

LAW AND ECONOMICS YEARLY REVIEW

ISSUES ON FINANCIAL
MARKET
REGULATION,
BUSINESS
DEVELOPMENT AND
GOVERNMENT'S
POLICIES ON
GLOBALIZATION

Editors

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in association with



LAW AND ECONOMICS YEARLY REVIEW

www.laweconomicsyearlyreview.org.uk

Mission

The “Law and Economics Yearly Review” is an academic journal to promote a legal and economic debate. It is published twice annually (Part I and Part II), by the Fondazione Gerardo Capriglione Onlus (an organization aimed to promote and develop the research activity on financial regulation) in association with Queen Mary University of London. The journal faces questions about development issues and other several matters related to the international context, originated by globalization. Delays in political actions, limits of certain Government’s policies, business development constraints and the “sovereign debt crisis” are some aims of our studies. The global financial and economic crisis is analysed in its controversial perspectives; the same approach qualifies the research of possible remedies to override this period of progressive capitalism’s turbulences and to promote a sustainable retrieval.

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ISSN 2050- 9014

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CHALLENGES FOR EXPATRIATES RETURNING: MEASURES AND APPROACHES FOR A SUCCESSFUL REINTEGRATION OF EMPLOYEES IN FINANCIAL ORGANIZATIONS

Mirella Pellegrini* - Nunzio Casalino** - Vanessa Krause***

ABSTRACT: *The international mobility and the overseas assignment of employees as part of global operations are growing of importance for financial organizations. However, these organizational aspects can also bear risks for both the employee and the companies. They may cause problems that affect the performance, motivation, satisfaction and retention of employees in the organization, especially upon their return. Results from several global surveys confirm the existence of problems following the employees' return and highlight where action is still required. This article investigates the sources of such risks and provides a discussion about how enterprises can reintegrate their employees successfully. There is a specific focus on managerial measures, which can help financial organizations to prevent potential risks on the return of their employees. Furthermore, it emphasizes on which methods in particular can be useful in order to achieve a smooth reintegration of employees.*

SUMMARY: 1. - Introduction. - 2. Economic globalization and government of multinational organizations. - 3. Impact of internationalization and needs of financial companies. - 4. The expatriates' management. - 5. Potential hazards and threats. - 6. Preventive measures. - 7. Results of the in-

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Although this paper is the result of a joint reflection of the authors, Mirella Pellegrini wrote the paragraphs 1 and 2, Nunzio Casalino wrote the paragraphs 3 - 4 - 5 and Vanessa Krause wrote the paragraphs 6 - 7 - 8.

vestigation. - 8. Conclusions.

1. International assignments for executives and middle managers can provide a crucial contribution to organizational success in global financial organizations¹. In the course of global growth, the number of international projects and activities is increasing steadily. The number of expatriates has risen by 25% in the past ten years and is considered to continue growing according to a regularly carried out survey on global mobility by the personnel consultancy company ECA International². This arises due to the need of enterprises to provide qualified staff in the right place at the right time. From the perspective of an employee, the assignment represents an important progress within their career.

Many times, it generates a unique chance both for the professional and personal development. Nowadays, international transfer programs are also utilized as part of talent management strategies. Through gaining work experience abroad, the employee is supposed to seek required skills for future tasks or positions³. A global survey on the added value of global mobility carried out by PwC and the Cranfield School of Management⁴ has shown that the importance of an assignment itself is recognized by financial organizations. Unlikely, a yet mostly underestimated risk results from the return of employees who have been sent abroad. Employers assume potential risks on leaving the own country and dealing with the challenge of adapting to new cultures and conventions⁵. However, the integration in the home country after an assignment abroad rarely raises worries from the sides of employer or employee. The reintegration of employees on their return as

¹See CAPRIGLIONE, CASALINO, *Improving Corporate Governance and Managerial Skills in Banking Organizations*, *International Journal of Advanced Corporate Learning (iJAC)*, Austria, vol. 7, issue 4, pp. 17-27, 2014.

²https://www.eca-international.com/news/press_releases/7727/#.Vf2DKpf8aFs (online, 2015).

³Personal Manager 2014, p. 109: http://www.datakontext.com/download/Personal_Manager_1-2013/page7.html#/0 (online, 2015).

⁴http://www.pwc.ch/user_content/editor/files/publ_tls/pwc_mehrwert_int_mitarbeitereinsaetze_d.pdf (available online, 2015).

⁵See CASALINO, MAZZONE, *Externalization of a banking information systems function. Features, regulatory and critical aspects*, in *The Interdisciplinary Aspects of Information Systems Studies*, D'Atri A., De Marco M., Casalino N. (Eds.), Physica-Verlag, Springer, Heidelberg, Germany, pp. 89-96, 2008.

part of a successful assignment is still largely neglected and therefore constitutes a major concern for financial organizations⁶. The pursuit of a successfully completed assignment requires an efficient reintegration of the former expatriate. Lower personal and professional burden during and after the return will affect higher satisfaction and better performance within the new field of work. As a result, satisfied employees will bring valuable contributions and higher retention to the organization⁷.

2. The progressive intensification of economic and political relations between Countries that occurred in recent decades - has interacted on the organization and operation of financial companies involved in the capital markets, at the moment favouring an accentuated integration between them. It is given an occasion for new growth opportunities worldwide⁸; without prejudice to the need to proceed to appropriate technical analyses to highlight and resolve the problems that financial firms face, given the difference in growth rates between them, arising from the differences you want the real economy, the mode in which you want find expression in its investment policies and development⁹. In the context outlined, it reveals the positive effects of the information revolution and of the abatement of costs of goods and passenger transports¹⁰; hence the emergence of

⁶See WEISE, 2003, 'Zeit online': http://www.zeit.de/jobletter/html_jl_40_01 (online, 2015).

⁷See LADWIG, LOOSE, *Globalisierung und Auslandseinsatz*, in *ZfP – Zeitschrift für Personalforschung*, Mering, p. 366, 2000.

⁸See ASSO, *Globalizzazione reale e globalizzazione finanziaria: aspetti teorici e problemi di regolamentazione*, in *Ragion pratica*, X, 2002, n. 18. We recognize the validity world economic order that find in the management of monetary and economic relations (IMF, General Agreement on tariffs and trade-GATT, World Bank) to what deputies. In fact, it is evident, that the realization of the "single currency", on the one hand, and the historical crisis of the communist regime, on the other hand, suggests the time is ripe for a redefinition of reality in question, after clarifying the roles and responsibilities of persons who, in the new international environment, are likely to play important functions.

