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Expatriate compensation and its impact on employee satisfaction

A single case study from a Finnish multinational company

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ABSTRACT :

Expatriate management is a well-researched area in international human resource management. The focus on expatriates has previously lied on cross-cultural adjustment when discussing the success or failure of an international assignment. However, expatriate compensation is an equally essential part when disclosing a successful international assignment. Therefore, it creates a need to explore the link between expatriate compensation and the impact it has on employee satisfaction amongst international assignees.

The aim of this research is to understand the compensation package and the differences in approaches that are offered by multinational companies, and how the employee satisfaction is influenced by the compensation package. The objectives of this study are to explore how financial and non-financial values affect the employee's satisfaction when it comes to compensation and to identify key factors in the compensation package that are essential for the international assignment. The theoretical overview consists of international assignments, expatriate compensation approaches and lastly employee satisfaction. The thesis is conducted as a single case study from a Finnish multinational company, and the data has been collected using semi-structured interviews with the key informants who has either been on a long-term or short-term international assignment. Additionally, an interview with a key informant at the HR of the case company has been conducted. In this study, the research question *"how is the employee satisfaction of international assignees affected by their compensation package?"* has been answered.

The findings of this thesis present that the assignees' primary motive for accepting an international assignment was their internal motivation for career development and experience, and therefore they did not expect nor demanded a generous renumeration package. However, the key components of the compensation were insurance, taxation consultation, adequate housing and social security. Furthermore, it was the feeling of being taken care of by the company that was the essential part. The compensation approach solely did not equal employee satisfaction, but in combination with their values, employee satisfaction could be met. The findings also show that meeting the expectations of an expatriate is the most difficult aspect of designing a compensation package for the assignee, and therefore there need to be clear communication from the initial start of the expatriation process.

KEYWORDS: Expatriate compensation; Expatriate management; Employee satisfaction; International assignment; Balance-sheet approach

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1 Introduction

Throughout the last decades, business has become more and more global due to the emerging technology and the rise of the internet. Multinational companies can be present globally in a whole other way than thirty years ago. The distance has decreased between countries and it is easier for the company to have control in a global context. The globalization changed the way of working, but also the way of networking globally. Alliances that grew from the globalization such as joint ventures and cross-border acquisitions are examples to demonstrate networking (Pucik, Evans, Björkman, & Morris, 2017).

Expatriates have been one way to control and coordinate the globalization of the firm and this is still an important part of the internationalization process for multinational companies. Acquiring the right talent at the right position could be a crucial part of the company's success story (Pucik et al., 2017). Long-term expatriates are still the dominant international assignment type. However, they are starting to decrease due to administration complexity as well as cost-issues (KPMG, 2019; Mcnulty & Brewster, 2019). Other alternatives such as short-term assignments are now in the spotlight of global mobility (Tahvanainen, Welch, & Worm, 2005; Suutari, Brewster, Riusala, & Syrjäkari, 2013). The new expatriation assignments are causing changes in the mobility experience as it is changing the way the assignee is being compensated on their international assignment (Mcnulty & Brewster, 2019).

Pucik et al. (2017, p. 270) covers the fact that *"mobility is a process, not an event"* and it is crucial to understand the process in order to take all the parts in the expatriate management cycle into account when planning the assignee´s whole international assignment. The expatriate management cycle includes selection, preparation, adjustment, performance management, rewards, and repatriation. These steps need to be thoughtfully taken into consideration from the HR organization of the company already from the initial stage of the expatriation process.

1.1 Study background

An important part of expatriation management is compensation and rewards. This part of expatriation can be the deal breaker for many assignees as well as for the company. Cost-wise, the expatriation can trigger up to four times the employee's salary and the compensation is influenced on the living-standard of the host country and on what kind of assignment it is concerning. Aside from the offered base salary, the assignee can also be compensated with different kinds of premiums and allowances as an incentive to accept the international assignment and to facilitate the assignee and the accompanying family (Pucik et al., 2017).

For long-term expatriates, the family and their needs are taken into consideration and the total compensation will increase due to education allowance for the children and housing allowance for the whole family. Nowadays, the millennial workforce is being favored for international assignments, since younger, single expatriates going alone are much cheaper than a whole family relocating to the host location (Pucik et al., 2017). Younger expatriates are often offered a *"take-it-or-leave it package"* (Mcnulty & Brewster, 2019, p. 57) and the possibilities to negotiate is scarce.

Additional allowances that might be offered to the assignee are mobility allowance, hardship allowance, cost of living allowance, relocation allowances and home-leave allowances. The allowances can either be a one-time payment as a lump sum or it is built up on the gross salary (Thomas & Lazarova, 2014). Another essential part of the total compensation package are benefits such as insurance, vacation, health care, transportation or car benefits. Benefits vary depending on the host location and the company´s compensation and benefits policy (Briscoe, Schuler, & Tarique, 2012). Lastly, the taxation has a vast impact on the compensation package, and this is seemingly the most problematic area of the expatriate compensation and therefore companies often outsource this part in order to focus on other parts of the expatriate management (Thomas & Lazarova, 2014).

The most common approach for compensating long-term expatriates has so far been the balance sheet approach (also called home-country approach) and it has dominated the remuneration policy for long-term expatriates since the 1960´s. The reason behind the balance sheet approach, was that the expatriate would be able to maintain their living situation comparable to their home country with no difference based on the host-location (Dickover, 1966).

Compensation have shown to have an impact on the employee´s satisfaction in terms of job, career and pay satisfaction. Employee satisfaction is a challenge for organizations in order to retain their employees and keep them satisfied (De Ruiter, Lub, Jansma, & Blomme, 2018). Determining employee satisfaction can be problematic, as it contains various factors to be considered and can be highly individual (Hofmans, De Gieter, & Pepermans, 2013; Judge, Cable, Boudreau, & Bretz, 1995; Seashore & Taber, 1975).

1.2 Research problem

When regarding expatriate adjustment, the focus has previously lied on cross-cultural adjustment as well as the lack of it and it has been prioritized as the success and failure reason of an expatriate (Caligiuri, Phillips, Lazarova, Tarique, & Bürgi, 2001). However, international compensation is an equally big part of the expatriate success story. Even though long-term expatriates usually receive a grand remuneration, pay satisfaction cannot be assured (Shaffer, Singh, & Chen, 2013). Therefore, it creates a need to explore the link between expatriate compensation and the employee satisfaction.

Previous research in the area can be found from Bonache and Zárraga-Oberty (2017) who have been questioning the traditional balance sheet approach and whether the approach is still up to date. As the needs for global mobility has changed, new alternatives to compensate expatriates have emerged. Alternatives such as the host-based, hybrid and the variations of these have started to be favored, since it has meant a simplified way of administration and have had positive outcomes on cost-efficiency for the company (Bonache & Stirpe, 2012).

However, changing the compensation package to achieve cost-efficiency for the company can have consequences. Research from Ren, Bolino, Shaffer, & Kraimer, (2013) found that a violation of the expatriate´s compensation had a negative impact on the assignees career satisfaction. This could eventually lead to that the assignee´s performance in the host location is compromised and negatively affected. Ren et al. (2013) suggested, that if the financial compensation is not adequate, the non-financial benefits should be added to ensure satisfaction. De Ruiter et al. (2018) discovered that meeting the expectations of the expatriate was one the biggest challenges for organizations when it comes to keeping employees in the company and assuring their satisfaction with their career.

The topic of this thesis emerged through a brainstorming session with a key informant at the case Company, where ongoing issues of the global mobility department were presented and discussed. The key informant offered suggestions for research and the topic was formed through the discussion. The area of international compensation stood out amongst the other topics since it showed a great need to study at the case company.

The research question for this thesis is:
How is the employee satisfaction of international assignees affected by their compensation package?

The aim of this research is to understand the compensation package and the differences in approaches that are offered and how the employee satisfaction is influenced by the compensation package. The objectives of this study are to explore how financial and non-financial values affect the employee’s satisfaction when it comes to compensation and to identify key factors in the compensation package that are essential for the international assignment. The research question will be answered by studying one case company and interviewing key informants who are either on an active assignment or have been in the last couple of years. In order to receive a broad overview, key informants will be selected who are on different kind of assignments, both long-term and short-term. An interview will also be conducted with the key respondent at the human resource department in order to get their view on the compensation approach and how it impacts on the employee satisfaction.

1.3 Delimitations of the study

The delimitations of the study are that one case company has been chosen, this due to the access of the case company and preferability. While this topic would have been interesting to study and compare different companies approaches to international compensation, the research was delimitated to one case company. The key informants will be Finnish expatriates who are on an active international assignment or have been in the recent years, no other nationalities will be covered in this study. The reason why Finnish expatriates were chosen was to be able to look at the results from a one-nationality perspective and how the case company is handling Finnish expatriates.

Another delimitation is the aspect of expatriate management and specifically the expatriate management cycle by Pucik et al. (2017). The mobility management cycle includes selection, preparation, adjustment, performance management, rewards and repatriation. The rewards segment will be chosen to be able to understand and answer the research question. The last step of the expatriate management cycle, repatriation will also be briefly discussed since the relationship between the compensation and the repatriation will be researched with the key informants.

Although new types of international assignments have increased in global mobility, such as international commuters, development assignments and international business-travelers (Tahvanainen et al., 2005; Suutari et al., 2013; Mcnulty & Brewster, 2019) this research will only focus on long-term and short-term assignments. Self-initiated expatriates are a part of long-term expatriation; however, this thesis will be concentrating on assigned expatriates in the host location. Lastly is the delimitation of the data collection method. Only semi-structured interviews will be conducted with the key respondents, and this is to ensure more in-depth answers, this will however limit the sample size and there might be a risk of generalization of the findings.

1.4 Terminology and key concepts

International assignments are when assignees are posted abroad for a period of time to ensure competence transfer to the host-location, fill a short-term resource need or to enhance one’s career development. International assignments can refer to assignments such as long-term (1-5 years) or short-term assignments (<1 year). Short-term assignments could include project-specific assignments, developmental & training assignments (Tahvanainen et al., 2005).

Employee satisfaction will in this study be referred to by job satisfaction, career satisfaction and pay satisfaction. Job satisfaction is the satisfaction towards one´s existing employment, while career satisfaction is the satisfaction towards one’s career and the direction one might be heading for in terms of developmental possibilities and goals (De Ruiter et al., 2018). Pay satisfaction can be defined as *“the amount of overall positive or negative affect (or feelings) that individuals have towards their pay”* (Miceli & Lane, 1991, p. 246).

Expatriate compensation refers to the compensation package that the assignee is offered when going on an international assignment. Financial compensation is sometimes not adequate to attract employees to accept an international assignment. Therefore, benefits and allowances need to be applied to compensate any missing factors (Briscoe et al., 2012). External (financial) and internal (non-financial) values will be discussed in the thesis in order to connect them to employee satisfaction. In the thesis, the most common approach, the balance sheet approach (also called home-based approach) will be covered. Additionally, the alternative approaches such as the hybrid, host-based and the variations of these will be discussed in order to explore the different options that could be offered by the case company.

1.5 Structure of the study

The thesis is organized in eight main chapters. For the theoretical overview, the first part of the theory in chapter two will discuss expatriate management and the international assignments types there are existing, such as long-term and short-term assignments (Tahvanainen et al., 2005). Chapter three will highlight expatriate compensation and the most used compensation approaches existing in multinational companies. The home-country balance sheet approach will be thoroughly covered, since that is the most common approach to international compensation for long-term expatriates, especially for multinational companies in North America and Europe (Pucik et al., 2017). The alternatives such as the host-country approach, the hybrid approach and the variations of these will additionally be covered in chapter three. In chapter four, employee satisfaction will be discussed to get an overview how expatriate compensation and employee satisfaction can go hand in hand and how this is combined with the internal and external values that the assignee has. When the literature overview has been covered, the study continues with chapter five that describes the research methodology of the study. Followed is the findings in chapter six that summarizes the outcomes of the data collection. Finally, the thesis concludes in a discussion and a conclusion of the study in chapter seven and eight.

2 Expatriation

In this chapter, an overview of the expatriate management cycle by Pucik et al. (2017) will be discussed in order to gain insight on the full expatriate profile from selection to repatriation. Followed by the expatriate management cycle, the international assignments such as the long-term and short-term will be discussed and the chapter concludes with a comparison of the two assignment types.

2.1 Expatriate management cycle

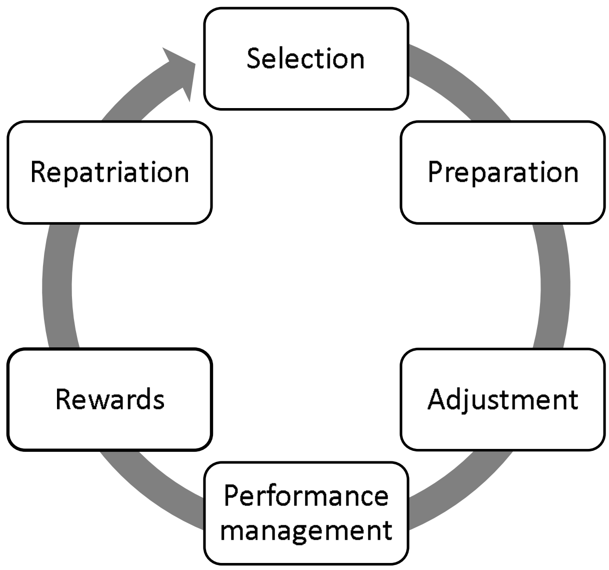

Figure 1. Expatriate Management Cycle. Adapted by (Pucik et al., 2017, p. 270).

The expatriate management process starts with the selection of the key individual for the international assignment. Theory suggests that an ideal expatriate should have the following characteristics to be a successful candidate; Professional and / or technical competence, communication skills and multicultural awareness, good stress-management and a high tolerance for ambiguity, leadership qualities and initiative skills, and lastly a stable family situation (Brewster, Sparrow, & Vernon, 2007, p. 242-243; Pucik et al., 2017, p. 271).

The list of the ideal characteristics is far more complex than these mentioned. However, these are the ones that are mentioned frequently when determining the selection of an expatriate (Brewster et al., 2007). Today, more and more short-term expatriates are positioned based on their technical competence, which in return have an impact on the compensation package since they are not required to possess all desired characteristics. Family factors is amongst one of the biggest reasons why an expatriate returns prematurely, therefore the family status should be considered from the very beginning (Pucik et al., 2017).

