

# U.S. ARAB COMMERCE

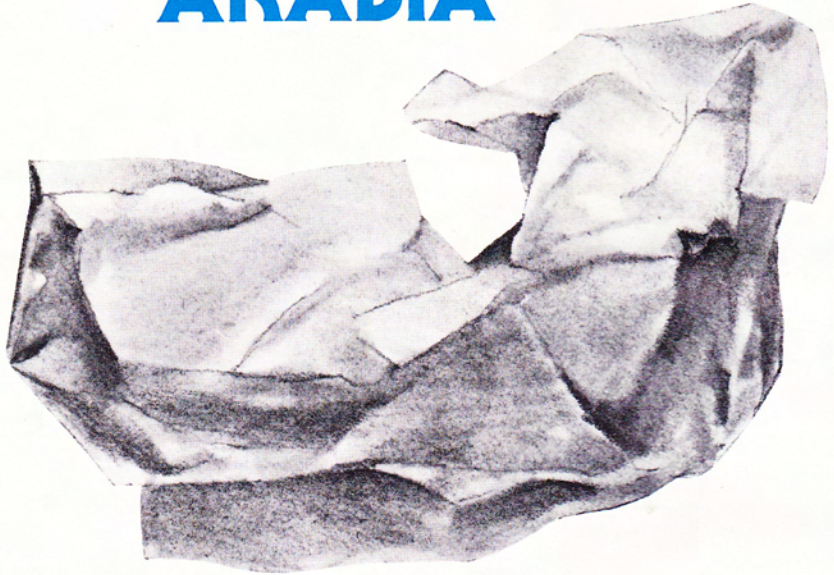
July-August 1983



Tunisia spending \$13.7 billion on development thrust



# WHY EXPATS FAIL IN SAUDI ARABIA



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Prescreening  
the  
potential  
quitters

*"Of all the major categories mentioned in Selection Research International's survey, employment screening may be the major culprit. Most potential problems can be identified prior to travel. Too often the time to perform a proper screening is disallowed in favor of the minimum attempt to hire the technically qualified body and get him on site."*

U.S. Embassy Official  
Saudi Arabia



**"O**ur out-of-pocket loss is \$100,000 when an employee fails to complete an assignment in Saudi Arabia," says the fiscal manager of a major U.S. aerospace company.

He goes on to explain that this figure can double when hidden costs of reduced productivity are taken into account. Considering that some companies experience an attrition rate of 40%, the failure to complete an assignment becomes a major cost of doing business in Saudi Arabia.

In recent years U.S. corporations have significantly expanded their international activities. With this increase has come the growing awareness that careful selection of overseas personnel is essential to the success of the business venture. Companies which experience personnel problems do so for a combination of reasons, such as the failure to establish clear selection procedures which cannot be circumvented by management decisions, inadequate orientation of the job candidate and spouse to the country of assignment or neglect to provide personnel with a comprehensive system of in-country support.

Significant problem areas include:

- Failure to Complete Employment Contract
- Reduced Performance and Productivity
- Loss of Customer Good Will
- Personal and Family Problems

Today, companies typically attempt to deal with the range of problems which center around contract failure, personnel problems and reduced productivity by providing the employee and his family an orientation to the host country. While this approach enjoys success with individuals who already have patterns of behavior necessary to adjust to the rigors of a foreign environment, it does little for the individual who lacks these personal characteristics. As a consequence, personnel attrition and the more pervasive personal and performance problems continue to plague many companies.

To address this situation, Selection Research International embarked on a fresh approach to the problem. Noting the marked absence of empirically-derived information for the screening of overseas job candidates and their families, Barry D. Kozloff and his associate Dr. Edmund Gaydos observed that a country-specific data base would provide companies a greater degree of predictability and success in selecting expatriates.

Using a system designed by the U.S. Department of Defense to prevent the accidental launching of missiles, Kozloff and Gaydos adapted the concept to identify critical factors that contribute to contract failure and job performance problems in the Kingdom of Saudi Arabia. They reasoned that the most effective means of dealing with the problem was to concentrate on causes of failure in overseas assignments, much as the Department of Defense focused on the causes of missile malfunctions and unexpected launches.

