

## Expatriates Reward Management and Commitment: A Literature Review

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### Abstract

For the past decades it has been pointed that the cost associated with rewarding expats in order to gain their full commitment is on the increase. This is because financial reward practices have limited effect on employee commitment and there is a general shift towards a total reward practices. This study examined expatriates reward management and commitment on international assignment. The study found a positive significant relationship between total reward and expats' commitment. Also, confirm that, a poor reward system will leads to failure on international assignment. Further, although, financial reward was the most valued reward element, findings demonstrate it was not enough to produce expats' full commitment. The main conclusion from this literature review is that expats' commitment and performance would increase only when expats perceived reward system to be fair and just. Therefore, the study suggested a total reward approach, which is a holistic view to rewarding global careerists.

Word Count: 151

**Keyword:** Total Reward, Intrinsic, Extrinsic, expat, expatriates, commitment.

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Date of Submission: 29-08-2020

Date of Acceptance: 14-09-2020

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### I. Introduction

Expatriate reward management remains one of the most crucial functions of International Human Resource Management (IHRM) and an important area for the management of employees on international assignments (Armstrong and Stephens, 2005; Muse et al. 2008; Armstrong, 2010). It has to do with the formulation and execution of strategies and policies that aim at rewarding people fairly, equitably and consistently in accordance with their value and efforts to the organisation (Armstrong and Mulis, 2004). Since, people are the heart of organisations; organisations must fairly reward them in order to excel (Carnegie, 1975). Additionally, failure to reward employees fairly by organisations may lead to high employee turnover (Motowidlo, 1983), lower job satisfaction (Lawler, 1971), increased absenteeism (Heneman, 1985), low productivity and even reduction in profitability (WorldatWork, 2000).

More so, one of the major challenges facing management is the cost associated with rewarding expatriates on international assignment (Bonache & Pla-Barber, 2005). For instance, about a million dollars is spent by US MNCs annually per an expatriate on international assignment (Dowling *et al.*, 2008). In addition, correlation between single reward system of pay and employees' commitment is not guaranteed (Chang, 2006). This knowledge influences companies to either cut their investment on international experience and knowledge or look for alternatives for rewarding their manpower (Bonache & Pla-Barber, 2005; Pate & Scullion, 2010, Schell & Solomon, 1997).

Evidence was found in support of this cost-cutting assertion since organisations increasingly face tremendous challenges in attracting, motivating and retaining valuable people for sustaining their strategic development abroad (Tornikoski, 2011). Buch & Tolentino (2006) investigate how employees perceived reward and found that employees value intrinsic, extrinsic, social and organizational rewards. However, approaches to expatriate rewards are shifting from single system (*attractive pay alone*) to total rewards (Bloisi *et al.*, 2007; Thorpe & Homan, 2000). Additionally, existing reward programmes are too biased, focusing on pay and cannot effectively deal with new business demands (Henderson, 2006; Manas and Graham, 2003; and Martocchio, 2006). Furthermore, previous researches on reward have almost exclusively concentrated on financial rewards (Werner & Ward, 2004). Consequently, total rewards a holistic approach to rewarding employees is preferred, compared to a focus on pay (Rumpel and Medcof, 2006). According to WorldatWork, (2000) total rewards involve every amount of money invested on people within an organisation by the employer and everything that employee value in the employment relations. This helps to attract, retain, motivate and

satisfy employees on international assignments (Bloisi *et al.*, 2007). Major components of total rewards include financial and non-financial rewards (Armstrong, 2000).

Despite the popularity of total rewards strategy, several arguments have been levelled against it. For instance, the concept deals with all the substantial aspects associated with length of experience such as: culture, atmosphere/work condition and leadership, and job-related aspects such as challenging task and job specification which are costly in terms of time, finance and planning (Miller and Hartwick, 2002). Although, the cost associated with expatriate assignments is high, nonetheless, expat services remain important (Armstrong, 2010; Armstrong and Mulis, 2004; Armstrong, and Stephens, 2005; Bloisi *et al.*, 2007). Several researches have been conducted on area of reward management, employee rewards and commitment but very few have successfully been carried out on expatriates' reward management resulting in scarce literature in the area (Bonache & Fernández, 1997 and Bonache, 2006). This informs the author's choice of topic which further seeks to provide a critical analysis to the research topic.

