success or failure in overseas assignments.*

### INTRODUCTION

Expatriates of U.S.-based multi-national companies (MNCs) Americans) on overseas assignments face unique adjustment and job-performance issues that have affected employer operations, resulting in economic and financial loss, and low morale. The poor adjustment of Americans in Russia is generally due to the type of job, type of position, and prior-international experience. This chapter addresses how expatriate adjustments and job-performances remain pivotal elements for success or failure in overseas assignments (Green, 2012; Kolancian, 2012; Peltokorpi, 2008; Peltokorpi & Froese, 2012; Wood, 2010).

When expatriates are dispatched to international assignments, the process of adjusting to a new work environment becomes increasingly complicated due to a host of work-related and non-work-related factors (Bhatti, Battour, & Ismail, 2013; English, 2015; Kolancian, 2012; Koveshnikov, Barner-Rasmussen, Ehrnrooth, & Mäkelä, 2012; Pinto, Cabral-Cardoso, & Werther, 2012; Wood, 2010). Peltokorpi and Froese (2012) observed that cross-cultural adjustment (adjustment) is a process that expatriates may go through to make themselves more familiar with their surroundings in the host country. Expatriates on international assignments not only are exposed to a new group of coworkers, supervisors and underlings (Froese & Peltokorpi, 2011; Varma, Pichler, Budhwar, & Kupferer, 2012) but must also adjust to new

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living arrangements, modes of transportation, food, social circles, language and communication, and the overall cultural environment (Bhatti et al., 2013; English, 2015). Their inadequate awareness of adjustment issues when working in host countries have resulted in close to an 80% failure rate in adjusting in host countries (Peltokorpi, 2008) and/or early cancellation of employment contracts (Kolancian, 2012). Moreover, if other family members accompany the expatriates, similar circumstances face the rest of the family, which may affect family dynamics if the adjustment process experience is not the same for all members (Alshammari, 2012; Qin & Baruch, 2012). Such cross-cultural issues are critical to expatriates' work and non-work adjustment and performance (Wood, 2010).

Researchers have reported that in the age of globalization, the United States (U.S.)-based American MNCs will be able to increase profits if they develop a workforce that is flexible and able to perform well in different cultural and economic environments (Freeman, & Olson-Buchanan, 2013; Kolancian, 2012). Russia has also experienced its share of the globalization that includes but not limited to shortage of labor and tight financing (Dolgopiatova, 2009; Gerasimenko, 2012). The shortage of labor occurred because of the influx of MNCs from developed and developing countries entering Russia's market and creating new jobs (Dolgopiatova, 2009). Gerasimenko (2012) explained that Russia had planned to initiate certain domestic modernizations to implement starting in 2008, funded by revenues from its natural resources. The plans were put on hold because of the global financial crisis and drop in oil prices (Gerasimenko, 2012). After almost 18 years of negotiations, in August 2012, Russia joined the World Trade Organization. It had first applied to become a member of the World Trade Organization in 1993 (Brightbill, 2012). As part of its accession application Russia lowered its import duties and granted other countries access to its markets (Gerasimenko, 2012). As part of its globalization expansion strategies, Russia is modernizing its industries and social system, which requires importing goods and services (Aganbegian, 2012; Gerasimenko, 2012). From its current starting point, Russia can be among the world's developed countries with respect to the basic economic and social system in about 20 years (Aganbegian, 2012). This is another strong indication that Russia might be a potential lucrative market for American companies. The chapter intends to address how expatriate adjustments and job-performances remain pivotal elements for success or failure in overseas assignments (Green, 2012; Kolancian, 2012; Peltokorpi, 2008; Peltokorpi & Froese, 2012; Wood, 2010).

## **BACKGROUND**

Globalization makes it possible to develop new markets, raise financial resources, lower production costs, and internationalize businesses (Dolgopiatova, 2009; Wood, 2010). American companies should create the next generation workforce that can adjust and perform in Russia. Creating such a workforce requires investment in specific programs and services to assist expatriates who are assigned to work abroad to adjust in host countries (Kolancian, 2012; Wood, 2010). This is consistent with the findings of other researchers advocating the importance of expatriates' adjustment and performance. For example, unfamiliarity with Japan's culture and/or poor command of the language caused poor adjustment and performance, resulting in an 80% attrition rate by MNCs' expatriates (Peltokorpi, 2008). English (2015) explained that only language skill was not sufficient to adjust well in South Korea. The researcher found that there were other complementing elements/skills to language that helped expatriates to adjust. These skills were verbal and non-verbal coping skills, foreign consumer cultural adapt, and communicative approach-avoidance by Koreans. The adjustment may include but not be limited to genuine respect for

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