

Chinese Expatriates in Indonesia Studies

The Problems and Conflict Managements of Cross Culture

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ABSTRACT

As is known, China has become the largest source of foreign human resources in Indonesia. According to the official data of Indonesia, there are more than 20,000 Chinese expatriates working in Indonesia now. We hope to find out the management situation of Chinese companies and institutions through exploring the problems faced by Chinese expatriates in cross-cultural communication in Indonesia and the difficulties in working and living. It is expected that after the completion of this study, it will play a positive role in the management of expatriates in Chinese companies and institutions, so as to cope with the growing demand for expatriates and corresponding management needs under the booming economic and trade exchanges between China and Indonesia. On the other hand, it also can help Chinese expatriates to get better preparation for the expatriation life. This paper uses qualitative method to analyse the problems and difficulties faced by Chinese expatriates in Indonesia, and discusses the defects of Chinese companies and institutions' management, especially the guidance and management in cross-cultural communication. The research results including suggestions and solutions to the exiting problems, which will help improve the management of Chinese expatriates in Indonesia.

Keywords: *International HRM, Cross culture, Problems, Expatriation Management*

1. INTRODUCTION

1.1. Background

The 21st century is a new economic era mainly relying on intellectual resources. The acquisition of high-quality human resources with strategic management of them are related to the strategic implementation of companies or institutions and the acquisition and maintenance of competitive advantages. Human resource problem has become the core issue in the implementation of companies' strategy. Nowadays, many overseas workers or expatriates have encountered various problems in overseas life, from cultural differences, life style, to work ethic and so on. There are several reasons behind those problems, such as poor pre-departure training which might lead to adjustment difficulties at place, difficulty to co-operate with the new staff in a foreign country due to different management styles, language or culture etc. [8]. Which also called cross culture problems.

The Cross-culture problems can cause Culture Shock, which refers to a confused and anxious situation that a person or an organization experiences in different cultures or environments. Some of the symptoms of

culture shock are: fear of physical contact with attendants; the absentminded, far-away stare (sometimes it is called the tropical stare); a feeling of helplessness and a desire for dependence on long-term residents of one's own nationality; fits of anger over delays and other minor frustrations; delay and outright refusal to learn the language of the host country; excessive fear of being cheated, robbed, or injured; terrible longing to be back home (Kalervo Oberg). For example, there are many cases of culture shock problems experienced by expatriates, and even some senior talents with high-level education background would also have psychological problems due to the culture shock. Talking about expatriation from China to Indonesia, as we all know, China and Indonesia have a long history of friendly exchanges, and the bilateral economic and trade exchanges are increasingly frequent. According to official data, China has become Indonesia's largest trading partner for seven consecutive years. The trade between China and Indonesia reached \$63.3 billion at the end of 2017, grow up 18.3 percent. Chinese investment realization in Indonesia reached \$3.4 billion, grow up more than 10 percent (Narasi Indonesia TW IV-2017, BKPM). According to Indonesia's human resources ministry, the total number of foreign workers in

Indonesia reached 85,974 at the end of 2017, of which about 24,800 are from China. And the number keeps raising if compared to last year, which is recorded as 21.300 person. Total amount of employees from China are the biggest of foreign employees in Indonesia. Most of whom are representatives, managers or professionals of Chinese institutions/companies stationed in Indonesia. Coincidentally, the author is one of the Chinese expatriates, who having been posted to Indonesia for more than three years and of cause have encountered some common problems in cross-cultural communication during the expatriation in Indonesia. So, that is why we want to find out among those Chinese expatriates in Indonesia, mainly what kind of difficulties and problems do they face? Is there any support or assistance from the company in terms of the management system?

1.2. The main research problems:

1. The cross-cultural problems: what kind of difficulties faced by Chinese expatriates in Indonesia which mainly due to the lack of expatriation management?
2. What are the solutions for the problems? how to overcome those conflicts/difficulties and what should the HRM do about cross-cultural conflict managements?

1.3 The objectives and benefits of research

This paper tries to conduct in-depth research on the cross-culture problems of Chinese expatriates in Indonesia which may be caused by social and cultural differences and the lack of expatriation management. From the perspective of management, it is hoped that through the above research and the exploration of the solution, we can improve the management of Chinese expatriates in Indonesia during the bilateral economic and trade cooperation between China and Indonesia, and also can get the countermeasures for corresponding problems.