⁹See PRASAD-ROGOFF-WEI-KOSE, *Effects of Financial Globalization on Developing Countries: Some Empirical Evidence*, LMF Occasional Paper, no. 220, 2003. See CAPRIGLIONE, *Evoluzione della disciplina di settore*, in AA.VV, *Manuale di diritto bancario e finanziario*, Padua, 2015, p.87.

¹⁰Thanks to the evolution of computer techniques, we see the development of new forms of trade in "cyberspace": on this issue see. RIFKIN, *L'era dell'accesso*, Milan, 2000, p. 22 ss.

a «new middle class» without local roots, accustomed to the lifestyles of «liquid modernity»¹¹. This phenomenon is becoming the foundation of the government of the multinational organizations, the real protagonists of the global economic expansion. The latter, in view of their size and extension of the operating cross-border, implement a rapprochement between different realities, together with an increase in competition (although sometimes characterized by the presence of non-negligible risks that accentuate the danger of market turbulence). It cannot be neglected, however, to consider the implications arising from the growing irregular migration; making it difficult to create common development conditions. It should also be noted that globalization gives impetus to financial innovation, leading to significant interdependencies between financial operators; hence the spread of a business model that tends towards standardization of structures in uniform functional objectives¹². This situation is evident especially in the presence of interconnected structures-state on the basis of rules to be followed by countries acceding to the treaties in which these rules are set. typical expression of this reality is the European regional context, governed by all the treaties that have followed from those of Rome (establishing the CEE) to end with the two treaties of Lisbon of the millennium (TUE and TFUE) with whom it was redefined in a modern way the "institutional triangle" which, as is well known, characterized the political / government summit of the European Community. It should be added that, in reality outlined, there is a downsizing of the public sphere, given the emergence of a new economic constitution based on the principles of competition and the market. It is clear, also, how the transformations of globalization are ever in the international financial system should call upon the search for ever higher levels of efficiency that is reached is increasing competition among intermediaries, it is taking a more sophisticated forms of risk reallocation. It follows an acceleration of the "financializa-

¹¹See BAUMAN, *La modernità liquida*, Bari, 2002.

¹²Thus emphasizes the contours of globalization MONTEDORO, *Attualità di Carl Schmitt nella lettura di Giannini e Nigro*, in www.giustizia-amministrativa.it, and references therein.

tion" of the economy process, which is accompanied by an "international portfolio diversification" and a boost to investors' use of intermediaries professionally dedicated to asset management"¹³. In this operating environment there was an increase in production and consumption, adequately supported by the increased mobility of savings and a significant contribution of capital investment; hence the reflection of an authoritative doctrine that considered this process, the emergence of "considerable growth opportunities ... (intended to be compensated) ... the shortcomings global economic governance mechanisms"¹⁴.

3. Intensification of the financial reports referred to above has been said is derived, in the case of countries which are in different conditions, the accentuation of addictive conditions of some against others. This can often result in a risk of financial instability due to possible amplification of the imbalances that operations across multiple markets can determine. It follows that the internationalization of financial companies is closely linked to the management of globalization; This is because, in the latter, is connected to any possibility of recovery of weak economies and, more generally, the start-up phase of development (and, with these, the achievement of social goals through a more equitable distribution of the planet's resources)¹⁵. Of course, the liberalization of trade and financial flows to envisage in a global context accentuates the opportunities offered to the least developed countries: so that, they will be eligible for benefits not otherwise anticipated. Clearly, then, as the global market will reclaim the search for rules of conduct aimed at the implementation of economic and financial mechanisms efficient and at the same time characterized by fairness. This rule of conduct, projected in an international context, calls for action geared to the operational transparency and re-

¹³See PONTOLILLO, *Globalizzazione, finanza ed etica*, lecture nell'Almo Borromeo College, University of Pavia, November 13, 2003, par. 1.3; PELLEGRINI, *Le controversie in materia bancaria e finanziaria*, Padua, 2007, passim, esp. Cap. I.

¹⁴See CAPRIGLIONE, *Evoluzione della disciplina di settore*, op. cit. loc. cit.

¹⁵See ONIDA, *La globalizzazione aumenta o riduce disuguaglianze e povertà?*, in *The Mill*, 2002, n. 1.

spect of the counterparties, made in a framework that qualifies for the professionalism of intermediaries and from the ethics of setting to play. That said, it should outline the disciplinary lines concerning the role and functions ascribed to the financial intermediaries of the European Union countries, if they devote themselves to an international activity. On this point, they should highlight the trends that characterize the sector's regulation: a) a first trend is towards a comprehensive scheme covering all profiles of financial intermediation and securities, hence the submission to reserve activities before freely exercisable; b) a second materialized in a growing emphasis to secondary regulation issued by the sector authorities¹⁶, where the primary - as is known - must be limited to the determination of principles, and the allocation of powers able to guarantee the rapid adjustment of the interventions authoritative which is subject to changes in the reality of the sector, limiting the primary one to be fission instrument of principles and allocation of powers (able to guarantee the rapid adjustment of the interventions authoritative which is subject to changes in the reality of the sector)¹⁷. Hence the consideration that only through the analysis of such disciplinary structure you can find the best operational forms that make up the banking and financial system and, consequently, in their conduct a detailed classification on the basis of the activities carried out. More specifically, the analysis should dwell on banking activity definition (and the Bank as the person to whom is reserved the exercise of banking activity) as conceived by the European regulator. The point is to consider the information contained in art.4, paragraph 1, of the Regulation (EU) 575/2013 (which together

¹⁶Just think, at that time, to the. February 21, 1991, n. 52, on the sale of corporate loans, to l. July 5, 1991, n. 143, which dictates a first supervisory framework on non-bank financial intermediaries, to the. March 7, 1996, n. 108, the brokers, the l. April 30, 1999, n. 130, on the receivables securitization companies.