## **II. Literature Review and Theoretical Framework**

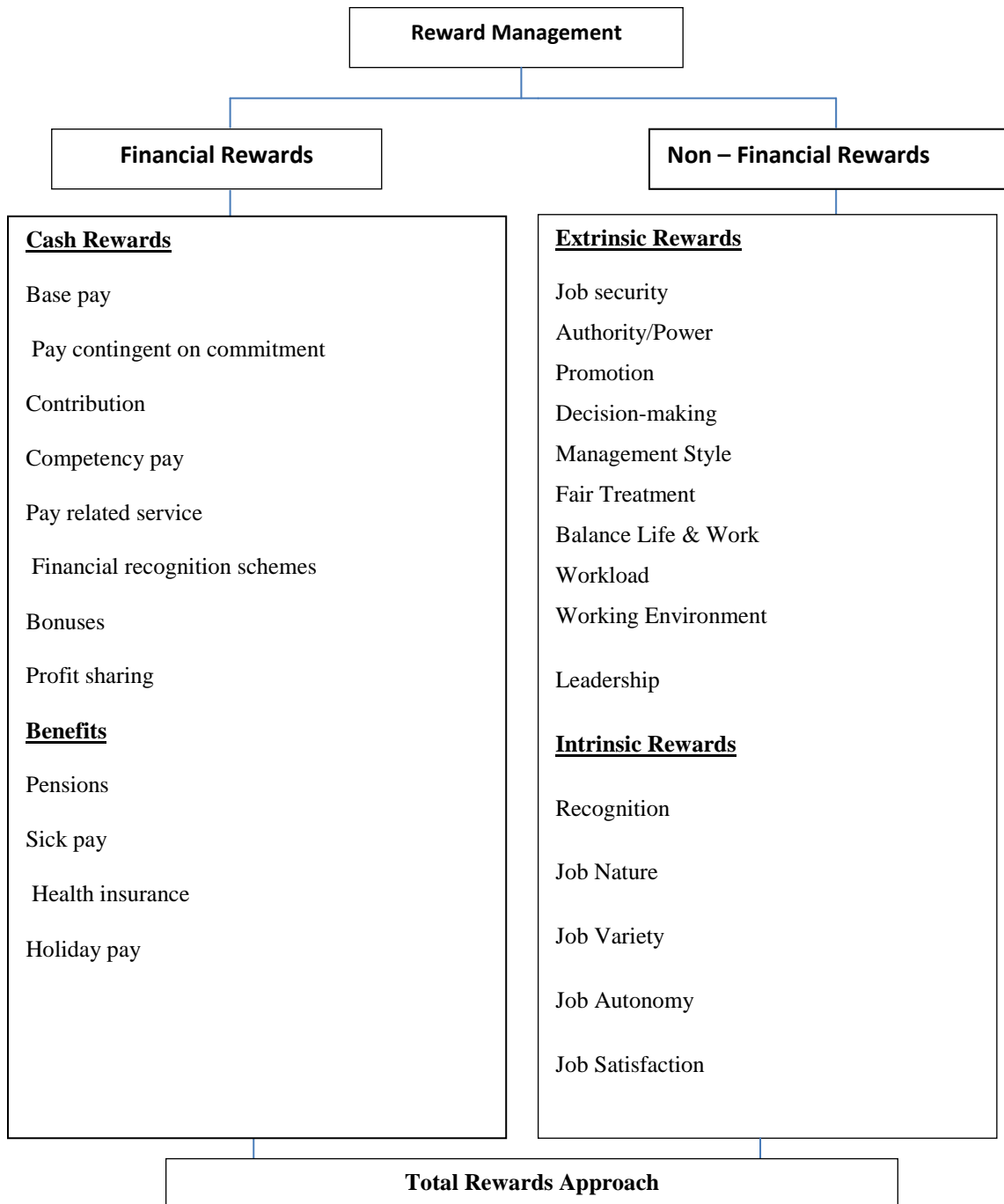
### **Concept of Reward Management**

To understand the effect of reward system on employee commitment, it is of importance to examine the concept of reward from various existing literature on the subject area. According to Armstrong and Murlis (2004:1) reward management is 'the formulation and implementation of strategies and policies that aim at rewarding people fairly, equitably and consistently in accordance with their value to the organisation.' Kramer and Syed (2012) explain that reward management is concerned with shaping employees' identities, attitudes, behaviours and thoughts through both language and practice. Flynn (1998) suggests that primary focus of reward management is to examine how organisations classify their reward schemes, how they connect with employees and how obviously they recognise the link between reward and commitment. However, Ghoshal and Bartlett (1995) argued, the main aim of reward management is to add value to people and increase their efforts.

Several studies have been carried out on types of reward system by comparing the impact of monetary incentives to non-monetary rewards (Jenkins *et al.*, 1998). Organisations utilising individualistic reward systems have not fully realise the benefits of highly cooperative and motivated work teams (Mohrman, Cohen, & Mohrman, 1995). Further, there is no agreement that reward strategies of monetary and non-monetary can be treated in isolation, rather, they must be unified as elements of reward management, in order to maximise employee overall commitment (Chen and Hsieh, 2006). Adverse responses to pay have been associated with a host of organisational drawbacks, including increased employee turnover (Motowidlo, 1983), lower job satisfaction (Lawler, 1971) and increased absenteeism (Heneman, 1985).

These led to the Total Rewards paradigm (Muse, Harris, Giles, and Field 2008). Armstrong and Stephens (2005: 15) argued 'Total Rewards have a greater impact on both individual and organisational levels than single reward practices because the effects of different types of rewards are combined.'

Figure 1 Components of Reward Management



Source: Chiang and Birtch (2006)

From figure 2.3, Chiang and Birtch (2006) argued that non- financial rewards (majorly intrinsic: recognition, achievement, advancement, job autonomy) are more important than financial rewards (cash rewards, benefits and extrinsic rewards). They added that once employees are satisfied with intrinsic reward provided by management their commitment is assured.

On the contrary, pay is the most vital reward element, although, it may not work for everybody at every time (Armstrong, 2002). It provides the main goal and reason to work, symbol to indicate that employees' efforts are valued by the organisation and a general reinforcer that motivate employees for greater commitment (Wallace and Szilagy, 1982). When it comes to motivating employees, money is far more vital than anything else (Witt, 2005).

