

## **“Study The Role of Expatriate In Managing MNC Subsidiary Organizations”**

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**Abstract:** *In today’s world, we have seen that there is a high rate of increase of MNCs in India and other countries. This has lead to deputation of expatriates from the parent organization to set up the organization philosophy, strategies in subsidiary organizations.*

*This research paper would like to study the role of expatriate in developing the subsidiary organization by implementing parent organization culture and also how he manage subsidiary organization business operations through it leadership role. How Expatriate work on employees’ motivation and transmitting organization strategies to the employees for making the organization successful in competitive environment.*

*Keywords: Expatriate, Multinational Organizations, Organization Culture, Leadership roles.*

*Research Methodology is based on secondary literatures review.*

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### **I. Introduction**

In today’s world, we have seen that there is a high rate of increase of MNCs in India and other countries due to globalization. This has lead to deputation of expatriates from the parent organization to set up the organization philosophy, strategies in subsidiary organizations.

**Globalization - Globalization** is the rapid integration or interconnection between countries mostly on the economic plane. In other words Globalization means integrating our economy with the world economy. So, Globalisation is the interconnection between countries.

- a. MNCs are spreading their base and setting up factories or companies in other countries where labour is cheap.
- b. There is huge foreign investments and transfer of latest technology
- c. Movement of people between countries increases due to globalization.

The credit for globalization rests entirely with MNCs. The investment made by these companies has raised the economic status of many developing countries. Foreign trade between countries has also risen rapidly. The activities of most MNCs involve trade in goods and also services. Globalization is the result of greater foreign investment and greater foreign trade.

In context to India, this implies opening up the economy to foreign direct investment by providing facilities to foreign companies to invest in different fields of economic activity in India, removing constraints and obstacles to the entry of MNCs in India, allowing Indian companies to enter into foreign collaborations and also encouraging them to set up joint ventures abroad; carrying out massive import liberalization programs by switching over from quantitative restrictions to tariffs and import duties, therefore globalization has been identified with the policy reforms of 1991 in India.

In view of the above this research paper study the role of expatriate of Multinational Companies in developing the subsidiary organizations by implementing their parent organization cultures and also how they (expat) manage subsidiary organizations business functions through it leadership role. Further, how Expatriate work on employees’ motivation and transmitting organization strategies to the employees for making the organization successful in competitive environment.

**Multinationals companies** - A multinational company is one which is incorporated in one country (called the home country); but whose operations extend beyond the home country and which carries on business in other countries (called the host countries) in addition to the home country. It must be emphasized that the headquarters of a multinational company are located in the home country.

A multinational corporation is known by various names such as: global enterprise, international enterprise, world enterprise, transnational corporation etc.

Some popular examples of multinationals are given below:

| <b>Foreign Multinational</b> | <b>Indian Affiliate/Subsidiary</b> |
|------------------------------|------------------------------------|
| Bata Corporation             | Bata India                         |
| Cadbury                      | Cadbury India                      |
| Coca-Cola Corporation        | Coca Cola India                    |
| Unilever                     | Hindustan Lever                    |
| Timex                        | Timex Watches                      |
| Colgate Palmolive            | Colgate India                      |
| Pepsi Corporation            | Pepsi India                        |
| Philips                      | Philips India                      |
| Sony Corporation             | Sony India                         |
| Suzuki                       | Maruti Suzuki                      |
| GEC                          | GEC Alsthom                        |
| ABB                          | ABB India                          |

**Features of MNCs – at a glance**

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|---|
| <ol style="list-style-type: none"> <li>1. Huge assets and turnover</li> <li>2. International operations through a network of branches</li> <li>3. Unity of control</li> <li>4. Mighty economic power</li> <li>5. Advanced and sophisticated technology</li> <li>6. Professional management</li> <li>7. Aggressive advertising and marketing</li> <li>8. Better quality of products</li> </ol> |
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**Advantages and Limitations of MNCs – at a glance  
(from the viewpoint of host country)**

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| <p><b>Advantages</b></p> <ol style="list-style-type: none"> <li>1. Employment generation</li> <li>2. Automatic inflow of foreign capital</li> <li>3. Proper use of idle resources</li> <li>4. Improvement in Balance of Payment position</li> <li>5. Technical development</li> <li>6. Managerial development</li> <li>7. End of local monopolies</li> <li>8. Improvement in standard of living</li> <li>9. Promotion of international brotherhood and culture</li> </ol> <p><b>Limitations</b></p> <ol style="list-style-type: none"> <li>1. Danger for domestic industries</li> <li>2. Repatriation of profits</li> <li>3. No benefit to poor people</li> <li>4. Danger to independence</li> <li>5. Disregard of the national interests of the host country</li> <li>6. Misuse of mighty status</li> <li>7. Careless exploitation of natural resources</li> <li>8. Selfish promotion of alien culture</li> <li>9. Exploitation of people, in a systematic manner</li> </ol> |
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**Concept of Parent-Country Nationals (PCNs):** - Parent- Country Nationals are managers who are citizens of the country where the MNC is headquartered. These managers are commonly called expatriate who live and work away from their parent country on the request of employers.

