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Article abstract

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ABSTRACT

Returnees are valuable managerial and technical assets for multinationals (MNCs). To motivate and retain them, some companies adopt the local-plus approach to remunerate them. This study explores returnees' satisfaction with the local-plus approach and attempts to identify key factors influencing their satisfaction. The study revealed that returnees' satisfaction with the approach varies significantly. Their satisfaction does not always correlate with the interests of the packages. From the perspective of social comparisons, four factors influencing returnees' satisfaction were identified: self-identity, self-esteem, company policy, and expats' conditions.

Keywords: returnees, satisfaction, local-plus approach, social comparisons, referent selection

Résumé

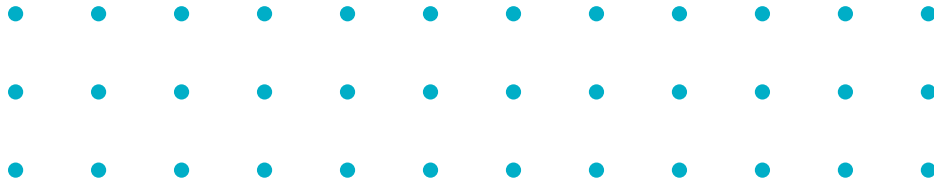
Les retournés sont des actifs managériaux et techniques précieux pour les multinationales (MNCs). Pour les motiver et les retenir, certaines entreprises adoptent l'approche local-plus pour les rémunérer. Cette étude explore la satisfaction des retournés à l'égard de l'approche local-plus et tente d'identifier les facteurs clés qui influencent leur satisfaction. L'étude a révélé que la satisfaction des retournés à l'égard de cette approche varie considérablement. Leur satisfaction n'est pas toujours en corrélation avec les intérêts des rémunérations. Du point de vue des comparaisons sociales, quatre facteurs influençant la satisfaction des retournés ont été identifiés : l'identité personnelle, l'estime de soi, la politique de l'entreprise et les conditions des expatriés.

Mots-Clés : retournés, satisfaction, approche locale-plus, comparaisons sociales, sélection du référent

Resumen

Los retornados son valiosos activos técnicos y de gestión para las empresas multinacionales (EMN). Para motivarlos y retenerlos, algunas empresas adoptan el enfoque "local-plus" para remunerarlos. Este estudio explora la satisfacción de los retornados con el enfoque local-plus e intenta identificar los factores clave que influyen en su satisfacción. El estudio ha revelado que la satisfacción de los retornados con el enfoque local-plus varía considerablemente. Su satisfacción no siempre corresponde a los intereses de la remuneración. Desde una perspectiva de comparación social, se identificaron cuatro factores que influyen en la satisfacción de los retornados: la identidad personal, la autoestima, la política de la empresa y las condiciones de expatriación.

Palabras Clave: retornados, satisfacción, enfoque local-plus, comparaciones sociales, selección de referentes



The past decades witnessed a phenomenal brain drain, as a large number of educated people from developing countries went to study and work in developed countries (Docquier & Rapoport, 2012; Wang, 2010). However, this trend has recently reversed to brain gain, as a significant number of foreign graduates have returned to their home countries due to their countries' fast economic growth, career opportunities, and government incentive programs (Hoang & Ho, 2019; Wang & Bao, 2015; Varma & Tung, 2020). In China, the total number of returnees stood at 31,32,000 for the period from 1978 to 2017, which represented more than 80% of the total number of Chinese graduates abroad during the same period (CCG, 2018; Fan, 2018). In 2019, the number of returnees reached 519,400, a new record representing an 8% increase compared with 2018 (Career Science Lab, 2019). The same trend has also been observed in India, Vietnam, Malaysia, and Central and East Europe (Hoang & Ho 2019; Tung & Lazarova, 2006; Zweig *et al.*, 2021).

Returnees are valuable assets for MNCs (ChinaDaily, 2018-07-03; Choudhury, 2010). One of the main concerns of MNCs is the simultaneous achievement of two seemingly contradictory strategic objectives: global efficiency and local responsiveness (Bartlett & Ghoshal, 2002). Returnees from multiple cultural backgrounds are more likely to help achieve both objectives and maintain a balance between them. In most developing countries, the pool of highly qualified managerial and technical talent is not sufficiently large (Beaumont *et al.*, 2016; Latukha, 2015). To attract and retain talent, attractive compensation packages are considered one of the most effective mechanisms (Currall *et al.*, 2005; Ezzamel & Zhao, 2017). Therefore, some MNCs adopt a special pay structure to compensate returnees, namely the local-plus approach (Meier, 2019; PwC, 2013). This approach consists of a host package with some additional benefits that are typically provided in expatriate packages but lacking in purely local packages. It is a compromise between the high costs of traditional expatriate packages and purely local ones that discourage mobility (Meier, 2019).

Despite the importance of returnees, insufficient academic research has been conducted to gain a profound understanding of returnees (Gu & Schweisfurth, 2015; Guo *et al.*, 2013; Lin-Stephens *et al.*, 2015). Research has been conducted on returnees' benefits (Lin *et al.*, 2014; Zhang *et al.*, 2018), career expectations, employability (Hao *et al.*, 2016; Lin-Stephens *et al.*, 2015; Porschitz *et al.*, 2012), motivation (Hao *et al.*, 2017), and identity transition (Gu & Schweisfurth, 2015). However, the local-plus approach as a special compensation structure has received little attention. There is a lack of understanding of the practices and effects of this approach.

To fill this void, this study undertakes a qualitative approach to explore MNCs' practices regarding the local-plus approach and its effect on returnees' satisfaction. Specifically, it attempts to examine whether returnees are satisfied with the local-plus approach and what factors influence their satisfaction. To clarify this, it first explores how the local-plus approach is practiced in MNCs, then whether returnees are satisfied with the approach, and finally, what factors influence their feelings of satisfaction.

The research revealed that the local-plus approach is practiced in most MNCs. However, returnees' feelings of satisfaction vary greatly, and their satisfaction does not always correlate with the interests of the packages. Apart from packages, there are other factors that influence returnees' satisfaction. The findings enrich the understanding of effectiveness of MNC compensation approaches in the management of returnees. They also have implications for HR practitioners in the design and implementation of an effective compensation approach.