¹⁷This applies, in particular, the introduction of the CD. Single supervisory mechanism, the mechanism of single resolution and harmonization of deposit guarantee systems that represent the three pillars of European Banking Union formed in 2014 in order to submit to a regulatory / supervisory system only (headed by the ECB), all countries belonging to the EMU; This system provides for the participation of the EU countries (extra Eurozone) who can voluntarily join in order to contribute to the creation of an effective banking and financial union in the European Union.

with Directive 2013/36 / EU is the cd. CRD IV package) in which the institution credit is conceived as "an undertaking whose business is to receive deposits or other repayable funds from the public and to grant loans for its own account", which is where the actual connection with the idea (common in the Italian legislation) of the bank based on the same management the people's savings and the provision of loans in the market¹⁸. It is clear, consequently, that in the identification of regulatory frameworks able to reconnect the activities of the banks is to respect the criteria of competitiveness, both the enhancement of internal governance and managerial skills of corporate officers. This results, in economic terms, the identification of the fundamental traits that distinguish the banking business: on the one hand, the management of financial resources (i.e. savings) of surplus agents, that can be held by the bank as part of an arc medium to long-term investment; on the other, the granting of loans to entities in deficit, which generally are associated with diverse types of maturities and rates of return¹⁹. It is evident that the supranational character of the services performed, the configuration of intermediaries medium-large often be traced as part of the international banking group structures have placed at the centre of the interventions of the European financial authorities ordering summit (European System of financial Supervisors, ESFS) the rules of operation, governance and management of intermediaries, called to ensure the pursuit of sound and prudent management and financial stability²⁰. Finally, in the context outlined detect the specific functions assumed by the ECB following the construction of EBU (European Banking Union) in the field of supervision authorities on the significant (but not only) that are replaced (and in

¹⁸See PELLEGRINI, TROISI, *Gli operatori del mercato finanziario: regolazione e supervisione*, in AA.VV., Corso di diritto pubblico dell'economia, by Pellegrini, Padua, 2016.

¹⁹For an evaluation of the economic aspects of the banking business, see. SAUNDERS-CORNETT - ANOLLI - ALEMANNI, *Economia degli intermediari finanziari*, Milan, 2015, p. 309 ss.

²⁰See, among others, WYMEERSCH, *The European Financial Supervisory Authorities, or ESAs*, in *Rethinking Financial Regulation and Supervision in Times of Crisis*, edited by Ferrarini, Hopt and Wymeersch, Oxford University Press, 2012, p. 232 ff.; QUAGLIA, *The Regulatory Response of the European Union to the Global Financial Crisis*, in *Crisis and Control. Institutional Change in Financial Market Regulation*, by Mayntz, Frankfurt / New York, 2012, p. 171 ss.

some cases are flanked) to those the national authorities operating in the Eurozone countries²¹. Indeed, the EU Reg. No. 1024/2013 and Reg. No. ECB. 468/2014 have predicted a net translation of supranational supervisory powers, since - from November 2014 - the ECB is directly responsible in cd. "Common procedures" (including detect matters relating to the issuance / revocation of banking and evaluation of qualified investments) for the entire Eurozone banking sector, as well as in ordinary supervisory procedures (regulatory, inspection and reporting) towards the European credit intermediaries cd. significant (presenting, i.e., structural features, dimensional and operational which end up affecting the entire European financial market)²². Full, then, the homogenization under legislation introduced by the banking provision of specific powers in the field of banking crises pertaining to the ECB and to the Single Resolution Board (set up at European level) that, as anticipated, aim at the creation of a system integrated at the supranational level for the management and for the resolution of any situations of financial and asset criticality of banks operating in the European regional context²³.

4. Expatriate management is part of International Human Resources and deals with assignments of employees to another branch office abroad within a global organization.²⁴ An expatriate can be described as an employee who is sent

²¹This applies, in particular, the introduction of the CD. Single supervisory mechanism, the mechanism of single resolution and harmonization of deposit guarantee systems that represent the three pillars of European Banking Union formed in 2014 in order to submit to a regulatory / supervisory system only (headed by the ECB), all countries belonging to the EMU; This system provides for the participation of the EU countries (extra Eurozone) who can voluntarily join in order to contribute to the creation of an effective banking and financial union in the European Union.

²²For detailed information on the breakdown between banks "significant" and "less significant", see the ECB document, The list of significant supervised entities and the list of less significant institutions, September 4, 2014, available on www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm-listofsupervisedentities1409en.pdf

²³Specifically, the discipline of *Single Resolution Mechanism* is governed by Directive 2014/59/EU and definitely enters into force in January 2016, including the so-called procedure. in bail to be applied in case of operator's banking collapse; see CAPRIGLIONE – TROISI, *L'ordinamento finanziario dell'UE dopo la crisi*, Turin, 2014, p. 81 ss.

²⁴See KÜHLMANN, *Auslandseinsatz von Mitarbeitern: Praxis der Personalpsychologie*, Göttingen, p. 4, 2004.

from his home country to a host country for a limited period of time of at least one year based on a company specified assignment policy. Assignments differentiate from business trips or shorter project assignments as they would not include a change of a local residential.²⁵ From a temporal perspective, they can be divided into periods of recruitment of potential expatriates, preparation of an assignment, the phase abroad and finally the return of an expatriate. During this final phase both the organization and the employee face the challenge of reintegration in the home country.

Reintegration related to assignments can be defined as an active process of an individual's adaption to his homeland including his professional, personal and sociocultural environment. Due to a stay abroad in a foreign country assignments can cause an alienation of the own culture and lead to confrontations upon the return.²⁶ Many times the reintegration process in the homeland, in contrast to the integration process abroad, is widely underestimated by financial organizations. Consequently, expatriates are often prepared insufficiently for their return. In some cases, the difficulty of adaption at home will therefore be greater than abroad which can cause drastic effects on the professional and social environment of expatriates.²⁷

In order to describe the process of return and which issues can occur, several theories were formulated. Fritz (1982)²⁸ shows the return of a former expatriate and eventually his family on the basis of a three phase model while he divides the reintegration into three parts. The first period named '*Anticipation*' describes the time before until the effective return, when the employee and his family if applicable start to build expectations about their return to the homeland. These ex-

²⁵See BURGHAUS, *Auslandeinsatz von Mitarbeitern: Maßnahmen zur erfolgreichen Reintegration von Mitarbeitern*, Saarbrücken, p. 3, 2012.

²⁶See LADWIG, LOOSE, *Globalisierung und Auslandseinsatz*, in *ZfP – Zeitschrift für Personalforschung*, Mering, p. 366, 2000.

²⁷See FESTING, DOWLING, WEBER, ENGLE, ALLEN, *Internationales Personalmanagement*, vol. 3, Wiesbaden, pp. 339-350, 2011.

