ETHICAL ISSUES IN THE EMPLOYMENT OF EXPATRIATE LEADERS IN CORPORATIONS

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ABSTRACT
This paper draws upon theories of leadership and ethics to add to the understanding of ethical and cultural factors that impact on expatriates’ experiences. The paper discusses issues for expatriates, particularly relevant for those who are appointed as leaders of corporations in other countries. The paper addresses a wide range of cultural issues and how expatriates might manage the conflicts and risks emerging from different cultural values, attitudes and practices. Examples of the difficulties faced are given, as are consequences. The article concludes with some general observations, particularly relevant to those people employed as corporate expatriate managers.

Keywords: ethical leadership, ethics, expatriates

1. INTRODUCTION
As trade barriers fall, enterprises and their leaders are moving across boundaries to take advantage of the opportunities offered by global trade. At the same time, in response to the continuous disclosure of poor and unethical decision making and behaviour, society is demanding that our leaders respond by recognising the human rights of communities, employees and other stakeholders, are socially responsible and protect the environment.

In this context, the attributes, competencies and ethics of expatriates has become an important issue. While there are many papers about leadership, there are few which examine how culture and ethics influence leadership. The paper examines who are expatriates, the
difficulties for individual, families, the cultural differences encountered, ethical issues and how the way they are addressed is influenced by individual personality, ethical stance and perceptions of the expectations of their followers. Examples of the difficulties faced are given, as are consequences. The article begins by defining who expatriates are.

2. WHO ARE EXPATRIATES?

An expatriate is a person temporarily or permanently residing, as an immigrant, in a country other than that of their citizenship. The word comes from the Latin terms ex (out) and patria (native land). In common usage, the term is often used in the context of professionals or skilled workers sent abroad by their companies. Unlike migrants, the intention of expatriates is to return to their home country at some stage. A distinction can be made between corporate expatriates sent overseas by their companies, and self-initiated expatriates who, rather than being sent overseas, are recruited by local companies.

Being a self-initiated expatriate (SIE) in general refers to expatriates who are hired individually on a contractual basis and are thus not transferred overseas by a parent organization (Andresen, Bergdolt & Margenfeld 2012). Selmer and Lauring (2010) define SIEs with regard to three specific characteristics, namely that they had acquired their current job independently (self-initiated), that their current job was a steady position (regular job) and that their nationality was different from that of their host country (expatriate). Among these are the employees who live in one country, but commute to another for work. Typically a worker will spend a week or two at the work location and return home at weekends. This is common for domestic employees in Asia, and in the mining companies of far Western Australia the miners will commute from Perth or another major city, i.e. fly in and fly out (FIFO) according to their work schedule. Many not-for-profit organisations, such as Red Cross and Médecins Sans Frontières, operate in this way, flying their staff expatriates into and out of disaster and war zones to provide assistance.

To these could be added a growing number of people who follow the sun, often backpackers, or retirees owning homes in both their birthplace and overseas. In some cities, the expatriate population outnumbers the locals. In Dubai, for example, expatriates from India, Pakistan, Bangladesh, Philippines and Western countries represent 80 per cent of the residents.

There are further distinctions between those who travel with no intention of remaining; those sent by their company to provide expertise or learn; those who choose to live elsewhere with the clear intention of returning home at some stage; and those who have a working holiday in order to further their experience.

Another category of people are students and academics, who go abroad temporarily for education purposes. Recently the OECD (2016) reported that six per cent of all tertiary students in the OECD (approximately 4.5 million students) were studying in a country other than that of their citizenship.

It would be a significant omission not to mention those who choose to retire abroad. The commonly given motivations of older expatriates are a lower cost of living, a less stressful lifestyle, and better weather (Eisenberg 2015). They certainly got the first and third, but
doubtfully the second – lower stress. Among the several attractions are cheaper living, a warmer climate, the affordability of health care, and the attraction of fellow citizens abroad. Against that one must put the challenges from absence from family and friends, an alien language, and coping with a foreign culture.