Literature review

Compensation approaches in MNCs

Compensation is a complex and often confusing subject (Gerhart & Rynes, 2003). In overseas subsidiaries of MNCs, where international assignees, also known as expatriates, work side by side with local employees, the issue of compensation is even more complicated. If not well designed and managed, compensation can become a source of frustration (McNulty, 2016). In general, there are two compensation approaches: polycentric and ethnocentric (Bonache *et al.*, 2009; Kang & Shen, 2015).

The polycentric approach is host country based. It uses the salary standards and compensation structure of the host country for all employees. The remuneration and benefits are in accordance with local market practices. Under this approach, expats receive compensation equivalent to that of local employees with similar qualifications (Bonache *et al.*, 2009; Kang & Shen, 2015). However, this approach does not encourage mobility, as it is not sufficiently motivating to entice employees to accept international assignments. Moreover, it is particularly difficult to practice in countries where living and working conditions are inferior to those in expats' home countries (Bonache *et al.*, 2009; Shortland, 2018). Indeed, the pursuit of financial benefits is a major motive for expatriation (Dickmann *et al.*, 2008; Shortland, 2018).

Contrary to the polycentric approach, under the ethnocentric home-based approach, employees remain tied to the compensation and benefit structures of their respective home countries. In this approach, two types of compensation packages coexist: expat packages offered to international assignees and local packages offered to local employees. The first package is superior to the second in terms of salary and benefits. The package provides full allowances for the cost of living, home leave, relocation allowance, tax equitization, international travel, housing subsidies, and children's school fees. Hardship premiums may also be provided under this approach (Meier, 2019; Warneke & Schneider, 2011). This approach allows expats to maintain a standard of living similar to their home countries. The financial appeal of the package can generate a large pool of candidates, thus allowing companies to select candidates with good profiles. However, compensation differentials between expats and local packages do not motivate local employees with

similar responsibilities, who may feel that they are discriminated against. This can be a source of frustration and dissatisfaction (Bonache *et al.*, 2009; Kang & Shen, 2015).

Whether the polycentric or ethnocentric approach is adopted, it can hardly appeal to both expats and locals. This dilemma is even greater when it comes to compensating returnees. Due to their dual cultural background and overseas experience, their identity can be ambiguous (Gu & Schweisfurth, 2015). Should they be treated as expats or locals? Identity ambiguity also leads to complexity in compensation. Should they be paid as expats with a home-based approach or as locals with a host-based structure? If the former is practiced, the cost will be high for companies. If the second option is chosen, the package will not be sufficiently attractive to motivate and retain returnees. Due to the ambiguity in positioning returnees between expats and locals, as a compromise, some MNCs adopt a special compensation structure—the local-plus package—to compensate returnees (iMercer, 2014; Mercer, 2015). The local-plus package is a hybrid version of the host country and home country approaches. It is a host package under a local pay structure but includes certain additional perks typically found in expatriate packages. One of the specificities of this approach is its low standardization. The “plus” components vary from one company to another (iMercer, 2014; PwC, 2013). Even within the same company, additional benefits included in each package could differ. Much of what is included is determined on a case-by-case basis (ORC, 2009).

The benefits of local-plus packages are mainly two. First, it costs much less than an expat package. Second, the “plus” part is flexible enough to allow employers to adjust benefits included in each package to be responsive to local market conditions rather than a global mandate. This is a compromise between high costs of traditional expat packages and low costs of purely local packages that discourage mobility (Meier, 2019; PwC, 2013). However, despite the benefits of the local-plus approach for employers, from the perspective of returnees, there might be some uncertainty regarding their satisfaction with this approach. Not all returnees are eligible for local-plus packages; some may only have a purely local package. Only approximately 23% of returnees have variations of local-plus packages (iMercer, 2014; Mercer, 2015). Additionally, the flexibility of the approach means that each local plus package differs in terms of benefits included. Given discrepancies in packages in terms of types and variations of benefits, it is important to understand the effect of the local-plus approach on returnees and whether it is effective in creating greater satisfaction among them.

Social comparisons and referent selection

To understand whether returnees are satisfied with the local-plus approach and whether a better package or more benefits can lead to greater satisfaction, it is necessary to refer to equity and social comparison theories. According to Adams (1963) and Carrell and Ditttrich (1978), individual satisfaction is based on comparison with others. While a positive comparison leads to satisfaction, a negative comparison causes dissatisfaction. An individual determines what is right by comparing what he/she brings and receives with what others bring and receive. Package discrepancies in terms of types and variations of benefits can lead to social comparisons among returnees. The results of the comparisons may influence their feelings of satisfaction.

The selection of referents plays an integral role when making comparisons. Individuals' perceptions of distributive injustice depend largely on the type of referents chosen for

comparison (Adams, 1963; Festinger, 1954). Different referents could lead to different comparisons. Returnees working in MNCs may choose to compare themselves with expats, other returnees, or local employees, and the results of comparisons with each type of referent could be significantly different. A change in referents leads to a change in comparison results and, therefore, a change in the perception of equity (Chen *et al.*, 2002). The referents chosen for comparison could be other people (Adams, 1963), or individuals can select themselves as referents by comparing with their own experiences within the same organization or in other companies (Adams, 1963; Goodman, 1974).

When comparing with others, individuals tend to benchmark themselves with those with similar qualifications performing similar tasks at similar positions in the organization (Festinger, 1954; Goodman, 1974; Kulik & Ambrose, 1992). Some research reported the availability of referent information and the relevance of the referent as two important mediating variables that influence the choice of referents (Goodman, 1974; Levine & Moreland, 1987). Individuals tend to choose a referent if they have access to information about the referent and if they find the referent salient and attractive to compare with. Therefore, in MNCs, expats are often chosen for comparison with local employees (Chen *et al.*, 2000; Toh & Denisi, 2003). Indeed, some local employees have similar positions and levels of responsibility as expats. The distinctive characteristics of the expatriate group in terms of nationality and pecuniary and non-pecuniary advantages make this group salient for comparison. Expats' presence in the same company and their daily interactions with local colleagues allows the latter to obtain information on expats' remuneration and benefits. Proximity with expats also makes their skills, abilities, and shortcomings easier to perceive.

In summary, in the comparison process, different individuals may choose different referents. Different referents may lead to different results in comparisons. Individuals' satisfaction or dissatisfaction largely depends on whether the results of comparisons are positive or negative. Thus, to understand why individuals are satisfied or dissatisfied with their compensation packages, the key is to know which referents they choose and why.