2. LITERATURE REVIEW

2.1 Theoretical basis

The international human resource management model (Figure 1-1) is proposed by Morgan [14]. International human resource management is defined as the interaction between the human resource management function, the type of employees and the country where the operation is conducted. Its model includes the following aspects:

1. Human resource management activities which including acquisition, allocation and utilization;
2. Three types of countries related to international human resource management, which including the host country of the subsidiary, the home country of the company's headquarters and the third-party country;

3. Three types of employees in multinational companies, which including host country employees, home country employees and third country employees.

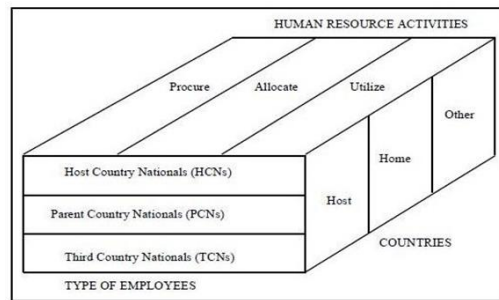


Figure 1. International Human Resource Management model

International human resource management is considered to be the principle and practice of personnel management in international organization / global corporation. When the function of human resource management is applied to the international environment, it becomes an international human resource. [19]

An expatriate or foreign-service employee is a generic term applied to anyone working outside her/his home country with a planned return to that or a third country. Parent/Home country is the expatriate's country of residence; Host country is the country in which the expatriate is working; A third-country national is an expatriate who has transferred to an additional country while working abroad. [20]

The expatriation process includes selection, preparation, liaison with the home country company, performance evaluation, repatriation and career planning. Family issues also need to be considered when it comes to the expatriation process [16]. The process of procuring, allocating and effectively utilizing human resources in an international business is called International Human Resource Management or IHRM. [17].

2.2 Previous research

There are many existing expatriate studies. However, most of them are focusing on expatriates from developed countries who have been sent to developing countries. Few studies have investigated expatriates who are from developing countries such as China sent to another emerging country, like Indonesia. To the extent that the Chinese expatriates in Indonesia is an unexplored theme. Here are some of the expatriate studies for reference:

- a. Expatriate management- How can the expatriation process be improved. [10]. This paper is to contribute with an understanding of problems expatriates encounter during their expatriation period and how the expatriation process can be improved.
- b. Expatriation: the focus on Psychological contract [18]. This study aimed to understand how expatriates

characterize their psychological contract becoming an important contribution to the existing literature in this area. And this paper focuses on the importance of psychological contract in the management of expatriation.

- c. Expatriate Management – Transatlantic Dialogues. [2]. This book provides state-of-the art research on expatriate management from a European perspective. Considering issues related to the different phases of expatriation and comprehensive contemporary topics of expatriate management, the research presents a long overdue holistic approach to the field.
- d. Chinese expatriate management in emerging market a competitive advantage perspective.[11]. This study enhances understanding of the competitiveness of emerging market multinationals by showing how the competencies, combination and management of their expatriates create a distinct source of competitive advantage.

3. RESEARCH METHODS

3.1 Rationality of research types

The research method used in this research is descriptive qualitative research. Qualitative research is an approach which is also called an investigative approach because researchers usually collect data by face to face and interacting with people at the research site [15]. The research data was obtained from two sources-- primary data and secondary data. Primary data is data obtained directly from two ways, through questionnaire and interviews of Chinese expatriates. When necessary, the focus group discussion will also be used to assist the investigation.

Then secondary data is obtained from company data. Data collection techniques used are in the form of interviews and observations.

3.2 Subjects of the research

The subjects of this paper are the Chinese expatriates who are working in Indonesia now. The interviewees will be composed of government officials, employees of Chinese MNCs or other personnel from Chinese institutes. Most of them have been working in Indonesia for more than a year and already have certain experience about expatriation life here, whom supposed to be had a fully understanding of expatriation in Indonesia.

The companies / institutes that we interviewed are mainly service industry, manufacturing industry and trade industry. we chose some big Chinese agencies/companies that have worldwide branches to do the research of Chinese MNCs expatriation management. For example, government agencies (the Consulate General of China in Surabaya) , state-owned companies Bank of China and private companies Akulaku, etc), we conducted interviews with their managers and employees respectively, to explore their management system and existing problems of the organization, and discussed

relevant countermeasures and opinions on international human resource management.