That study, an American one of 389 expatriates living in South America, may or may not be generalisable. What was also found is that expatriate retirees did contemplate returning home. Eisenberg’s (2015) study reported 85 per cent who were satisfied, but that necessarily excluded those who had returned home, and thus the dissatisfaction level may be much higher. According to the HSBC Bank (2017) survey of expatriates, Canada has the most retirees living abroad (31% compared to the global average of 11%).

Of the available definitions the one that seems to be most apt defines an expatriate as: ‘a person temporarily or permanently residing, as an immigrant, in a country other than that of their citizenship’. This is distinct from that of migrants who intend to settle elsewhere and become permanent residents. The foreign-born are therefore a large class of people living beyond their place of birth, and expatriates are a part of that cohort. Here, the focus is upon expatriates rather than upon migrants and, in particular on those appointed to leadership positions in their temporary home.

The advantage to multi-national companies of appointing expatriates to lead their global subsidiaries is that they can transfer their knowledge and skills, expand into new markets and maintain on on-the-ground control of operations. This is of particular importance to maintaining the reputation and brand of the parent company. Local companies who employ expatriates can access the skills and experiences of their multi-national competitors and also fill gaps in a local employment market.

3. DIFFICULTIES ENCOUNTERED BY EXPATRIATES
Among the difficulties that expatriates may encounter are lack of support, leaving families behind, unwillingness of family and spouse to move, spouse employment, education options for children, lack of cross-cultural training, or rejection by the host community. Most of all is the appropriateness of responses to a different culture.

The problems arising from cultural insensitivity include such issues as attitude to time and punctuality, the importance of personal relationships, loyalty, gifting, and social responsibility. The ways in which these are addressed can be a function of a person’s personality.

Personality
During the process of selecting and training appropriate expatriates, numerous individual factors related to adjustment have been studied. Personality, personal skills, previous international experience, and family situation are among the most important factors influencing the expatriates' adjustment.

The personalities of people, including intelligence, a sense of adventurousness, a willingness to favour those less fortunate, and a readiness to deal with uncertainty and even endure sub-
optimal conditions may be essential attributes for successfully coping with a new and especially a challenging environment.

While intelligence has a long and distinguished research history there recently was a development by Goleman (1996). His analysis involved what came to be called ‘emotional intelligence’, and involves being sensitive to emotions (Conte 2005). Misunderstandings can easily occur. For example, should an expatriate be stopped by police, their emotional responses in an unfamiliar manner may be misinterpreted as arrogant or insolent. Those from some cultures find the over-exercise of power by petty functionaries difficult to understand, and never to be admired. By way of contrast, there are cultures in which the firm exercise of bureaucratic function is seen as both normative and right (Francis 2014). Cultural intelligence is defined as the specific ability to adapt attitudes and behaviour to new cultures, see McNulty and Inkson (2013).

To these definitions of intelligence, can be added the concept of ethical intelligence. While emotional intelligence is related to understanding emotion: ethical intelligence, on the other hand, involves being concerned rather than just understanding. This becomes a major issue for people working in non-profit organisations who may find themselves negotiating with local power factions for resources or even gaining permission or protection to operate as has happened in times of environmental disasters or other crises such as the war in Syria. A balance here, in some contexts, is between becoming involved in local disputes and achieving humanitarian aims.

Personality represents an individual level of cultural analysis while more group and social perspectives have been applied to analysis of national and business cultures.

Culture
Culture is shared values, beliefs, customs, attitudes, ideas and ideals: it is the common frame of reference that allows people to cope with their daily lives. As such, culture is a metonym for a significant part of our identity.

Although values such as courtesy and honesty can be included among universal values, there are vast differences in how these are practiced. There is also a vast difference between cultures on beliefs and attitudes. Attitudes about women are an example. The range is from the requirement of total subjugation to the clear emancipation (and perhaps even elements of strident feminism). In Saudi Arabia, for example, there are strict rules that govern what women may or may not do. Women do not have the same rights as men in the matter of divorce, nor may they marry outside Islam. If a Saudi woman wants to go to hospital, she needs permission from a male relative, women must attend separate schools, and they are not allowed to drive.