The primary reasons for using PCNs are to start up operations. MNCs prefer to have their own people to launch a new venture. The parent country people have the necessary managerial and technical expertise. PCNs use

different adaptation strategies to cope with their overseas assignments. There are both advantages and limitations in using PCNs to staff international subsidiaries.

**Concept of Third – Country Nationals (TCNs):**

Third –country nationals are managers who are citizens of countries other than the one in which the MNC is headquartered or the one in which it is assigned to work by the MNC.

**Concept of Host Country Nationals (HCNs):**

Host-country Nationals are local managers who are hired by the MNC. An HCN is a person whose nationality is the same as that of the country in which the company is operating. A host-country national (HCN) is an employee who is a citizen of a country in which an organization’s branch or plant is located, but the organization is headquartered in another country.

**Definition of Expatriate**

An **expatriate** (often shortened to **expat**) is a person temporarily or permanently residing in a country other than their native country. In common usage, the term often refers to professionals, skilled workers, or artists taking positions outside their home country, either independently or sent abroad by their employers, who can be companies, universities, governments, or non-governmental organizations. Effectively migrant workers, they usually earn more than they would at home, and more than local employees.

**Factors in selection of expatriates:**

Selection of expatriates is a challenging task. It includes analyzing the current global assignment needs, defining the current pool of managers with the potential for advancement and the need or desire for an international assignment, establishing future global assignment needs and developing future global candidate pools for strategic success. There are certain factors that are to be considered in the selection of expatriates:

1. Technical Ability
2. Cross Cultural Suitability
3. Family Requirements
4. MNE Requirements
5. Language
6. Country Requirements.

**Advantages of using expatriate employees:**

1. Fulfilling the Strategic Needs of the Organization
2. Implement parent organization management style
3. Able to control and coordinate with the subsidiary business operations
4. Improve employees performance
5. Provide better supervision and expertise
6. Operations must conform to the standards of Home Market

**Role of expatriates in implementing the parent organization cultures.**

The role of expatriate is very vital. There are various expectations from him as he’s transferred from one location to another country. The roles are as follows: -

- **Expatriates as an Agent of Direct Control:** The use of staff transfers can be regarded as a bureaucratic control mechanism, where the primary role is that of ensuring compliance through direct supervision.
- **Expatriates as an Agent of Socialization:** This role is related to the use of corporate culture as an informal control mechanism. There is an implicit expectation that expatriates assist in the transfer of shared values and beliefs. Attempts to instill corporate values and norms ritualized in the form of certain expected behaviours often have negative results at the subsidiary level.
- **Expatriates as Network Builders:** International assignments are viewed as a way of developing social capital by fostering interpersonal linkages that can be used for informal control and communication purposes.
- **Expatriates as Transfer of Competence and Knowledge:** International Assignments assist in knowledge sharing and competence transfer, and encourage adoption of common work practices, aspects of which may comprise elements of corporate culture. Staff in the various organizational units may be exposed to different viewpoints and perspectives that will shape their behaviour and may reinforce their feeling of belonging.
- **Expatriates as Boundary Spanners:** Boundary spanning refers to activities, such as gathering information, that bridge internal and external organizational contexts. Expatriates are considered boundary spanners because they can collect host country information, act as representatives of their firms in the host country,

and can influence agents. For example, attending a social function at a foreign embassy can provide the expatriate with an opportunity to network, gather market intelligence and promote the firm’s profile at a high level.

- **Expatriates as Language Nodes:** Many multinational firms operate through language standardization – or a common corporate language, usually English.

#### **Characteristics of effective expatriate managers for implementing business strategies.**

Expatriate is an executive who is able to assume a leadership position fulfilling international assignments across countries and cultures. There are certain characteristics that are to be possessed by effective expatriate managers like:

1. **Cultural Sensitivity:** Cultural sensitivity is defined as the expat’s ability to understand the culture, in which they are living and working, and to integrate / fit into it. This characteristic encompasses many elements like:
  - Interest in the new culture
  - Curiosity and passion to learn new things culturally
  - Ability to fit into the new location / society
  - Acceptance of host country culture
  - Willingness, time and ability to learn a new language
2. **Curiosity:** Curiosity is the expat’s interest in learning about their new culture, environment, and job. Being inquisitive and curious is a factor contributing to success.
3. **Flexibility:** Flexibility is the expat’s willingness to try new ways of doing things. Adaptability and flexibility are important characteristics of an expatriate. They have to be flexible on the methodology, while remain focused on delivering results within the allotted time.
4. **Open mindedness:** Open mindedness is the expat’s ability to look at their new environment with a desire to learn about and understand it and an interest in seeing things differently. Expats have to be open to new and different practices.
5. **Be comfortable with uncertainty:** They need to analyse the situation and create a solution, even if there are no clear cut answers. They have to find a solution that works for the client group, and satisfies corporate at the same time.
6. **Extroversion:** The expatriates should have an outgoing and extrovert personality. They should possess the capability of entering into conversation with strangers.
7. **Agreeableness:** Expats must possess relational skills, display of respect and kindness. He should have the ability to establish interpersonal relationship, have empathy and understand the feelings of others.
8. **Intelligence:** The expat should have social as well as mental intelligence. He should have a non-judgemental approach in evaluating the host nationals. He should have social problem solving skills and social judgment capacity.
9. **Emotional Stability:** The expat must have emotional stability and the ability to deal with frustration, stress and anxiety. He should have a tolerant personality and patience.

#### **Motivation Strategies**

It is often assumed that the best motivator in developing countries is money. In India this can be a strong motivator as well, but not necessarily the most important. Indian, working for foreign MNCs, value the status acquired by working in a “foreign” company very highly, and like being trained in new technology or new ways of organizing business. All this contribute to their work motivation, because it enhances their “market value”. But beside these motivators, feelings of loyalty to the organization are established and enhanced when staff members are treated with respect and are being taken care of. Indians are especially motivated by an emphasis on the role of the boss, in the sense that a “good” boss is a strong motivator. In a survey of Indian employees working for foreign companies, Gabeler (1966) found out that most respondents felt that a boss should be strict and must maintain discipline by monitoring and reviewing the work activities of the subordinates. It is the boss who decides and looks for solutions. He is the one who should set an example and by showing dedication to the work and his subordinates.

#### **Some of the cases of Indian Firms, who are recruiting International expatriate to raise their business standard at global level.**

“We have to take **Tata Motors** to the next logical level and...enter newer geographies,” Kant told Mint at the motor show. “We do hope that this strengthening of management will help take forward our international dreams.” As Indian firms—from airline and airport operators to auto makers and phone firms, drug makers and organized retailers—scale up their operations in the world’s second fastest growing major economy and seek a

bigger presence overseas, they are increasingly going beyond the nation’s borders to find top-level executive talent with the experience of big markets. And they are willing to pay top dollar salaries.

“Indian companies are becoming global...and very attractive (to work for),” said Ulrich Dade, chairman of **Amrop, a leading global executive search firm**. “They need experienced people who have run international organizations.” Top expat executives “who could have easily found a job anywhere” are showing the willingness to work for Indian companies, Dade said, picking Forster as an example.

**According to the research study by Amrop India, based on a survey of chief executives and expatriates, the demand for foreign talent has accelerated because of the rise of so-called sunrise industries such as organized retail and mergers and acquisitions besides the global expansion plans of Indian companies seeking to sharpen their competitive edge through foreign expertise and leadership culture.**

For expatriates, the attractions of working for Indian employers include the “India experience”, a larger playing field and a challenging business agenda. Declining overseas industries are also a factor, according to the study.

Amrop recently found a leadership team of German engineers for the research and development work on **Bajaj Auto Ltd’s small car project**.

**Mahindra Navistar Ltd**, a 51:49 joint venture between Mahindra and Mahindra Ltd and Navistar Inc. of the US to make commercial vehicles, has two expatriates in leadership roles, said Nalin Mehta, CEO of the company. “As a group, we often go abroad hunting for requisite talent, the way we do in India,” Mehta said.

**Vodafone Essar Ltd** is headed by Dutchman Marten Pieters, who was earlier the CEO of Celtel International BV, a leading pan-African mobile operator. Pieters replaced Asim Ghosh, who retired as CEO on 31 March 2009.

**Bharti Airtel Ltd’s** director of customer service delivery is Canadian Carol Borghesi, who brought 26 years of experience in customer service, including a senior position with BT Plc, to India’s largest mobile phone firm by subscribers.

**Airtel’s enterprise services** division is headed by an American, David Nishball, who oversees all business-to-business activities, including wholesale carrier and corporate markets—both within India and globally.

## II. Conclusion

From the above study it is shown that there are many expatriates who play crucial roles in MNCs subsidiaries. These expatriate are selected through a rigorous process and have been developed with requisites characteristics. They were trained and groom as per the requirements of the parent organization and deputed them to the subsidiary organization for successfully implementing the organization strategies and also look after the motivation of the employees, so that they can be part of the organization success in competitive environments.

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