Money motivates because it directly or indirectly satisfies many needs (Armstrong, 2005). For instance, if you have money, you can meet all the physiological needs. However, Pfeffer (1998) argued that people do not work for money, they work for fun and pay cannot substitute good working condition, fun and a meaningful work life. 'But do financial incentives motivate people?' (Armstrong, 2010:57), Kohn (1998) answers, completely not. Since differences exist in individual employees, while some people may be motivated by pay others want fringe benefits. Nonetheless, TR approach, which combines both financial and non-financial rewards, is a simple and the most comprehensive way of motivating employees (Bloisi *et al.*, 2007; Thorpe & Homan, 2000).

### **Reward Philosophy**

Reward management is premised on sets of beliefs that are in-line with the values, culture and norms of an organisation (Leventhal, 1980). This philosophy ascertains that since human resource management involves investing on people from which a reasonable return is obtained. Therefore, it is proper to reward people based on their contribution to the organisation (Perkins and White, 2011; Petcharak, 2002). Elements of reward management philosophy include; distributive justice, procedural justice, fairness, equity, consistency, transparency, strategic alignment and contextual & culture fit (Armstrong, 2002). These elements shall further be examined:

- **Distributive Justice:** This is a feeling that reward within an organisation is adjudged just and fair in accordance with effort and that employee receive a compensation equalled to their contract (Leventhal, 1980).
- **Procedural Justice:** This is how managerial decisions are made and reward policies are put into practice (Tyler and Bies, 1990).
- **Fairness:** This combines the principle of distributive and procedural justice. It states that compensation is fair if employees perceive it to be (Jaques, 1961). Conversely, there is no standard of fair payment; employees should not receive less than they deserve and pay must match work role and commitment (Armstrong, 2005).
- **Equity:** This is achieved when employees are rewarded accordingly on merit in comparison to others within an organisation (Armstrong, 2002).
- **Consistency:** Consistency in reward management means that reward decisions are stable and do not change without due procedure of necessity and do not deviate irrationally (Armstrong, 2002).
- **Strategic Alignment:** This suggests that reward management initiatives are organised based on the requirement of business strategy and are tactically designed to propel and support attainment of the organisational objectives (Perkins and White, 2011).
- **Commitment and Reward:** This is premised on the assumption that people are aware of the need to perform well and behave reasonably in order to meet or exceed expectations (Armstrong, 2000).

Since various philosophies of reward management have been considered, further effort in the study would focus on the relationship between principle of motivation and reward management. The baseline is that when employee rewards is well monitored, employees tend to give their best which cannot be achieved without fully motivating them (Maslow, 1943; Thorpe & Homan, 2000).

### **Concept of Total Reward**

Armstrong (2000:11) defined Total Rewards 'as a means of making provisions for all employees' reward packages in ways that utilise employee maximum satisfaction which motivate and in turn ensures that employee contribution to the employer is optimised at an acceptable and reasonable cost.' In similar studies, WorldatWork (2000) suggests that Total Rewards are all employer strategy that may be used to attract, retain, motivate and satisfy employees. Additionally, Total Rewards 'encapsulates the employer-employee relationship from a reward perspective in an integrated human resource (HR) framework' (Rumpel and Medcof, 2006:27). This involves integrating diverse programmes that are not necessarily thought of as rewards by everyone. Such practices as achieving greater employee productivity through flexible working hours and reducing voluntary turnover in order to increase employee engagement (Rumpel & Medcof, 2006). Conversely, Giancola (2009) argued that the notion of "Total Rewards" is nothing new but merely expands the concept of "total compensation" which usually addresses the high-priced benefit programmes.

Armstrong and Murlis (2004) categorised components of total rewards into transactional and relational. Transactional rewards include financial incentives such as; base pay, share ownership and benefits (Kaplan, 2005:32). While relational rewards are non-monetary rewards which include; responsibility, recognition, meaningful work and autonomy (Armstrong, 2010). Similarly, Milkovich and Newman (2005) used a concept of 'total returns' and divided the returns into two major categories: total compensation, (including direct & indirect pay and incentives) and relational returns, (learning opportunities, challenging work, employment security, and recognition).

**Table1:** Armstrong and Murlis, (2004) Components of Total Rewards

Transactional Rewards	
<b>Pay</b> <ul style="list-style-type: none"> <li>• Base pay</li> <li>• Contingent pay</li> <li>• Cash bonuses</li> <li>• Shares</li> <li>• Profit sharing</li> </ul>	<b>Benefits</b> <ul style="list-style-type: none"> <li>• Pensions</li> <li>• Holidays</li> <li>• Health care</li> <li>• Other perks</li> <li>• Flexibility</li> </ul>
<b>Learning &amp; Development</b> <ul style="list-style-type: none"> <li>• Training</li> <li>• Commitment management</li> <li>• Career development</li> <li>• Workplace learning and development</li> </ul>	<b>Work Environment</b> <ul style="list-style-type: none"> <li>• Employee voice</li> <li>• Recognition</li> <li>• Achievement</li> <li>• Job design and role development</li> <li>• Work/life balance</li> <li>• Leadership</li> </ul>
Relational Rewards	

Source: Armstrong and Murlis, (2004)

### Transactional / financial Rewards

Transactional rewards are financial incentives and benefits, including; base pay- contingency pay, variable pay/bonuses, share ownership and benefits- such as ‘ health and welfare, retirement and capital accumulation programmes, as well as wide variety of programmes such as; child-care resources, fitness centres, concierge services and everything in between’ (Kaplan, 2005:32). These are rewards associated with factors that are external to the job role of an employee (Kramar and Syed, 2012). These include base pay (a fixed component of the total remuneration, contingent pay, cash bonuses and profit sharing), benefits (such as employer’s contributions to superannuation, holidays, health care, other perks and flexibility) and other commitment related pay plans, including incentive (Armstrong , 2005). Watson and Singh (2005) argued that, it takes more than cash to involve, motivate and retain high quality workforce.