Cultural values may collide on several issues. Among such are the notion of collective responsibility, attitudes to women, and judgments about body shape, animal rights, bribery, secret commissions, and loyalty-to-family versus loyalty-to-principle. Important themes in international dealings are those of the need to resolve issues of values in relation to different cultures, and to try to find principles that transcend culture. At a personal level one might make the same observation: people do not necessarily come in fixed packages, and not all
people from one culture hold the same degree of value attachment to different objects, issues, and principles.

4. RESEARCH INTO BUSINESS CULTURES
Research into culture in organisation is extensive. Hofstede (2005), Trompenaars and Hampden-Turner (2002) and House et al (2004) have all defined various dimensions that describe international and business cultures. Hofstede (2005) categorised cultures along dimensions of power distance, uncertainty avoidance, individualism/collectivism, masculinity/feminism, long-term/short term outlook, and indulgence/restraint. Trompenaars’ and Hampden-Turner’s (2002) cultural dimensions were universalism/particularism, individualism/collectivism, specific/diffuse roles, achievement/ascription of social values, a past/future time perspective and relationship (control) with the environment. Nine cultural dimensions emerged from House et al’s (2004) study of Global Leadership and Organisational Behaviour Effectiveness (the GLOBE study) adding two further dimensions (gender egalitarianism and performance orientation) to the above.

Steers, Sánchez-Runde and Nardon (2010) concluded that all these models have contributed to our understanding of global management and the world of business but that many of the dimensions overlapped. Their response was to draw the constructs together in a composite model of five core cultural dimensions that was applicable to a contemporary environment. These were: power distribution: hierarchical versus egalitarian; social relationships: individual versus collective; environmental relationships: mastery versus harmony; time and work patterns: monochromic versus polychromic (managing one thing at a time or everything at once); and uncertainty and social control: rules versus relationships based.

While the above studies were important in understanding culture, the relationships between culture and leadership have also been explored in studies with a focus on leadership models (Grow & Armstrong 2017; Muenjohn & Armstrong 2007).

5. LEADERSHIP AND CULTURE
Hofstede’s cultural dimensions provided the framework for Muenjohn’s and Armstrong’s (2007) study of the differences in values between Western (Australian) and Asian (Thai) leaders. Individualism-collectivism described the Western tradition of self-reliance and entrepreneurial behaviour contrasted with the commitment to the good of the group seen in Asian cultures. Those who valued individualism were expected to be more self-oriented and interested in promoting their own interests. In contrast those who were collectivists put a higher value on the values of their social group, family and their corporation. Power distance described the relationships between people in a business hierarchy. Leaders in a high ‘power distance’ were respected because of their position and assumed much authority. In more egalitarian countries, leaders are often the ‘one among equals’ who must earn both personal authority and position power. Australian culture registers as comparatively ‘low’ on power distance, ‘medium’ on uncertainty avoidance, ‘high’ in individualism and comparatively ‘high’ in masculinity (Hofstede 2005).

The masculinity-femininity dimension suggests that strongly aggressive and competitive values dominate masculine type societies in contrast to the less competitive and more collaborative
feminine style of leader. Uncertainty avoidance describes the need for structure, stability and certainty. Members of a community high in uncertainty avoidance are likely to be insecure, less tolerant of deviance and more aggressive in the workplace.

Two further scales Hofstede related to culture were Short-terminism and Indulgent self-restraint. Long-term vs short term was one of the two further scales. Hofstede found that leaders with a short-term orientation were more likely to look for quick results. In an indulgent community people feel less restrained by peer group and cultural values and expectations.