Factors influencing referent selection

Considering the importance of referent selection in the results of comparisons, particular attention should be paid to the factors that influence the selection of referents.

First, a company's compensation policy directly influences the selection of referents. As mentioned earlier, company policy is responsible for package discrepancies in terms of types and variations of benefits. Package discrepancies initiate employees to compare themselves with those who have different packages or benefits.

Second, proximity with referents facilitates selection. As mentioned, employees tend to choose those who are close to them because proximity makes it easier to obtain information about their remuneration and benefits. Their work performance is also easier to observe.

In addition to the above two factors, individuals' self-identity and self-esteem are also essential not only in determining the selection of referents, but also in influencing the perception of fairness while making a comparison (Aspinwall & Taylor, 1993; Kulik & Ambrose, 1992). After comparisons, if individuals feel inequity between themselves and referents, their responses could be different based on their perceptions (Huseman *et al.*, 1987).

Self-identity refers to stable and prominent aspects of self-perception (Sparks & Shepherd, 1992). This is the way in which an individual sees oneself in relation to others. Self-identity has a predictive effect on an individual's intentions, attitudes, and behaviors (Dean *et al.*, 2012; Sparks, 2000). An individual's self-identity established through self-categorization may affect both the perceived relevance of referents and availability of referents' information.

When individuals identify with a certain group, they see themselves sharing more similarities than differences with that group's members. The similarities that make the group salient are demographic, social, professional, and/or personal attributes. Therefore, when making comparisons, they tend to choose referents from this focal group because referents that are similar to individuals are likely to be perceived as particularly relevant (Kulik & Ambrose, 1992). Having identified with a focal group, individuals naturally approach and socialize with members of that group in professional and/or private settings (Idem). Frequent contact and exchange make it easier to obtain information on responsibilities, workloads, pay levels, benefits, and working conditions of group members. Intentional socialization with selected people creates both physical and psychological closeness.

Most transnational individuals are marked by dual or multiple identities (Vertovec, 2009). Returnees' overseas experiences often lead to identity transformation and make them feel somewhat different from local employees at the workplace (Gu & Schweisfurth, 2015). Returnees in MNCs often work with both foreign expatriates and local employees. Owing to their different degrees of identity transformation, returnees might identify themselves with either foreign expats or local employees. Accordingly, they may choose either expats or locals as referents for comparison.

While some studies emphasize that individuals tend to select referents similar to themselves (Festinger, 1954; Goodman, 1974; Kulik & Ambrose, 1992), other studies report that individuals may also compare with referents that are quite different from themselves (Collins, 1996; Wills, 1981). Comparisons may be performed upward or downward. When making upward comparisons, individuals choose referents that are better off or superior (Collins, 1996). When making downward comparisons, referents that are worse off or inferior are chosen (Wills, 1981). Here, individuals' self-esteem plays an important role in deciding whether upward or downward comparisons are made.

Self-esteem refers to an individual's positive or negative feelings about themselves. It is a subjective evaluation of self-worth. Upward comparisons are usually made by individuals with high self-esteem. In such cases, the purpose of self-improvement is to make a better self. Downward comparisons are often chosen by individuals with low self-esteem. In this case, the purpose of self-enhancement is to improve their negative mood (Aspinwall & Taylor, 1993).

When selecting referents, individuals typically choose comparable referents; however, comparability is highly subjective. People with high self-esteem tend to see similarities in referents who are better off, while those with low self-esteem tend to see similarities in referents who are worse off. Therefore, it can be inferred that individuals' self-esteem, as an unconscious drive, equalizes them to the chosen referents, either better off or worse off. It is a matter of cognitive and psychological reasoning rather than conscious intention.

In summary, the literature shows that people's self-identity and self-esteem greatly affect their choice of referents. Meanwhile, proximity with referents, such as expatriate colleagues, also contributes to referent selection because of the ease of access to information. In addition, a company's compensation policies that create package discrepancies are responsible for making upward or downward referent comparisons.

Method

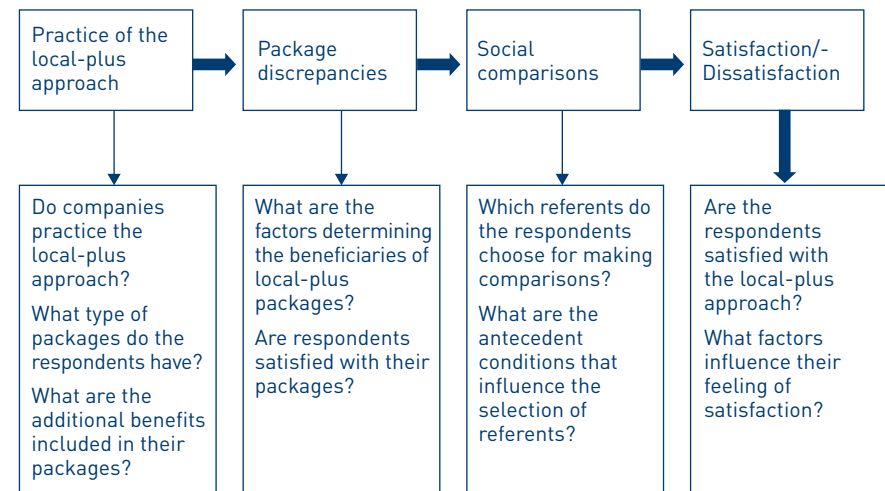
Schema of the research

The literature indicates that package discrepancies lead to social comparisons. The comparison results determine individuals' satisfaction or dissatisfaction. Referent selection significantly impacts the results of the comparisons. Therefore, the factors that influence the selection of referents ultimately influence feelings of satisfaction or dissatisfaction.

To link the literature and field research, a schema of the research was set up, showing the relationships between major aspects identified in the literature (Figure 1). This schema also serves as a guideline for data collection and as the basis for data analysis.

Exploring each identified aspect with specific sub-questions is expected to provide an answer to the research question: Is the local-plus approach effective in creating satisfaction and what factors influence the feeling of satisfaction?