Finding employees who are willing to undertake an international assignment can be a challenge especially when the motivation to accept an international assignment can be of various reasons, such as internal and external motivation. Haines, Saba and Choquette (2008) presented in their research that an assignee that had an internal motivation towards an international assignment, was more likely to accept the assignment. Internal motivation such as interest to other cultures, developmental possibilities and undertaking new challenges had a greater impact on the decision to relocate than of an assignee with external motivation. External motivation to undertake an international assignment can be to receive a higher remuneration during the assignment or to be able to enjoy the benefits that are offered. Haines et al. (2008) also stated, that organizations should start to consider employees that have more internal motivation when selecting expatriates for an international assignment.

After successfully selecting the expatriate, the organization needs to act on the assignee's preparation before departure. The preparation and training that are offered to the assignee varies from company to company and scholars suggests that the preparation should be customized by individual and job variables and not standardized to look the same for every expatriate (Harris & Brewster, 1999). Cross-cultural training and language training are necessary, but are unfortunately not offered in most cases, as they are not mandatory to provide to the expatriate (Pucik et al., 2017).

After being relocated to the host-location, the next stage in the cycle begins. Adjustment could be categorized into three dimensions. First, general adjustments where the expatriate acquaint themselves with non-work-related factors such as new surroundings and living conditions. Secondly, work-adjustment where the expatriate adjusts to their new position and their new responsibilities. And lastly, interaction adjustment where the expatriate interacts with the locals and adjust to their manners and values, which could vary between work colleagues and outside of work friends (Black, 1991; Shaffer et al., 1999; Pucik et al., 2017). Aryee and Stone (1996) highlight that a positive adjustment for an expatriate has an impact on the job satisfaction and the overall performance of the expatriate.

With regards to performance management for international assignees, it has been questioned whether the home or host office should be conducting it. Who is responsible for the appraisal of the expatriate? Pucik et al. (2017) claims, that if an appraisal is given from the home-location, it might give an imprecise representation of the actual performance in the host-location. Schuler, Fulkerson and Dowling (1991) also states, that the duration of the assignment is of essence of the performance, and in some cases, there might be more time needed in order to hit the goals.

The next stage of the cycle is rewards. Mcnulty and Brewster (2019, p. 205) define compensation as being the *"total cost to the organization of pay and non-monetary costs contractually provided to the employee in return for work performed".* Based on the compensation method the expatriate receives, they will be offered with financial and non-financial incentives in order to be attracted to accept the international assignment (Briscoe et al., 2012). Expatriate compensation will be thoroughly covered in chapter three. Consequently, the next and last stage repatriation will be discussed next.

Repatriation is the last stage of the mobility management cycle. Nonetheless is should be considered from the initial selection of the candidate. Repatriation to the home country is a certainty in most cases if the expatriate is not localized in the host-location or decides to relocate to a different country (Pucik et al., 2017; Briscoe et al., 2012; Mcnulty & Brewster, 2019). Issues that have been reported with repatriation are for instance a hard time adjusting back to the normal salary and the loss of benefits that one had while on location (Brewster et al., 2007).Many expatriates are also not guaranteed a position at their organization when they repatriate, which could lead to a loss of career development and career status (Bonache & Zárraga-Oberty, 2017).

2.2 International assignments

The need for international assignments has changed throughout time, and today the long-term expatriate is starting to be substituted with short-term assignees for project-specific assignments which could last up to a year. Historically the long-term expatriate was a male, in a senior, high-status position and was assigned for controlling or transferring knowledge in the host location (Pucik et al., 2017). Today, the assignments have changed and could play a part of being either technical, developmental, strategic or functional (Caligiuri, 2006).

The new types of international assignments all require different individuals for a successful outcome (Mcnulty & Brewster, 2019). One type of expatriation can be demand-driven with a need of a problem solution or controlling the globalization of the firm by knowledge transfer. The second type of expatriation can be learning-driven for the sake of competence development, or by career enhancement. While controlling and developing competencies are considered being long-term assignments, problem solving, and career enhancement are reflected as short-term assignments (Pucik et al., 2017).

According to Pucik et al. (2017), the long-term expatriate is often a way to influence a demand in the host-location and therefore they fit in to the demand-driven reason. According to the Global Assignment Policies and Practises (GAPP) survey by KPMG international (2019), the need for shorter assignments such as developmental and training assignments have grown and the short-term assignees are expected to increase within the next five years and especially developmental and training assignments, while the long-term assignees are expected to decrease.

2.2.1 Long-Term Expatriates

Expatriation is the traditional term to use when referring to an individual who has chosen to relocate to a different country for a temporary period and be a part of the workforce in the new host country. Long-term expatriation often concerns assigned expatriates that the multinational companies are relying on for an important project or case in the host country, and the relocation of them are up most important (Mcnulty & Brewster 2017).

The length of a standard long-term expatriate varies, but we can determine that it expands of a period between one to five years. The relocation of the long-term expatriate also includes the spouse and children and therefore schooling or dual career issues needs to be taken into consideration. Long-term expatriates are the ones who are the most generously rewarded in compensation while going on an international assignment (Pucik et al., 2017).

2.2.2 Short-term assignments

Short-term assignments are defined as assignments that lasts less than a year and are often needed for finalizing a project or for developmental reasons. New forms of assignment types have appeared as the need have changed for global mobility. Results of this are for instance the non-standard assignments such as commuter, rotational and virtual assignments that now are being considered as substitutes to long-term and short-term assignments. However, short-term assignments are still the most common of these non-standard assignments (Tahvanainen et al., 2005). Aside from these, local-Plus contracts and permanent transfers have made their way into international assignment types (KPMG, 2019), there is however conflicted theory whether these are assignment types or new forms of compensation approaches (Mcnulty & Brewster, 2019). In this thesis, these will be covered as international compensation approaches in chapter three.

Companies are starting to favor other types of international workers than long-term expatriates when seeking for cheaper opportunities and simplified administration. When a Finnish employee works for a Finnish employer and is assigned for an assignment that lasts under six months, the taxation is handled as usual in the home country and no contract needs to be conducted in the host location (Vero, 2020; Suutari et., al 2013). Overall, short-term assignments are said to be a great possibility to see if one as an employee would be keen on going on a long-term assignment in the future, or if the employer find the assignee to be compatible to go on a long-term assignment (Mcnulty & Brewster, 2019).

2.3 Comparison of international assignments

In this section, long-term and short-term assignments will be compared in order to get a closer look of how the company and the assignee is affected by applying one or the other of the assignment types.

Simplified administration is mentioned as a key advantage by using short-term assignees. Long-term expatriation is often combined with a very formal, and bureaucratic process. While for the short-term assignments, most of the administration is handled in the home country (Tahvanainen et al., 2005). Taxation reporting can be easy for the long-term expatriate if they are offered the tax equalization with their compensation package. Suutari and Tornikoski (2001) found that long-term expatriates often suffered challenges with the taxation reporting and there was a lack of communication how to conduct it. Short-term assignees on the other hand is very depending on the length of the assignment since a duration over six months requires a change in taxation reporting.

According to Briscoe et al. (2012), companies sometimes conduct a laissez-faire approach when it comes to their tax policy. Meaning that they do not offer any tax assistance to their international employee and the assignee must take care of their taxation on their own. This often happens in new companies who are not yet fully up to speed on their internationalization process. Short-term assignees are also more likely to be responsible for their taxation, since they are often not offered the home-country balance sheet, where tax equalization is provided.

Tax arrangements are seemingly the most difficult issue that arises during the administration of an international assignee and it is also one of the reasons why organizations have started to favor other, shorter assignment types (McNulty & Brewster, 2019). According to the GAPP survey by KPMG (2019), 93% of the organizations that enrolled in the survey outsourced their tax consultations, as well as 91 % of the tax preparation services. The main reason being that the HR department can instead put their resources and focus on essential activities for the international assignment. Different taxation arrangements will be covered in chapter three.

Long-term assignees are the ones who receive the highest renumeration when going on an international assignment. According to the GAPP survey (KPMG, 2019) 63 % of organizations offered the balance sheet approach to their long-term expatriates. The balance sheet approach offers the home salary, benefits such as home-leaves, holidays, pension, insurance, company car and housing. In some cases, additional premiums and incentives needs to be applied in order to attract the assignee for the assignment (Briscoe et al., 2012).

Long-term assignees are often accompanied by their family, and the schooling and spouse needs to be taken into consideration when designing the compensation package since housing and expenses will increase (Shaffer et al., 2013). Short-term assignees are often not granted a compensation approach in particular but are instead offered the home-salary with daily allowances to cover the day-to-day expenses (Wilson, 2019). The short-term assignee is rarely accompanied by their family but will instead be offered additional home-trips in order to support the well-being of the assignee (Obradovic, 2018). These differences in compensation ultimately leads to that the short-term assignments are more cost-effective than long-term assignments.

Organizational support from the human resource department often varies from individual to individual since it is highly connected to psychological contracts and how an individual perceives the support (MacNeil, 1985; Mcnulty et al., 2013). Psychological contract will be covered in the chapter of employee satisfaction. Nevertheless, a lack of organizational support can be critical for the assignee's satisfaction. Mcnulty et al. (2013) found in their research with expatriates that some even felt abandoned when coming to the host location, and that they had to put more effort on administration than on the task itself. Short-term assignees often keep their contract in the home country and maintain contact with their home office, which in return have an impact on perceived support (Remedios, 2017).

Tahvanainen et al. (2005) express the importance of the employee´s personal situation when deciding the suitable assignment type. In terms of flexibility, it might be more beneficial for the assignee to undertake a short-term assignment instead of a long-term assignment. By doing this, the family can stay in the home country and they can continue their life as normal. Short-term assignments are also said to be more flexible in the sense that the decision can happen quick without extensive administration decisions. Suutari et al. (2013) states that short-term assignments can enhance human resource planning in global mobility since it is easier to staff for short-term needs.

One objective that are positive for both assignment types is the career enhancement that an international assignment can bring. In the research by Mcnulty et al. (2013) they found that 97 % of the interviewees chose to go on an international assignment based on the career enhancement that the assignment would bring and that it could open doors to not only career development in the own organization, but also outside of it. This could also be referred to as individual return on investment for the employee. International assignments are also beneficial for the organization, as they have the chance to ensure that their employees are getting the development that they need in their career. This is also seen as a way to retain excellent employees and keep them from seeking opportunities elsewhere. This could be referred to as corporate return on investment (Mcnulty et al., 2013).

Short-term assignees might not experience a vast difference in compensation upon repatriation since they are offered the home salary plus daily allowances. The issues that have been reported for long-term assignees are that it is hard to adjust to normal life without the benefits and incentives (Brewster et al., 2007, p. 254). Another difficulty for long-term assignees are that a position in the home organization is often not guaranteed when the assignee repatriates, which in return can lead to a loss of career status (Bonache & Zárraga-Oberty, 2017). Tahvanainen et al. (2005) stated in their study that repatriation for short-term assignees was uncomplicated and that most assignees returned to their position pre-expatriation.

3 Expatriate Compensation

This chapter provides an overview of expatriate compensation and the compensation approaches that are in use in current assignments. Firstly, compensation in general will be covered, followed by the different elements of a compensation package and how it can be designed. After that, the different compensation approaches for long-term assignees will be introduced followed by an overview of short-term compensation. Lastly, a comparison of the three main compensation approaches will be introduced.

3.1 Establishing a compensation package

Briscoe, Schuler and Tarique, (2012) presents that defining the reason for the assignment is a crucial point for determining the compensation approach, and that in general, the demand-driven expatriation is often more costly than the learning-driven assignments. They support this statement with the claim that since the learning-driven assignees are receiving developmental possibilities that will eventually lead to their career enhancement, they are not required to attain as much compensation as the demand-driven assignees.

In order to establish a compensation package, a job analysis must be conducted. For example, the job description, and the job requirements from the expatriate. An experienced employee with a demanding job description in the host country will have a different approach to the compensation package than a less experienced employee who are being relocated for the first time. This is partially because the learning driven assignments are considered as less costly assignments as to demand driven assignments. Learning driven assignments are usually in the beginning of one's career, while demand driven assignments are for more experienced employees (Briscoe et al., 2012, p.292). The duration of the assignment should be taken into consideration when determining the compensation package. For example, Finnish short-term expatriates who are assigned less than six months, are taxed in the same way as in their home country, making it easier to relocate for a shorter period (Vero, 2020).

Another important factor is to identify the home and host country. From where is the expatriate leaving and to which country? There might be differences in laws and regulations and taxation practices which needs to be clarified before determining a compensation package. The end of the assignment should be taken into consideration from the beginning of the expatriate cycle. Is the assignees position guaranteed upon repatriation, or are they going to stay in the host country or perhaps even be relocated to another location? (Briscoe et al., 2012).

Pucik et al. (2017) acknowledges cost efficiency, equity issues and system maintenance to be factors which influence the decision to which compensation approach to use. The company wants to make sure that the expatriation is as cost-efficiently as possible, including all the benefits and tax-related issues. As for equity issues, the remuneration should be plausible regardless of origin of the assignee or which host – location the expatriate is assigned to. The last segment is system maintenance which consists of the administration of the expatriate. The transfer should go smoothly and straightforward, making it easy for both the home and host – country to follow up with the expatriate. Manas and Graham (2003) refers that compensation is decided based on individual, organizational and environmental factors. Thomas and Lazarova (2014) supports this statement with factors that influence the compensation as culture, labor relations, social contracts and ownership structure.

3.2 Elements of compensation

The base salary might not be enough to attract employees to accept an international assignment. Therefore, other elements such as benefits and allowances need to be applied to compensate any missing factors. The compensation package should be motivating for the assignee to leave their world as they know it in the home country and the package should reassure that the living standard of the assignee is maintained on the same level as in their home country. If the assignee has a family, it is important that they are considered and taken care of while on assignment (Briscoe et al., 2012). Before discussing the compensation approaches, the different elements of the compensation package such as benefits, allowances and taxation will be covered.

Manas and Graham (2003) refers the compensation rewards as intrinsic and extrinsic. The intrinsic rewards one may gain is non-financial and contains developmental possibilities, work-life balance, and status. Extrinsic rewards are everything related to something with a financial value and includes the salary, incentive plans, benefits such as health care plans or retirement plans and lastly, perquisites that could include a car, club memberships and counselling of some sort.

3.2.1 Benefits & allowances

Benefits vary heavily between countries and companies because some benefits might be authorized by the government, and some benefits are voluntary provided from the company. Common benefits that are used as incentives for international assignees are home-leaves, holidays, pension, social security plans, insurance, company cars, transportation and housing. In the end, it should be easy to come home after the assignment, therefore relocation and moving costs are often offered as a lump-sum payment to facilitate the moving (Briscoe et al., 2012). Different methods to deliver the benefits to the assignee can be by cash allowance, compensated through expenses or paid directly by the employer (Obradovic, 2018).