3.3 Data Types and Data Collection Techniques

This research includes several types of sources such as interviews and observations. For this study we used two instruments to collect the data. First, we applied a small sociodemographic survey by a questionnaire to collect expatriates' information such as age, gender, education background, faced- difficulties and current situation of the expatriation.

The semi-structured interview was the preferred technique for acquiring information on the participants since through this qualitative method is possible to understand the experience of participants. This information gathering technique requires that the interviewer dominate all topics on which you need to get answers from the informant, but on the other hand enables the respondent can give such a long answer as you like [19]. In total 6 interviews will be carried out the expatriates who are working in Indonesia. The semi-structured interview guide was divided into three types to capture as much information as possible about the three phases of the expatriation: preparation of the mission; situation during expatriation in Indonesia; repatriation.

3.4 Data Analysis

Under the guidance of the research questions, first we categorize the questions in the questionnaire and then analysed the collected data through the data reduction method. In the interview session, the analysis is based on each case, followed by cross-case analysis. Then general explanations can be made according to the specific situation. Finally, we use Critical Incident Technique to do the analysis. The critical incident technique consists of a set of procedures for collecting direct observations of human behaviour in such a way as to facilitate their potential usefulness in solving practical problems. Then the collected data are combined with cases to summarize all the analysis results.

4. DATA ANALYSIS AND FINDING

According to the survey results of the previous chapter, we analyse the three aspects of Chinese companies 'expatriation management, problems in cross-cultural communication and how the company deals with the existing problems /conflicts. We found that:

4.1 The lack of expatriation management is obvious

According to the questionnaire, 70% of Chinese companies will adopt appropriate management mode according to local conditions after entering Indonesia. Which means the depth of localization is not enough. Based on the data we collected and the interview results of some managers from Chinese companies most of them have large number of local employees, but the management are still held by Chinese expatriates. Although there are some guidance and training for local

employees, the difference in thinking and working ethic still lead to the incompatibility between Chinese management and local employees, which frequently occurs in the early stage when most Chinese companies enter the Indonesian market.

As for the management system of expatriates, most Chinese companies have no relevant management regulations, and the selection of expatriates lacks a scientific selection system. More than half of expatriates have not received any introduction or training about the environment of Indonesian society, culture, folk customs and religion before they are dispatched. Although some companies have introduced some relevant economic policies (about visa for example) and regulations of Indonesia, it is still not enough, and the knowledge of expatriates is generally quite a little. The performance evaluation and compensation mode most directly use headquarters 'evaluation standard from China, which are quite lack of specification for expatriates, and rarely can be combined with the actual situation of Indonesia's local (according to HSBC's ' survey. Average gross personal income of expats working in Indonesia reach USD133,710/year, while according to the survey of questionnaire most Chinese expats did not reach this level), thus causes salaries-satisfaction become quite low which obviously will cause certain influence on achieving the goal of work.

The service provided by companies to the family members of the expatriates are relatively limited, and most of them do not have any welfare for family members. Therefore, it is easy for the expatriates to fail to properly handle the relationship with their spouses and family members. There are also lack of education care for children, maybe there are some occasional economic subsidies, but generally no facilities offered by companies. Therefore, almost 70% expatriates believe that expatriation will have a negative impact on their children's education. These lack of family care and service can easily lead to interpersonal crisis and psychological pressure for expatriates. Most companies pay little attention to the mental health of the expatriates, which is reflected in the general lack of forming a psychological care and counselling system. They only use some traditional mode like gathering/ traveling together to express the care for their staffs and to strengthen team building of the expatriates. This is very easy to affect the results of expatriates' work and even could lead to expatriation failure. Most Chinese companies are also short of repatriation management and career planning for expatriates. About the repatriation there is not only lack of clear repatriation management regulation, but also no long-term career planning for expatriates, which is criticized by most expatriates.