FIGURE 1
Schema of the research



Research method

Given the paucity of existing research on this topic, this study is exploratory in nature. It tackles a subject on which little or no previous research is conducted (Brown, 2006). The purpose was to gain familiarity with the topic and uncover major aspects related to it. A qualitative approach was employed to achieve these objectives. It attempts to “explicate the ways people in particular settings come to understand, account for, take action, and otherwise manage their day-to-day situation” (Miles & Huberman, 1994, p.7). Qualitative research allows probing beneath the surface to gain a better understanding of respondents’ attitudes and feelings toward the subject and provide ideas and bases for further studies. The approach of multiple case studies was used to explore the rich context of the field. By analyzing the data both within each case and between cases, it is expected to be able to identify similarities and differences between the cases (Yin, 2017).

A purposive sampling technique was used. The objective was to include in the sample the instances that matched a predefined profile (Patton, 2015). The selection criteria for the sample were established according to the topic and aims of the study. This allows a better focus on the population most relevant to the research question.

Returnees are defined in various ways. Broadly, they refer to all people who were born in their home countries, went abroad, and eventually returned home. However, the notion of returnees used in this study is more narrowly defined. The participants were selected under the following conditions:

- Participants must be working in an MNC operating in China, because only MNCs practice the local-plus approach.
- Participants must have a higher education degree or/and previous work experience in a foreign country before being employed in the current position. Indeed, only returnees with this profile can possibly be offered a local-plus package.
- Participants included both beneficiaries and non-beneficiaries of local-plus packages. As not all returnees are beneficiaries of local-plus packages, it is important to understand the impact of this approach on both beneficiaries and non-beneficiaries.

Regarding sample size, there is little consensus on the exact number of participants. Experts advise between 12 to 60 participants (Saunders & Townsend, 2016). The sample size also depends on its homogeneity and the research purpose. If a sample is chosen from a homogeneous population, fewer informants are required (Saunders, 2012). In the process of selecting participants for this study, several concrete conditions were set up, as shown above. The resulting sample is homogeneous with respect to the selected criteria (but may be heterogeneous in other respects) (Schreier, 2018). The saturation principle was applied in this study. The search for new participants ended when no additional themes emerged regarding the questions listed in the interview guide.

A total of 22 returnees were selected and 30 semi-structured interviews were conducted. Some participants were interviewed more than once. The interviews lasted an average of one and a half hours and were conducted either face-to-face (19 interviews) or by using the WeChat application (11 interviews) due to geographic distance and respondents’ preferences. As respondents and the researcher both speak Chinese, the interviews were conducted in Chinese. Then, the transcripts were translated into English. As remuneration is a sensitive and personal matter, the names of participants and

companies were kept anonymous. Codes were used to identify the respondents. A1-A5 represents respondents in the 50-year-old age group, B1-B6 represents respondents in their 40s, C1-C5 represents respondents in their 30s, and D1-D6 represents respondents in their 20s. Only the sectors of activities are indicated for the companies. Neither filming nor recording were used during the interviews. Notes were taken with a pen or typed on a PC. Comments were added to transcripts after each interview. All the data were entered into an Excel spreadsheet.

The coding technique was used to organize themes. For example, the label “Types of packages” refers to the compensation packages existing in companies. The label “Referents” represents the referents chosen for comparison. Organizing words and sentences in transcripts through coding was the first step in the analysis. This process converts raw data into meaningful information. Further analyses were performed on cases both vertically and horizontally. Vertical analysis refers to in-depth within-case analysis. Each case was carefully studied to determine the internal logic and cause-and-effect relationship. Subsequently, a horizontal cross-case analysis of all cases was performed to discover the similarities and differences between the cases through comparisons.

According to Schreier (2012), qualitative content analysis can be used to analyze verbal data collected through interviews. Qualitative measures generally deal with textual data or words. In this study, respondents’ level of satisfaction was measured by the score they gave on a scale of ten, and interpreted by their verbal and physical expressions. During the interviews, not only the respondents’ verbal responses were noted, but even their tones, moods, gestures, and facial expressions were observed. For analysis, the interview transcripts were read and re-read several times to interpret the meanings of their words and nuances observed in their body languages. Take C4 as an example; her high satisfaction was measured not only by the score she gave (10/10), but also interpreted by her response, “I could have never dreamed of having my current positions and conditions,” and her mood observed during the interview, which was described as, “she could not hide her excitement.” This is one of the reasons behind using interview quotes and descriptions of body language in the analysis.

Results and analysis

Table 1 shows participants’ age, sex, degree, nationality, and job position. The sectors of activities and nationalities of their firms are also indicated. For the sake of anonymity, only codes were shown to identify respondents and their companies.

Returnees’ packages and factors determining their packages

In 21 out of the 22 firms where the respondents worked, three types of employees existed: foreign expats, Chinese returnees, and local Chinese. The only exception was C4’s company, where no foreign expats were employed. Regarding compensation packages,

- The number of firms that offered three types of packages to employees — expatriate, local-plus, and purely local packages — stood at 18.
- The number of firms (C1, C4, D1) that did not offer expat packages was three.
- Only one firm (B2) offered purely local packages.

TABLE 1
Respondents' information

| Respondent | Sex | Age | Nationality | Degree abroad | Job Position | Firm Sector | Firm Nationality |
|------------|-----|-----|-------------|---------------|----------------|---------------|------------------|
| A1 | M | 59 | American | PhD | Director | Manufacturing | American |
| A2 | M | 57 | German | PhD | Director | Manufacturing | Israeli |
| A3 | M | 55 | French | PhD | Vice president | Manufacturing | French |
| A4 | M | 52 | French | Master's | Representative | Manufacturing | French |
| A5 | M | 50 | Canadian | MBA | Manager | Service | Canadian |
| B1 | M | 44 | French | MBA | Director | Manufacturing | French |
| B2 | F | 42 | Chinese | PhD | Partner | Service | American |
| B3 | M | 41 | French | Master's | Director | Manufacturing | American |
| B4 | F | 40 | Chinese | Master's | Director | Manufacturing | French |
| B5 | M | 40 | Chinese | Bachelor's | Director | Service | French |
| B6 | M | 40 | Chinese | Master's | Senior manager | Service | British |
| C1 | M | 39 | Dutch | PhD | Director | Manufacturing | German |
| C2 | F | 37 | Chinese | Master's | Director | Manufacturing | French |
| C3 | F | 35 | Chinese | Master's | Senior manager | Manufacturing | French |
| C4 | F | 35 | French | College | Director | Service | French |
| C5 | F | 32 | Chinese | PhD | Manager | Service | French |
| D1 | F | 29 | Chinese | Master's | Manager | Service | French |
| D2 | M | 29 | Chinese | Master's | Manager | Manufacturing | German |
| D3 | M | 29 | German | Master's | Engineer | Manufacturing | German |
| D4 | M | 28 | Chinese | Master's | Manager | Manufacturing | German |
| D5 | M | 28 | American | Master's | Engineer | Manufacturing | American |
| D6 | M | 27 | German | Master's | Engineer | Manufacturing | German |

Regarding the beneficiaries of each type of packages, three categories were revealed:

- Beneficiaries of local-plus package: 11 (A3, A4, A5, B3, B4, C1, C2, C3, C4, D2, and D4).
- Beneficiaries of expat packages: 2 (A1 and A2).
- Beneficiaries of purely local packages: 9 (B1, B2, B5, B6, C5, D1, D3, D5, D6).