Allowances that might be offered to the assignee are mobility allowance, hardship allowance, education allowance and housing allowance. The mobility allowance is provided as an incentive to accept an international assignment and it is usually 10 % of the home gross salary. The mobility allowance was originally justified with the reasons that there would be issues in the host country such as language barriers, more responsibility of knowledge transfer and less assistance in daily matters. Separation from the home-country as well as family and friends were further reasons why the mobility allowance had to be applied as an incentive (Dickover, 1966). The hardship allowance data is typically offered by a third party and is applied as a percentage of the salary as an incentive for an undesirable or dangerous host location. If the home and host location are similar, no hardship allowance is provided (ECA International, 2017; Whitehouse, 19; Keranen, 2017). According to the GAPP survey (KPMG, 2019), 60 % offer a mobility allowance to their employees, and 48 % offer hardship allowance as a core policy benefit.

3.2.2 Taxation

Taxation has a vast impact on the compensation package, and this is seemingly the most problematic area of the expatriate compensation and therefore companies often outsource taxation in order to focus on other parts of the expatriate management (Thomas & Lazarova, 2014). The duration of the assignment is a key factor when it comes to taxation, especially for a short-term assignment that lasts under six months, the taxation is then handled as usual in the home country (Vero, 2020; Suutari et al., 2013).

A common tax benefit that is offered to long-term expatriates is the tax equalization. The assignee is protected in the way that they are not required to pay any higher or lower taxes as in their home country (Schell & Solomon, 1997, p. 122). If the employees are assigned to a location with higher tax, they are only required to pay the hypothetical tax in the same amount that would be required in the home country. The hypothetical tax is calculated in the assignment salary using the balance sheet approach and the company pays the difference between the home and location tax. If the situation would be reversed, and the tax would be lower in the host-location, the assignee pays the same amount of hypothetical tax as in the home country, the change is that the employer keeps the difference instead of making up for it (Kuessner, 2017). In tax equalization, the employer is responsible for seeing through that the actual home and host country taxes are paid (Weichert Workforce Mobility, 2019).

Tax protection is an alternative to tax equalization and could ultimately lead to that the assignee can receive the lower tax burden at the host location. If the tax is higher in the host location, the assignee will be protected from the tax increase and will pay the actual tax, but the employer will step in and reimburse the difference to the assignee. If the tax is lower, the employee keeps the difference between the host and home tax. This is called a windfall (KPMG, 2017). In tax protection, the employee is responsible for the payment of both home and host taxes (Kuessner, 2017). According to the GAPP survey by KPMG (2019) 83 % of survey participants offered tax equalization for their assignees, while only 4 % offered tax protection (KPMG, 2019).

3.3 Compensation approaches

The theory will now focus on the different compensation approaches that are existing for international assignees. According to the GAPP survey by KPMG (2019), and their survey about compensation approach policy offered by the participating organizations. The home-based approach (balance sheet approach) is the leading policy with 63%, followed by the host-based approach 16%, case by case 9 % and headquarters approach 6 %. Additionally, 6 % answered that they used “other” types of assignments, and they were not mentioned in the report. Only 1 % replied that they did not offer any incentives to their assignees. Many companies report that expatriates are too costly, but surveys show that there a little or no actions taken towards the issue (Briscoe et al., 2012, p 242).

While there has been discussion whether local-plus and localization are compensation approaches or assignment types, both consultation firms Mercer (n.da) and ECA international (2019) acknowledges local-plus to be a compensation approach, and Mcnulty and Brewster (2019) recognize local-plus and localization to be a part of the host-country policy. Tait et al. (2013) presents how localization can be a possibility when the traditional long-term expatriation ends. This is relevant since in some cases, the expatriate is aware of the outcome that will play out in a couple of years and therefore have an impact on the employee satisfaction. That is why these alternatives will be discussed as subcategorizes for the host-country approach.

3.3.1 The balance sheet approach

The balance sheet approach was originally created in the 1960´s with George Dickover as one of the founders. The founding stone of the approach was that the expatriate should not gain nor loose by implementing the approach. The expatriate profile was similar and hence the expatriate package was applied equally to all assignees. (Dickover, 1966). The home country balance sheet is an approach that is used frequently in multinational companies during expatriation. The reason behind the balance sheet approach, is that the expatriate will be able to maintain their living situation similar to their home country with no difference in which country their expatriation is located. The balance sheet approach is often used in long-term expatriate assignments which lasts about 1-5 years (Pucik et al., 2017).

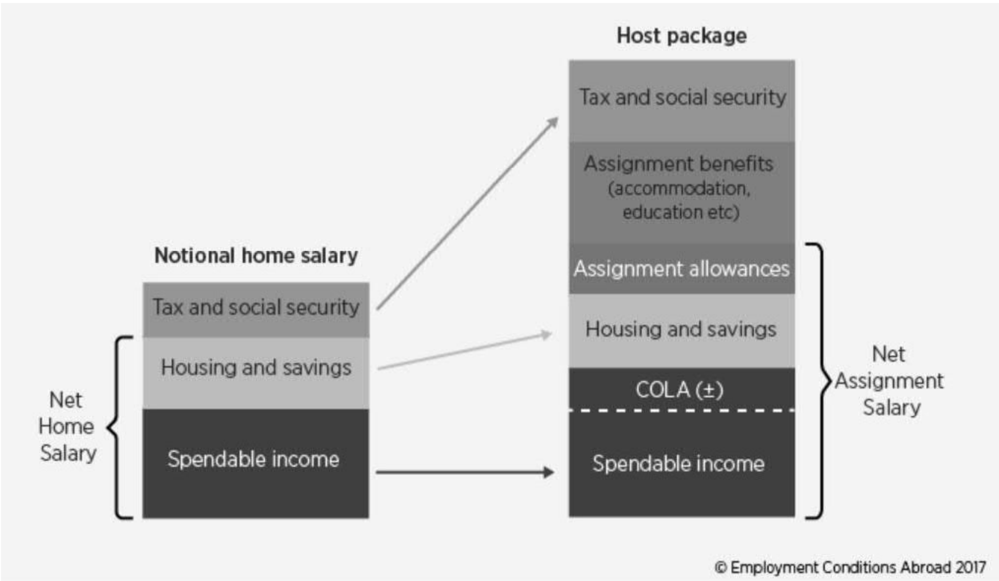

Figure 2. Balance Sheet Approach (ECA International, 2017, para 2).

As shown in the figure 2, the net home salary is segmented in income taxes and social security, housing & savings, and spendable income. The expatriate is obligated to be able to pay the same amount as they would have done in the home-country for goods & services, housing and income taxes. The company can also choose to pay allowances such as mobility and hardship allowances and include it in the balance sheet (Herod, 2009a; ECA International, 2017).

To protect the spendable income difference between the home and host country, a cost of living adjustment is applied. This is to maintain the assignee´s purchasing power at least at the same level as in the home country. The cost of living adjustment (COLA) is different from assignee to assignee, since it is calculated from the assignee´s net income, family and from which home country the assignee is relocating from (Wilson, 2019). The cost of living adjustment can also be referred to as home spendable plus. According to the GAPP survey (KPMG, 2019), 66 % of organizations provide COLA as a core policy benefit, and 35 % update it annually to keep it up to date.

Advantages with the balance sheet-approach is that it can help to ease the process of repatriation (Herod, 2009a). However, there is no guarantee that the assignee will return to the home country, they might seek other opportunities after the assignment due to career development (Bonache & Zárraga-Oberty, 2017). Additionally, there is no assurance that the expatriate will be fully satisfied while on assignment, other factors such as culture-shock, loneliness and homesickness can impact and eventually lead to a premature repatriation. Brewster, Sparrow and Vernon (2007) claims that a poor performance of the expatriate while on location is more distressing to the company than a premature repatriation.

While it can be hard to adjust back home for multiple reasons such as reverse culture-shock and career adjustment, this balance sheet approach helps the expatriate's return to the home-country when it is time for repatriation. The approach also encourages international mobility and removes the threshold for the expatriate of a costly assignment. The salary is maintained on the same level and therefore the assignee does not feel as they are falling behind on their career development. The approach is unbiased, and all assignees salary are dealt with in the same way (Herod, 2012, p. 10-11).

The home-based compensation approach increases the employee's loyalty towards the company and the willingness to relocate to a new destination (Mcnulty & Brewster 2019, p. 208). The advantages of tax equalization are that the employee doesn´t have to be concerned of financial surprises and that the assignments remain tax neutral for the expatriates at the same posting. A company advantage is that if the tax is lower than in the home country, the company can receive a windfall when they keep the difference in tax payment. The advantage with tax protection is that the assignee can keep the windfall instead of the company (Kuessner, 2017).

When it comes to disadvantages with the balance sheet approach. Bonache and Zárraga-Oberty (2017) suggests there are six weaknesses found within the balance sheet approach that need to be addressed by organizations. These are:

1) High cost
2) Equity issues
3) No guarantee of reentry
4) Barrier to Cultural Integration
5) No guarantee of expatriate satisfaction
6) Inconsistent as new mobility forms have emerged

The disadvantages of the balance sheet approach are that it is not suitable for assignments that lasts longer than five years. One main disadvantage is that the local tax in the host-country can be incompatible with the compensation that the expatriate attains (Herod, 2009a, p.13). Therefore, the tax equalization can be expensive (McNulty & Brewster, 2019, p. 208). The company is also responsible to be compliant to pay the tax in both the home and host country when applying a tax equalization benefit for their employees (Vero, 2012). The disadvantages with tax protection are that the company are not able to keep the windfall as in tax equalization, and because the employee itself is compliant for the tax reporting, this has shown to have a negative incentive on the relocation of assignees to higher-tax countries (Kuessner, 2017).

While one advantage is that the approach deals with the assignee's salary the same way as in the home country, this does not apply to assignees of other nationalities (Herod, 2009a, p. 13). This can be referred to as compensation disparity (Leung, Zhu, & Ge, 2009, p. 86). Vast differences in compensation can cause resentment from the local workers and feeling of inequality (Mcnulty & Brewster 2019, p. 208). Schell and Salomon (1997, p. 119) also acknowledge the fairness towards the peers at the home-base, as well as the international peers at the host-base. The compensation disparity that can arise validates Bonache and Zárraga-Oberty (2017) statement of equity issues in the host location.

The home-based approach can be difficult when assignees from different nationalities goes to the same location in the host-country, and their salary and compensation is completely different from each other, since their standard of living and living expenses can be various (Pucik et al., 2017). Lastly, one disadvantage can be that the balance sheet approach can lead to problematic administrative issues (Herod, 2009a). Although the home-based approach is thought to be outdated because it is based on repatriation, which is not always a certainty for the international workers (Mcnulty & Brewster, 2019) the approach is still used by 63 % of the GAPP survey members (KPMG 2019).

The utilization of the traditional balance sheet approach has been a topic of discussion and whether it is still accurate (Bonache & Zárraga-Oberty, 2017). The balance sheet approach was created for the traditional expatriate since which in most cases was a male in a high-status position (Brewster, Bonache, Cerdin, & Suutari, 2014). That is why new alternatives have emerged in order to fit reality as it is now. The alternatives that have emerged are the hybrid approach, the host-country approach which includes local-plus, localization and permanent transfer. A variation of the balance sheet approach is the headquarters-based approach (Pucik et al., 2017; Mcnulty & Brewster, 2019).

3.3.2 Headquarters approach

The headquarters approach is a modified version of the balance sheet approach, and instead of applying the home-based model, this approach applies the headquarters country salary scale as a foundation for the compensation package (Mercer, n.db). For example, a Finnish employee, could be relocated to a Chinese subsidiary for a company who have its´ headquarter in the United States. In this example, the Finnish employee would benefit greatly from the headquarters approach, since the salary in the United States are much higher than in China.

Pucik et al. (2017) acknowledge the issues with high compensation by using this approach and that it is hard to repatriate a third country nationals if the compensation has been significantly higher in the country where the HQ approach have been applied. The approach is, however, equitable towards local peers from different nationalities (Pucik et al., 2017, p. 280). Not only is the approach easier to administer than the traditional home-based system, it is also easy communicated to the potential assignees (Mercer, n.db).

3.3.3 The Hybrid approach

The Hybrid model is often used in case-by-case situations or when the higher spendable income of the home and host-country is applied (Mercer, n.db). Implementing the higher spendable income of the host-country can also be referred to as a safety-net for the assignee. If the spendable income is lower in the host country, the home-based approach is more suitable (Wilson, 2017). The hybrid approach is the original name of the approach but has received characteristic names such as the mix-and-match approach, cafeteria approach and the balance-sheet-lite approach over the past decades (Mcnulty & Brewster, 2019, p. 209; Schell & Solomon, 1997, 127-128; Pucik et al., 2017, p. 280).

One typical feature of the hybrid approach is that the compensation packages of the assignees are treated as they would belong to one nationality (Schell & Solomon, 1997, p. 128). This feature is described as the basket approach and is conducted in a way that the spendable income is not only calculated on local salary rate but compares several countries. This ensures an equity towards other assignees in the same location, from different countries. However, it is not equitable towards the local peers. Wilson (2017) emphasize, that the main difference between home-based and the hybrid-based approach, is that the spendable income in the host country is calculated based on the local peers when it comes to hybrid-based approach. Meanwhile in home-based approach, the home spendable is protected with the cost of living index.

The hybrid model is described as difficult to administer for insignificant benefits for the company (Mcnulty & Brewster, 2019) and even if it is more cost-effective than the home-based approach, the approach is not very popular and it is mostly offered to assignees who belong to a relatively small company who has recently started to internationalize (Mercer, n.db). Since it is a fairly unused model, most expatriates are not aware of this approach and it might be difficult to explain this model to the expatriate.