### Relational/non-financial Rewards

These represent the relationship between the employee and employer (Armstrong, 2000). They are important additional rewards that can significantly enhance an employee aspiration to stay with an organisation. US Office of Personnel Management, (2000) highlighted four importance aspects of Total Rewards (TR). TR:

- Can emphasise the importance of the employee to the organisation;
- Can influence employee's sense of loyalty;
- Are rarely seen in terms of their cash value, but can have an equally important impact when an employee is trying to decide whether to accept other employment or remain with an agency;
- Represent those programme areas where companies have the greatest amount of flexibility to design programmes specific to the needs of their employees.

Relational rewards include: learning and development; (training, commitment management, career development, and workplace coaching) and work environment,(employee opinion, recognition/esteem, achievement, work/life balance, job control/participation in decision making, and leadership) (Milkovich & Newman, 2005 and Hulkko-Nyman *et al.*, 2012). Similarly, Fernandes (1998) outlined the fundamentals of TR which include basic salary, variable pay, pension benefits, death-in-service benefits, long-term disability benefits, private medical insurance, vacation entitlement and mortgage subsidies. Consequently, total rewards strategy is the best motivation to employee commitment (Lyons and Ben-Ora, 2002). TR approach to management of employees on international assignments acts according to the circumstance, helps with costing savings, brings about maximum return and contributes to both short-term/ long-term goals of an organization (Jiang, 2009).

Conversely, as popular as TR approach tends to be, if line managers are not committed to its implementation, (for example in terms of feedback), it is likely to fail (CIPD, 2012). Also, the cost associated with rewarding international employee in most cases is higher than the benefits when not well managed (Pfeffer, 1998).

### Concept of Expatriates’ Reward

The concept of expatriation has a long origin and traceable to the emergence of international business or establishment of multinational corporations in the early 19th century BC which involved running of business across international borders by the Assyrian (Stearns, 2001; Harvey & Moeller, 2009). It is a process of sending employees abroad in order to fulfil pre-determined organisational objectives (Dictionary of Human Resource Management, 2001). Expatriates are mobile employees sent by their employing organization on international

assignment abroad for a certain period of time, usually from two to five years (Edstrom & Galbraith, 1977; Stroh *et al.*, 2000). Additionally, expats are persons occupying strategic positions, have technical skill and ability to work cross-culturally, organisational, functional boundaries and able to combine both short term profitability and long term growth (Pucik and Saba, 1998). The use of expat is paramount in order to expand, set-up new technologies, enhance marketing methods and transmit parent company corporate culture to the subsidiaries (Jackson, 2002). Expatriate reward therefore represents all forms of financial returns, tangible services and benefits receive by expats as part of an employment relationship (Milkovich & Newman, 2002). Reward is a fundamental and significant characteristic of any exchange relationship (Rousseau & Ho, 2000). It is the most important factor a prospective expatriate considers before accepting an international assignment (Baruch, 2004). Nonetheless, Expatriate reward is extremely costly and time consuming (Bonache & Pla-Barber, 2005). Specifically, recent estimates suggest that each expatriate's failure or a premature departure can cost an organization in excess of \$1 million (Insch and Daniels, 2002). Conversely, 'lack of expatriate professionals who know the business and are motivated to perform at the highest level could result in companies not being able to compete adequately in emerging foreign markets.' (Sims and Schraeder, 2004:99).

However, in this study 'expatriate total reward perspective' is adopted. This is concerned with "each aspect of reward, namely base pay, contingent pay, employee benefits and non-financial rewards, which include intrinsic rewards from the work itself, are linked together and treated as an integrated and coherent whole" (Armstrong and Stephens, 2005:13). This approach offers a greater viewpoint of the compensation package and makes the whole expatriates package a "bundle of valued rewards" (Bloom and Milkovich, 1996:70).

### **Components of Expatriate Reward**

Unlike the local reward management previously examined, which comprises benefits, intrinsic & extrinsic rewards and cash reward. Expatriate reward components consist of base salary and all other cross-cultural allowances such as; foreign service premium, Cost-of-Living Allowance (COLA), benefits and incentives (Dowling *et al.*, 2008). These components shall further be considered:

- **Base salary:** This is a guaranteed cash wage or salary paid to individual expatriates for performing their work in a contracted period of time (CIPD, 2012). It is the foundation block for international compensation whether the employee is a parent country national (PCN) or third country national (TCN) (Dowling *et al.*, 2008). For instance, Oil and Gas executive (expat) in Nigeria earns between 350,000 and 480,000 dollars per year (PM News, 2012). Base pay also acts as a benchmark against which bonuses and benefits are calculated.
- **Foreign Service Inducement/hardship premium:** This is an inducement premium paid to a parent country national so as to accept foreign assignment or as a compensation for any hardship caused by the transfer (Dowling *et al.*, 2008). This is often 5 to 40 per cent base pay. However, the baseline is that, perceptions of hardship in one country is regarded as enjoyment in another and measuring the cost associated to this is more often problematic (Ruff and Jackson, 1974).
- **Allowances:** This is a component in the total reward approach to expatriate reward. It involves the Cost-of-Living Allowance (COLA) which is an allowance that is often awarded to expats who move overseas as part of a job offer and is based upon the need to ensure that the lifestyle they enjoy in their home country can, at a very minimum, be retained if they are relocated elsewhere (Expat Info Desk, 2012). This applied to 65 per cent of the comparative net domestic salary and has been a major source of dissatisfaction among expats (Suutari and Tornikoski, 2001). The COLA often include other allowances such as housing, education, relocation, and spouse assistance (Dowling *et al.*, 2008). These shall briefly be further explained:
  - **Housing Allowances:** This implies that employees on international assignments should be entitled to a living standard equal to their home-country. Such allowances can also include company-provided housing, a fixed housing allowance, assessments of a portion of income, out of which house cost is paid (Dowling *et al.*, 2008).
  - **Home Leave Allowances:** This is mainly all the travelling expenses or trips back to the home-country of individual expats each year. The purpose of which is to renew expatriates' family and business networks (Expat Info Desk, 2012).
  - **Education Allowances:** The children of an expatriate are also important part of the total reward policy for an expat. Allowance for education cover such areas like tuition fee, language class tuition, enrolment fees, text books and supplies, transportation and uniforms (Dowling *et al.*, 2008).
  - **Relocation Allowances:** These cover moving, shipping and storage expenses, temporary living expenses, subsidies for appliances or car purchases and lease-related charges, club membership, servants or house helps and driver (Dowling *et al.*, 2008).
  - **Spouse Assistance:** This is an allowance paid to an expatriate's spouse as a result of leaving his/her job and income lost as a result of leaving for abroad (Expat Info Desk, 2012).
- **Benefits:** These constitute all the reward programmes that help to enhance livelihood of an expatriate and his/her family on an international assignment (Dowling *et al.*, 2008). These include: The use of club

facilities, health care, food and beverages, conveyance tour and travel, hotel boarding and lodging, vehicle, insurance, security guards and retirement schemes (Expat Info Desk, 2012).

**Approaches to Expatriate Reward**

In designing expatriate reward management, multinational corporations undertake numerous approaches such as negotiation/ad hoc, localisation, balance sheet, lump sum, cafeteria, regional and global plan (Briscoe *et al.*, 2012) . Nonetheless, there are two main approaches commonly employed, these shall further be examined:

- The Going Rate or Market Rate paradigm and
- The Balance Sheet or Build-up approach (Reiche, *et al.*, 2009).

**The Balance Sheet Approach**

This is the most widely used approach by organizations and its main idea is to maintain expatriate’s standard of living throughout the assignment at the same level as it was in his/her home country (Reiche, 2011). Additionally, expatriate’s salary is matched with home-country peers and not with the host-country colleagues (Briscoe *et al.*, 2012). The philosophy behind this approach is that expatriates should not suffer material loss due to their new assignment (Reynolds, 2000). Conversely, this is unfair on MNCs as expatriate compensation is adjusted upward for higher cost of living and not adjusted downward if the cost of living in the host country is less than that of the parent country (Sims and Schraeder, 2005). Additionally, balance sheet approach has four elements *inter alia*,

- **Goods and Services:** The balance sheet caters for home-country expenses incurred by the expats such items include food, personal care, clothing, household furnishings, recreation, transportation and health or medical care (Reiche, 2011).
- **Housing:** This is the cost associated with housing in the host country such cost as renting of apartment, billing and electricity (Dowling *et al.*, 2008).
- **Income Taxes:** These include all tax payable by the expatriates to the parent –country and host-country government (Dowling *et al.*, 2008).
- **Reserve:** The balance sheet also includes such items related to savings, payments for benefits, pension contributions and social security taxes (Reiche, 2011). Therefore, ‘where cost associated with host-country assignment exceeds equivalent cost in the parent-country, the costs would be shared by the multinational corporation (Dowling *et al.*, 2008:167).

**The Going Rate Approach**

This is the second approach to expatriate reward management otherwise called ‘*localization*’, ‘*destination*’, and ‘*host country-based*’ or ‘*going rate*’ approach (Sims & Schraeder, 2005). Expatriates are paid a salary equal that of the host country, taking into account local market rates and compensation levels of local employees (Reiche, 2011). Similarly, this approach links the base salary for the international transfer with the host country salary structure (Dowling *et al.*, 2008). Expatriates are therefore treated as citizens of the host country (Sims & Schraeder, 2005). Additionally, the going rate approach is based on local market rate, relies on survey comparisons among local nationals (HCNs), expatriates of the same nationality and all other nationalities, and a supplemented base pay and benefits for low-pay countries (Dowling *et al.*, 2008).

On the contrary, going rate approach can result in disparity in reward for expatriates of different nationalities since different amounts are paid to employees performing the same tasks (Dowling *et al.*, 2008). Conversely, the going rate approach is more cost effective since ‘going local’ may reduce host-country market adjustment costs, which may be tempting for Western multinationals sending people to countries with lower standard of living (Reiche, 2011).