²⁸See FRITZ, *Wiedereingliederung höherer Führungskräfte nach einem Auslandseinsatz*, Mannheim, p. 27, 1982.

expectations are based on experiences before the stay abroad and impressions about the home country, which have been established and shaped during the assignment. Moreover, during this phase, people develop an anticipation of coming home. However, most of the time these expectations deviate from realistically occurring experiences of the return. When adapting to a foreign culture, the point of view about own standards and values can change which makes the adaptation to the own culture even more difficult. This process can be described as a reverse culture shock and can appear during the second so-called “Accommodation” phase according to Fritz’s model. Occurring problems that might have been initially displaced by predominant happiness can now convert into disappointment and dissatisfaction at unfulfilled expectations in the workplace or social environment²⁹. Eventually the returnee feels misunderstood in his own country and reacts with anger and withdrawal. Depending on the assignment’s duration and location the reverse culture shock may have differing effects of varying intensity on the individual employee.³⁰ Against this background, an organization should aim at a most possible low extent of the mentioned difficulties of return. Thereby, from a company’s perspective the employee shall be supported during his adaptation process³¹ in the home country in order to facilitate his return and reduce negative effects on his work motivation. Fritz calls the last phase of reintegration ‘Adaption’ when the employee is reintegrated both in terms of his professional and social environment.³²

²⁹See CAPRIGLIONE, CASALINO, *Improving Corporate Governance and Managerial Skills in Banking Organizations*, *International Journal of Advanced Corporate Learning (iJAC)*, Austria, vol. 7, issue 4, pp. 17-27, 2014.

³⁰See BURGHAUS, *Auslandeinsatz von Mitarbeitern: Maßnahmen zur erfolgreichen Reintegration von Mitarbeitern*, Saarbrücken, pp. 28-29, 2012.

³¹See CASALINO, CIARLO, DE MARCO, GATTI, *ICT Adoption and Organizational Change. An Innovative Training System on Industrial Automation Systems for enhancing competitiveness of SMEs*, Proceedings of 14th International Conference on Enterprise Information Systems – ICEIS, Wrocław, Poland, Maciaszek L., Cuzzocrea A., Cordeiro J. (Eds.), INSTICC, Setubal, Portugal, pp. 236-241, 2012.

³²See BURGHAUS, *Auslandeinsatz von Mitarbeitern: Maßnahmen zur erfolgreichen Reintegration von Mitarbeitern*, Saarbrücken, pp. 47-49, 2012.

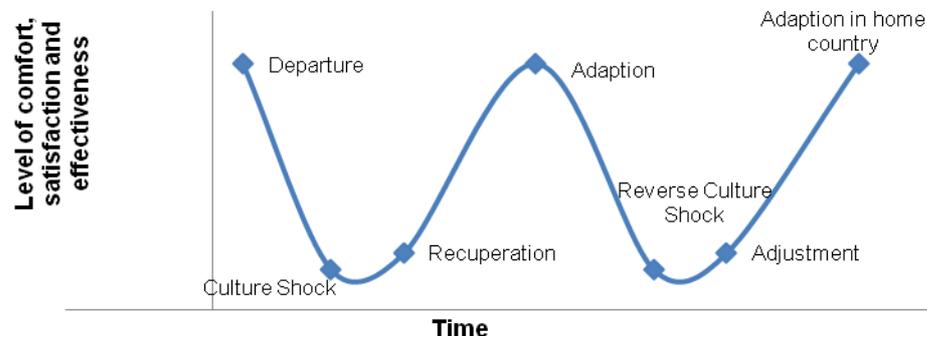


Fig. 1: W-curve model, reverse culture shock by Gullahorn und Gullahorn³³

The reverse culture shock theory is based on the W-curve theory by Gullahorn and Gullahorn from 1963. It presents an extension of the U-curve theory by the American anthropologist Kalervo Oberg who analysed the original culture shock in a foreign country.³⁴ According to Gullahorn and Gullahorn, the employee relives another culture shock by the return to his home country, which is presented as a second curve in the figure showed above. At the start of the assignment, employees can experience a culture shock abroad, which causes a lower level of comfort, satisfaction and effectiveness. After recovering from this phase the employee adapts to the foreign norms and standards by which he feels more comfortable and satisfied. When returning to the home country the employee might experience a similar shock, the so-called reverse culture shock. As soon as the employee made it to completely adapt to his own country again, his level of comfort reaches the same level as of his departure again.

5. Risks that may arise with the return of an expatriate can affect his personal, social and professional reintegration³⁵. For an organization, also the per-

³³See HOLTBRÜGGE, WELGE, *Internationales Management. Theorien, Funktionen, Fallstudien*, Vol. 4, Stuttgart, pp. 423-430, 2006.

³⁴See WEIDEMANN, *Akkulturation und interkulturelles Lernen*, Stuttgart, p. 489, 2007.

³⁵See CASALINO, *Behavioural Additionality and Organizational Impact of European Policies to Promote Internationalisation of High-growth Innovative SMEs*, in *Journal of International*

sonal reintegration is of high importance, as the employee will have difficulties to fulfil the expected performance as long as his social reintegration will not be successful³⁶.

- Personal issues

The social reintegration process includes the completely private and family environment as well as psychological aspects. Since issues within the personal reintegration can have negative effects on the ability to perform well, they are worth of note for financial organizations. Due to a stay abroad, the social environment of an expatriate and eventually his family may change. Therefore, the reactivation of a former social network can become difficult. On the other side the risk of losing contacts or relations gained abroad can be experienced as a loss for expatriates when turning back home³⁷. Also family members who accompanied the expatriate play a decisive role within the whole reintegration process. Especially partners who had no professional occupation during the stay abroad will face the challenge of finding a new job upon their return. Also for children, the reintegration can be the tough: besides general reintegration difficulties, they may additionally have to struggle with different systems and levels of achievement at school. All these challenges within the family can lead to tensions, which may affect the employee and his ability to perform. Moreover, the social reintegration includes an adaption to the former standard of living. Many times assignments are associated with social advancement and additional financial benefits. In this case returning to the home country means to accept a loss of privileges³⁸.

Furthermore, assignments involve the adaption to another culture's values. Depending on the degree of cultural differences between two countries, individu-

Business and Economics, American Research Institute for Policy Development, USA, Vol. 2, No. 4, pp. 17-44, 2014.