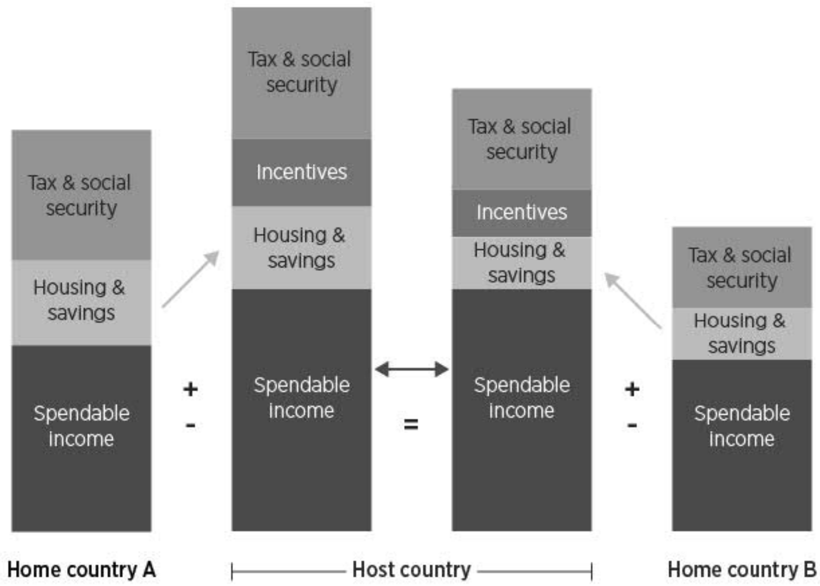

Figure 3. The hybrid approach. ECA International. (Wilson, 2017)

As seen in the hybrid approach figure, home country A and home country B are from two different nationalities. However, they are compensated equally on the spendable income in the host country, even though their spendable income in the home country are lower. The other elements such as tax & social security, incentives and housing & savings all vary based on the nationality (Wilson, 2017).

3.3.4 The Host-Based approach

The host-based approach focuses on a more equal compensation and therefore the approach can decrease the compensation disparity between the locals and the foreign assignees (Leung et al., 2009). The approach follows the host-country´s market rate in order to establish the assignee´s salary. The advantages with the host-based approach are that the administration is far easier than the home-based approach since the tax is issued in the host-country (Harrison, 2020). As viewed in table 1, the host-based approach is the only approach that is equitable towards the locals as well as the foreign assignees coming from a different location. The approach is also the only one which is cost effective (Bonache et al., 2012).

In the original host-based approach, there are no on-going allowances, however the assignee is provided with a single reimbursement for relocation costs (Mercer, n.db). The GAPP survey shows that only 15 % apply a host-based approach to their long-term assignments (KPMG 2019). According to Mcnulty and Brewster (2019) variations of the host-based approach have emerged which are local-plus, localization and permanent transfer. The disadvantage with the host-based approach is that it can complicate the repatriation for the assignee, especially if they have relocated from a low-salary country to a high-salary country. The relocation back to the low-salary country can be hard to adjust to for the assignee and their family (Herod, 2009b).

3.3.5 Local Plus

The local plus approach is increasing in popularity for multinational companies due to its cost-effectiveness and because it includes more incentives for the assignee (Herod 2017). This approach follows the same salary baseline as the original host-based structure, but instead of going just local, this approach provides a plus (Meier, n.db). The plus stands for allowances and premiums that have been negotiated beforehand. The plus elements can vary from case to case but the most frequent elements that are provided are housing, schooling for the assignee´s children and the tax consultation. Occasionally home leave can be provided for the expatriate, but this is case-to-case bound (Herod, 2017).

The local plus approach is regularly used for an alternate, cheaper option to the home-based balance sheet approach and is often offered to assignees who are relocated for developmental purposes (Meier, n.db). Despite the increase of the utilization of the local-plus policy, it has a flaw that needs to be considered when in terms of relocation and the global applicability to the approach (Herod, 2017). Local-plus contracts are best utilized when they are adapted from case-to-case for their foreign assignees. Therefore, it is not recommended to apply this approach as a global method for everyone (Herod, 2017). Nevertheless, Mcnulty, Di Cieri and Hutchings (2013) claim that the local-plus approach is the best choice for finding the most fitting package for the expatriates on an individual basis.

3.3.6 Localization

Tait et al. (2014) categorize localization as two possibilities. Delayed or immediate localization. Delayed localization of the assignee can be prearranged in the assignees contract from the very start or it could be offered in the end of a traditional expatriate assignment. The localization might also be initiated by the assignees themselves. The distinctive reason behind delayed localization is to transfer the assignees compensation package to local terms. Immediate localization, however, is an immediate permanent transfer from the start. Mcnulty and Brewster (2019) also present a third localization policy: phased-out localization. This policy might resemble the previous policy, but it gives the assignees an adjustment period to their new compensation package and time to rearrange matters if needed. This is often referred to as a wind-back period.

The advantages with localization are similar to the local-plus contracts, it is easy to administer and inexpensive for the company (Mcnulty & Brewster, 2019). Applying immediate localization can also help the assignee with their adjustment to the host country from the very beginning (Tait, et al., 2014). The disadvantages are that the employee benefits can be eliminated immediately when transitioning into the localization contract. 37 % of the survey participants in the GAPP survey by KPMG (2019) did not offer a transition period for their employees, and their benefits was cut out immediately. This is, however, very case-to-case basis depending on which organization you belong to, since 36 % answered that they offer up to a one to two-year transition time, by using the phased-out localization policy. Lastly, the repatriation possibilities are removed for the assignee (Mcnulty & Brewster, 2019).

According to the GAPP survey by KPGM (2019), 85 % of localizations are determined by the company, 45 % is based on the assignee’s own initiation, and 24 % is so called delayed localizations and the assignee is localized after a certain year has passed according to a predetermined contract. The survey clearly states that the majority of the assignees will be localized on the basis on business requirements and on the initiation by the employer.

3.4 Comparison of the main approaches

Lastly for this chapter, a table is enclosed with an overview of the three main compensation approaches. In table 1, the differences between the home, - host and hybrid are covered in how the objectives have an impact on the company and the employee based on the approach. The figure is adapted from Bonache et al. (2012) with some adjustments from Schell and Solomon (1997, p.128) and Wilson, (2017, para 19) and Mcnulty et al. (2013, p.216) The figure shows the positive impact as a +, the negative impact as a -, and the different opinions from theory -/+.

As we can see from table 1, the home-country approach is the only method that eases the expatriate’s repatriation to the home country. However, Wilson (2017) claims that the hybrid approach might help the return to the home-country, since some connection is still maintained. The host-country approach is the only method that have a negative impact on the engagement of a foreign assignment. According to Bonache et al. (2012), the host-country approach is applicable if the assignee has a specific interest in living in a certain country, and the salary is not the priority of the stay. These assignees can be called "*Expat-preneurs*" based on their initiation to the relocation (Mcnulty & Brewster, 2019, p. 34).

OBJECTIVES	HOST BASED	HOME BASED	HYBRID
Cost-effectiveness	+	-	- / +
Attract employees for a foreign assignment	-	+	+
Equitable to local Employees	+	-	-
Equitable to expatriates in a different location	-	+	+
Equitable to expatriates in the same location	+	-	+
Supports repatriation	-	+	-/+
Easy to administer	+	-	-
Supports integration with the locals	+	-	-
Supports career development	+	+	+
Link to home country is maintained	-	+	+

Table 1. Compensation approaches and their impact. Adapted from (Bonache et al., 2012, p. 165; Schell & Solomon, 1997, p. 129; Wilson, 2017, para 19; Mcnulty et al., 2013, p.216)

The host-country approach is the only method that is cost-effective for the company compared with these three alternatives (Bonache et al. 2012, p. 165). However, recent findings claim that the hybrid approach actually can be cost-effective in certain cases (Wilson, 2017).

3.5 Compensation for short-term assignees

According to Pucik et al. (2017), short-term assignees primarily include staff with technical competencies, and therefore the compensation package varies heavily. Typically for the short-term assignees are that they are not accompanied by their families, which in return have a vast impact on the compensation package. The short-term assignee often maintains their residency in their home-country under their assignment which in return have an impact on the administration (Mcnulty & Brewster 2019).

There is scarce theoretical research on short-term allowances. Mostly because it is not as extensive as long-term expatriate compensation (Thomas & Lazarova, 2014). However, many consultations firms offer an overview of how short-term allowances can look like. Consultation firms such as Mercer, Air Inc and ECA international offer a short-term allowance calculator for their clients. They use data from cities worldwide in order to calculate a decent daily allowance that is up to date with the market rate in the host country. The daily allowance should cover the basics one might have on a day-to-day basis such as meals, daily essentials and toiletries. Some might even count in leisure activities and general services, such as haircuts or hobby activities (Wilson, 2019; Air-Inc, n.d.; Mercer, n.db).

As seen in figure 4, the salary is maintained at the same level as it was in the home-country while on assignment. What to include in a short-term allowance is different from company to company and is usually mentioned in an assignment policy that the company offers the assignee. Remedios (2017) highlighted, that having an assignment written policy is a good way to achieve cost-efficiency and all employees are treated equally. Benefits a short-term assignee might receive are housing, home trips, car or transportation.

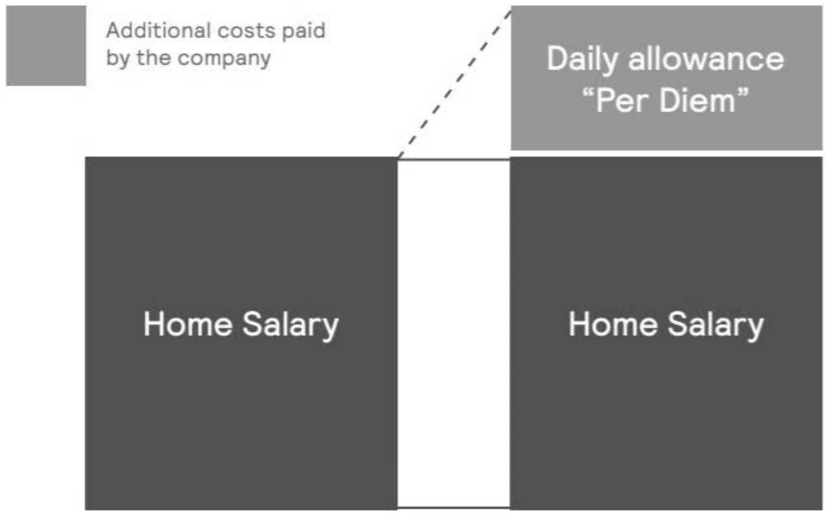

Figure 4. Daily allowance for short-term assignees (Mercer n.db, p.10).

Obradovic (2018) states that factors such as the duration of the assignment, reason for the assignment and experience level of the expatriate are to be considered when determining the benefits plan. For example, a short-term assignment that lasts up to a year includes more paid home leave travel than a shorter assignment. The short-term assignee is often provided with a couple of home trips to ensure the well-being since short-term assignees are rarely accompanied by their spouse of family.

4 Employee Satisfaction

To help us understand the employee satisfaction amongst expatriates, this chapter will discuss career and job satisfaction as well as the impact compensation has on the employee´s pay satisfaction. Followed by the psychological contract and how a breach of contract can affect the assignee´s view on organizational support during the assignment. Additionally, a short overview of the generational shifts and its impact on internal and external values followed by how repatriation has an impact on employee satisfaction. Lastly, a theoretical overview will be covered before going forward to the methodology section of the thesis.

4.1 Career & Job satisfaction

Determining employee satisfaction is difficult, as it contains various factors to be considered and could be highly individual (Hofmans et al., 2013; Judge et al., 1995; Seashore & Taber, 1975). Job satisfaction is the satisfaction towards one´s existing employment and could include organizational aspects, workplace conditions, individual characteristics and contract type etc. (Seashore & Taber, 1975). Career satisfaction is the satisfaction towards one's career and the direction one might be heading for in terms of developmental possibilities and goals. Career satisfaction can either be measured from a financial point of view, such as a raise or by advancing in the organization in terms of a promotion, or by the employee's individual satisfaction with their achievements and their career progression (Judge et al., 1995). Employee satisfaction is a challenge for organizations in order to retain their employees and keep them satisfied both career and job wise (De Ruiter et al., 2018).

Manas and Graham (2003) presented that the number one reason why people resigned was due to lack of opportunities and developmental possibilities which in other words could indicate a lack of career satisfaction. A recent research from PayScale (2019) showed that the number one reason with 27 % for an employee to transfer to a new organization was because they wanted more value in their day of work. This can correlate to a lack of job satisfaction. 16 % answered that they were offered better pay in the new organization, while only 6 % answered that they transferred because of better benefits. This could refer a lack of pay satisfaction, which will be discussed in the next section. Some traditional theory suggests, that job satisfaction and pay satisfaction goes hand in hand (Adams, 1965), whereas recent scholars argue that due to the individual work values and motivation one might have, financial rewards does not automatically result in job satisfaction. Since the individual values fluctuate, one employee who values acknowledgment for their performance is more inclined to reach job satisfaction if their internal values are fulfilled, while an employee with financial motives is more likely to reach job satisfaction when they are rewarded with financial security (Hofmans et al., 2013).

4.2 Expatriate pay satisfaction

Pay satisfaction can be defined as *"the amount of overall positive or negative affect (or feelings) that individuals have towards their pay"* (Miceli & Lane, 1991, p. 246). Even though long-term expatriates usually receive a grand remuneration, pay satisfaction cannot be assured (Shaffer, Singh, & Chen, 2013). Ren et al. (2013) found that a breach of the expatriate´s pay had a negative impact on career satisfaction. This could eventually lead to that the expatriate´s feelings towards the assignment and the performance is compromised. If the financial compensation is not adequate, the non-financial benefits should be added to ensure satisfaction. For a long-term expatriate, it might be highly important to ensure that the family is accompanied and that they are being taken care of while in the host-location. This could include education for the children or by helping the spouse with job search (Shaffer, et al., 2013).

According to the founder of the equity theory (Adams, 1965) employees expect that their renumeration should reflect on the performance and the efforts you put into the work. Organizational justice can also be comparable to the equity theory, since it refers to the feelings an expatriate might have towards their organization and on the perceived fairness towards the assignee. Schaffer et al. (2013) found that a lack of organizational justice had a negative impact on the assignee´s pay satisfaction.

An important part that could be crucial for the assignee's satisfaction, is to identify the peers of the assignee and who the assignee will compare their salary to. Compensation disparity can be a problem and therefore the compensation needs to be clear and equal. Lastly, after completing all these steps, the total compensation should be evaluated, and the benefits should thereafter apply to adjust the compensation package if necessary (Briscoe et al., 2012).

4.3 Psychological contract

In order to understand the consequences of satisfaction and dissatisfaction amongst expatriates, we need to discuss the term psychological contract. A psychological contract is comparable to a legal contract, but instead of a psychical signed contract, a psychological contract is the perception and promises that the employee and employer share. Kotter (1973, p. 92) defines the psychological contract as *"An implicit contract between an individual and his organization which specifies what each expect to give and receive from each other in the relationship"*. MacNeil (1985) classifies psychological contracts into two areas: transactional and relational contracts.