The conclusions from Muenjohn’s and Armstrong’s (2007) study confirmed the collectiveness nature of the Thai society and the dislike of uncertainty in the workplace. Thai subordinates exhibited a high sense of group identity and respect for authority. They also expected a high degree of paternalism from their leaders. Leaders were expected to take an interest in their families, respond to personal problems and be active participants in social activities.

In their study of different national leadership styles Grow and Armstrong (2017) aimed to determine the preferred leadership style of Australian and Chinese leaders from the hospitality industry and the impact of cultural and socio-economic variables on their leadership styles.

The methodology was a survey of 500 hospitality industry employees from each country which collected data on demographics and leadership styles using the Multifactor Leadership Questionnaire and a structured questionnaire (Grow & Armstrong 2017). Research into the components of the Full Range Leadership Model has been extensive (see Muenjohn, Armstrong and Francis (2010) for a review). The validity of the model has been confirmed in numerous investigations of components of the model (Bass & Riggio 2006; Muenjohn & Armstrong 2008), cross-cultural research (Muenjohn & Armstrong 2007) applications in industry (Grow & Armstrong 2013, 2015) relationships with organisation performance (Krüger, Rowold, Borgmann, Staufenbiel & Heinitz 2011; Lam & O’Higgins 2012) and increased creativity in followers (Eisenbeiß & Boerner 2013).

The findings of Grow’s and Armstrong’s (2017) study confirmed that Australian and Chinese managers use both transformational and transactional leadership styles, but Australians prefer transformational leadership more so than their Chinese counterparts. Age, education, sex and ethnicity were all correlated with leadership style. Persons who were older and with higher levels of education were more likely to use transformational leadership and those who were younger (20-30) preferred transactional leadership styles. The less educated were more likely to use Laissez-Faire leadership. There was more similarities than differences between participants due to sex.

6. LEADERSHIP AND ETHICS
In their review, Muenjohn et al. (2010) described research into the model’s three major factors, Laissez-Faire, Transactional and Transformational leadership. Laissez-Faire leadership represents a lack of leadership, in which case no transaction occurs between leaders and followers. Research into Laissez-Faire leadership found that followers would turn to other sources for guidance or attempt to usurp the role of the legitimate appointed leader (Avolio & Bass 1994). Transactional leaders are seen to be concerned with day-to-day management of a
particular work group or department. Behaviour displayed by transactional leaders is strongly aligned with generic conceptions of ‘management’ rather than ‘leadership’. Transactional leaders reward their followers for completion of tasks and punish them for non-compliance or poor performance (Grow 2014). While transactional leaders focus on day-to-day management, transformational leaders engage in a more strategic style of ‘leadership’ which communicates the organisation’s long-term vision (Bass & Riggio 2006) while encouraging followers to increase their skillset and personal capacity to perform. While the Full Range Leadership model appears to present a binary view of leadership, and is often misinterpreted as ‘transactional = bad and transformational = good’, this is not the case.

An emerging body of leadership is gaining attention in academic circles is that of the ‘corporate psychopath’ (Grow & Armstrong 2015). Such leaders are thought to exhibit outwardly and publicly the characteristics of transactional leadership. Within the organisation, that is inwardly and privately, the same leaders pay scant regard to ethics, and display a toxic style of leadership wherein they bully their followers and encourage disruptive and counterproductive work practices while hindering organisational productivity to promote their own self interest (Boddy 2013). In the context of leadership style, Bass and Riggio (2006) described this as the concept of “Pseudo Leadership” which occurred when transformational leaders “use their abilities to inspire and lead followers to destructive, selfish and even evil ends” (p. 5). Several researchers following this notion have investigated the ‘dark side of transformational leadership’ – see Armstrong and Francis (2017) for a review.