As for the beneficiaries of expat packages, their status was only temporary, as A1 and A2 mentioned that in two or three years, if they still like to work in China, their contracts would be localized due to legal constraints. The best package that they could expect was a local-plus package. Therefore, the expat package can be viewed as a prelude to the local-plus package. This is the case for A3, B3, and C3. They were offered expat packages at the start of their assignments in China; however, the packages were later localized to local-plus packages. Eight respondents were offered a local-plus package from the beginning; while nine respondents always had purely local packages.

The study of the respondents' profiles revealed that among the 13 beneficiaries of expat and local-plus packages, seven were foreign passport holders, whereas all the nine beneficiaries of purely local packages had a Chinese passport. Therefore, nationality is the most important factor that determines the type of package offered to a returnee.

There were five exceptions. B4, C2, C3, D2, and D4 were Chinese nationals, but had local-plus packages. An examination of their backgrounds shows that they were all sent from their companies' headquarters abroad to China-based subsidiaries. By contrast, beneficiaries of purely local packages were all hired locally in China. Therefore, the second important factor determining the type of package was the location of recruitment of returnees.

To summarize, the analysis shows that the local-plus approach is practiced in most MNCs where the respondents worked. Not all respondents were beneficiaries of local-plus packages. Nationality and recruitment location are factors that determine the types of packages that returnees may have.

Benefits included in the packages

Of the three types of packages, expat packages provided full benefits, including salary increases, accommodation subsidies, overseas air tickets, international medical insurance, and maintenance of home country social contributions. Pure local packages do not include the aforementioned benefits. The analysis of local-plus packages revealed significant differences in benefits. Accordingly, local-plus packages were divided into two subcategories based on the benefits included: super local-plus and light local-plus.

The benefits provided in super local-plus packages were quite similar to those of expatriate packages. A3, A4, B3, B4, and C2 benefited from super-local-plus packages.

"When my expat contract was localized, most benefits were shifted to my base salary, like housing subsidies and overseas air tickets. The company also continues to pay my children's school fees at a French school," said A3 smilingly.

"My package includes a 15% salary increase, the maintenance of my French social contribution, an annual round-trip to France for all my family members, an accommodation perk of 8,000 yuan per month, and the cost of tuition for one of my two kids," said C2.

As for light local-plus packages, fewer additional benefits were included, which was the case for A5, C1, C3, C4, D2, and D4. In general, only one additional benefit was offered. C1's package included the coverage of his son's tuition fees in an English school. A5, C3, C4, and D4 benefited from housing subsidies. D2 had an annual round-trip air ticket for traveling abroad.

The analysis above shows that benefits in local-plus packages differed significantly. This section of the analysis, together with the previous one, reveals two main features of the local-plus approach. First, local-plus packages were not offered to all returnees. Only those returnees with certain profiles were the beneficiaries of such packages. Second, the local-plus approach was flexible in terms of benefits it offered. This approach is applied on a case-by-case basis.

Respondents' satisfaction with their packages

During the interviews, the respondents were asked to rate their levels of satisfaction on a scale of 10, where 1 showed least satisfied and 10 showed fully satisfied. Based on these ratings, five levels of satisfaction were revealed:

- 9–10 points: highly satisfied (A1, A2, A3, B5, C4, and D5)
- 7–8 points: satisfied (A4, B1, B3, B6, C3, C5, D1, D3, D4, and D6)
- 5–6 points: average satisfaction (B2 and C1)
- 3–4 points: unsatisfied (A5, B4, and D2)
- 1–2 points: highly unsatisfied (C2).

Meanwhile, during the analysis, the respondents' verbal and physical expressions were carefully studied to verify whether the ratings corresponded to their expressions. Some adjustments were made accordingly, especially for those who gave a range of ratings or a half-point. For example, A3 rated his satisfaction level between eight and nine. The analysis showed that he was very happy with his package because he provided only positive examples to support his satisfaction, as the company continued to pay the tuition fees for his children, and he could not find a better offer in the market. Therefore, the final score considered was 9.

The analysis showed that the satisfaction of the respondents with their packages varied greatly. Some felt fully satisfied, whereas others were disappointed and frustrated. Here are some examples of what the respondents had to say on their packages:

"I could never have dreamt of having my current position and work conditions," C4 could not hide her excitement.

"I have no complaints about my compensation," said B1 calmly. "I think my company's compensation policy is quite fair."

"I give 5 out of 10," C1 tried to be objective. "It is not too bad, but it could be better."