Transactional contracts can also be referred to as extrinsic values or financial values, and it includes everything with a financial value such as salary, incentives, tax equalization, benefits such as health care plans, retirement plans or a club-membership. Transactional contracts can even be that the employee is remunerated for exceptional performance or that they are paid the promised compensation while on an international assignment. Relational contracts are also stated as intrinsic rewards or non-financial values which differentiates by focusing more on relational aspects such as developmental possibilities, work-life balance, status, re-integration guarantees or simply by extra training or added organizational support from HR. Relational contracts can be important to the employee, since it might enhance their chances of career development (Manas & Graham, 2003; Atkinson & Pareit, 2019; Chen & Chiu, 2009).

De Ruiter et al. (2018) express the importance of fulfilling the psychological contract in order to reach career success, and especially to fulfill the intrinsic values an expatriate might have. In the end, this will reinforce the relationship between employee and the organization. Psychological contract fulfillment means that the expectations that the employee or the employer had towards each other are fulfilled with what had been agreed on previously. Chen and Chiu (2009) found in their research, that if the promises are fulfilled, the stress that an international assignee can feel while on assignment can be milder. The assignee has an easier time to adjust to their new lifestyle in the host-country, and to their new work-situation.

Conway and Brinen (2005) suggest that the perceived agreement is as equally important as the actual agreement. This requires therefore according to Caligiuri (2001) clear communication, that the expatriate knows what to expect from the very beginning before they undertake an international assignment. In that way, a psychological contract breach due to lack of communication is less likely.

4.4 Psychological contract breach

Conway and Brinen (2005) presents how a psychological contract can be breached when related to human resource management practices. A breach might happen if the expatriate feels like they are left on their own on the international assignment without enough organizational support from HR. The assignee might have been assured by HR that they would receive adequate support, and if the assistance turns out to be inadequate, a psychological contract may have been breached.

Examples of psychological breaches can be found in previous research of expatriates without acknowledging the term in their articles. One example is from Suutari and Tornikoski (2001) who focused on expatriate satisfaction and the challenges with expatriate compensation. The main challenges were the lack of communication that aggravated the expatriate's concerns with taxation, social security or the cost of living in the host location. In this situation, the case might have been that the expatriates were assured of sufficient support but was left with frustration as they had to manage most of the administration themselves. Mcnulty et al. (2012) also found in their research with long-term expatriates, that the expatriates often felt abandoned while coming to the host location when it came to support from the organization and the HR department.

When a psychological contract is breached, a change in the employees behaviour might switch. Conway and Brinen (2005) categorize the consequences of a psychological breach into three categories. Feel, think and do. The employee might feel upset since they were not offered the organizational support that they were assured while going on an international assignment, this could later lead to that the expatriate thinks; what is the point of being loyal? Or, why should I put myself out there, when I am treated like this? This could ultimately lead to lack of performance from the expatriate which in return affects the company negatively. The lack of performance was supported by Kickul, Lester and Finckl (2002) who found in their studies, that a breach of extrinsic or intrinsic rewards had a clear negative effect on job satisfaction.

Psychological contract may be interpreted differently by nationalities as values change from nationality to nationality. This makes it therefore hard to standardize the compensation approach as many organizations wishes to implement. Warneke and Schneider (2011) presented an illustrative case study whether you should standardize or individualize the compensation package or not. They collected data from Spanish and German expatriates, and they discovered that since the attitudes towards the compensation package was greatly depending on the nationality, a country standardization should be possible according to their findings.

4.5 Generation shifts and its impact on internal and external values

It is important to understand the differences in values between generations, since it can provide a greater insight in employee satisfaction and how the attitudes towards compensation and satisfaction changes throughout the shifts of generation. Currently, there are four generations in the workforce, baby-boomers (1949-1965), generation X (1966-1977), Millennials (GEN, Y; 1977-1995) and Gen Z (1995-2015). (Earle, 2003; Morell & Abston, 2018). Morell and Abston (2018) presented that the change in generational workforce, also have an impact on compensation and benefits. Millennials are soon to be the largest group in global workforce, and they have different views on work values and compensation than their predecessors. Organizations are struggling to attract and maintain their millennial employees, since non-financial values are starting to have greater significance than financial principles.

Twenge, Campbell, Hoffman and Lance (2010) proclaims that flexibility is key for the millennials and the generation that comes after (Gen Z). Chao (2005) supports this statement with the fact that many younger employees are likely to turn down a promotion, in order to maintain their work-life balance or to pursue what they truly desire. Earle (2003, p.247) describes this as a *"it´s not just a job"* attitude. Millennials want something that is meaningful to their internal values, and not just a paycheck that comes in the end of every month. Earle (2003) suggests that millennials are craving mentorship and a sense of community and partnership in their work for them to be satisfied. In a survey performed by Deloitte (2017) millennials are said to lack loyalty towards their employer and the percentage of the millennials who say that they are willing to leave the company within two years are 38 %. Organizations should start to overlook their expatriate compensation strategies, but also job satisfaction strategies in order to meet the demand of the global millennial workforce that it inevitable coming (Morell & Abston, 2018; Earle, 2003).

The baby-boomers have a different view on work values than other generations. They have often worked their way up by putting in a lot of time and effort and life outside of work have often been sacrificed in order to reach the goals. The conformity of having a traditional job have been up most important for them, and loyalty have been of essence. Earle (2003) suggests, that this generation can now be ready for a more flexible way of working, since they have sacrificed so much of their leisure in the past. Generation X on the other hand, have more similar attributes to their successors when it comes to work values and how to achieve job satisfaction. They are not willing to work for an organization who does not appreciate and value their work and flexibility is also a huge key aspect for them. If their employment is affecting their personal life in a negative way, they are most likely to seek possibilities elsewhere.

4.6 Repatriation and the impact on employee satisfaction

Repatriation is the last step for the international assignee, but it is important to address the repatriation possibilities already in the initial stage of selecting the assignee (Pucik et al., 2017). Repatriation is a factor that can cause anxiety for the assignee, when it comes to finding a position at the end of the assignment. Most assignees are not guaranteed a position back at the home organization, and if they find one, it might not be what the assignee had in mind or wished to be doing. The number two reasons why employee resigns after an international assignment is that they did not find a suitable position back home and that they had a better offer from another organization (Mcnulty & Brewster, 2019, p. 63-64).

The balance sheet approach is said to help ease the process of repatriation for the long-term assignees (Herod, 2009a). However, issues that have been reported is that long-term assignees have a hard time adjusting to a normal life again without the applied benefits and allowances one might attain while on an international assignment (Brewster et al., 2007). Bonache and Zárraga-Oberty (2017) also presented that there is no guarantee that the assignee will return to the home country and to the company. Since the balance sheet approach is based on repatriation, this could be problematic since repatriation is not always a certainty (Mcnulty & Brewster, 2019; Bonache & Zárraga-Oberty, 2017).

The GAPP survey (KPMG 2019) revealed that only 25 % of the organization that participated in the survey offered repatriation counseling to their international assignees while 65 % of participants did not offer any support of any kind. The same study also revealed, that 45 % start planning the return in six months advance, followed by 26 % that started three months prior. Suutari and Brewster (2003) suggest that clarification of what will happen upon repatriation is important, and that the assignees require a realistic picture on their tasks upon repatriation. If the communication and the repatriation support aren't executed correctly, it could be a breach of a psychological contract. Which could have an impact on the assignee's decision whether to stay or take their competence elsewhere (Conway & Brinen, 2005).

A lack of organizational support regarding the repatriation can have an impact on whether the psychological contract is fulfilled or breached. Which in return can have an impact on employee satisfaction (Conway & Brinen, 2005). Additional to this, expatriates often have high expectations of the assignment outcome, and they often expect to be rewarded by their effort abroad. In return, this leads to dissatisfaction amongst the assignees if their expectations are not met (Chiang, Van Esch, Birtch, & Shaffer, 2018). Suutari and Brewster (2003) express the importance of career management in the end of an assignment, otherwise the knowledge transfer and the capabilities of the assignee might be lost. Brewster et al. (2007, p. 256) suggests that by implementing these six steps in the repatriation process, it will create an overall smoother conduct of the expatriate repatriation.

- Conducting career discussions pre-assignment
- Repatriation counselling
- A plan for succession handling
- A programme facilitating the family repatriation
- Employee discussions during the assignment
- Be in touch with a contact-person at the home organization

Starr (2009) reported that some short-term assignees could find it anti-climactic returning to the same position as pre-assignment, doing the same thing upon repatriation. Many assignees reported that they felt like they had grown a great deal during a short period of time, and when they repatriated it felt like they returned to square one. Studies shows that the repatriation for short-term assignees are often uncomplicated, since most of the assignees return to the same position (Tahvanainen et al. 2005).

According to a survey performed by Mercer, 66% of organizations do not organize an employee satisfaction survey when the assignee has repatriated (Meier, n.da). Additional research in repatriation is needed for MNC´s ability to utilize the competencies that the repatriate has brought back from their international assignment. Chiang et al. (2018) states that repatriation is becoming a greater area of research for scholars which will raise awareness in the subject.

4.7 Theoretical overview

Before moving forward to the methodology chapter of this study, a recap of the relevant theory will be discussed briefly. The theory supports that long-term expatriates still are the most common international assignment that multinational companies apply for their expatriates. However, due to cost-issues and administration complexity, they have started to decrease and making room for short-term assignments (Tahvanainen et al., 2005; Suutari et al., 2013).

The balance sheet approach is proven to be the most common used compensation approach in expatriate renumeration (Mcnulty & Brewster, 2019). However, the approach has been questioned if it is an outdated approach, since international assignments are changing and therefore having an impact on expatriate compensation (Bonache & Zárraga-Oberty, 2017). Alternatives to the balance sheet approach that have emerged are host-based, hybrid, headquarters approach and variations of these such as localization and local-plus (Bonache & Stirpe, 2012; Mcnulty & Brewster, 2019; Pucik et al., 2017).

In order to reach employee satisfaction, many factors need to be taken into consideration (Hofmans et al., 2013; Judge et al., 1995; Seashore & Taber, 1975). First to identify the expatriate´s motivation with the assignment. Is it due to financial motives to receive a higher compensation and benefiting from the allowances and benefits that are offered or is it the non-financial motivation and highlighting on one's career development and personal growth? (Haines et al., 2008). When one's motivation and values are distinguished, it might be easier to ensure that the psychological contract is fulfilled, and what pitfalls to avoid in order to ensure employee satisfaction. Normal pitfalls are a lack of organizational support when repatriating, and poor career management (Conway & Brinen, 2005; Mcnulty et al., 2012).

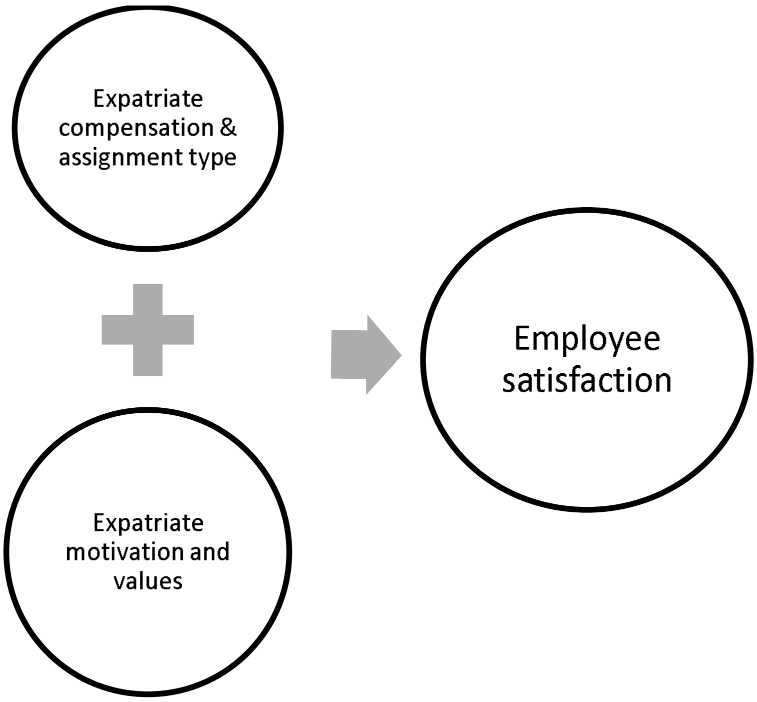

Figure. 5 Theoretical framework

The theoretical framework for this research can be seen in figure 5. The theoretical framework recaps the relevant theory that has been addressed and the framework suggests that expatriate compensation and the assignment type alone cannot solely lead to employee satisfaction but combined with the expatriate´s internal or external values to the international assignment, employee satisfaction can be reached.

5 Methodology

In this chapter of the study, the research methodological choices will be presented. The research philosophy, the purpose of the study and the aim of the research approach will be established in this chapter. The data collection will be announced with a declaration of the interview approaches as well as an explanation of the choice of sampling methods. By choosing these methodology choices, it establishes a framework how to answer the given research question: *How is the employee satisfaction of international assignees affected by their compensation package?* At the end of the chapter, the research ethics, the validity and the reliability of the study will be addressed.

5.1 Research philosophy

Research philosophy is a *"system of beliefs and assumptions about the development of knowledge"* (Saunders, Lewis, & Thornhill, 2019, p. 130). Our research philosophy combined with our beliefs and assumptions will ultimately guide us to the research design of choice. The research philosophy of this study can be identified as subjectivism since it concentrates on the respondent's experiences and on their reality as they have lived it. In this study, the focus lies on the respondent's feelings towards their expatriate compensation, and how they have perceived their reality at the time being. (Saunders et al., 2019. p, 132, 137).

While the study is considered being of a subjectivist nature, it can also be referred to as interpretivist. The research is studying employees from different backgrounds who have been on an expatriate assignment of various length and locations. All these respondents have experienced and interpreted their situation dissimilar from each other and therefore the interpretivist research creates guidelines to new understandings about this context. Interpretivism can be further differentiated into three elements: Phenomenologists (lived experience), hermeneuticists (cultural artefacts), and symbolic interactionists (interactions between people). Phenomenologists, which this research is comparable with, focuses on the key informant's interpretation of their experience (Saunders et al.

2019, p. 149). Interpretivist philosophy is according to Saunders et al. (2019) suitable for a research in business & management.