At that point, Kozloff and Gaydos began to survey people who had worked in the Kingdom of Saudi Arabia. They narrowed the research to one hundred interviewees who had worked in Saudi Arabia an average of thirty-seven months. Over two-thirds of them had known five or more people who failed to complete an assignment. Given a survey containing fifty-six potential problems, they were asked to indicate which, in their experience, actually contributed to early return from Saudi Arabia.

Based on survey results, problems identified as causing or contributing to early return fell loosely into three categories: Those unique to the personalities of the employee and his family, to Saudi Arabia and to the employing organization.

Specific problem areas are listed in the accompanying table in order of importance. This data provided SRI a guide to improving the traditional ways of handling people for an overseas assignment.

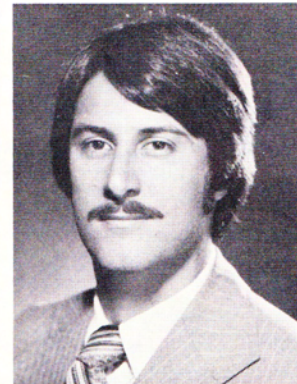
"In our research we have not so much focused on what it takes to be a success in Saudi Arabia" say Kozloff and Gaydos. "What we want to know is why people fail or have problems and how to prevent these problems in an overseas assignment."

Through Selection Research International's research, the definition of expatriate selection has expanded. Through adequate screening, job candidates and their spouses posing a degree of risk emerge with characteristic behaviors, attitudes, motivations and reactions.

Important factors as adaptability, emotional flexibility, tolerance, marital satisfaction and other performance related factors have been opened to more systematic observation, evaluation and screening.

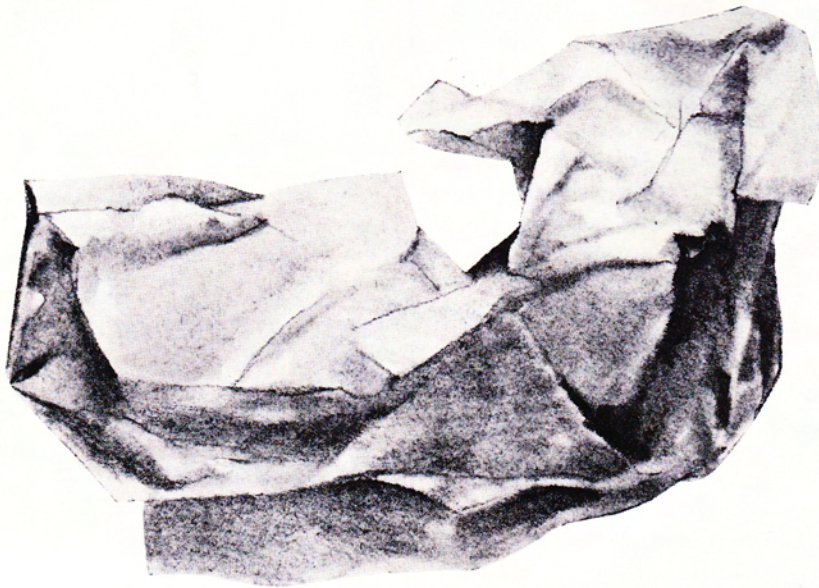
For example, in the development of a comprehensive system for evaluating, selecting and retaining expatriates, 'adaptability' has assumed a broader definition. Almost every organization SRI has worked with that was involved with international reloca-

## Selection Research International, Inc. (SRI)



is a corporation formed in 1978 by Dr. Edmund Gaydos and Barry D. Kozloff to develop a comprehensive system for the evaluation, selection and retention of personnel for overseas employment. A consultant to major U.S. corporations, SRI has received recognition across the United States comprehensive research-based expatriate selection system. Dr. Gaydos and Mr. Kozloff may be contacted at: Selection Research International, Inc. (SRI) 535 Donne Avenue St. Louis, Missouri 63130 Phone: (314) 725-9269