**Table 2** below summarises the advantages and disadvantages of adopting these approaches:

Approaches	Balance Sheet	Going Rate
<b>Merits</b>	<ul style="list-style-type: none"> <li>• Equality with locals nationals.</li> <li>• Simplicity.</li> <li>• Identification with host country.</li> <li>• Equity among different nationalities.</li> </ul>	<ul style="list-style-type: none"> <li>• Equity between different assignments and between assignees of the same nationality.</li> <li>• Facilitates assignee re-entry.</li> <li>• Easy to communicate to employees.</li> </ul>
<b>Demerits</b>	<ul style="list-style-type: none"> <li>• Variation between assignments for same employee.</li> <li>• Variation between assignees of same nationality in different countries.</li> <li>• Potential re-entry problems.</li> </ul>	<ul style="list-style-type: none"> <li>• Can lead to disparities between assignees of different nationalities in the same host country, and between assignees and local national.</li> <li>• Administration can be complex.</li> </ul>

Source: Reiche (2011); adopted from Dowling, Festing & Engle (2008)

In summary, in 2003, merely 35% classified rewards as “pay and benefits” whilst 29% more broadly defined rewards as “pay, benefits and career” (Gross and Friedman, 2004). Nazir *et al.*'s. (2012) investment survey has taken the feedback about the definition of rewards from U.S employers in 2011, 46% respondents see rewards as “pay and benefits” whereas 21% considered rewards as “pay, benefits and career”.

But today, Brookfield Global Relocation Survey, (2012) 85% of respondents (Multinational corporations) continue to make use of the ‘*balance sheet approach*’ in their reward package by the middle of 2012 to determine compensation for long-term assignments, only 8% use host-country approach and 7% combines home/host-country approaches. This is because of its simplicity to understand by employees.

Consequently, the fact that multinational corporations persistently adopt the balance sheet approach suggests that they prefer motivating and attracting their international staffs to reducing overall operating cost (Sims & Schraeder, 2005).

### **Roles of TR on Expatriate Commitment**

Silverman and Reilly (2003) described total rewards as the combination of based salary, benefits and acknowledgment or feedback. The role of TR on expatriates’ commitment cannot be undervalued. Watson and Singh (2005) argued that it takes more than only cash to engage and retain high quality workforce. Furthermore, Armstrong and Murlis (2004) identified five distinct roles of TR approach on expatriate commitment: Greater impact, enhancing the employment relationship, increased engagement as part of the process, flexibility to meet individual needs and winning the war for talent. These shall further be considered:

- **Greater Impact:** self-motivated expatriate would not only be attracted to organisations operating TR approach rather; their full commitment, devotion and motivation would be harnessed through combination of transactional and relational rewards (Armstrong and Murlis, 2004).
- **Enhancing the employment relationship:** The employer-employee relationship created by the TR approach would be more appealing and motivating which would enhance individual expatriate commitment on international assignment (Armstrong and Murlis, 2004).
- **Increased engagement as part of the process:** Relationship capital is built as expatriates are involved in decisions concerning the organisational reward system and decision-making processes (Armstrong & Murlis, 2004).
- **Flexibility to meet individual needs:** This provide expatriates with trust and loyalty on their job contract because, their needs, aspirations and desires are being recognised by management (Armstrong & Murlis, 2004 and Maslow, 1943).
- **Winning the war for talent:** TR approach enables the organisation to attracts, recruits and retains talented workers and would also serve as effective brand differentiator in the recruitment market which is difficult to achieve by ordinary single pay practice (Armstrong & Murlis, 2004).

### **Criticism of expatriates’ Total Rewards**

Despite the popularity of TR as a widely used human resource strategy of attracting, recruiting, motivating and retaining employees on international assignments by MNCs, several arguments have been raised against it. According to Miller and Hartwick, (2002) “total rewards” concept deals with all the substantial aspects associated with work experience such as: culture, atmosphere/work condition and leadership; and job-related aspects such as, challenging task and job specification which are significantly expensive in terms of time, finance and planning. In a similar view, Nazir *et al.* (2009) argued that expatriate TR strategy is an action plan that allocates funds and tailors actions that leads to attainment of the target commitment level within a time constraint. In addition, it is demotivating that despite the attractiveness of TR strategy; lack of appreciation by expatriates marks the highly costly strategy (Hiles, 2009).

In conclusion, TR strategy remains a widely used approach of rewarding employees by high performing organisations. It is the inclusion of all other components of remuneration, other than pay alone in the compensation package made available to international employees in order to attract, motivate, retain and improve their commitment on international assignments.