5.2 Research purpose, strategy, and approach

The purpose of the research can be categorized as an explanatory study as it focuses on the relationship between the expatriate compensation and employee satisfaction. An explanatory study is applied when one wants to understand a circumstance and how variables are affected by a certain situation (Saunders et al. 2019, p. 188). In this study, the purpose is to understand how the variable employee satisfaction is affected by expatriate compensation.

A research strategy needs to be determined to reach the outcome that this explanatory study aims towards. Yin (2018) acknowledges that a suitable research strategy for an explanatory study could be a case study. In this study, the case study refers to one organization and their employees, which makes it a single case study. The research strategy has been preferred to gain an in-depth overview of the international assignee's perception of the expatriate compensation from one organization. Dubois & Gadde (2002, p. 554) supports that *"the interaction between a phenomenon and its context is best understood through in-depth case studies"*.

Initially, a deductive approach was chosen since the study was meant to be theory driven and tested with data collection. However, the researcher considered and maintained flexibility to alter to inductive approach if the collected data gave guidelines for different theory than the original chosen. For example, the theory about psychological contracts were added after the first test interview, since it exposed a need to be covered in the thesis. The research is depending on the key informants' answers and their contribution to the research (Saunders et al., 2019, p. 51-52, 174-175).

Denzin and Lincoln (2018) present that qualitative research is often combined with interpretivist research philosophy, therefore, this study´s research design is a qualitative research. The research was conducted as a mono method qualitative study with the key informants as the primary data, and the interviews were done as non-standardized semi-structured interviews with the key informants. By applying semi-structured interviews, it allowed the researcher to add questions during the interview as new information was discovered throughout the interview. Saunders et al. (2019) acknowledges that semi-structured interviews are to be applied when there is a sizeable amount of questions that the informants need to answer and when the questions might be complex. The questions were based on open questions, which allowed the respondents to explain the topic more widely than a closed question would enhance. The interviews were audio recorded since it created an opportunity to make transcripts. The interviews were recorded with the permission of the key respondents. The interviews were conducted via video calls with most of the respondents. This could however be a disadvantage, since the personal contact can be compromised when not meeting face-to-face and gaining the trust of the respondents might be harder. The non-verbal communication might be lost, and there is no chance for the researcher to interpret the body-talk of the respondent (Saunders et al., 2019, p. 436, 438,445).

5.3 Data collection

A key informant from the human resource department at the case company was initially contacted in order to get acquainted with the expatriate management and the compensation approaches that the organization applies for their international assignees. The human resource manager gave certain assignees the possibility to participate in the research, and the ones who accepted contacted the researcher directly. The sampling framework for the key informants were volunteer sampling such as snowball and self-selection sampling. By using the snowball sampling method, the informants might have ideas on similar respondents and therefore creating a possibility for more informants. A self-selection sampling was chosen to get in contact with the key respondent at HR, the researcher established a need for the case at the company, from where a response came from the human resource department. Sampling size was decided to be approximately five to fifteen based on the suggested sample size (Saunders et al., 2019, p. 323). Five short-term assignees and three long-term assignees agreed to participate in the research, some of them was currently on an active assignment, or had been on one in recent years. Additional interviews were conducted to receive the big picture of how expatriate compensation was handled and perceived at the case company. An in-depth interview was conducted with a key informant of the international mobility team, as well as an interview with an employee who rejected their compensation package.

Assignment type	Assignment Length	Reason for expatriation	Location
Short-term assignee A	< 6 months	Short-term resource need	Asia
Short-term assignee B	< 6 months	Career development	South America
Short-term assignee C	>6 months	Short-term resource need	Asia
Short-term assignee D	<6 months	Short-term resource need	Europe
Short-term assignee E	> 6 months	Short-term resource need	Europe
Long-Term assignee A	1 + years	Competence transfer	South America
Long-term assignee B	1 + years	Competence transfer	Asia
Long-term assignee C	1 + years	Competence transfer / Career development	Europe

Table 2. Summary of the data sample

5.4 Case company

The company that have been used for this single case study is a Finnish multinational company in the industrial field. With approximately 20 000 employees worldwide, the company is operating in more than 80 countries, and they frequently make use of expatriates to control and develop their foreign operations. The company's use of expatriates made it a good match for this single case study and the company frequently apply long-term & short-term assignment types as part of their global mobility. Since the anonymity of the company have been agreed on when doing the study, no further information about the company will be given to protect its identity.

5.5 Structure of the interviews

Semi-structured interviews were conducted with nine employees of the company, as well as one interview with the key informant of the mobility team at HR. The interviews were organized between February and June 2020 via video calls, only one interview was conducted face-to-face. Due to the location of the respondents it was not possible to arrange face-to-face meeting with all. The length of the interviews varied between 22 to 59 minutes and had a mean length of 42 minutes.

The beginning of the interview transpired similarly for every respondent. The interview started with introducing the researcher, the thesis topic, and the research purpose. Before the interview began, permission was asked to record the audio of the interviews. The respondents had been given the questions beforehand to go through them to familiarize themselves with the topic. The questions varied slightly whether it was short-term or long-term assignees, and the questions acted as a guideline to the researcher since additional questions were presumed. As anticipated, the structure of the questions fluctuated from one respondent to another since some participants were more talkative than others, leading to follow-up questions and discussions. The questions can be found in the appendix.

Most of the interviews were conducted in English as a common language for the researcher and the respondents. This was done to ensure that no party would have a language advantage. For example, with Finnish speaking respondents, the interview language was English, since the researcher was not comfortable to conduct the interview in Finnish, and the interviewees were not comfortable doing the interview in Swedish. Some interviews were arranged in Swedish since it was the native language of both the researcher and informants. Conducting an interview in a second language might compromise the validity of the interviews, because there might be language misunderstandings and different interpretation to the subject.

5.6 Ethics of the research

In every research, ethics needs to be considered in order to create a transparent and trustworthy study that respondents want to be a part of and contribute to. Qualitative studies require interactions with the respondents, and it is important that they are aware of the study purpose and the process that they are participating in (Saunders et al. 2019, 232-233). Informing participants about the intention of the study and the details such as data collection method can be referred to as *"informed consent"* (Eriksson & Koivulainen, 2016, p. 72).

To assure anonymity and confidentiality of this study, the key informant at HR sent out a mass request to expatriates who had either been on a short-term or long-term assignment and they had the choice to participate or not. This led to voluntary participation. The information about who accepted to participate did not go back through HR but went directly to the researcher if they chose to partake. By doing this, it protected the confidentiality and the anonymity of the participants. The anonymity of the contributors was assured to every participant of the research and no other than the researcher know the identity of each respondent (Eriksson & Koivulainen, 2016, p. 71, 74).

This research is solely concentrated on the research question "*How is the employee satisfaction of international assignees affected by their compensation package?"* and the identity of the participants is not relevant to reach the findings. The interviews were recorded with the respondent's permission, and this was in order to assure that the analysis can be done in a correct way and that the data is not altered or misinterpreted due to not being able to listen to the interviews again (Saunders et al., 2019, p. 258). All of the participants of this study have been promised to receive the end-result when the thesis is ready.

Apart from ethical standpoints towards the company and the participants of the study, the research ethics has also been considered towards other researchers' findings to ensure no plagiarism and ethical misconduct. The references and sources have been applied correctly to guarantee the acknowledgement to the original authors (Eriksson & Koivulainen, 2016, p. 75-75).

5.7 Reliability and Validity

Reliability means consistency and being able to reach the same findings when duplicating the research. Different threats that could jeopardize the reliability of the research is for example participant error. This means that the participant is affected by an outstanding factor such as lack of time or depending on what time of the day it is. For example, in this study, the interviews were said to take longer than they should, so there would not be need for rush towards the end of the interview. One threat to the reliability of the research could additionally be researcher bias, meaning that the researcher has his/her own outtake on the research and the desired findings (Saunders et al., 2019, p. 214). Therefore, it is important that the researcher remains transparent during the data analysis and throughout the whole research process, and to avoid *"subjective selectivity"* (Saunders et al. 2019, p.268) when analyzing and presenting the findings.

Validity refers to the relevance of the research design and how the findings are being analyzed and presented. According to Saunders et al. (2019) there are four different ways to measure validity. Face validity, construct validity, content validity and predictive validity. One way to measure validity is content validity and it defines whether the content of the questions asked to the respondents are of quality for the research and accordingly to the literature overview. The questions in this study were tested before on an acquaintance with expatriate background who was asked to give their feedback on the relevance of the questions, however the content validity cannot be confirmed due to the low number of pre-tests (Saunders et al., 2019, p. 214, 517).

6 Findings

This chapter presents the findings of the data collection with the key informants. The interviews were mostly conducted in English, but some interviews were in Swedish as a mutual native language. Therefore, some quotes have been translated from Swedish to English. The findings will be presented in different sections. First, an overview will be presented of the company´s assignment types and compensation package that they apply for their expatriates. Secondly the findings of the internal and external values and motivation towards the compensation package followed by the overall satisfaction towards the expatriate compensation. Lastly the perception of the organizational support regarding the compensation package and assignment will be covered.

6.1 The company's assignment types and compensation packages

To get an overview of the company´s different assignment types and the compensation packages, an interview was conducted with the key informant at the mobility team at HR. Although the company offers additionally assignments besides long-term and short-term assignments, these will not be included as they are not related to office-to-office environment. The company identifies the short-term assignments to be from one month, up to six months maximum, whereas the long-term assignment is minimum length twelve months up to a maximum length in one country of five years. The standard long-term assignment is two years from the company (Case company, 2020).

As presented by KPMG (2019) and Mcnulty and Brewster (2019) the long-term expatriates are starting to decrease due to administration complexity as well as cost-issues. The mobility team at the case company has also seen a decrease in long-term assignments on a global trend, this due to the high investment part from the company´s side to transfer the assignee and the whole accompanying family but also due because of more flexibility towards people working from one country to another. The company has also seen an increase in short-term assignments due to better visibility and to a more structured approach towards this kind of assignment.

> *"We are also now looking more on local Solutions, local agreements, local plus agreements with some additional benefits so I think that the trend is towards more flexible solutions this is what we see on a global basis that the trend has been over the last years that the amounts [long-term] are declining... if the business need is permanent one in the host location then we would of course go with the local solution. In that sense, assignments are always temporary and the business need behind them is always temporary."*

For the long-term assignees, the balance sheet approach is the solely used approach and has been for the last ten years in the case company. The intention behind the approach is that the assignment is temporary, and the assignee will return to the home country. Therefore, the company maintains the home country purchasing power and level of net salary. The calculation starts with the home country salary, and the home country level of taxation, whereas they compensate for the differences in taxation or differences in daily living costs (cost of living adjustment). Additional to the balance sheet calculation, mobility allowance and hardship adjustment between the two locations are also considered (Case Company, 2020).

Supplementary to the balance sheet calculation, the assignee is also provided allowances such as housing, a relocation lump-sum, education allowance for accompanying children and car allowance if the host company policy applies. Home country social security and pension plans continues as normal between the home country and the assignee during the assignment unless it is not allowed in the host county. An assignment insurance for medical care is provided to the expatriate during the whole stay in the host location (Case Company, 2020).

For the company´s short-term assignees, the underlying assumption is that they are taxable only in their home country and they receive their pay as home base salary. Host country taxation should be avoided as much as possible to facilitate the administration.

Additionally, to the monthly gross base salary, the assignee is given a tax-exempt daily allowance that is paid for the days spent in the host location. Short-term assignees also obtain benefits such as housing, home trips, car or commuting in the host country as well as travel insurance during the whole stay (Case Company, 2020).

The taxability is according to the case company the biggest challenge when it comes to establish the compensation package. Therefore, the case company outsources their tax consultation. Tax equalization however, is not commonly used for long-term expatriates in Finland, but mostly applied in USA. (Case Company, 2020). This supports the statement from McNulty and Brewster (2019) that tax arrangements are one of the most difficult issues that arises for the planning of the assignee´s compensation package. The company also follow the pattern from GAPP survey by KPMG (2019) where 93% organizations that participated in the survey outsoured their tax consultations.

6.2 Internal and external motivation and values

In the first part of the interviews with the assignees, the respondents were asked about their international assignment in general, for example the location and the duration of their assignment. What followed were questions about their internal or external values and motivation that was their driving factor for accepting the international assignment. The assignees that were interviewed were either long-term or short-term assignees who had been transferred to the host location based on competence transfer, short-term resource need or career development. The assignees who were on the long-term assignment were offered the balance sheet approach as per company policy.

In chapter 2 where the expatriate management cycle was introduced, we learned that the cycle starts with the selection of a key individual for the international assignment. (Pucik et al., 2017, p. 270). Haines et al. (2008) claimed that finding employees who are willing to undertake an international assignment is challenging, because the external and internal motivation differs from individual to individual. They key informant at HR supports this statement that the motives for going on an international assignment is very case specific, and people value and appreciate different things and therefore it is also very difficult to know the motives behind the decision to accept an international assignment.

Amongst the international assignees who were interviewed there was a connection between younger expatriates and those who accepted the assignment based on their internal motivation such as future career prospects and developmental possibilities. For the senior, more experienced expatriates, financial values were equally as important as non-financial values, especially for those who had their family accompanying. None of the interviewed respondents had a solely financial interest of accepting an international assignment. All assignees wanted to go based on their internal values, such as career development and new possibilities. The following quotes represent some of the thoughts that the respondents had on their internal / external motivation to go on the international assignment.

> *"[I wanted to] gain some work experience, it was early in my career. I wanted to work in another country and learn new tasks."*

> *"For me, it was the non-financial values that was more important. The short-term assignment was a chance to go abroad, and it was temporary 6 months. So, there the development and learning outcomes were really important."*

> *"...The long-term [assignment] there was a position I wanted...there the career possibility, the career development was the driving factor., but of course because it was for a longer period it still needs to be balanced with the financial compensation as well, but it was not something I was too worried or concerned about. So, I would say the non-financial where the major driving factor for me"*

> *"Absolutely, absolutely [non-financial values]. It was a nice change for something that you are doing day in day out"*

> *"I would say it was a 50/50, the financial values were very interesting and also I saw that it was a good career possibility."*

> *" I went there to work, even though there were long evenings, it was something that I was prepared for when going. I didn´t go there for days off, remote working and for my personal life. I think that when you go on an assignment, you are prepared to sacrifice your spare-time."*

One assignee was asked to stay longer at the host-location during the long-term assignment and was offered more compensation in return. However, the assignee felt that the family needed to return home to Finland, for the children´s sake. The assignee admits that it would have been interesting to have seen what the final compensation offer would have been, but they had already made a family decision. This is an example over choosing one's internal values over external values.