## Personnel/Performance Problems that Contribute to Failed Assignments

### PROBLEM

#### Employee and Family

1. Lack of Flexibility and Adaptability
2. Single Status (Married, but Family Remaining in U.S.)
3. Lack of Patience
4. Lack of Tolerance for the Saudi Way of Life
5. Inability to Work Effectively with Saudi Nationals
6. Marital Stress
7. Cannot Take Inconveniences in Stride

#### Saudi Arabia

1. Inadequate Housing
2. The Country, People, Job, Living Conditions, Etc. Do Not Meet Expectations
3. Lack of Qualified Medical Personnel and Adequate Facilities

#### Employing Organization

1. Inadequate Screening of the Employee
2. Lack of Tax Protection Benefits
3. Inadequate Orientation for the Employee and his Wife
4. Inadequate Screening for the Employee's Wife
5. Inadequate Vacation Benefits

\* Highest Mean Average Score in the Survey

### WEIGHT

1.96  
1.96  
1.93  
1.83  
1.73  
1.72  
1.68

1.76  
1.63  
1.61

2.02\*  
1.91  
1.86  
1.81  
1.61

tions to Saudi Arabia has a dramatic example of the lack of adaptability in its war chest of stories. The tale frequently cited is of an employee making his first trip into the Kingdom. After briefly surveying the scene that confronts him at the airport, he is able to accomplish the anatomical feat of doing a 180° turn in his shoes, making an immediate departure on the quickest flight back to the United States.

This story is not unique to Saudi Arabia. It appears in slightly altered forms for personnel beating hasty retreats from Teheran (before the revolution), Cairo, Caracas and other points east and west. Such examples dramatically depict an inability to adapt to a foreign culture. But the person who has great difficulty in adapting to the host culture and becomes an early job failure is not an accurate representative of what the results of SRI's research has identified. Adaptability may not be the issue at all. The costs of an early return, as was stated by the aerospace fiscal manager, are very high but are not the end of the costly picture.

**W**hy then do people choose overseas work?

A major motive frequently given is the opportunity for greater financial reward. Personnel whom SRI has screened have also said they desire the challenge of a new and exotic environment as well as the opportunity for extensive travel. In themselves, these are very positive reasons for considering a foreign assignment.

The problems mentioned earlier in this article, however, stem from the real drives which underlie these apparent motives, such as the desire on the part of the employee and spouse for decreased social and psychological constraints common in our own society. In effect, overseas work can allow some individuals to exercise their need for autonomy, risk taking and independence at the expense of the company, employee morale and customer good will.

A somewhat different example of the high risk employee is the individual who wearies company personnel by pushing every per diem loop hole and haggling over



the most straightforward clauses in the contract, yet is slow in getting his family's passports to the company's personnel department. This is an example of what SRI calls the high risk, adaptable person, a job candidate whom the company may even be considering hiring only because of prior overseas work experience. But he may be returning as much for the lack of restraints as he is for his stated motives of a bigger salary and foreign travel. Perceived as level-headed and competent on the job, "he's already worked abroad for three years," his credentials are more anecdotal than referenced. Here the assumption is that mere overseas experience portends employee success.

There are numerous examples of this kind of person taking a second assignment with another company in Saudi Arabia in order to produce and sell alcohol in a country where it is strictly prohibited. With this sideline, he can bank all his salary.

These examples argue the reevaluation of the definitions currently in use for attrition, adaptability and selection. SRI has addressed this critical issue by integrating the results of its research, i.e. the behavioral indicators or red flags of expatriate risk, with their system of assessment, selection and retention. Initially identified through targeted selection techniques, red flags most often are highlighted in the dominant attitudes and actions of personnel in the period prior to their relocation.

