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Analisi comparativa delle performance di manager locali ed espatriati nelle filiali estere

Comparative study of the performance of local and expatriate managers in foreign subsidiaries

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Abstract (Lingua italiana)

Gli espatriati sono largamente utilizzati dalle compagnie multinazionali con lo scopo di mantenere un controllo più stringente sulle operazioni e guidarle verso il successo. Il metodo consiste nell'inviare manager direttamente dal quartier generale della compagnia verso le filiali estere. Ciò aumenta la standardizzazione delle procedure interne e favorisce il trasferimento delle conoscenze dagli espatriati ai lavoratori locali. Allo stesso tempo, le multinazionali si pongono come obiettivo la riduzione dei fattori negativi generati da questa strategia che possono mettere in discussione i suoi risultati positivi. Un esempio è rappresentato dalla "distanza culturale" che può danneggiare la conduzione delle operazioni.

Questo studio vuole dimostrare due ipotesi. In primo luogo, che gli espatriati sono migliori dei manager locali nella conduzione di filiali estere. Secondo, che le modalità di "expatriation" dipendono dalla conoscenza tecnica del personale della filiale estera e non dalla loro conoscenza del mercato locale. Per rispondere a queste domande, abbiamo utilizzato le interviste come metodo di ricerca. Ai manager intervistati sono stati chiesti dati qualitativi sulla loro esperienza lavorativa da espatriati e/o locali. Inoltre, è stato chiesto loro di fornire dati relativi alla filiale estera in cui hanno operato come espatriati nel periodo dal 2010 al 2019. I dati numerici

sono stati interpretati con l'aiuto delle informazioni qualitative ottenute dalle interviste. Per ridurre le distorsioni abbiamo fatto ricorso a due variabili di controllo: la variabile di settore e di paese di operazione.

I risultati suggeriscono che i manager espatriati ottengono performance migliori dei locali nella gestione delle filiali solo nel caso in cui il prodotto finale debba essere costantemente adattato al mercato locale. In caso di prodotti altamente standardizzati, le differenze tra espatriati e locali non sono significative. Allo stesso tempo, la seconda ipotesi è verificata dal momento che la conoscenza tecnica è il driver principale attorno a cui sono decise intensità e ratio del personale espatriato da inviare.

Abstract (English)

Expatriation is commonly used by MNEs in order to maintain a stricter control and lead local operations with success. This method consists in sending managers from the HQs to foreign subsidiaries, therefore increasing the procedure standardization and knowledge transfer from expatriates to local workers. At the same time, multinationals are willing to reduce negative components brought by expatriation, such as culture distance, since they can prevent a positive outcome.

This study wants to prove two hypothesis. First, that expatriates consistently performed better than local managers in leading subsidiaries. Second, that expatriation is influenced by local technical knowledge, and not by the local market knowledge. In order to do that, we chose in-depth interviews as research method. Managers were asked to provide data about their work experience and about the subsidiary in which their worked in the years from 2010 to 2019. Those numerical data were then interpreted with the help of qualitative information provided by the interviewees; in the analysis we used two control variables: sector and country of operations.

The results suggest that expatriates perform better than locals only in the case of businesses that constantly need to adapt their product to the local

market. In any other case, we cannot state that there is any performance advantage in using expatriates over local managers.

At the same time, we found the second hypothesis to be correct. Local technical knowledge is the prime determinant when defining the extent and ratio of expatriation in a foreign subsidiary.

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Expatriates’ performance in subsidiary management

1. Introduction

Is expatriation a valid multinational management policy? What influences the choice of pursuing a determinate expatriation strategy? We argue that expatriates perform better than local managers in a subsidiary in a number of circumstances. Performance will be measured by economic and social indicators at the level of the foreign branch. Expatriates are anticipated to perform better than local employees, and we expect this advantage is mainly achieved through a major job experience and a better quality of instruction. In addition, we think that the number of expatriates employed by a company is related to the technical knowledge at subsidiary level. A substantial part of expatriate advantage is represented by the communicational skill of the manager. This can be declined in two ways, through company channels for formal HQ exchanges or it can be referred to the “networking” ability of the employee. Such soft skill is gaining an increasing importance because it can speed-up internal operations and free locked resources, which often require tedious processes at corporate level. In addition, this comes useful to better adapt to culturally different contexts. We consider the topic important because, given the current economic integration level, multinationals operate in different theatres and, therefore, there is a growing need for managers who can effectively coordinate operations despite the distance. Locals have the advantage of having a local network, to know the way of doing things in the environment where the firm operates, and to have the same culture and language. The question is hence for the multinational to decide whether to rely on expatriates or locals. Data were gathered with "in depth" interviews focusing on performance of the foreign subsidiary and the perception of the expatriate. Performance, observed in various business sectors and countries, will shed light on the question. In fact, we can establish a significant relationship between the choices of appointing an expatriate manager and the local business performance.