6.3 Satisfaction towards the expatriate compensation and assignment

According to the key informant at HR, one of the biggest challenges for the organization when it comes to expatriate compensation is to manage the expectations. Managing expectations should be done at the earliest possible stage. In most cases, the assignee has already made their own research and have a picture in mind how their expatriation will be like. It is important for the case company´s HR, to discuss these expectations with the assignee, so that both parties know what to expect from each other (Case Company, 2020). This supports the research by Chiang et al. (2018) who presented that expatriates often have high expectation of the assignment outcome, and this could lead to dissatisfaction amongst the assignees. Caligiuri (2001) also expressed the importance of clear communication from the very beginning, that the expatriate knows what to expect from the assignment.

When the assignees were asked about their pay satisfaction and if they were motivated based on their compensation, most informants answered yes, without further explanation. One assignee responded that money has never motivated but being a part of change and to challenge oneself is more motivating.

> *"Money is not what motivates you in the end, it doesn´t make you do any better or worse performance. It´s having an interest in what you do that does"*

> *"I mean It wasn't my initial reason for doing it but after I got to see the compensation was, I was really super motivated on the base of that. [Laughs*]"

> *"Yeah well, okay. Money is maybe not my primary motivation. But I mean, okay who are we kidding. Everyone, you know it matters. I would say yes, but maybe also indirectly that you feel yeah [long pause] you know when you have a good compensation package you feel sort of valued and you feel that okey, this is almost, this is an important job and you know they want me to do it and you feel like you are creating value. So, to some extent, compensation does motivate"*

All assignees except one felt that the compensation was fair, towards them and their local colleagues. The one who didn´t find it fair, explained that the compensation was fair towards the local colleagues, but not towards the assignee, since managers in the host-location had a higher salary. Only one informant experienced compensation disparity by local colleagues, an example was that somebody at the host location, questioned why the assignee had a company car. The assignee also felt that the host location was sometimes working against him in terms of certain benefits, and that the attitude towards a Finnish manager coming to work in the host location was very negative. Compensation disparity is supported by Leung et al. (2009) and McNulty and Brewster (2019) that vast differences in compensation can cause resentment from the local workers.

6.3.1 Psychological contract

In chapter four the term psychological contract was presented to understand the effects of satisfaction and dissatisfaction amongst expatriates. Even though a psychological contract is not a psychical signed contract, it can be as equally damaging if the contract is breached from the parties involved. Conway and Brinen (2005) additionally suggested that the perceived agreement is as equally important as the actual agreement. MacNeil (1985) classified psychological contracts into two areas: transactional and relational contracts. The interviews with the key assignees showed that there has occurred both transactional (financial) and relational (non-financial) contract breaches from the organizations side.

> *"They actually paid me too much in the salary, I guess a couple of few hundred euros per month. Somehow, I did not notice this, I then assumed that maybe it*

was some compensation for something else. And just when I come home [they said] this was an accounting mistake; you need to repay it all at once... I felt that was not that well-handled. Also paying someone too much by mistake and then sort of asking it back. These things happen but, it still stings a bit."

"We have this travel allowance once per year you can visit Finland, or you can receive compensation, or an amount of money that you can buy a flight ticket yourself. When I went to [Country] that was a surprise that this benefit wasn´t taxable, so I needed to pay tax from this, so I was not able to buy the flight ticket with this compensation what was after the tax. They did not explain that before the assignment, so I was not happy about that."

These two quotes refer to transactional contract breaches.

One assignee had the expectation that they would be offered a long-term assignment since it has been discussed with HR when starting to decide the assignment contract. Later, the assignee was offered a different contract, and this was a deal-breaker for the assignee. This particular case could refer to both relational and transactional contract breach. Firstly, the assignee had the expectation to receive a long-term assignment due to a verbal discussion with the HR, but eventually it was changed into a different offer, this could refer to relational contract breach. Secondly, the assignee felt that the contract they were given, was not enough incentive to accept the international assignment and that it would not have been sufficient financially. This refers to a transactional contract breach.

One assignee simply stated:

"I was lucky enough to not have to worry about it [psychological contract breach] ... I was lucky enough that they wanted me more to go there than I wanted to go there."

This assignee had the power to negotiate their compensation package, since the organization wanted to relocate the assignee more, than the assignee wanted to go themselves. So, in this case, the organization had to provide sufficient benefits and incentives, in order for the assignee to accept the international assignment. This might be the reason why this assignee never felt any psychological contract breaches, since they could decide themselves what was important in the compensation package.

6.3.2 Negotiations and important components of the compensation package

Some assignees had an eye for details in the compensation package and negotiated until they came to a mutual agreement, while others were not as interested or involved in the compensation components. Some assignees describe certain negotiations to be a "hassle" and very difficult to get. Some assignees managed to get what they negotiated, but some had to give up after some struggle. In some cases, the assignees also had to start negotiating during the assignment, when unexpected situations occurred. As Mcnulty and Brewster (2019) presented, younger expatriates are often offered a take it or leave it package, and one of the younger respondents who were interviewed rejected their proposed compensation package and was offered no negotiation possibilities. An older, more experienced assignee rejected their first offer, and was later agreed on a more suitable package which was accepted.

> *"I looked at only the annual salary what was offered I had something in mind, and I wanted to be as much close as possible to that so that was my target on that. We found an agreement very, very close to that, I did not pay attention very much to other things."*

One assignee fought for extra vacation days, which was included in the contract that was signed. However, this seemed to be a misinterpretation from both parties, and the assignee gave up the fight. The assignee also added, that since they had a hard time to take out existing vacation days, it seemed unnecessary to keep up the fight for additional days off.

One younger assignee found the thought of negotiating to almost be ridiculous. This quote from a millennial assignee shows why the millennial workforce are being favored for international assignments, as Pucik et al. (2017) stated.

> *"No, I did not negotiate anything [Laughs]. I was just happy to see what was included. It was my first time I didn't know what compensation could be included."*

Not only do they have a more laid-back approach towards the compensation, they are also more likely to accept a take-it-or-leave-it package. Another millennial assignee also had a similar view on the compensation, and negotiating was never an option. To be new in the company also plays a part if you dare to negotiate, and one respondent said that as a new employee, you just take what you can get when you are being offered the compensation package.

Many assignees mentioned the health care, insurances, and social security as being the most important part of the compensation package. Especially when you have accompanying family. Additionally, adequate housing when the assignee had family coming with them, since the family is going to spend more time at the apartment / house than the expatriate. For single expatriates, it was important that housing was covered, but no preferences about the housing was mentioned.

When the assignees were asked if they would consider accepting a more local agreement, such as local – plus or a host – based package, the most frequent answer was that it is very location specific. Some said, as long as they would get their housing covered, they would accept a local – plus package, since the housing can be very expensive at certain locations. One assignee was concerned about the social security that could be lost in Finland when switching to a more local agreement.

> *"Compensation is one thing. Everyone can calculate roughly or still get information on living expenses and so on. I think local plus can of course have still of the allowances or these transition periods included. In my experience, sort of what might become quite challenging then for people is concerns about health care, concerns about insurance, and concerns of losing their social security in Finland immediately. It becomes so much bigger step and a lot more uncertainty attached to it. So, any way of mitigating or information or make people feel informed and you know people need to feel confident enough still to accept this*

package. There are bigger personal risks attached to them especially if it is not concerning only yourself, but your family and in some cases even children "

6.4 Organizational support regarding compensation and assignment

Regarding the compensation package and the assignment agreement, the assignees were asked whether they found it complicated to read and to understand the entirety of the contract. Some assignees answered that they had no previous knowledge about what would be offered, some had heard it through colleagues, and a couple of the assignees had previously been on an assignment and knew what to expect.

"The contract itself... It is really complex, if you are not a person who reads this kinds of things all the time then it´s sometimes hard to understand some wording and what does it mean and what is your responsibility and what is the company responsibility...You feel like that you should hire a lawyer"

Even though the assignees were part of briefings with the HR about the compensation package and the contract, some assignees have been left with an uncertainty regarding issues such as the taxation. One assignee said, that even during the tax advice process, they had been implied that they would pay their taxes in the host location, which had much lower tax. When they left for the assignment, the taxation was not yet clear but midway through the assignment the final verdict came that the taxation would be in Finland, and it ended up having a huge impact on the compensation package in total.

Mcnulty et al. (2013) presented in their research that some expatriates felt abandoned as they arrived in the host location, when in terms of administration. And thereafter focusing more on these tasks, rather than the task they were assigned to in the first place. One example of this, is an assignee who pushed to get support regarding a crisis in the host country that happened midway the assignment. This crisis affected the housing allowance, which was paid in the local currency. The assignee was forced to take a lot of time to get this sorted, and it delayed them from focusing on the actual task itself.

> *"...There came this crisis in the country and the inflation went really high, and it affected to this housing allowance because it was paid in the local currency and that I really needed to push that we had a possibility to re-evaluate that... I saw that I don´t get any support and I really needed to escalate that to get any support...It took my focus very much, and I needed to figure that out. The taxation took some time to understand."*

Bonache and Zárraga-Oberty (2017) suggested that the balance sheet approach had weaknesses such as no guarantee of reentry, and no guarantee of expatriate satisfaction. Amongst the long-term assignees that were interviewed, two of them has still not repatriated to Finland. One of them, found a new local agreement in the host – location at the same company, and the other one could not find a position back in Finland that suited their career development, and was therefore compelled to stay abroad to work, also within the company.

> *"I applied many positions and got some interviews also. But I wasn´t chosen to any of those. I was really disappointed. I thought coming back to Finland, that I would not have to worry about that and that it would be very easy. But it was very difficult. In the end I found one position, but then the offer what they made for that was really not something I was expecting...I think the deal breaker in that was the salary, because I had just four years gained very good experience from outside Finland with this type international contract, and then they offered me same salary what I had before I went on the assignment, that was the deal breaker for that."*

Bonache and Zárraga-Oberty (2017) reported, that since expatriates are not guaranteed a position when they repatriate, this can lead to a loss of career development and career status. As mentioned in the quote, this assignee felt that it would have been a loss of career development in returning to Finland to the position they were offered. Suutari and Brewster (2003) stated how important career management is at the end of the assignment since knowledge transfer and the capabilities of the assignee might be lost. In this particular case, the assignee continued within the same company, but not in Finland.

This, however, could have been a loss for the company since the assignee was very disappointed and could have ended up terminating their employment with the company.

Amongst the short-term assignees, they were fairly happy with the support they had been given. The contract and compensation package were easy to understand, and the only problems they had during the assignment was regarding the first initial weeks of the assignment, when everything is sorted, and you are trying to feel at home. One short-term assignee needed to search for housing for themselves beforehand, and they felt that it took a lot of time and it was quite difficult to do from Finland since a it was hard to gain trust from landlords in the host location, as well as not being able to go and see if the apartment was adequate. The assignee suggests that the local HR of the host location would help with the apartment searching. In terms of the compensation package, the short-term assignees felt that they had sufficient benefits and allowances to cover the expenses.

One assignee, wanted to share a future guideline for handling international assignees:

> *"Well I would only want to say, with this kind of international assignments, I think that outside transparency would be really good and that the contract would be fair for the company and for the assignee, that both would benefit on that. It would be simple to understand that is my message only"*

7 Discussion

This chapter will focus on the findings in the previous chapter combined with the theoretical framework that has been covered in the thesis. The aim of the research was to understand the compensation package that is provided to short & long-term assignees by a multinational company, and how the employee satisfaction was influenced by the said compensation package. In the theoretical framework in figure 5, the researcher suggested that the employee satisfaction can be reached by a combination of the expatriate motivation and values together with the compensation package and assignment type that the assignee has been appointed to. This chapter will answer the research question: *How is the employee satisfaction of international assignees affected by their compensation package?*

7.1 Expatriate motivation and values

According to the findings, none of the interviewed assignees accepted their international assignment solely on the financial values. Most assignees expressed their will to develop their career, and to get international experience. This supports the research from Haines et al. (2008) that an assignee that had an internal motivation towards the assignment, was more likely to accept an international assignment.

A couple assignees wanted to make clear that they accepted the assignment knowingly that they would have to work long hours without getting any extra credit for it. One assignee said that the average working week was about 55 hours, when another assignee claimed that they worked seven days a week. Since the overtime was already included in the monthly salary, the assignees were aware that the extra time they put in, would not be accounted for. While one might think that the motivation of the assignee would be lowered based on that fact, these assignees had a mindset and the attitude to work hard while on location and to show their capability.

In this case, the research from Ren et al. (2013) is not supported. They found that a breach of compensation had a negative impact on the assignees career satisfaction and leading to a compromised performance in the host location. For these assignees, the internal motivation and their non-financial values exceeded the external motivation and financial values. There was no difference in long-term and short-term assignees motivation and values, most assignees agreed that it was the internal motivation and values that was the initially reason to on an international assignment.

7.2 Expatriate compensation and assignment type

As presented in the findings, only the balance sheet approach has been offered to the long-term assignees at the case company. This with the intention that the assignment is temporary, and the assignee will return to the home country after the assignment reaches its end. By solely using this approach as calculating the compensation package to the assignee, the approach remains unbiased, and all assignees salary and compensation components are dealt with in the same way (Herod, 2012, p. 10-11). The company however still looks for local agreements when the position is suitable for that kind of contract. As the case company (2020) stated, *"assignments are always temporary and the business need behind them is always temporary.".* With this knowledge, it does not seem fitting to apply the host-based approach for the long-term assignees of the company. Especially since the host-based approach complicates the repatriation for the assignee if they relocate from a low-salary country to a high – salary country. The re-adjustment back to the low-country salary can be hard to manage financially (Herod, 2009b).

In long-term assignments, the assignee expects to be welcomed back to a position when they repatriate, because they have gained a great deal of work experience and career development while abroad (Bonache & Zárraga-Oberty, 2017). Even though this is not guaranteed by the organization, it is still an implied assumption that the assignee will be repatriated with a job that suits their career development. This can also be referred to the psychological contract which Kotter (1973, p. 92) defined as *"An implicit contract* *between an individual and his organization which specifies what each expect to give and receive from each other in the relationship".* As shown from the findings, one assignee was very disappointed how this was handled, at the end of their assignment. Even though the assignee knew that there was no position guaranteed at repatriation, this was still assumed from the assignee´s side.