To fill the gap for reliable selection techniques the team at SRI have developed the following:

- An inventory of things to look for in an individual's personal work histories.
- Standardized behavioral instruments cross-correlated with SRI's research data to measure adaptive personality characteristics. (These are currently being validated for this purpose).
- A Focused Expatriate Interview which targets on the individual's ability to work with people from a different culture, to tolerate inconveniences, cope with stress and marital stability.
- A Joint Expatriate Interview with the employee and spouse to determine the relative



## TARGET AREA

### Critical attrition factors for to the employee and his family

- Flexibility and adaptability
- Single status
- Patience
- Tolerance for the Saudi way of life
- Ability to work effectively with Saudi nationals
- Emotional instability
- Marital stress
- Take inconveniences in stride (eg. power outages)
- Poor human relations skills
- Tolerance of restrictions on women
- Never lived in a foreign country
- Alcohol abuse
- Bachelor status
- Never travelled in a foreign country
- Lack of motivation
- Narrow range of interests and abilities
- Lack of creativity and imagination
- High school aged children residing out-of-country
- Lack of technical competence



### Critical attrition factors unique to Saudi Arabia

- Inadequate housing
- Unrealistic expectations (eg. country, people, job)
- Lack of qualified medical personnel & facilities
- Unavailability of secondary education
- Lack of qualified dental personnel & facilities
- Inadequate transportation services
- Lack of basic recreational facilities
- Little variety of recreational facilities
- Lack of convenient home recreation (ie. TV, etc.)
- Lack of structured recreational services
- Undesirable weather and climatic conditions
- Difficulty in living in local housing
- Inadequate working conditions
- High cost of goods and services



	Screen resume and telephone interview	Background check and reference screening	Technical interviews	Orientation: program overview & behavioral observation	Adaptability interviews	Testing and feedback	Medical examinations	Team selection decision	Relocation practices audit	In-country support services
	X	X	X	X	X		*	X		X
X	X	X		X			*			X
	X		X	X	X		*			X
			X	X	X		*			X
			X	X	X		*	X		X
	X		X	X	X	X	*	X		X
			X	X	X		*	X		X
	X		X	X	X		*	X		X
	X	X	X	X	X		*	X		X
			X	X	X		*			X
	X			X	X		*			X
	X		X	X	X	X	*	X		X
X		X	X	X	X		*	X		X
X	X			X	X		*			X
	X		X	X	X		*	X		X
			X	X	X		*			X
	X			X	X		*			X
X			X	X		X	*	X		X
X	X	X					*	X		

### Saudi Arabia

			X	X					X	
		X	X	X	X		*	X		X
			X	X			*		X	
			X	X					X	
			X	X					X	
			X	X					X	
			X	X					X	
			X	X					X	
			X	X					X	
			X	X	X				X	
			X	X					X	
		X							X	
		X	X						X	

stability of the marriage, how the couple solves problems, support vs competition, relates as a unit to outsiders, deals with stress.

- A Country-Specific Orientation program designed as a diagnostic tool to evaluate the job candidate on a number of individual and family issues, as well as for intensive cross-cultural training program and preparation.

- Two types of Written Evaluation Reports: One which provides an assessment of the interviewee's cultural adaptability and ability to work with the host country nationals and a second in-depth report evaluating the individual's cultural awareness and sensitivity, along with recommendations for a successful adjustment and job fit.

But proper screening is only part of the solution. A company needs a systematic approach. Problems that contribute significantly to failed job assignments are spread evenly across a number of areas. A broad-based and coordinated approach by the corporation is essential to thoroughly address the issues of early return and the potential for personal and performance-related problems.

The Selection Research International system involves several major components: Evaluation through background check, multiple focused expatriate interviews and testing, behavioral observations in conjunction with country-specific orientations; the coordinated team selection decision of the candidates and spouses; relocation practices audit; and in-country support services. The elements of this system are sequentially connected and comprehensively illustrated in the accompanying Personnel Selection Matrix (PSM).

Each element of the PSM takes its content from the set of problems thought to contribute significantly to failed or problem assignments. In this way, the system maintains a very narrow focus on the specific purpose of reducing early job attrition and reducing potential personnel/performance problems. This approach also distinguishes the system rather dramatically from other more traditional ways.