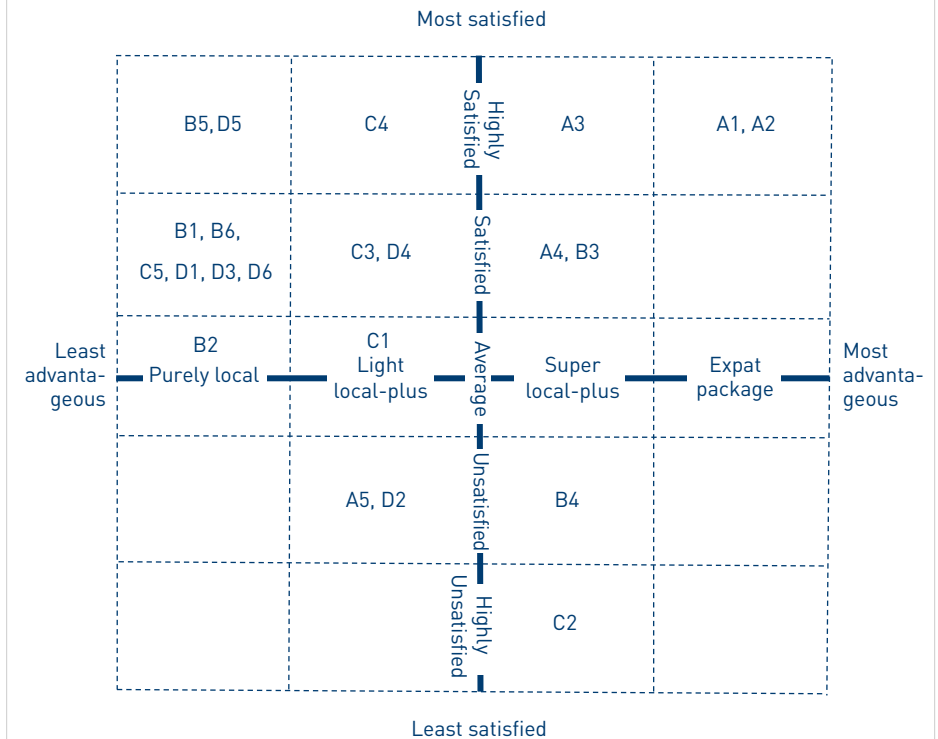
"I would like to have an expat package like most of my French colleagues," said B4. "I make do with my package because my kids are happy here and my husband has a good contract."

"Am I happy with my package?" C2 became nervous when asked this question. "I am not treated fairly at all!" Her voice rose. "Anyway, I will not renew my contract to stay longer. I prefer to earn less but feel better."

To see more clearly the relationship between the respondents' levels of satisfaction and the interests of the packages, a figure of four quadrants was created (Figure 2), in which the horizontal axis indicates the interests of the packages (purely local, super local-plus, light local-plus, and expat packages: from the least advantageous to the most advantageous), and the vertical axis indicates the respondents' levels of satisfaction from the least satisfied to the most satisfied. Each respondent was positioned somewhere in the quadrants according to his/her level of satisfaction and the package type.

The figure reveals that respondents' levels of satisfaction do not always correlate with package interests. Indeed, a positive correlation was observed in the cases of A1 and A2. Both had the best expat packages and were highly satisfied. However, this correlation was not observed in other cases. For example, C4 had a light local-plus package but was

FIGURE 2
Packages and Satisfaction



highly satisfied, whereas B4 and C2 both had super local-plus packages, but their satisfaction levels were among the lowest. This also shows that there was more homogeneity in the feelings of satisfaction among the beneficiaries of purely local packages than those of local-plus packages. There are neither highly unsatisfied nor unsatisfied cases among the beneficiaries of purely local packages, whereas the feelings of satisfaction among the beneficiaries of local-plus packages covered all five levels, from highly satisfied to highly unsatisfied. Their satisfaction levels varied considerably.

The above analysis leads to two conclusions. First, the beneficiaries of the local-plus packages are not necessarily more satisfied than the non-beneficiaries. Second, more benefits included in packages do not always generate greater satisfaction. Therefore, the following analysis attempts to identify the factors influencing the satisfaction, other than the packages themselves.

Comparisons and selection of referents

According to equity theory, individual satisfaction is based on comparisons with others. The selection of referents influences the results of comparisons. Therefore, to identify the factors influencing respondents' satisfaction, the key is to determine how the respondents make comparisons, which types of referents they choose, and which factors influence their choice of referents.

The analysis of the respondents' interviews revealed that when asked if they were happy with their packages, to justify their satisfaction or dissatisfaction, all respondents made comparisons with others or themselves directly or indirectly. Based on comparisons of the interests of the packages, three categories of comparisons were discovered: downward, upward, and same-level comparisons:

- Downward comparisons occur when respondents compare themselves with those having inferior packages, including a comparison of their current package with their own previous package(s). This is considered a downward comparison, as their current packages are better than their previous ones.
- Upward comparisons occur when respondents compare with those having superior packages.
- Same-level comparisons occur when respondents compare with those having similar packages.

Further analyses were conducted on the types of comparisons made by the respondents, the relationship between the chosen referents, and their satisfaction:

- Respondents who compared upwards were less satisfied than those who compared at the same-level or downwards.
- Among the beneficiaries of the local-plus packages, upward, same-level, and downward comparisons were all observed. This explains why their satisfaction levels differed greatly, from the most satisfied to the least satisfied. Those referring to foreign expats were generally the least satisfied.
- The beneficiaries of purely local packages rarely compared themselves with foreign expatriates. They tended to make same-level or downward comparisons by referring to other returnees, local colleagues, or market offers. Therefore, they tended to be less unsatisfied, and their levels of satisfaction were less varied.

Here are some examples of the respondents' quotes that support the above statements:

With a light local-plus package, C4 was happy to say, "I am the only one with a local-plus contract. All others have purely local packages. I earn much more here than in France." Apparently, her high level of satisfaction was due to her downward comparisons between her previous package and that of her local colleague's.

C2 was the least satisfied with her super local-plus contract. "It is really unfair not to offer me an expatriate package." She became more frustrated when she mentioned a French colleague who had a local-plus contract like hers but with a better housing perk. "This is unacceptable!" Her upward comparison with French colleagues greatly disappointed her.

Despite his purely local package, B5's feelings were positive.

"Sure, my French colleagues have better packages than mine; however, this result was not an appropriate comparison, as they are expats. I have made significant progress in this company. I do not think I could find a better offer somewhere else." B5 avoided making upward comparisons with his French colleagues and chose his own evolution and market offers as references for downward and same-level comparisons.

Factors influencing referent selection

The above analysis shows that respondents' satisfaction is closely related to the types of comparisons. The three types of comparisons (downward, same-level, and upward) are, in fact, a matter of referent selection. To understand the factors influencing respondents' level of satisfaction, the key is to determine which factors influence their selection of referents.