4.2 Cross-cultural problems are commonly existing

As it is mentioned in chapter 2, misunderstanding and mistakes resulting from cultural differences are not

only apparent in a people' s resistance to change but also occur in the communication process itself. And that could cause cross-cultural conflicts. Take the work ethic for example , the capacity for hard work was a distinguishing feature of Chinese MNC expatriates, compared to domestic MNC or host-country counterparts. By the research of [11], both Chinese and the host-country side rated Chinese expatriates as " among the hardest people in the world " , prepared to work extremely long hours and get the job done in " whatever harsh conditions. " While in Indonesia "Procrastination seems to be a work culture that a lot of Indonesian workers still do. Even though there might already be deadlines set for a particular work or project, some workers may not immediately work on it. They would wait until the last few weeks to the published deadline to start working" (Indonesian Work Culture – Characteristics, by factsofIndonesia.com).Not being aware of these differences can easily lead to conflicts at work. This could explains why the interviewees expressed that conflicts often occurred in the early stage when they start working in Indonesia

The questionnaire shows that more than 60% of recipients are sent abroad for the first time most of them are going to live and work in Indonesia for a long time, they have a relatively superficial understanding of Indonesia before they are dispatched, and most of them get the knowledge/information by themselves. From the interview results with those managers, we also found that companies have few relevant introduction and guidance about expatriation, this aspect of management and guidance is obviously lacking.

Among the interviewees, more than half of them can speak Indonesian language. They will take the initiative to learn about local social culture, customs, religious and other differences before being sent abroad, so it is ideal to integrate into the local society. In terms of interpersonal relationship, most expatriates express that they can get along well with local people or friends, but due to cultural differences and other reasons, they do not have much in-depth communication with local people. When it comes to getting along with Indonesian colleagues/employees, conflicts or frictions are likely to occur at the beginning. The common reasons are different thinking, work ethic, poor language communication, different efficiency and inconsistent work pace and so on.

In terms of religious integration, the Chinese companies generally do not have training about religion nor specific introduction of Islam, but they still can respect the religious habits of local employees and provide prayer rooms for Muslims to pray regularly. Most Chinese expatriates say the integration is quite good and they can understand and respect different religious cultures and customs.

4.3 Lack of conflict management by companies

In our survey and interview, we found that expatriates are generally facing interpersonal relationship and cross-cultural problems during their overseas assignments. For example, the company is passive in dealing with problems caused at work. The management often conducts counselling and resolution after the occurrence of problems or conflicts, and rarely gives early warning of the differences in cross-cultural communication from the pre-departure training, so such conflicts cannot be avoided in advance. Some of the companies interviewed already aware of the differences between Chinese and Indonesian employees in thinking, working ethic and other aspects, as well as the conflicts/contradictions caused by the differences, but they did not conduct analysis and get in-depth understanding, also could not establish targeted regulations/systems about conflict management.

Data we collected show that nearly 60% of informants feel the pressure caused by overseas assignments, and the company generally lacks the mental care ness for expatriates and has no psychological counselling mechanism. Expatriates rely on self-adjustment to cope with the inadaptability of overseas life, and solve various problems they faced by themselves.

5. CONCLUSION, LIMITATIONS, AND IMPLICATIONS

5.1 Conclusions

Based on the data analysis and the problems found in the previous chapter, here are some suggestions for Chinese companies on the management of expatriates, mainly including the following perspectives: selection, training, salary system, career planning (repatriation), daily management and service.

1. Select suitable expatriates

In the process of selecting expatriates, companies should focus on some aspects according to their own situations. The selection system that suitable for the needs of companies should be formulated according to the factors such as different types of companies, different positions at different levels and different purposes for expatriation. According to the specific employment needs of the position, managers can take screening resumes, recommendations, interviews, standardized testing, evaluation, work trial and other ways to select expatriates, and combine with the actual situation of the expatriates to do a full range of investigation, so as to choose the right expatriates.

2. Carry out the complete training of expatriates

Before and during the period when expatriates are abroad, they will encounter the cultural impact caused by cross-cultural factors and the role ambiguity caused by the change of working environment. Therefore, it is necessary to establish a sound training system for

expatriates and implement all-round training programs to solve this problem. According to [7], MNCs can identify and summarize cultural differences to eliminate conflicts, the management departments should go deep into employees and relevant departments to understand various problems of cultural conflicts, understand employees' cultural backgrounds, analyse cultural differences, and finally propose solutions through training to both of the expatriates and the local employees, and then to achieve cultural integration and synergy.

Pre-departure training. Pre-departure training can quickly and effectively familiarize expatriates with the basic situation, cultural customs and value orientation of Indonesia. The main training contents should include: basic information of local politics, laws and regulations, economy, society, history, religion, and natural environment in Indonesia. Especially the cross-cultural differences like the values, beliefs, customs, national habits, working ethic, skills and manners to communicate with local people, etc.