TARGET AREA

**Critical attrition factors unique to the employing organization**

- Inadequate screening of the employee
- Lack of tax protection benefits
- Inadequate orientation of the wife
- Inadequate screening of the wife
- Inadequate orientation of the employee
- Inadequate vacation benefits
- Inadequate salary
- Improper job assignment
- Inadequate fringe benefits (travel, insurance, etc.)
- Inadequate security for family and personal possessions

	Screen resume and telephone interview	Background check and screening	Technical interview and reference	Orientation: program overview and behavioral observation	Adaptability interviews	Testing and feedback	Team selection decision	Conus probationary period	Relocation practices audit	In-country support services
Inadequate screening of the employee	X	X	X	X	X	X	*	X		
Lack of tax protection benefits								X		
Inadequate orientation of the wife				X			*			
Inadequate screening of the wife				X	X	X	*	X		
Inadequate orientation of the employee				X			*			
Inadequate vacation benefits								X		
Inadequate salary			X					X		
Improper job assignment			X				*			
Inadequate fringe benefits (travel, insurance, etc.)								X		
Inadequate security for family and personal possessions								X		

In the SRI system, the orientation occurs before the final selection decision is made. In this way it serves the dual purpose of preparing people for the rigors of relocating to an overseas assignment as well as providing the company with information relevant to their screening. SRI's research indicates that employees rarely fail to complete their assignment because of their lack of technical competency. We assume that candidates for

overseas assignment will, in the course of their hiring, receive a technical interview.

In a recent article, W. F. Holmes suggests that if companies turn from a traditional to a more comprehensive selection approach, they can reduce their turnover rate from as much as 40% down to 5%.<sup>1</sup>

Kozloff and Gaydos have high, but more reserved, expectations for the system. "If we can assist a company to identify job candi-

dates and their spouses who pose a risk and can make even a small impact in reducing early expatriate returns and performance problems, for example by 15%, the savings to the company in money and productivity would be enormous."

<sup>1</sup>Holmes, W. F., "Adaptability Interviews in Selecting Individuals for Foreign Service," *The Expatriate Observer*, Vol. 3, Jan. 1980.

**GLOBAL RISKS** (Continued from page 12)

foreign investors. For example, in countries with a history of military coups, the military could possibly expropriate foreign investment to "stabilize the country."

**Middle Class Support** — In developing countries the middle class can be pivotal and can be a force for stability or for acceleration of economic or social deterioration. The analyst will want to assess the level of confidence that the middle class has in the regime in power and/or others seeking power.

**Continuities and Discontinuities** — Of vital concern to the analyst is the extent to which the social and political institutions are synchronous with the levels of modernization in the country. Many developing countries still retain parochial values and structural elements which are at counterpoint with modern ideas and institutions in their societies. If the firm will be introducing new or increased modernization it will need to assess extensively the social impact of doing

so.

**Political Ideology** — Secular ideologies and religions can become key political factors in a country since they can become the engine for anti-system conflict. Such conflict can, and has in the past, resulted in international companies being the target of ideological and religious cleavages and direct action.

**Civil Disorder** — The analyst must assess what the possibilities are for organized or anomic mass violence. If there is a history of such disorder, the roots of this phenomena need to be thoroughly assessed in order to forecast any likely impact on the foreign investor and the firm.

**Social Revolution** — The ultimate question for many corporate executives is if there will be complete upheaval in the country that may result in the rules of the game being completely changed. While few governments or agencies can predict such an event, they do remain of concern to foreign investors. This is not to say, however, that

regime change will bring about unfavorable business conditions. In fact, quite the opposite can be true.

While not exhaustive, the above are the usual research questions which a professional political risk analyst will ask. It should be noted, however, that the greatest need in forecasting the future of foreign business conditions is to be honest about uncertainty. Precisely because the dynamics of political, non-economic changes will require more — not less — honesty, armchair analysis is no longer enough. Intuition and prevailing myths need to give way to a more integrated approach to forecasting corporate political risk. As a concluding comment, it should be emphasized that any international company capitalized and operating abroad cannot afford not to properly assess, define, and manage the particular forms of political risk it faces.