³⁶See FLESHMAN, 201, <http://www.expats-news.com/1891/interkulturelle-kompetenzen-ausland/warum-expats-nach-der-rueckkehr-das-unternehmen-verlassen/> (available online, 2015).

³⁷See FESTING, DOWLING, WEBER, ENGLE, ALLEN, *Internationales Personalmanagement*, vol. 3, Wiesbaden, pp.339-350, 2011.

³⁸See BURGHAUS, *Auslandseinsatz von Mitarbeitern: Maßnahmen zur erfolgreichen Reintegration von Mitarbeitern*, Saarbrücken, pp. 18-19, 2012.

als change their own behaviour and point of view in a certain way. Obviously, assignments from Germany to Africa for example will include higher cultural differences than assignments within Europe. However, when experiencing a foreign culture the own norms and ways of behaviour will be considered more critical from the organizational point of view³⁹. Given this fact, the adaption to the own alienated culture is often more difficult than on leaving a country to a foreign one. In addition, most of the time social integration problems are not expected when returning to the home country. Particular problems may arise if changed attitudes and point of views are not comprehended by the former social environment and returnees feel accordingly misunderstood⁴⁰.

- Professional risks

Upon on the return not only the expatriate's social environment but also his professional environment has changed which can lead to a number of problems. One of the highest challenges during an assignment is to keep in touch with former colleagues and superiors and keep up with the current scientific knowledge in the home country. An assignment survey carried out by Deloitte in 2008 investigated difficulties on the return of expatriates. As the survey has showed, one out of six enterprises lose more than a third of their repatriates within the first year after the return. According to those surveyed, the reasons for termination are above all dissatisfaction with the new position, difficulties to apply acquired skills and knowledge, followed by offers by other companies and experienced loss of status back in the parent company⁴¹. From a hierarchical point of view, the majority of expatriates take over more senior or leading positions during their assignment. Branch offices abroad are often smaller than the delegating head office and therefore al-

³⁹See CASALINO, D'ATRI, NORTH-SAMARDZIC, *ICT based means for automation and innovation*, vol., pp. 1-67, EKC-MPEC, Sofia, Bulgaria, 2011.

⁴⁰See BURGHAUS, *Auslandeinsatz von Mitarbeitern: Maßnahmen zur erfolgreichen Reintegration von Mitarbeitern*, Saarbrücken, pp. 18-20, 2012.

⁴¹http://www.pwc.ch/user_content/editor/files/publ_tls/pwc_mehrwert_int_mitarbeitereinsaetze_d.pdf (online, 2015).

low expatriates more responsibility and decision-making independence⁴². On the other hand, in most cases the return implies a downgrading of their new position within an organization's hierarchy in the home country.⁴³ Furthermore, according to Festing, due to the acquired knowledge abroad repatriates expect a higher position within their delegating organization compared to the one before the assignment. If expectations towards the promotion will not be fulfilled, repatriates many times associate this with a lack of appreciation of their experiences and skills gained abroad. The theory says that this demotivation often leads to a termination by the employee. Another problem arises if the new position has not been determined by the time of the return. Festing argues that a lack of occupational safety causes uncertainty, insecurity and in the worst case isolation of an employee.⁴⁴ Similar to the social reintegration, the professional reintegration process bears a risk of a reverse culture shock, since the employee weans from certain working standards during his stay abroad. This may imply for example culture-bound differences in working hours or power structures between the branch office abroad and the head office in the home country⁴⁵. From a professional point of view the return implies the challenge to adapt to different culture-bound principals which are lived in a company. Through the adaption to foreign working standards, the expatriate might start to question the ones in his home country upon the return. Many times this causes a feeling of being a stranger in the own country. Hofstede defined culture-bound differences within organizations as so-called "cultural dimensions". Hofstede describes culture as the collective programming of the mind which distinguishes the members of the human group from one another. By his

⁴²See CASALINO, BUONOCORE, ROSSIGNOLI, RICCIARDI, *Transparency, Openness and Knowledge Sharing for Rebuilding and Strengthening Government Institutions*, in Klement E.P., Borutzky W., Fahringer T., Hamza M.H., Uskov V., Proceedings of Web-based Education – WBE 2013 conference, IASTED-ACTA Press Zurich, 11-13 febbraio, Innsbruck, Austria, 2013.

⁴³See BURGHAUS, *Auslandeinsatz von Mitarbeitern: Maßnahmen zur erfolgreichen Reintegration von Mitarbeitern*, Saarbrücken, p. 22, 2012.

⁴⁴See FESTING, DOWLING, WEBER, ENGLE, ALLEN, *Internationales Personalmanagement*, vol. 3, Wiesbaden, pp. 339-350, 2011.

⁴⁵See FLESHMAN, 2011, <http://www.expats-news.com/1891/interkulturelle-kompetenzen-ausland/warum-expats-nach-der-ruckkehr-das-unternehmen-verlassen/> (online, 2015).

cultural dimensions' model, he shows to which extent behaviour and interaction of individuals from different cultures differ from each other and how this impacts on financial organizations. As the following figure shows, some countries including China for example, are shaped by a higher power distance than countries such as Germany. High power distance can be characterized by an authoritarian leadership style and large hierarchical levels. According to Hofstede's model, an employee who occupied a leading position in a country with high power distance will initially struggle to accustom himself to a position including less authority upon his return⁴⁶.

- Risks for the organization

From an organizational point of view, a smooth reintegration process is crucial for a successful completed assignment. The potential benefit of assignments can be endangered significantly in case of issues during the reintegration. One of the highest risks for financial organizations is to lose an employee after an assignment due to problems during the reintegration. According to Burghaus, the organization will incur excessive costs in order to fill the vacant position appropriately. Furthermore, a termination causes the necessity to compensate the lost know-how that was acquired abroad and the lost profit of an assignment⁴⁷. Several studies have shown that problems during the return phase and terminations after assignments are strictly related: following an investigation by PwC in 2007 up to 15 per cent of the examined companies lost their expatriates within the first year after their return. Moreover, the fluctuation rate of repatriates was higher than of employees in comparable positions within the delegating organization. Following the surveyed companies and repatriates the main reasons for this are a lack of ca-

⁴⁶See HOFSTEDE, *Interkulturelle Zusammenarbeit. Kulturen-Organisationen-Management*, Wiesbaden, p. 26-1993.