### **Maslow Hierarchy of Needs Theory**

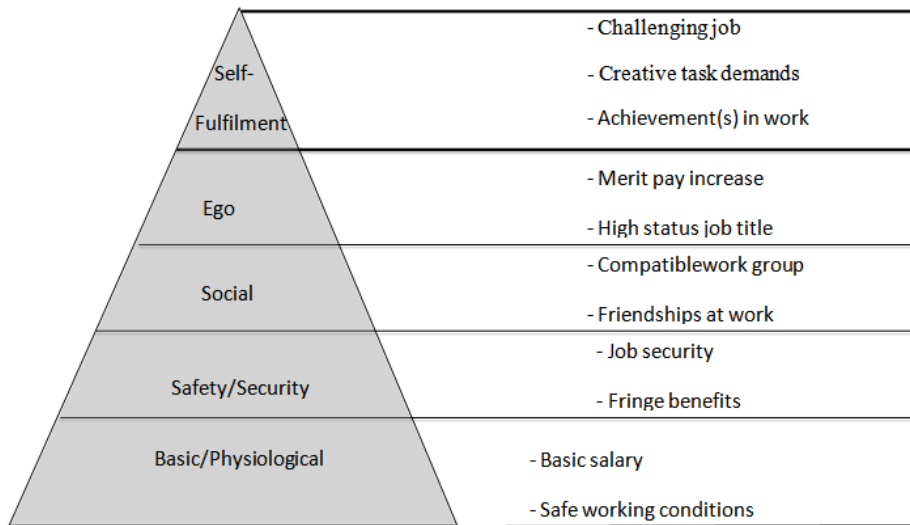
Maslow (1943) identified five levels (physiological or basic, safety or security, belongingness or social, Esteem or ego and self-actualisation needs) of human needs as basic sources of human motivation. He opined that once a need is achieved, it no longer acts as motivator and the next need becomes a priority and key motivator. Components of Maslow (1943) hierarchy of needs as they relate to reward management include:

- **Physiological needs:** These are extrinsic motivation, which include: food, clothes, shelter, basic salary and safe working condition. Once these needs are satisfied, employees would be motivated and commitment would ascertain or increased (Bloisi *et al.*, 2007).



- **Security needs:** These are also extrinsic motivators, they include: Personal security, financial security, health and well-being, safety against accidents/illness, insurance policies, reasonable disability accommodations and all other fringe benefits which acts as incentive to employees(Maslow, 1943 and Bloisi *et al.*, 2007).

**Figure 2:** Maslow (1943) Hierarchy of Needs  
 Maslow's hierarchy of needs                      Aspect of Reward management



**Source:** Goldsmith Business School, (2012)

- **Social needs:** Once basic and security needs are secured, employees within an organisation then seek to be members of a social network, interpersonal or need of belongingness (Maslow, 1943). Such needs include; social networks or sub-groups in a workplace, friendship at work and intimacy. Absence of these could cause loneliness, clinical depression and demotivation (Bloisi *et al.*, 2007 and Maslow, 1943).

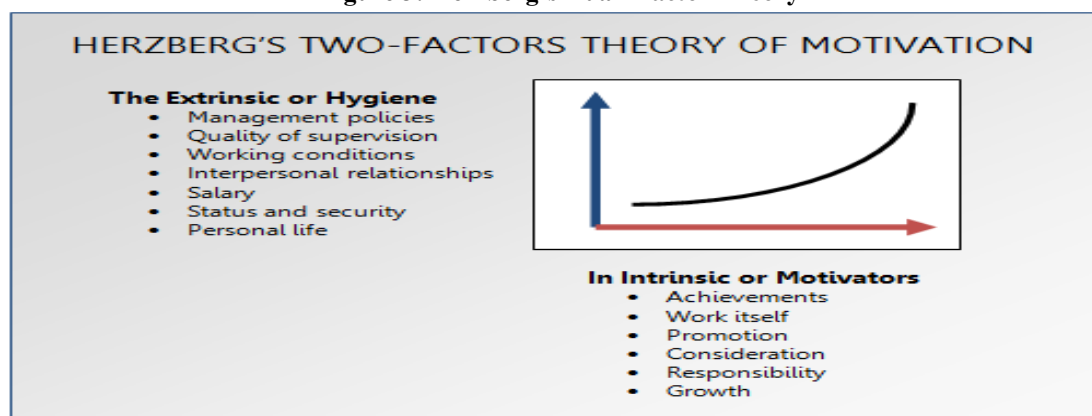
- **Esteem needs:** Every human being desires recognition and respect. This according to Maslow (1943) comes after basic, safety, social needs have been fulfilled. They include; merit pay increase, awards, fame, recognition and honour. At this stage, basic salary no longer serves as key motivator (Maslow, 1943 and Bloisi *et al.*, 2007). These needs are of importance to top management, chief executive officers, and other senior managerial positions (Yalokwu, 2010).

- **Self –Actualisation:** These are desire and goal to fulfil one’s potential and or the need to achieve one’s destiny (Maslow, 1943). Components of these needs include; achievement in work place, creative task demands, advancement opportunities and challenging jobs (Maslow, 1943). Nonetheless, in reality, no human being can be said to be self-fulfilled or reach this stage of human needs, since human needs are insatiable (Yalokwu, 2010).

Despite the popularity of Maslow (1943) hierarchy of needs theory, Alderfer (1969) argues that there are only three needs categories; existence, relatedness and growth, which do not necessarily follow hierarchical orders, but multiple needs, may be desired at one time. Additionally, needs may vary according to characteristics of the individual and also life stages (Ingram/Bellenger, 1983; Mamman *et al.* 1996). For instance, a Gatekeeper may desire recognition, belongingness and also an increase in basic salary and not just an increase in basic salary or shelter.