In contrast, when a leader subjects their vision and its implementation to scrutiny to determine if it has a higher purpose, they are exhibiting ethical leadership. The terms ethics and morals are sometimes used interchangeably, although one can make distinctions (the word ethics is from Greek, whereas the word morals is from Latin). Ethics determine what is good or right for individuals and society, what goals people and society ought to pursue, and what actions they ought to perform. More commonly, the word morals refers to the standards held by the community, often in a form not explicitly articulated. Morality is therefore influenced by social norms and beliefs. As discussed above, leaders values and followers expectations are influenced by cultural norms. So what is seen as moral in one society may not be seen so in another. Similarly, acting according to one’s conscience is not always acceptable action in another culture. Good corporate governance practices such as standards for whistleblowing promote ethical behaviour (Francis & Armstrong 2011). In studies of whistleblowing (Armstrong & Francis 2009, 2016; Dussuyer, Smith & Armstrong 2016; Francis & Armstrong 2010) cultural norms and context play a major role in motivating employees to ‘blow the whistle’. The expatriate who was appointed to be CEO of a leading Japanese technology company, blew the whistle on the fraud he uncovered only to find himself fleeing for his life. Whistleblowing studies also reveal the conflict between doing the right thing by disclosing corruption but being punished with ‘exile’ by their company culture.

According to Bass (1985) transformational leadership was a process in which leadership behaviour sought to increase awareness in followers of what was right and important for the organisation. This process was associated with motivating followers to perform beyond expectation their self-interest for the good of the group or organisation. Leaders influenced followers by their vision and putting followers and organisation needs ahead of their own,
expressing high expectations and confidence in followers, seeking their participation in decisions, and treating and recognising followers as individuals rather than being one of a group. In turn, followers identified with the vision or aspirations of the leader, developed their skills and felt valued and important (Muenjohn et al. 2010).

Transformational leadership has been most successful in giving significant insight into how leaders can influence their followers. Leaders can advance strategies that influence followers in various ways. They are therefore well placed to take advantage of their followers’ loyalty, to enhance the performance of followers and their organisations. Alternatively, because of their knowledge, they may also, perhaps, manipulate them in ways that are to the leaders’ advantage, and not always to the advantage of their followers or their organisations.

Transactional leaders responded to followers’ needs and desires as long as followers ‘did the job’ and achieved desired outcomes of transactional leaders. The most important factor here was a consistent strategy using contingent reinforcement (recognition, bonuses, or promotion). Transactional leadership, while it appears to lack the higher order values or aspirations of transformational leadership is very effective in some contexts such as sales and the hospitality industry (Grow & Armstrong 2013). The weakness in using this leadership style was the difficulty faced by leaders in identifying the needs of their followers, the appropriate rewards, and the difficulty for a leader who did not have the power or resources to give the awards. The latter is likely to occur in start-up ventures or in mature companies should they be impacted by rapid growth or market changes that reduce cash-flow.

7. CONCLUSION
Although the focus of the two studies described above differs. There are practical implications drawn from these two studies for expatriate leaders. The type of leaderships that will ensure success depends on:

- Knowing the industry context. Working in a competitive multinational financial firm in Dubai will require a different approach to that used in a non-profit charity such as Red Cross. This means that leaders must understand the context in which they work.
- Understanding cultural norms and expectations. Cultural dimensions external to the group reflect national values that affect both subordinates’ and leader’s values and behaviours. Active social participation requires an understanding of social mores and norms. Leaders and followers are influenced by national cultural values. Sensitivity to dress appropriately is a very basic requirement but not respecting local norm and traditions can be a disaster. Subordinates expecting transactional leadership, firm direction and clarity of financial arrangements with individuals will be equally as confused as those from a collectivist transformational culture expecting team work and group participation. It is vital for leaders to be aware of these differences if leaders are to know what is expected of them and to also identify opportunities to lead and shape the expectations of followers.
- Acting in ways that engender trust and confidence. This requires a sound knowledge of the leader’s own attitudes, biases and competencies. Acting consistently in ways that reduce uncertainty and build certainty, not slavishly following local practices but balancing expectations of leadership, with achieving the right outputs. What is ‘right’ is not always obvious and most ethical decisions require balancing the protection of individual rights and needs against and alongside of the rights and needs of others.
LITERATURE:


