THE ROLE OF EXPATRIATE MANAGERS IN GLOBAL ECONOMIC RESTRUCTURING: SOME KEY COMPONENTS AND RESTRAINTS

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Abstract

This paper is about the role, place and function of senior expatriate managers in the “globalisation” process. Senior expatriate managers are considered by Transnational Corporations (TNCs) to possess high levels of technical and business expertise and are rewarded accordingly. They form the upper echelons of the core workforces of TNCs and are dispatched to foreign geographies to implement corporate globalisation strategies. The paper is also about some aspects of the impact of new technology and how this may affect expatriate managers, and expatriation policies of TNCs. It reflects dimensions of recently completed research, and presents findings and some preliminary suggestions. The paper points to a conceptual necessity to deconstruct the notion of “expertise” in order to understand the specific contribution of expatriate managers to globalisation; and to the possibility that these global managers may be playing an “indispensable” role in the management of the new phase of capitalist development.

The paper hopes to demonstrate that the expatriation of senior executives attached to TNCs cannot be fully explained without an understanding of the nature of the role that these managers are playing in the globalisation process, and what components of this role are open to change.
I. Introduction

It is commonly accepted that economic activity has, in the last 30 years or so, undergone fundamental restructuring and that it is the internationalisation of capital by TNCs that has led to significant changes in the organisation of production and labour. TNCs have been the main vehicles of globalisation, a process aimed at facilitating the production and distribution of goods and services across increasingly open and inviting space, and one that allows trade and investment to go beyond substitutes and become increasingly inseparable.

The idea that there is an emerging group of highly mobile, highly rewarded and powerful people managing - by way of transfer of knowledge and expertise - new production and production processes around the globe, has been attracting growing interest in recent times.

The literature on the movement of managers across national boundaries mostly concerns itself with constraints and problems associated with this type of movement. For example, some accounts focus on issues relating to dual-career families, stress and failure levels amongst the highly mobile (Foster, 1997; Smith, 1992; Scullion, 1994). Others, approach the subject from a gender-specific perspective concentrating on the under-representation of women on international assignments (Adler, 1990,1994; Adler and Izraeli1993; Harris,
1993; Hardill, 1997); or discuss expatriate labour from an organisational, cultural and international business development viewpoint with emphasis on Human Resource management (Welch and Welch, 1997; Foster, 1997; Foster and Johnsen, 1996). One strand of the literature also acknowledges that the movement of the highly skilled across geographical space takes place in the context of global economic restructuring (Salt, 1991, 1993, 1997; Salt and Singleton, 1995; Hardill, 1997).

As mentioned earlier, most of these accounts point to an operational or ideological deficiency in the outlook of TNCs such as lack of involvement of Human Resource departments at the earlier stages of internationalisation or the neglect of women and host country nationals as potential international managers. The utilisation of host and third country nationals is seen by much of the literature as a way towards achieving greater global success through the creation of cross-cultural teams which will also bring greater benefit to the host country, while cutting costs down. Consequently, there is a growing literature on remedial actions that need to be taken by TNCs to alleviate difficulties associated with the movement of expatriate managers and their families in order to maximise returns on high levels of investment involved in the relocation of the managers.
More recently, the possibility of technological developments having a substitution effect on costly expatriation, has been identified by a number of researchers (see Salt, 1997; and Koser and Lutz, 1998 for example) as an area where a gap in knowledge exists. This suggestion is of particular interest to this paper, which explores such a possibility in some detail in relation to communication technologies. Expatriate managers are carriers of specialist expertise and corporate know-how, who are nonetheless regarded as extremely expensive. In other words, their value-adding potential may have the prospect of being transferred electronically, as effectively, at a cheaper rate.

II. Research Strategy and Methodology

The data presented by the paper are derived from in-depth, semi-structured interviews, the purpose of which was to gain an understanding of the meanings and interpretations attached to the specific role of expatriate managers in the global economy and the globalisation process; and of how this role may be changing. Supplementary information is drawn upon from interviews with the international director of a leading management development institute.

The 25 participants were drawn from expatriate managers working in the UK for European (7) and American (13) TNCs, and Human Resource managers who are responsible for expatriates in the UK. All participants worked at senior
corporate levels despite sectoral and organisational differences amongst the corporations they worked for. The interviews were secured on the basis of total confidentiality in relation to the identity and names of the TNCs and the managers. The following tables, however, present a general picture of their characteristics.

The TNCs

The first table groups the TNCs covered into specific industrial sectors.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Number of TNCs covered in each industry</th>
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<tbody>
<tr>
<td>Petroleum and refining</td>
<td>2</td>
</tr>
<tr>
<td>Airlines</td>
<td>1</td>
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<tr>
<td>Food</td>
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<td>Aerospace</td>
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<td>Metal products</td>
<td>1</td>
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<tr>
<td>Insurance</td>
<td>2</td>
</tr>
<tr>
<td>Securities</td>
<td>2</td>
</tr>
<tr>
<td>Soaps, cosmetics</td>
<td>2</td>
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<tr>
<td>Electronics</td>
<td>1</td>
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<td>Entertainment</td>
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<td>Pharmaceuticals</td>
<td>1</td>
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<tr>
<td>Chemicals</td>
<td>1</td>
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<tr>
<td>Motor vehicles, parts</td>
<td>1</td>
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<tr>
<td>Plastics</td>
<td>1</td>
</tr>
<tr>
<td>Medical</td>
<td>2</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
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*a Industrial classification for companies is adopted from Fortune Global 500, 1998 edition.*
As can be seen from the above table, the TNCs were drawn from a wide range of industries, with the common characteristic being their significance in the global economy, an indication of which is presented next.

*Ranking of TNCs covered, in terms of their total 1998 revenue, within their own sector*

<table>
<thead>
<tr>
<th>Number of TNCs</th>
<th>Industry Ranking</th>
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<tbody>
<tr>
<td>7</td>
<td>1</td>
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<td>4</td>
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<td>6</td>
<td>Greater than 11</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>20</strong></td>
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</table>


*The Managers*

In total 25 managers were interviewed: seven were women and 18 men, with the women being concentrated in the HR component of the sample. Only two of the women managers interviewed were working as expatriates in senior positions outside the HR function. The ethnic composition of the managers was as follows: 10 US, 11 European, and four host and third country nationals. All home country and two third country nationals were white. More than 90% of
participants were over 40 years of age married and accompanied by their families.

III. Role of Expatriate Managers

The specific role of expatriate managers, and their distinct contribution to TNCs, may be understood in relation to the gap they are considered competent to fill at a particular location in the division of labour in a given geography. The participants were asked to define such a role, identifying why it could not be filled by a local or a third country national.

The expatriate contribution

Although a wide range of differing reasons and circumstances might necessitate the use of expatriate managers, an understanding that these managers carry special skills is explicit in both the literature on the subject and in all the respondents’ accounts. The following are some typical examples.

In a lot of emerging markets, where we are mostly engaged in joint venture, the partner company provides country access, markets and we supply technology and management skills. The
big thing here is technical expertise and management skills. Our partners know how to build and operate a company using 35,000 local workers. They do not have any indigenous high quality technologists. So what they want from us is technology. We give them that in return for presence and access to market. Secondly, they want to know how to form and operate a company to modern international standards. My skill is to run that factory with 4000 people. That is the skill that the locals do not have. They need a small number of expats, people from the Centre, from the UK who know how to run things. We are going in there to help them develop those skills.

(General manger of an oil TNC, joint venture, China)

I think one aspect is technical skills. Let’s say you need a Vietnamese Financial Director. That will be an impossible situation. His technical skills would be quite limited, so you have to develop the skills. You use expats to develop local people to move up to the job. Based on my experience in Vietnam, one primary purpose of my work is to move technology from one country, one business to another. Secondly, it is knowing how the business works. You get a local in a senior position; it will be
tough for him to understand how the business functions.

*(Senior strategist of a food TNC)*

One primary reason for expatriation is skill shortages, particularly in markets where there may be no concept of commercialisation. Our longer-term strategy is to grow through alliances. Expatriates prepare and develop the locals via ideological spread.

*(Human resource manager of an airliner)*

The expat needs two basic skills: one is technical knowledge and expertise, and the other is general business know-how. We do not use international assignments to train young lads at this level. If the business is going to be a world class business, it has to be run along our lines, it has to be a recognisable factory, anywhere in the world. We will train local workforces to our standards, and by our methods. So as far as we are concerned, it is an extension of our way of doing things. Obviously by putting in an expat, you are importing someone who has up-to-date knowledge of the
business, which you can not get by hiring somebody locally, although it will cost very much more.

(Head of international manufacturing of a motor vehicle and parts TNC)

What seems clear from these accounts is that expatriate managers need specific skills that incorporate product and market-related competence as well as a sound understanding of corporate culture and the corporations’ ways of doing business in a global market. The two aspects need separate consideration in order to gain a more detailed understanding of reasons for the importance of expatriates to globalisation strategies as well as their potential substitution by factors such as technology and/or host country nationals.

Managerial expertise defined

This part of the paper reflects an attempt to establish more clearly how TNCs define global management skill and expertise. The managers were asked to specify key components of managerial know-how, the expertise that could be distinguished from technical skills. The participants offer the following explanations.
These skills are exactly about corporate values and culture. They are about knowing how the business works. We have just acquired a statement about corporate purpose. So before this the expats’ role was absolutely vital in communicating the unspoken values. And that is still the case.

(Senior strategist of a food TNC)

These have to do with our core values, which are the rules wherever you are. When senior company people are put in charge, they become its face. We are a global company, and it is these values that matter a great deal to us. When we are criticised in a locality, we need sharp people who know these rules and can put things right. If we accept to work with local rules, there are places where we will never do any business. You have to have the skill to adapt these rules to your values and, if need be, to change, to shape the agenda.

(General manager of an oil company- joint venture, China)

We would normally use our experienced managers, who have the necessary experience. We are happy to flavour our production locally, but our senior expats must be able to apply our core
values to day to day decision making. A successful expat is one that combines technical expertise with our core values.

*(Head of international manufacturing of a motor vehicle TNC)*

We are a global company, with a set of values, which ensure that we are ultimately the best in the market. These are very important to all our people. They are things like honesty, responsibility and openness. There are certain geographies which we do not trust, there we prefer neutral Britons to locals.

*(HR manager of an airliner)*

In these examples, the managers describe the specific expertise required in an expatriate as being the ability to utilise their corporations’ core values and philosophies in managing global operations and in shaping the local agenda. The corporate values are seen as a guideline that ensures cohesion between the core and the other geography. The expatriate manager is trusted to be “honest” and “responsible”, attributes which the airliner HR manager believes might be rare in certain geographies.

The issue of creating consistency in organisational belief systems, particularly in acquisitions, comes up regularly in the managers’ accounts. The expatriate manager, is trusted to ensure that the core values of the parent TNC are
understood and upheld by the workforces of the firms that it has taken over, as illustrated below.

Take my own case as an example. My main marching order was to make sure that I incarnated our values and philosophies, and brought alive these in an organisation growing in acquisition. It is a bit like making a melting pot happen. We as senior expatriates are charged with the task of taking wide-ranging values and make them consistent. As an expat, you walk in and you are first and foremost an establisher and protector of the company’s values.

(HR manager of a soap and cosmetics TNC)

IV. Preliminary Suggestions

What these examples illustrate is that notions of skill are commonly defined by criteria that go beyond technical expertise as might be gained via the acquisition of formal qualifications or other training in engineering, or chemistry, for example. This appears to be the case in both manufacturing and services. The responses demonstrate that senior expatriates are carriers of more than technical knowledge. They are trusted with the task of managing the restructuring of the global economy. What is also clearly expressed is a trust in their ability to represent, shape and establish the core values and philosophies of a TNC. They
are used by TNCs to spread to other geographies, values – documented or informally understood within the organisation. Furthermore, what emerges is that high-level technical skills alone are not sufficient for a significant international assignment. The HR manager of an insurance TNC explains:

In the case of these senior expats, both sets of skills are important. Sometimes you have to make adjustments if you do not have people who have both. If you are sending someone to train people and leave then that is fine. What does not work is sending someone with the technical skills who has none of the rest. They fail every single time.

What this paper suggests is that the concepts and processes reflected in the managers’ responses in the two preceding sections, need to be placed in the context of fragmentation of production as a key feature underpinning the restructuring of the global economy. References to downsizing; jobless growth; and the re-enforcement of economic power relations are indicative of the ability of TNC managers to shape and implement such economic restructuring in other geographies of production.

In actual fact the role of the expat as the corporate glue and transferring the corporate culture around the globe has increased.
This is so because as technical expertise can be increasingly replicated around the globe, so the expats don’t necessarily have a technical function. Their role on the corporate cultural front is really important. From the point of view of the HQ, when they sent an expat to a foreign geography, they want him to come back with first-hand knowledge of what is going on in the subsidiary, and this might impact on the development of strategic policies. Obviously if you rely only in what the local managers are telling you, the reality of what might be going on might be extremely different.

(International manager of a leading management development institute)

V. The Impact of Technology on the Role of Expatriates

The impact of technology on expatriates merits separate and detailed consideration because as mentioned in the background, it has been gaining increasing attention as a factor that could facilitate international business at a distance, reducing the need for expatriates. The main focus of this section is to examine the extent to which technology can in fact replace expatriates and to draw attention to skills that only expatriates - particularly those in senior managerial positions - can provide.
The TNCs covered use the full range of electronic communication facilities that are now available, including electronic mail, and video-conferencing. While all the TNCs considered the impact of new technologies to have been crucial and profound on their ability to run global businesses, what emerges from the respondents’ explanations is that technology has had different consequences for the mobility of different groups of expatriates. The respondents were asked to consider the impact of new technology on expatriation.

The first impact has been to enable the managers to gain access to up-to-date information in an efficient and effective manner. Ease and speed of transfer of data seems particularly important.

Technology has basically taken the time lag out of different locations, and increased what we call “real time”. You *could not* run a global business without it. You could not be out of contact. The business moves too quickly and you need on-line immediate access. So that if there is a problem in Japan, somebody elsewhere, anywhere in the globe, can pick the information and make a quick evaluation, quick decisions regardless of the day and the time. We communicate globally via e-mail, voice and video. But this is not related to expatriation *at all*. This is about
the fast and efficient movement of data around the world. Decision making still takes an individual.

*(Managing director of a securities TNC)*

Communications technology has transformed our networking and management of knowledge. I can tap into any other senior manager and talk through a problem anywhere in the world.

*(Head of R & D of a soaps and cosmetics TNC)*

Secondly, communications technology seems to have facilitated the transfer of *some* knowledge and expertise, eliminating the need for physical presence, as the following responses exemplify.

The impact of technology has been *tremendous*. It has meant that people in China can talk directly to people in Milton Keynes to solve a problem. The problem and the solution can be shared on video. This means that we do not have to fly half a dozen people all the way, meaning lost time, lost production, lost money.

*(General Manager of an oil TNC - joint venture, China)*
It is nice to have the technological capacity. I can take my mechanics to a room and they can talk over a problem to the mechanics in South Boston.

(Head of disposable products of a metal TNC)

A third outcome of the application of new communication technology is described by the managers as impacting on the amount and length of travelling.

The impact of technology has been absolutely profound. It has transformed our industry, although is not quite there yet, senior managers in the US can have their big meetings on a video conference call, which means they do not all have to get on the plane and go to New York for the day.

(Executive director of a securities TNC)

The impact has been extensive and important. We use telecommunication, e-mail and video-conferencing a lot. The impact on travelling has been on short-terms assignments only. It has also impacted on the need for meetings and might have shortened the length of some assignments.

(HR manager of a soaps and cosmetics TNC)
So far, it appears from these accounts that new communication technologies have facilitated the more efficient and faster transfer of information. They have also impacted on the need for physical presence in some circumstances, and on the duration of some international assignments. The following responses, however, indicate the limitation of these technologies for the global activities of TNCs.

In terms of trouble shooting new technology works. But I do doubt if it will ever replace expats. You cannot replace sitting across the table with your Chinese colleagues, looking them in the eye and saying no.

(General Manager of an oil TNC - joint venture, China)

Expats are very, very expensive. But for us technology has affected the speed of developments. For us expat managers carry a mix of not only technical knowledge, but also actually up-to-date company knowledge including relationships and sub-relationships, be it in Poland, South Africa, or Peru. They need this knowledge, and this cannot be shipped down the e-mail. You need people who can take this knowledge and solve the problems of the locality.

(HR manager of a vehicle and parts TNC)
Eventually technology may have a bigger impact, but not yet. We have so many opportunities still. There are so many places where we do not have market presence or distribution linkages. I think that certainly for the next decade or decade and a half, we will be relying on our expat managers.

*(HR manager of the same company)*

The following response sums up the impact of new technology and its key limitations.

The impact is two-fold: product development technology, which has impacted on some technical expat assignments. They may be shorter or in some cases cut out; secondly there is communications technology. The impact of this has been tremendous. We can videoconference globally which does cut the amount of travelling I did to the US. This is good for me, because I can travel more within Europe, where I am really based. Expats are very expensive. At a senior level talking about an average of $500,000 per annum. But because of the sort of things I mentioned about core values and the transfer of ideology, you cannot replace expat contributions with communication
technology. This has made connections easier and faster, not
traded them off.

(Managing director of a chemicals TNC)

VI. Towards a Conceptual Framework

Taken together, these responses illustrate that firstly expatriates cannot be
treated as a homogenous group which carries out the same given (replaceable or
otherwise) functions in the global economy. Secondly, they point to senior
expatriate managers occupying a specific place in the global division of labour
in terms of their dominant relationship to foreign geographies of production and
their ability to restructure local economies; and thirdly to the reality that there
are certain things that new technology cannot replace. That in order to
understand what is capable of being transmitted electronically and is therefore
open to the impact of technology, it is necessary to gain an in-depth
understanding of what skills TNCs consider as indispensable expertise. These
two dimensions, that is to say the nature of the role of the senior expatriates and
how this role is being sustained and enhanced need to be considered as
dynamically interacting in the context of globalisation as the current form of
capital accumulation.
What is important to an understanding of this interaction, moreover, is the distinction between managers, and specialist professional workers and engineers as these groups belong to different parts of the division of labour (Massey, 1988), the most pertinent point here being that the latter does not control the labour of others, or strategically reshape local economic relations. This distinction may also be the basis for understanding why technology might have enabled the transfer of expertise for some groups such as mechanics and engineers, but not for the managers interviewed.

Salt (1997), for example, comments: “What is being transferred is expertise. We can think of the individual as a repository of expertise. Where skills are manual, then a physical presence is required. But with many “brain skills” it is knowledge that is required and needs to be relocated. In a growing number of circumstances this can be achieved in a variety of ways, not necessarily requiring traditional forms of secondment, or indeed secondment at all” (p10). Indeed this may be a plausible explanation for certain situations and certain tasks and functions such as the technical aspects of research and product development and design, and production process trouble-shooting. As indicated by the responses presented in this paper, communication technologies might have impacted on the need for the physical presence of certain expatriates. It may have also impacted on the number and duration of meetings requiring physical presence. For managerial expatriates, however, communication
technologies have created effective tools that can enhance performance, without eliminating or significantly affecting the need for physical presence in the geography they manage.

Globalisation has necessitated new forms of international mobility. “Highly skilled migration is a key element of globalisation” (Castels and Miller, 1993, p92). For those deemed to be highly skilled, such mobility - increasingly made easier by national governments in order to assist TNCs in the reorganisation of their management arrangements (Salt (1995) - is determined by expansion opportunities developed by these corporations. Such migration takes place in order to ensure that TNCs’ strategic position of control over production in foreign lands is secured, and is utilised effectively as decision-making expatriates are connected them to their base(s) through increasing reliance on technological advances.

These processes necessitate a contextual framework for the consideration of the expatriate intervention and its changing form or pattern. Such a framework will need to acknowledge the limitations (as perceived by TNCs) of alternative sources of labour, as well as technological constraints. As Castlles (1989) points out, what has emerged in the past two decades or so, is a new techno-economic paradigm the development of which has been crucial for the restructuring of capitalism. “There is a growing concentration of knowledge-generation and
decision-making processes in high-level organisations in which both information and the capacity of processing it are concentrated. …Given the strategic role of knowledge and information control in productivity and profitability, the core centres of corporate organisations are the only truly indispensable components of the system, with most other work, and thus other workers, being potential candidates for automation from the functional point of view” (pp 208-209).

Although, as mentioned earlier, most accounts on expatriation seem concerned with operational difficulties of TNCs (cost, dual-career, cultural adjustment and failure rates are examples) more recent research point to the specificity of the role of expatriation within changing global relations of production. In a recent study of the movement of managers, experts, and professionals from western countries in Poland, Rudolph and Hillmann (1998), for example, point to the important role that these groups play in the management of the political economy of the new era in a former command economy. While the findings reflected in this paper are not country specific, they do point to similarities in the role being played. Expatriate managers may represent a growing cadre of “globalisers” who occupy particular locations in the international division of labour with a key task of shaping and creating new relations with and within local labour markets. Their most significant and currently indispensable attribute seems to be their ability to maintain the trust of their TNC in terms of
spreading its culture and business ideology. Such trust is built up through the manager having a profound TNC-specific knowledge of corporate beliefs and of how the corporation works at the Core, which may not be easily found in a local manager.

VII. Conclusion

This paper has considered the role and function of senior expatriate managers in the global expansion strategies of 20 global corporations. It has attempted to disentangle the notion of skill and global expertise that has been gaining growing importance and presented an analysis of what component(s) of such skill and expertise are, at this point in economic history, indispensable. The key skill that the TNCs seem to seek in a senior expatriate, is their ability to establish, promote and protect the core values of the corporations in other geographies. Crucially, this incorporates the ability to contribute effectively to the reshaping of economic and cultural relations with others in different geographies. In these terms, the greatest impact of communication technologies for these managers appears to have been a qualitative enhancement of their role through the faster and more efficient transfer of TNC-specific management information. Their physical presence - not easily replaceable by alternative local appointments either - will remain important to their ability to advance and
safeguard corporate economic interests, competently. Their cost does no seem to be a particularly decisive factor in the corporate calculations.
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