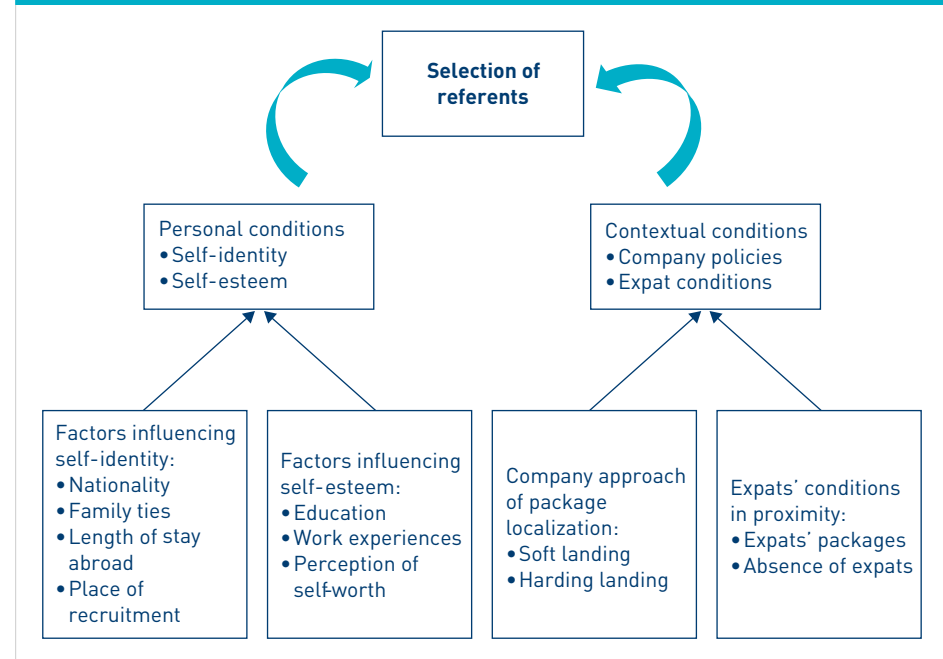
First, respondents' self-identity was found to influence their choice of referents. If respondents identified themselves more as non-Chinese, they tended to choose foreign expatriates as referents. If respondents saw themselves more as Chinese, they tended to choose other returnees or local colleagues for comparison. The analysis of the respondents' profiles indicated four antecedent conditions that influenced their self-categorization: nationality, family ties, length of stay abroad, and location of recruitment.

1. All respondents were of Chinese origin but differed in nationality. Some had a foreign passport, whereas others had a Chinese passport. China does not accept dual nationality. This makes a naturalized person feel more affiliated with the host country than with the country of origin. This was the case with A1, A2, A3, and A4. They all mentioned their nationality as a strong reason to justify the expat or the super local-plus packages they had because they all identified themselves as non-Chinese.
2. Respondents' family ties with either the home or the host country also influenced self-categorization. Those whose spouses and children were of foreign nationality tended to align with foreign expatriates even if they were of Chinese nationality. This was the case with C2 and C4.
3. The respondents' length of stay abroad also influenced their self-identity. The longer they stayed abroad, the more affiliated they felt with foreign expats. Those who compared themselves with expats had generally stayed abroad for more than ten years. Meanwhile, a study of the profiles of the non-beneficiaries of local-plus packages shows that their stay abroad was mostly less than five years, and a few of them compared themselves with foreign expats.
4. The location of recruitment also influenced respondents' sense of belonging. Those recruited from abroad tended to align more with foreign expats than with their locally recruited colleagues.

In addition to self-identity, the influence of self-esteem on the selection of referents was also observed. Respondents with high esteem tended to align themselves with foreign expatriates or other returnees with superior packages. The analysis of respondents' profiles reveals that their self-esteem was closely linked to their education, work experiences, and perceived self-worth. The following are good examples of such respondents:

With local-plus packages, A5 and B4 felt unsatisfied, partly because of their high self-esteem. B4's high self-esteem was a result of her studies at prestigious Chinese and foreign universities as well as her rich work experiences abroad and at home.

FIGURE 3
Factors influencing referent selection



Discussion & conclusion

This study investigated how local-plus approach was practiced in MNCs. It examined whether returnees were satisfied with the approach and which factors influenced their feelings of satisfaction. The study revealed that most MNCs offer different types of compensation packages, including local-plus packages. Not all returnees were beneficiaries of this package. The benefits of each type of package differed. Even within the same category of local-plus package, the benefits differed from package to package. These facts highlight two major features of the local-plus approach:

- Inapplicability of the approach to all returnees. Only those of foreign nationality or recruited abroad could benefit from local-plus packages.
- Flexibility in terms of benefits included in each package. This approach is highly individualized and contextualized, as different packages are offered on a case-to-case basis.

These two features make this approach a two-edged sword. While they allow local-plus packages to be more tailored to an individual's profile, they may result in a feeling of injustice among non-beneficiaries and beneficiaries, whose packages include fewer benefits. Indeed, respondents' satisfaction with their own packages varied greatly. Some felt fully satisfied, whereas others were greatly disappointed. Respondents' levels of satisfaction did not always correlate with the interests of the packages. More benefits do not guarantee greater satisfaction. The beneficiaries of local-plus packages were not necessarily happier with their packages than the non-beneficiaries. Those with more benefits were not necessarily more satisfied than those with fewer benefits.

"Few colleagues are better than me in this regard," she said with great pride. A5 felt bitter when he said, "I have rich work experience in MNCs. I have a good position but fewer benefits than some returnees who had only worked in Chinese firms before."

By contrast, individuals with average self-esteem tended to accept their packages more readily. C4 expressed great satisfaction and viewed her current situation as a dream coming true. This feeling was linked to her two-year diploma and previous position as an export assistant. Therefore, even with limited benefits included in her light local-plus contract, she was highly satisfied.

In addition to self-identity and self-esteem as personal traits, two contextual factors of influence were identified: companies' approach to package localization and the conditions of expats.

The analysis reveals that companies differed in their package localization approaches. Some used a soft-landing approach by first offering expatriate packages to returnees and later changing them to local-plus packages. Others applied a hard-landing approach by offering local-plus packages to returnees right from the start. The soft-landing approach was found to make respondents more satisfied than the hard-landing approach. Indeed, expat contracts can only last for a certain number of years owing to legal constraints. As a result, local-plus packages become the best possible choice. This was the case with A3, B3, and C3. Their local-plus packages were localized from their initial expat packages, and they were quite satisfied. A1 and A2, who still had expatriate packages, said that they did not mind being offered a local-plus package later. Among the 11 beneficiaries of local-plus packages, the four least dissatisfied were those who had never benefited from expat packages.