⁴⁷See BURGHAUS, *Auslandeinsatz von Mitarbeitern: Maßnahmen zur erfolgreichen Reintegration von Mitarbeitern*, Saarbrücken, pp. 24-26, 2012.

reer planning and poor support during the reintegration⁴⁸. Another survey carried out by Burghaus A. states that 88 per cent of all respondent companies consider finding an appropriate position for the repatriate as one of the most challenging tasks⁴⁹ for financial organizations. In particular, within upper management levels it can be more difficult due to a limited number of positions⁵⁰. Depending on organizations and their assignment policies, contractual arrangements regarding the return of expatriates differ. In most cases, financial organizations arrange reintegration guaranties by which they are committed to continue to employ repatriates after their return without indicating a particular position. This is due to the fact that at the start of an assignment it is still uncertain how the personnel requirement will develop. As a result, there is a risk of not meeting the expatriate's expectations, which, on the other hand, is crucial to motivate the employee. Hofmann argues that it can be also risky to staff employees on positions, which do not correspond to their skills. Furthermore, potential demotivation of repatriates bears a risk of endanger the working atmosphere and the quality of relationships with colleagues and supervisors⁵¹.

6. Preventive measures in the context of reintegration after assignments are supporting frameworks, which can help financial organizations to prevent potential risks already before the return of their employees. According to the organizational literature, the application of these measures is crucial for a successful assignment and reintegration process. Their effects have been studied within business fields such as in literature and consulting surveys. The following measures represent par-

⁴⁸http://www.pwc.ch/user_content/editor/files/publ_tls/pwc_mehrwert_int_mitarbeitereinsaetze_d.pdf (online 2015).

⁴⁹See CASALINO, IVANOV, NENOV, *Innovation's Governance and Investments for Enhancing Competitiveness of Manufacturing SMEs*, in *Law and Economics Yearly Review Journal*, Queen Mary University, London, UK, vol. 3, part 1, pp. 72-97, 2014.

⁵⁰See BURGHAUS, *Auslandeinsatz von Mitarbeitern: Maßnahmen zur erfolgreichen Reintegration von Mitarbeitern*, Saarbrücken, pp. 24-26, 2012.

⁵¹See HOFMANN, ROHRBACH, *Internationaler Mitarbeiterinsatz. Gestaltungsalternativen-Praxisfälle-Prüfsschemata*, vol. 3, Münster, pp. 81-84, 2011.

ticularly important strategies to prevent risks and ensure a positive reintegration process for expatriates⁵²:

Repatriation planning - In organizational literature, it is well recognized that advance planning is the most effective way to initiate the reintegration process. Timely planning ensures financial organizations the possibility to prevent a number of problems in advance. Festing M. argues that reintegration will not be completed by the employee's return to the delegating office but as soon as he is able to fulfil his tasks and is satisfied with his new position⁵³. In order to prepare the expatriate mentally for his return, it is crucial to point out potential issues within his social and professional environment after the return. Furthermore, repatriation planning implies organizational and financial support by the organization. For instance, this may include supporting the employee and eventually his family by organizing the relocation and house hunting. The purpose of these measures is to minimize the employee's personal stress caused by the reintegration process as far as possible. From a temporal perspective, financial organizations should start to plan the return of their expatriates at least 9 months before. During this period of time there should be planned travels to the delegating office in order to undertake discussions about the future position and final appraisal interviews⁵⁴.

Expatriate care and supervision - This measure aims to help the employee to keep in touch with the delegating organization during his stay abroad in order to facilitate his reintegration process. It should cover support by the delegating office, in particular by the Human Resources department and a supervisor who will act as a mentor⁵⁵. Keeping the expatriate updated about changes such as staff turnover, organizational restructuring and technical innovations have crucial importance for

⁵²Personal Manager 2014, p. 109: http://www.datakontext.com/download/Personal_Manager_1-2013/page7.html#/0 (online 2015).

⁵³See FESTING, DOWLING, WEBER, ENGLE, ALLEN, *Internationales Personalmanagement*, vol. 3, Wiesbaden, pp. 339-350, 2011.

⁵⁴See BURGHAUS, *Auslandeinsatz von Mitarbeitern: Maßnahmen zur erfolgreichen Reintegration von Mitarbeitern*, Saarbrücken, pp. 58, 2012.

⁵⁵See DGFP e.V., *Expat-Management – Auslandseinsätze erfolgreich gestalten*, vol. 2, Bielefeld, pp. 145-156, 2010.

his return. Moreover, there should be organized regular travels to the delegating office in the home country in order to support the employee to stay part of his social network⁵⁶. In addition, each expatriate should be supported by a mentor who provides psychological care for the employee. An ideal mentor should be a more senior and internationally experienced colleague within the same functional area. The mentor assumes the role of a contact person in case of questions or issues and represents the expatriate's interests in the delegating office. Especially in the context of a future position, the role of a mentor is crucial, as he is able to inform the expatriate about vacant positions and communicate his expectations towards the new job after the assignment has terminated⁵⁷.

Professional development - While it has been proved that the performance of expatriates rises during assignments, in some cases it can even decrease after the employee has returned. Therefore, it is very important to support the growth of performance not only during the stay abroad but also during the reintegration process. Constant development opportunities and the definition of an appropriate future position are the main measures to prevent potential risks within the professional reintegration process. Due to the connection between present aimed advancement of employees and the employees' satisfaction during the reintegration phase, the professional development plays an important role for financial organizations to achieve established goals. The prospect of promotion motivates expatriates to contribute positive performance during and after the assignment. Finding a future position, which matches the abroad gained skills, knowledge and expectations of an employee will also provide benefits towards the contributed investment of an organization to send him abroad⁵⁸.

Another important measure refers to compensation arrangements. In the

⁵⁶See FESTING, DOWLING, WEBER, ENGLE, ALLEN, *Internationales Personalmanagement*, vol. 3, Wiesbaden, pp.339-350, 2011.

⁵⁷See BURGHAUS, *Auslandeinsatz von Mitarbeitern: Maßnahmen zur erfolgreichen Reintegration von Mitarbeitern*, Saarbrücken, pp. 42-43, 2012.