Herzberg's (1959, 1968) Motivation and Hygiene Factors

Figure 3: Herzberg's Dual -Factor Theory



Source: Locke (1968)

According to Herzberg (1968) individuals are not comfortable with the fulfilment of lower-order needs at work such as the needs associated with basic salary or good working conditions. Nonetheless, they look for the satisfaction of higher-level psychological needs such as; achievement, recognition, responsibility and the nature of work itself. Additionally, Herzberg's (1968) two-factor model of motivation is based on the notion that the presence of one set of job incentives lead to worker satisfaction, these sets of factors are called motivators while a separate set of job characteristics which lead to dissatisfaction at work, are called hygiene factors (Hackman and Oldham, 1976). Hence, satisfaction and dissatisfaction are not opposing terms, but are independent phenomena (Bloisi *et al.*, 2007).

Two-factor theory distinguishes between:

- **Motivators:** For example, challenging work, responsibility that gives positive satisfaction, arising from intrinsic conditions of the job itself, such as recognition, achievement, or personal growth (Herzberg, 1959, 1968).
- **Hygiene factors:** Factors such as; status, job security, salary, fringe benefits and work conditions that do not give positive satisfaction, though dissatisfaction results from their absence. These are extrinsic to the work itself, and include aspects such as company policies, supervisory practices or salary (Hackman and Oldham, 1976).

In addition, the presence of hygiene factors (external to the work itself) do not produce satisfaction but rather neutral feelings and their absence does not lead to dissatisfaction while the presence of motivators or satisfiers factors (intrinsic and internal to the work itself) will not necessarily cause dissatisfaction (Herzberg, 1968). Conversely, Herzberg (1959) dual factor theory is 'method bound', as results are supported based on the use of a method, it oversimplifies the complexity in sources of satisfaction & dissatisfaction (House and Wigdor, 1967). In a similar vein, Herzberg (1968) drew unwarranted inferences from small and specialised samples and found that people may not be motivated even when they are satisfied with their rewards (Schwab & Cummings, 1970 and Kanfer, 1990). However, the purpose of rewarding employees is to motivate them for greater commitment (Thorpe & Homan, 2000) evident in several theories. There is a positive parallel between effective reward management, motivation and commitment (Adair, 2007; McClelland, 1965 and Vroom, 1964). It is therefore imperative for management to effectively manage its reward system and understand that differences exist in people and what motivates A may demotivate or not motivate B.

**Influence of Nationality on Reward Preferences**

It goes without saying that any effort aimed at grouping expatriate reward preferences into a homogenous whole will be difficult (Dowling *et al.*, 2008). This assertion seems obvious considering the variety of expats' needs and interests. In this vein, Kim (1999) argued that managers have the responsibility of investigating the differences that exist in people for a deeper appreciation of their preferences. This is because nationality is distinguished by culture (Briscoe, 2004).

According to Wilton (2011:122) national culture is an 'organised system of values, attitudes, beliefs, assumptions and behavioural meanings that shapes how members of a social group relate to each other and to outsiders.' Furthermore, Hofstede (2001:89) defined culture as 'the collective mental programming of the human mind which distinguishes one group of people from another.' However, differences in national culture affect multinational enterprises reward management (Edwards and Rees, 2006). In addition, Hofstede (1980)

suggests that, people from similar cultural backgrounds are more inclined to exhibit similar characteristics in their behaviour(s). Moreover, Hofstede (2011) revealed that people with similar societal backgrounds are generally similar in their exhibition of four cultural aspects; power distance, masculinity- femininity, individualism-collectivism, and uncertainty avoidance. For instance, countries like China, Japan, and Brazil has long-term orientation while Ghana, Sri Lanka, and Arab Emirate are short-term oriented (Hofstede, 2011; Edwards and Rees, 2006). This means that employees from Japan may prefer job security compared with their Ghanaian counterpart, which may prefer a good salary at the expense of job security.

Drawing from this evidence, it is expedient to attribute certain characteristics of expatriate reward to the fact that they come from similar cultures or otherwise. This argument then drives the objective of this study, which seeks to compare expatriate reward preferences.

### **III. Summary of the Review**

In the course of this literature review, concepts of total reward, reward management, philosophy of reward management, roles of TR on expatriate commitment and criticism of expatriate TR were highlighted and examined. The study's conceptual framework was based on the notion of total rewards; which is the combination of relational and transactional rewards as described by Armstrong and Murlis (2004), Armstrong (2005) and Kramar and Syed, (2012).

The literature review argued that, the best way of motivating expats on international assignments is based on TR approach, which is a holistic view; beyond single pay (Armstrong, 2005). Additionally, the literature review also asserts that, *the balance sheet* and *the going rate* are the major approaches for expatriate reward management (Dowling *et al.*, 2008). It was also discovered that the *balance sheet approach* is often preferred to the *going rate approach*, even though it is more expensive when adopted (Brookfield Global Relocation Survey, 2012). Despite the popularity of TR approach, arguments such as exorbitant cost, lack of commitment and discipline on the part of top management are identified as major setbacks of the strategy (Hiles, 2009 and Brown & Armstrong, 1999).

### **IV. Conclusion and Recommendations**

The literature review emphasised that impact of effective reward management on expatriate commitment cannot be underestimated. Therefore, management should promote, improve and maintain a reward strategy that would in turn attract, recruit, motivate and retain best performing employees on international assignments.

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Adedara Subomi Oduguwa PhD, et. al. "Expatriates Reward Management and Commitment: A Literature Review." *IOSR Journal of Business and Management (IOSR-JBM)*, 22(9), 2020, pp. 42-53.