Pre-return training. After the overseas work of the expatriation, the domestic culture may have adverse cultural impact on expatriates or not adapt to them, so they need to receive pre-return training. The training content should include the current development status of the companies, the future development prospect of the companies, the introduction of organizations and departments, etc. Pre-return training can help expatriates adapt to work and life in China more quickly.

3. Design an incentive salary system for expatriates

According to the survey, most Chinese companies basically adopt the salary system of their headquarters. In order to enhance the incentive, fairness and competitiveness of overseas remuneration, it is suggested that companies can adopt the method of "domestic salary + foreign subsidy + bonus + welfare" to design the remuneration. Usually, foreign salary is 2~3 times of domestic salary, among them the proportion that foreign allowance takes bigger, and could be deducted namely when returning home. This compensation design method can encourage expatriates to work abroad to the greatest extent, and on the other hand, it is the same as the domestic compensation system, so as to avoid the uncomfortable feeling of the salary plummet after expatriates return to China. In addition, a certain reward and punishment system can be set up according to the performance of expatriates during their overseas stay, so as to stimulate the enthusiasm of expatriates and better achieve the purpose of overseas assignment.

4. Make a clear career planning for expatriates

More and more expatriate employees pay attention to personal career development, and companies must make good use of this key point to achieve a win-win situation between companies' development and personal development.

The companies need to organize the human resources department to jointly establish a career planning organization for employees, plan the development path of expatriates during and after their overseas work, help employees clearly understand their future development direction, and conduct follow-up inspection and guidance.

The companies also need to help the expatriates to achieve maximum personal development through various forms, including job enrichment, job rotation, practical training, performance opportunities for young employees and so on.

About repatriation, there should be clear policy/regulation, clear job position and job content training organized by companies for expatriates. Three to six months before the return of an expatriate, the company shall arrange his/her post after his/her return in a position where can give full play to the abilities and experience that the expatriate has acquired abroad. It can also take a variety of ways such as self-registration for election or two-way selection between expatriate and company, to do well in the repatriation and resettlement of expatriates to the greatest extent.

5. Do care about the daily management and service for expatriates during their stay abroad

MNCs, especially their overseas companies/agencies need to create a warm and peaceful living environment, create a warm family-like abroad environment for expatriates, including establishing good living facilities and entertainment facilities, set up good communication facilities and network facilities, rich and wonderful activities, positive attention to expats mental health, etc. Companies need to set up an expatriate assistance centre in the headquarters to provide help to the families of expatriates and solve their worries which including the establishment of emergency reserve funds, the provision of emergency medical assistance, the purchase of accidental medical insurance for family members, and the provision of education subsidies for children. Qualified companies can also provide career counselling to expatriate spouses to help them finding jobs, and spouses can be facilitated to go abroad with expatriates, even could try to provide matchmaking services for unmarried employees.

5.2 Limitations

The limitation of this study lies in the small sample size, which indicates that the strength is insufficient. Since most Chinese companies are stationed in Jakarta, the questionnaire and further communication can only be transmitted to the expatriate groups of Chinese companies through the Internet. Interviews and observation can only be conducted in Surabaya with a few Chinese companies, of which some of the informants requested the interview results to be confidential. so the lack of sample and data limits the depth of this study. In addition, since the author has studied Indonesian language before, the surrounding circles are mostly

people with similar backgrounds, means that the sample collection scope is limited to a certain extent, which may affect the reliability at some extent.

5.3. Implications for future research

In this paper, Chinese expatriates in Indonesia were studied for the first time. Through a questionnaire with 101 respondents and interviews with expatriate managers, we have collected practical problems and major difficulties faced by expatriates in Indonesia, and put forward some constructive Suggestions and solutions for those problems. For a field that has never been studied before, this is a pioneering attempt and exploration. To some extent, the results of this study play a positive role in the management of Chinese expatriates, and it's hoped could help to cope with the growing management demand for Chinese expatriates under the booming economic and trade exchanges between China and Indonesia. On the other hand, it can also assist the expatriates to do better preparatory work before the assignment.

From the perspective of management, this study mainly focuses on the management deficiency of expatriates. In the future, researches on Chinese expatriates can be further discussed from different perspectives, such as social and humanistic perspectives and psychological perspectives. It is also hoped that this study can provide some enlightenment for Chinese companies in the field of expatriate management.

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