⁵⁸http://www.pwc.ch/user_content/editor/files/publ_tls/pwc_mehrwert_int_mitarbeitereinsaetze_d.pdf (available online, 2015).

context of international remuneration policy, compensation during assignments should prevent financial disadvantages for expatriates and at the same time provide sufficient incentive to take over the job abroad⁵⁹. Remuneration packages vary depending on the compensation levels and living standards in the target country. However, in most cases expatriates receive higher salaries due to additional benefits and equalization payments. Therefore, it is crucial for financial organizations to design fair and transparent remuneration packages during the whole assignment. On one hand, this should help financial organizations to demonstrate which parts of the salary refer to assignment-related benefit payments while, on the other hand, the employee should be prepared for potential reductions of these benefits after the return. Imaginary reference salary calculations during an assignment can be helpful to define an appropriate compensation upon the return to the delegating office⁶⁰.

Reintegration workshops - They imply psychological supportive measures, which aim to facilitate the readapting process for expatriates and potential family members. It is intended to counteract possible issues within the professional and social environment of repatriates by pointing out where these can arise. Thereby, it is aimed to achieve positive attitudes and behaviour towards the reintegration process. Moreover, reintegration workshops provide repatriates the possibility to exchange views and reflect their experiences with other former expatriates⁶¹.

Employee loyalty and feedback discussions - This measure aims to prevent the risk of staff fluctuation in order to retain qualified employees long-term. In the context of Expatriate Management, dissatisfaction during the assignment and especially return phase can bear the risk of losing employees. A fully benefit from the whole assignment is only given if the employee stays within the delegating office

⁵⁹See FESTING, DOWLING, WEBER, ENGLE, ALLEN, *Internationales Personalmanagement*, vol. 3, Wiesbaden, pp. 339-350, 2011.

⁶⁰Personal Manager 2014, p. 109: http://www.datakontext.com/download/Personal_Manager_1-2013/page7.html#/0 (available online, 2015).

⁶¹Institut für Interkulturelles Management: <http://www.ifim.de/foiliensets/reentry/reentry.pdf> (online, 2015).

after his return. In the light of employee loyalty, feedback discussions play a crucial role for a successful reintegration. They aim to recognize where there is still the possibility for improvement and show existing deficits within the current assignment policy. Moreover, feedback discussions indicate consideration of the employee's point of view and allow him to communicate pending issues during the re-entry⁶².

7. While multiple researches have shown the great influence of preventive measures on the success of assignments and their reintegration process, most of companies do not yet apply to them in practice. Considering the fact that failure rates for overseas assignments average 45 percent, employers should understand how to best support expatriates. Following are specific ways HR professionals can strengthen expatriate programs and policies:

Appoint a replacement facility in the host country. A replacement service can make the difference between productive employees able to focus on challenges at work, and distracted and frustrated individuals who feel the company has deserted them. One expatriate's employer refused to hire a replacement facility, instead asking its local corporate attorney to negotiate the real estate lease and obtain the residency permits. Because the attorney had to educate himself in these areas, the company spent three times what it would have spent for a relocation service offering more competent and comprehensive assistance. Services provided can include obtaining immigration and work permits, car and home insurance, and drivers' licenses; locating housing; negotiating leases; facilitating connection of residential utilities; finding doctors and sorting out health care issues; selecting schools; and helping clients assimilate into the new culture.

Provide predeparture assistance and ongoing consultation for expatriates and their families. Expatriates rarely receive any predeparture assistance beyond

⁶²http://www.pwc.ch/user_content/editor/files/publ_tls/pwc_mehrwert_int_mitarbeitereinsaetze_d.pdf (available online, 2015).

tax advice and relocation of household goods. It is crucial that, at the very least, basic language skills and cross-cultural training be provided. Predeparture assistance should also address critical family issues such as what the partner will do children's schools, medical coverage, and making friends. In addition, basic household issues such as temporary living accommodations, obtaining appliances compatible with foreign electric service, banking needs, and shipment logistics should be addressed. The most successful expatriate families develop action plans for the first two weeks, one-month, three months and nine months, with key milestones they are striving to achieve. It is important do not assume that no news is good news, but maintain regular contact with expatriates. Become a trusted resource for resolving issues at headquarters and lend a sympathetic and confidential ear when expatriates just need to vent. I suggest calling weekly during the first 60 days of expatriation and monthly thereafter for the first year.

Design flexible expatriate policies. Instead of allowances and premiums governed by arbitrary rules, provide a fair budget and a choice of support services. That approach spends employers' money more wisely and gives expatriates the sense that the company understands the challenges their families will face.

Monitor internal systems and people. It is important to make sure that an organization is not so headquarters centric. Can the accounting staff translate foreign currency? Are phone conferences scheduled with faraway time zones in mind? Do procedures accommodate entirely different systems overseas? Financial organizations operating overseas need to invest in global awareness training and education for employees at all levels in the organization who are involved with global operations. This modest expenditure will result in a much greater return in all the investments being made in the firm's global expansion.

Solve quickly the difficult issues. Can be very important to help employees to focus on the difficult problems of integrating expatriates and their families into their host country—not just the “easy” issues of moving households and managing tax implications. Recognize the differences between expatriates, then use that

recognition as a departure point for developing expatriate policies. The cost-benefit ratio of serving a small pool of expatriates may seem high, but the company's investment in expatriates may be the key to future business success. Enhanced support from HR reduces the risks of the financial organizations' expansion strategy and enhances the chances of success.

Taking in account the survey by PwC and the Cranfield School of Management, only two out of nine enterprises have formalized reintegration policies, which support repatriates upon their return to the delegating office.⁶³ However, according to the current status of research, 60 per cent of all repatriates struggle with issues during their reintegration phase. In 25 per cent of the cases, they are even terminations on part of the repatriate during this time.⁶⁴ Furthermore, most of financial organizations focus mainly on the recruitment of suitable assignment candidates⁶⁵ rather than on their reintegration.⁶⁶ In addition, the timely framework still shows deficits as the planning of reintegration starts later than recommended in scientific findings⁶⁷. In spite of the obvious added value of reintegration workshops, they still are rarely offered by financial organizations. Most enterprises do not consider them to be necessary for expatriates who are sent abroad within Europe and USA. Moreover, they mention financial reasons or no need on part of the expats⁶⁸. When it comes to the participation of mentors during an assignment, a survey carried out by Burghaus A. has shown positive results from the organiza-

⁶³http://www.pwc.ch/user_content/editor/files/publ_tls/pwc_mehrwert_int_mitarbeitereinsaetze_d.pdf (available online, 2015).