The conditions of expats in proximity are also influential. If foreign expats were not present in respondents' proximity or they did not have better packages, respondents with local-plus packages tended to accept their compensation more readily, as was the case with A4 and C1. Both had the same local-plus package as their expatriate colleagues. As for C4, there were no foreign expats in her firm; therefore, her local-plus package was the best offer, which contributed to her high satisfaction. By contrast, if expats had better packages, respondents with local-plus packages tended to be less satisfied. This was true of B4, C2, and A5. As for B2, her company offered neither expats nor local-plus packages, as all employees had a local package. Consequently, her comparisons related only to her own evolution of compensations.

The analysis also revealed that individual satisfaction was often simultaneously influenced by several factors. Take C2 as an example. Her dissatisfaction with her super local-plus package was determined not only by her high self-esteem and self-identity as a foreign expat but also by her firm's hard-landing approach, and the fact that she worked closely with foreign expats having superior packages.

In summary, the analysis identified four key factors that influenced the choice of referents: self-identity, self-esteem, package localization, and expatriate conditions. These factors are also responsible for respondents' satisfaction because referent selection influences the results of comparisons, and the comparison results determine the feeling of satisfaction. Figure 3 illustrates the two categories of conditions that influence referent selection. The antecedent conditions that influenced these four factors are also indicated.

Package differentials in terms of types and benefits incited social comparisons among respondents. In conformity with the theory of social comparisons, the respondents made comparisons with others or with their earlier packages to justify their feelings. When making comparisons, the respondents differed in selection of referents. The choice of referents has a direct impact on the results of comparisons and, thus, the feeling of satisfaction. The respondents who compared themselves upwards were less satisfied than those who compared with themselves or downwards. Two categories of factors that influence the choice of referents were identified: personal (self-identity and self-esteem) and contextual determinants (company policies of package localization and expat conditions). These factors ultimately influence the feelings of satisfaction.

Figure 4 summarizes these key findings and indicates the relationships between different variables.

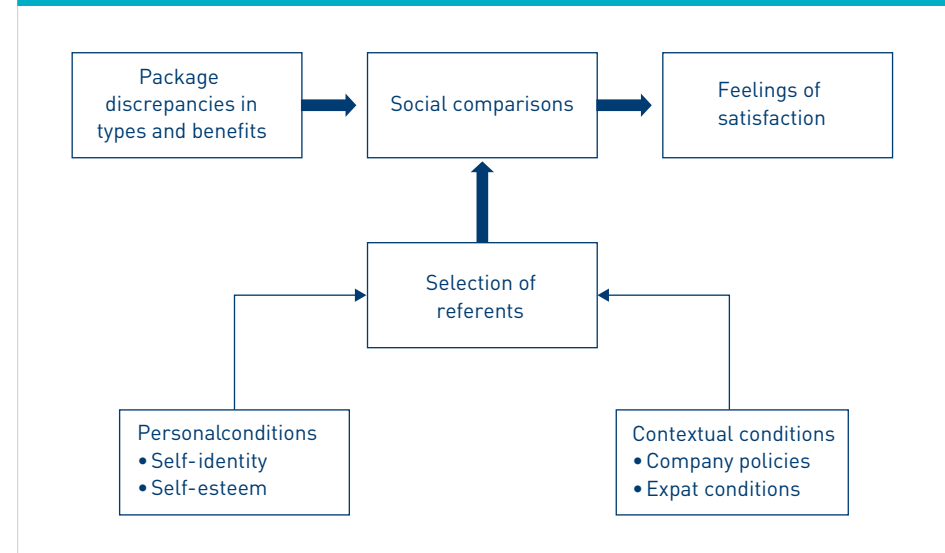
The reversal of brain drain to brain gain is prominent not only in China, but also in other emerging economies. The local-plus approach, as a special pay structure, is a common practice for MNCs to attract and retain returnees. Understanding the impact of this approach on returnees' satisfaction and factors influencing their satisfaction is of considerable importance in implementing an effective international compensation strategy for MNCs. Indeed, the application of the local-plus approach could be positive or negative for returnees' satisfaction. If applied well, it can be a source of satisfaction. Otherwise, it can be perceived as unfair and hence become a source of frustration. Therefore, the local-plus approach must be implemented with great care to avoid undesirable outcomes. Effective design and implementation of the approach require a good understanding and management of relevant factors that influence the feeling of satisfaction.

Theoretically, this research contributes to a better understanding of the role of social comparisons in the management of returnees' satisfaction using the local-plus approach. It extends the model of referent selection process by integrating individuals' cognitive and psychological conditions (self-identity and self-esteem) as antecedent variables influencing referent selection. The identification of these two previously unreported individual variables plus two contextual variables (package localization approach and conditions of expatriates) allow a better understanding of the variations in the levels of individuals' satisfaction with their packages.

This study also provides managerial implications for human resources professionals in MNCs. The established practical framework showing how the identified factors ultimately influence feelings of satisfaction may shed light on the effective design and implementation of the local-plus approach. By taking into account various factors of influence, the local-plus approach can be a more effective way of compensation; at the same time, it can also prevent both beneficiaries and non-beneficiaries from feeling that an injustice is done to them by not providing an appropriate package.

Exploratory in nature and limited by the sample size, this research is not intended to provide final conclusions, but to provide an initial understanding of the topic. It identifies major concerns in the practice of the local-plus approach. The research results may

FIGURE 4
Relationships between variables



stimulate thinking in this field so that scholars can form ideas or hypotheses for further studies. Therefore, for future research, it might be useful to explore a quantitative justification to verify the results of this research. Triangulation of research methods can confirm findings, provide different perspectives, and add breadth to the topic (Denzin, 2017). In addition, the present study is based solely on the views of employees. The perspectives of employers were missing. To gain a multidimensional understanding of the topic, it would be useful to involve policymakers of MNCs in research to obtain their opinions and justifications.

The scope of this study was limited to China-based MNCs. With the growing importance of the Chinese state and private companies, they are attracting talent away from MNCs at an accelerating pace by providing faster and more rewarding career paths. However, little is known about how Chinese companies compensate their returnees. It would be interesting to know what types of compensation structures Chinese companies provide to returnees and whether returnees are more or less satisfied with the pay structures compared to those offered by MNCs. Furthermore, to have a broader vision of the topic, it would be necessary to extend the research scope to other cultural contexts and involve respondents with different cultural backgrounds. Comparative studies may help uncover how cultural factors influence returnees' perceptions, attitudes, and satisfaction using the local-plus approach.

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