The short-term assignees who were interviewed did not experience any issues with repatriation, since all of them had their old position or their new assignment position was converted to work from Finland when they returned. This finding supports the claim from Tahvanainen et al. (2005) which stated that repatriation for short-term assignees was uncomplicated and most assignees returned to their old position when they repatriated. The long-term assignees reported that the support from the local HR was insufficient and that they had to really push to get something handled. This was not something that the short-term assignees experienced. This have to do with the fact that short-term assignees keep their contract in the home country, and therefore they maintain the contact with the home office. In this way, they have a more positive experience with the support they have received (Remedios, 2017).

In this study, only Finnish expatriates were interviewed. That could be one of the reasons why most of the assignees were fairly satisfied with their compensation package. Warneke and Schneider (2011) investigated, whether you should standardize or individualize the compensation package or not, and their data showed that the attitudes towards the compensation was very depending on the nationality. Therefore, it should be possible to standardize the compensation package for a nationality. The company already have a standardized assignment and compensation package that they offer, but with reservations for case-to-case specific negotiations and requirements.

7.3 Employee satisfaction

Employee satisfaction is indeed very depending on the expatriate´s motivation and their internal / external values when they undertake an international assignment. This combined with the expatriate compensation package and the type of the assignment they have both affect the employee satisfaction. HR at the case company expressed, that managing expectations was the most challenging issue when it comes to international assignees. Based on the findings, it seems that it is easier to manage expectations for the short-term assignees than for the long-term assignees. This can be related to the fact that they usually are repatriated to their old position when they return. It can also be connected to that they know that the assignment is for a short period of time and expecting too much out of that time is unnecessary. Most assignees were aware of that the expatriation would be an intensive period, but also that it would end shortly and that is why they did not have any additional points to make for their employee satisfaction. Only one of the three long-term assignees were unsatisfied, mostly regarding the lack of support regarding the compensation package.

There was no clear correlation between generational differences in satisfaction in this case study, even though there were different generations participating in the interviews. The research by Morell and Abston (2018) cannot be reinforced by this case study since there were not enough supporting findings. They presented, that the change in the generational workforce, have an impact on the compensation and benefits. In this case study, all the assignees disregarding their generation, all had similar work values and views on compensation what was important. They all agreed that the non-financial values were more important. However, the senior expatriates agreed that non-financial and financial values were equally important. The younger expatriates were also not as knowledgeable in the compensation package process. Therefore, they did not know what to expect either. The older expatriates were more experienced and some of them had previously been on an assignment or had experienced colleagues to inform them how the process works. In some sense, this might have an impact on compensation and benefits, but it cannot be supported based on these scarce findings.

Organizational support also appeared to be a key factor for the assignee´s satisfaction. The perceived organizational support often varies from individual to individual because it is combined with the psychological contract and the expectation that the assignee has from the initial start of the assignment. (MacNeil, 1985; Mcnulty et al., 2013). Conway and Brinen (2005) presented how human resources practices can be breached based on the psychological contract, this often happens when the expatriate feels abandoned in the host location. In this case study, the long-term assignees experienced this lack of support more than the short-term assignees. As mentioned earlier, this can have to do with the short-term assignees remaining their contract in the home country, and therefore knowing who to contact when in need of support. The long-term assignees stated that often they did not know who to talk to get things escalated, and that the local HR was not helpful.

Even though the long-term expatriates were offered the balance-sheet approach, which is the most generous compensation package that is provided by the company, the assignees still felt unsatisfied with certain aspects of the compensation package which is connected to their long-term assignment. These aspects were regarding the communication about the compensation package and the organizational support when certain compensation components needed to be revised during the assignment. According to Bonache and Zárraga-Oberty (2017) there are several weaknesses related to the balance-sheet approach which were discussed in chapter three. And those who can be associated with the findings of this study, are that there is no guarantee that the assignee will return to the home country, or that the assignee will have job when they repatriate.

Finally, to conclude this chapter, employee satisfaction cannot be assured solely based on the compensation approach or by the assignment type the expatriate is designated to. However, in combination with the internal or external values that the employee possesses, employee satisfaction can be met. Therefore, this study supports the theoretical framework in figure five, and it supports the results from Hofmans et al. (2013) study, that the internal and external work values the employee has is important to take into consideration when establishing rewards. Some individuals are more likely to be satisfied with financial rewards, while others are more inclined to appreciate non-financial rewards.

8 Conclusions

This final chapter finalizes the study and its´ findings. Firstly, an overview of the aim, objectives and the research question will be presented. Additionally, the theoretical implication, as well as the managerial implication will be introduced. Lastly, the limitations and the suggestions for future research.

The aim of this research was to understand the compensation package and the differences in approaches that can be offered by a multinational company. And how this said compensation package affected the expatriate's employee satisfaction. The theoretical chapters included the distinctive approaches that are existing, and from the findings we could determine that the case company solely utilizes the balance-sheet approach for its´ long-term assignees, and home-salary + allowances for their short-term assignees.

The objectives of the study were to explore how financial and non-financial values and motivation affected the employee´s satisfaction when it comes to compensation, and from there identify the key factors in the compensation package that was essential for the assignees during their international assignment. The findings presented, that non-financial values and the assignee´s internal motivation was the primary motive why the assignee accepted the international assignment; therefore, they did not expect a generous renumeration package. The key components of the compensation package for the assignee, was insurance, taxation consulting, social security, and housing. Additional benefits such as transportation, home-leave and vacation days were not as important. The assignees´ employee satisfaction was indeed affected by their offered compensation package, but it was the internal values such as career development, sense of value and feeling taken care of that was the most essential in this case study. From these objectives, the research question "How is the employee satisfaction of international assignees affected by their compensation package?" has been studied and presented in this thesis.

8.1 Theoretical implications

This study can serve as a compensation handbook for those who desire to get an overview of the various compensation packages that are offered to an international assignee by a multinational company, as well as understanding how internal and external motivation can affect the assignees satisfaction towards that said compensation package. This study supports Chiang et al. (2018) research, that expatriates often have a high expectation of the assignment outcome. This statement was also endorsed by HR at the case company, that managing expectations was one of the hardest issues that the organization face with expatriates. The findings also present that it is easier to manage expectations for short-term assignees, than long-term assignees.

The theoretical framework in figure five is supported, that the expatriation motivation and values, combined with the assignment type and the compensation package, does equal employee satisfaction. This statement supports what Hofmans et al. 2013 claimed, that compensation alone did not automatically equal job satisfaction. It is as important, to make sure that the psychological contract and the expectations are beforehand addressed so that there are no surprises regarding the compensation package while on assignment. As Conway and Brinen (2005) presented in their research, the perceived agreement is as equally important as the actual agreement. If the psychological contract is breached between the organization and the assignee in regards of support, the trust can be broken and leaving the assignee unsatisfied.

8.2 Managerial implications

As discussed in the previous section, managing expectations is one of the biggest challenges that the case company faces when it comes to expatriate compensation. This is an acknowledged issue at the case company and further managerial suggestions would be to have a clear communication with the expatriate from the initial start of designing the compensation package. A managerial implication would be to identify the financial or non-financial work values that the employee possesses and distinguish earlier cases where there has been an issue with expectations and presenting them to the expatriate in a transparent way. In this study, the most recurring issue that was reported from the expatriates was the lack of support in some cases. Many assignees did not know who to contact, and they often had to struggle to get in contact with the person in charge. Therefore, the case company is recommended to have clear implications to the expatriate, who they should contact if any issue arises. A good starting point would be to determine if it is the local manager, a manager at the home base or a HR representative to contact. Getting an actual person to contact could increase the feeling of support instead of reaching out to a common group email.

Additionally, a proposal for managerial implications, would be to have expatriate surveys to international assignees not only to those who have repatriated to Finland, but also to those who relocates after an assignment to another host country and have remained in the company. A couple of the informants did not repatriate to Finland, but relocated to another country, and they expressed their will to give their opinions about the expatriation and how it had been handled. An important output could be lost by not including everyone in the expatriate survey after an international assignment is completed. In this sense, it could be valid to treat every assignee as completed when the original assignment ends, even though they have not officially repatriated.

8.3 Limitations

Limitations for this study is essentially that the research was not conducted with enough long-term assignees. Since the research was a single case study only focusing on one company, as well as one nationality Finnish, this complicated the ability to acquire long-term assignees for the study. The findings of the study can also not determine other nationalities satisfaction towards expatriate compensation nor their financial and non-financial values and motivation, as this study only emphases on Finnish expatriates. Additionally, the case company only offered the balance sheet approach for their long-term assignees, which led to no information given about the further compensation approaches such as host and hybrid based.

8.4 Suggestions for future research

The limitations for this study mentioned in previous section, shows the path for further extensive research in expatriate compensation and the impact on employee satisfaction. Several nationalities should be covered, to see how the internal and external values differ when it comes to expatriate compensation. By researching many nationalities, one might gain insight whether it is applicable to standardize or individualize the compensation approach. Additionally, a few multinational companies should be added to the study, to determine if there are some differences in compensation approaches towards the assignees. It would be interesting to research expatriates who have been offered host and hybrid- based compensation, and how their employee satisfaction differs from those who have been granted a home-based approach.

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APPENDIX A Questions to HR

Assignment and compensation

1. What kind of international assignees do you have? Short-term assignees, long-term expatriates etc.
2. What kind of assignments do you include as short-term?
3. Do you see a decline in long-term assignees and the need for them?
4. Do you see an increase in short-term assignments?
5. Do you see a need for reducing costs when it comes to expatriation? And therefore, switching to cheaper options such as local-plus or host-country balance sheet?
6. Do you use the localization approach? And if so, does the assignee know beforehand that they will be localized, or is it a decision that comes in the end of the assignment?
    a. Do you use permanent transfers?
7. What compensation approach do you apply to short-term assignments?
    a. How is the daily allowance calculated?
8. Are all short-term assignees offering the same benefits policy? Or does factors such as seniority level of the assignee or the purpose of the assignment play a part? (Etc., receiving mobility allowance)
9. What is the most common approach for long-term expatriates?
10. Do you have an alternative to the balance sheet approach?
11. How is the hardship adjustment determined, and what does it usually contain?
12. How is the mobility allowance calculated?
13. What are the biggest challenges with establishing a compensation package for an international assignee?
14. What is the biggest challenge for the organization, when it comes to expatriate compensation?
15. Do you outsource tax consultations? If outsourcing, on what reasons?
16. Do you outsource any other support to consultation firms?

Support & satisfaction

17. Is there a good communication between the home and host country? Is it clear who handles which responsibilities and support to the assignees?
18. Do you have cases when the assignee has rejected the offered compensation package?
    a. Is there any factor that is more common in negotiating?
    b. Are non-financial values more important than financial?
19. How is the perceived job & career satisfaction of the international assignees?
20. Do you see a difference in employee satisfaction by those who are willing to accept an international assignment for competence development and career enhancement, and those who are more interested in the financial incentives?

Repatriation

21. How far in advance do you start planning the career possibilities for the assignee's repatriation?
22. How is the perception of how the repatriation is handled?
23. Do you conduct an employee satisfaction survey after repatriation?
24. The balance sheet approach is said to be outdated, since it is highly focused on repatriation. Do you have cases when the assignee left the organization after the assignment?

APPENDIX B Questions to the long-term assignees

1. What was the location and duration of your assignment?
2. Why were you assigned to the host-location? (Competence transfer, career development, resource need?)
3. Were you accompanied by family?
4. What was your internal motivation to go to an international assignment?
    a. Financial values more important
    b. Or non-financial, career possibilities, developmental & learning outcomes
5. How aware were you of the different compensation approaches that exists for long-term expatriates before your assignment?
6. Was the communication clear of the compensation package? Was it complicated or easy to understand?
7. Would you have accepted the assignment on a different compensation package?
    a. Alternative a cheaper compensation package?
8. Did you negotiate anything of the compensation package?
9. Was there any deal breaker in the compensation package, if yes which one?
10. How was your overall satisfaction towards your pay? When thinking of how your performance during your assignment?
11. How was your overall satisfaction towards the benefits?
12. Did you feel motivated based on your compensation?
13. How was the perceived attitude of the local colleagues when it comes to compensation? (If much higher salary than locals)
14. Did you perceive the compensation to be fair?
15. How important was flexibility for you in your assignment? (Time-off, remote working, work-life balance)
16. Was the administration complicated before and during the assignment, or did the organization help with that?
    a. Did some of the administration work prohibit you from focusing on the assignment task?

17. How was the perceived organizational support from the host country, and home country?
    a. Was there something missing in regards of support?
18. Did the expatriation meet your expectation?
19. Did you at some point feel that a promise had been broken from the organization? In terms of expectations and support etc.
20. Did you receive any compensation for working overtime at the host-location or was it included in the monthly salary?
    a. What would have been more important to receive in exchange for overtime?
    b. Money
    c. Days off
21. Was your old position guaranteed upon repatriation?
22. Did you participate in any employee satisfaction survey after the expatriation?
23. How was the adjustment of repatriation when benefits and allowances was removed?

APPENDIX C Questions to the short-term assignees

1. What was the duration of your assignment and in what country?
2. Why were you assigned to the host-location? (Competence transfer, career development, short-term resource need)?
3. What was your internal motivation to go to an international assignment?
    a. Financial values more important
    b. Or non-financial, career possibilities, developmental & learning outcomes
4. Would you have accepted the assignment on a different compensation package? Etc. (Local salary + benefits)
    a. Alternative a cheaper compensation package?
5. How was your overall satisfaction towards your pay? When thinking of your performance during your assignment?
6. Did you feel motivated based on your compensation?
7. How did you perceive the benefits? Was there something missing?
8. Did you negotiate anything of the compensation package?
9. Was there any deal breaker in the compensation package, if yes which one?
10. Was the short-term daily allowance enough to cover daily expenses?
11. How was the perceived attitude of the local colleagues when it comes to compensation? (If much higher salary than locals)
12. Did you perceive the compensation to be fair?
13. How important was flexibility for you in your assignment? (Time-off, remote working, work-life balance)
14. Was the communication clear of the compensation package? Was it complicated or easy to understand?
15. Was the administration complicated before and during the assignment, or did the organization help with that?
    a. Did some of the administration work prohibit you from focusing on the assignment tasks?

16. How was the perceived organizational support from the host country & home country?
    a. Was there something missing in regards of support?
17. Did the expatriation meet your expectation?
18. Did you at some point feel that a promise had been broken from the organization? In terms of expectations and support etc.
19. Did you receive any compensation for working overtime at the host-location or was it included in the monthly salary?
    a. What would have been more important to receive in exchange for overtime?
    b. Money
    c. Days off
20. Was your old position guaranteed upon repatriation?
21. How was the adjustment of repatriation when benefits and allowances was removed?