⁶⁴See HOFMANN, ROHRBACH, *Internationaler Mitarbeitereinsatz. Gestaltungsalternativen-Praxisfälle-Prüfsschemata*, vol. 3, Münster, pp. 81-84, 2011.

⁶⁵See CASALINO, *Learning to Connect: a Training Model for Public Sector on Advanced E-Government Services and Inter-Organizational Cooperation*, in *International Journal of Advanced Corporate Learning (iJAC)*, Austria, vol. 7, no.1, pp. 24-31, 2014.

⁶⁶http://www.pwc.ch/user_content/editor/files/publ_tls/pwc_mehrwert_int_mitarbeitereinsaetze_d.pdf (available online, 2015).

⁶⁷See HOFMANN, ROHRBACH, *Internationaler Mitarbeitereinsatz. Gestaltungsalternativen-Praxisfälle-Prüfsschema*, vol. 3, Münster, pp. 81-84, 2011.

⁶⁸See BURGHAUS, *Auslandeinsatz von Mitarbeitern: Maßnahmen zur erfolgreichen Reintegration von Mitarbeitern*, Saarbrücken, pp. 67-68, 2012.

tional point of view⁶⁹. According to the survey, 41 per cent of all interviewed companies provide an adequate mentor within the delegating office while 47 per cent provide one mentor in the home country and another one abroad⁷⁰.

The survey on reintegration within Expatriate Management carried out by PwC and the Cranfield School of Management has shown that the rate of ongoing employment of repatriates is lower than of general employees. However, this changes after the first two years after the return. Against this background, it is clear that the achievement of positive employee loyalty plays an important measure for a successful reintegration, especially in the first two years after the return⁷¹.

Long-term expatriation is usually negotiated for a period of one year to three years, sometimes even longer. Expatriate leaves abroad with his/her family in this case. Moreover, the social and economic background is more complex and wider in this form of leaving. This also counts with suitable educational facilities for their children. A form of so-called virtual expatriation may be used in a case of some reluctance and fear of a long-term stay and if it is allowed by practical circumstances. For the reasons mentioned above, it is very difficult to decide whether it is needed to send expatriates or it is sufficient to use the local managers of the host country for meeting corporate strategic objectives. It is influenced by many factors. It is especially recommended to use expatriates in less developed countries, where there is a shortage of skilled workers with sufficient managerial skills. Or it is also recommended in a case of building or establishment of an entirely new foreign branch, when this "event" cannot be handled without expatri-

⁶⁹See CASALINO, ARMENIA, DRAOLI, *A System Dynamics model to identify and measure the paper digitization advantages in Public Administration, in Achieving Fusion in the Interconnected World: Exploring the Connection Between Organizations and Technology*, D'Atri A., De Marco M., Braccini A.M., Cabiddu F. (Eds.), ItAIS, Physica-Verlag, Springer, Heidelberg, Germany, pp. 29-36, 2010.

⁷⁰See BURGHAUS, *Auslandeinsatz von Mitarbeitern: Maßnahmen zur erfolgreichen Reintegration von Mitarbeitern*, Saarbrücken, p. 42, 2012.

⁷¹http://www.pwc.ch/user_content/editor/files/publ_tls/pwc_mehrwert_int_mitarbeitereinsaetze_d.pdf (online, 2015).

ates.

As it has been already mentioned, employment of expatriates is much more expensive than hiring local people for the company. The high cost of expatriates lies primarily in the need for a compensation of disadvantages such as complications of traveling and living outside their own socio-cultural environment. As Armstrong (2006) states, expatriates are expensive. They can become three or four times more expensive than employment of the same people in the company. It is difficult to manage expatriates due to problems associated with the adaptation to the unfamiliar surroundings and working in it because of worries about their development and career problems emerging after their return to the parent company, etc.

Advantages of expatriates' engagement can be primarily seen in their high-quality professional, managerial and diplomatic skills in a host country, likewise in knowledge of the overall organizational culture and structure of the company. On the other hand, to hire local managers on management positions leads to lower labour costs, good knowledge of culture and social environment of the host country, knowledge of municipal and government policies, lower administrative burden of employment and the formation of a favourable relationship between local population.

8. A successful reintegration is the key to a sustainable benefit from an assignment, both for the employee and the organization, with regard to the gained experiences for an expatriate and the financial investment made by an enterprise. However, assignments may differ due to a wide number of factors ranging from the target country, the grade of cultural differences, personal ability to adapt to foreign cultures and new circumstances to the willingness to return home, the job level and family circumstances. There are varieties of cultural considerations for the expatriate going to other foreign countries. Expect culture shock to occur after the initial excitement of being in a foreign place to occur. The expatriate may en-

counter racial stereotypes that can exacerbate feelings of culture shock. It is natural for a person in unfamiliar surroundings to seek something of the familiar. Expatriates may find support from other expatriates who are in similar situations. It would be much more conducive to the expatriate's personal and professional development if he/she can seek out other expatriates who will act as a mentor to assist in the integration to the host country instead of those who reinforces negative views of the local culture. There are no finalized preventive measures that match to every single person and organization. Nevertheless, it is essential to ensure a transparent process and open communication during the whole assignment to convey expatriates the impression that they and their commitment contribute a significant value to the company. Contrary to popular beliefs of organisations, women expatriates can become successful. Moreover, women can and do succeed in patriarchal countries, locals do not accord the same limitation to women expatriates as they do to local women. Women expatriates have skills and knowledge that organisations have not previously identified as valuable that allows them to be successful in such countries.

The results of the research have confirmed that the application of preventive reintegration measures can have very positive effects on the employer's satisfaction, performance and loyalty towards the organization after an assignment.

The cultural roles of men and women should be included in female expatriate training. They should receive information on the appropriate and inappropriate behaviours of men and women, as well as various policies and procedures regarding laws of sexual harassment. There are some limitations to sending an expatriate female as the field of women expatriates are quite new. These limitations however need to be address as trends are changing and a lot more women are being sent overseas. Human resource policies and procedures need to be re-evaluated to meet this future trend.

In conclusion, this topic allowed us to explore some of the main problems that it is possible to encounter when people become expatriates on an interna-

tional assignment in other countries. It is fundamental to overcome assumptions to make the international assignment a success. The described risks during the return phase for give reason to attach greater importance to the use of preventive reintegration measures in terms of an overall successful assignment.