The database is composed of seven companies that extensively use expatriate managers in their current structure. It worth mentioning how they all operate in several countries, although with diverse intensity and scope. Some companies have a full presence which means both production and selling in the local market, others take advantage of locational production benefits or just to pursue a commercial objective. With respect to business, the managers operate in different sectors: two in luxury clothing and accessories, one in financial instruments, one in sportswear, one hardware, one in food and one in engineering. At the current time, five of the managers who were interviewed are expatriates and two work respectively in the HQ and in Europe as representatives of their local environments. Most importantly, they all have expatriate experience. Interestingly enough, one of them had three separate expatriate experiences and was willing to describe them.

The firms' growth figures over the ten past years will therefore be deflated by the industry growth. Similarly, large subsidiaries will have slower growth than the small ones, but this will be taken into account qualitatively in the analysis.

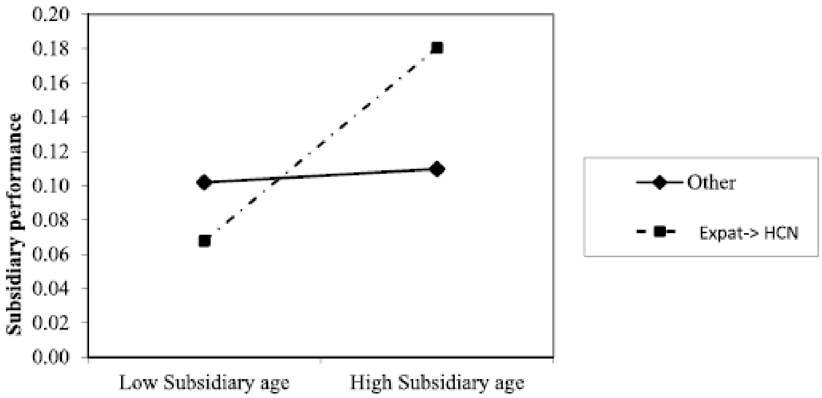
Another important element is the national differences between the home and the assigned country in which expatriates operate. Laws and customs change sometimes radically, therefore it is natural to observe differences in practices. Some actions, in the social or economic context, are more or less well tolerated in the cultural environments where an expatriate operates. In particular, it is interesting to see how some actions may have positive or negative outcomes and how tailored decisions were taken to better suit the national market. This also applies to the social level: every country has its own communication pattern, to which the expatriate must adapt in order to avoid dialogue breakdowns.

2. Literature review

The theme of expatriation, together with topics surrounding it, is being investigated since the late 90s. It seems that its success may go hand in hand with other factors. Bebenroth and Froese (2020)[1] argued that the result of expatriation was heavily influenced by the subsidiary initial performances. The study conducted on more than 3000 subsidiaries showed that an expatriate could achieve good performances only if, prior to its assignment, the results at local level were satisfactory. The same was proven to be true in case of a local manager taking over an expatriate as CEO. At the same time, any expatriation process initiated with the objective to improve an already low-achieving subsidiary would incur further performance deterioration. Table 1 highlights how the study suggested that the only mitigating effect is represented by subsidiary maturity.

[1] Bebenroth R., Froese F. J., (2020), *Consequences of expatriate top manager replacement on foreign subsidiary performance*, Journal of International Management 26 (2020) 100730

Table 1: Probability of major subsidiary performances after expat. substitution with local manager, moderated by subsidiary maturity.



Source: Bebenroth and Froese (2020)

In that sense, a local manager substituting an expatriate will reduce the impact of previous negative performance on the future performance, increasing the chances of a positive outcome. The study proposes that, in old subsidiaries, locals perform better than expatriates. The results of this study contrast with our hypothesis; we believe that expatriates benefit from higher experience and technical knowledge, which makes them better managers than locals.

Much emphasis is put on cultural distance moderation of expatriation. Hofstede (1980)[2] defined it as "the measure of the extent to which norms

[2] Lonner, Walter J. and Berry, John W. and Hofstede, Geert H., (1980), *Culture's Consequences: International Differences in Work-Related Values*, University of Illinois at

and values in one country differ from the ones in another country”. In practice, the cultural differences between a European expatriate working with a North American employee would be much smaller than if he was working with an Asian employee. The more people share the same set of norms and values, the more they would be capable of cooperating without conflicts. This paper was then used by Toh and DeNisi (2005)[3] to prove that expatriation outcomes are influenced by cultural distance. Toh and his colleague found that expatriation is subjected to high rates of failure when the cultural distance level is too high between HQ and subsidiary. The main explanation was that, without a good level of cultural competence, expatriate managers struggle to get support and validation by local employees. On the other hand, the authors’ inquiry on local managers found that they often complain about their low importance in the decisional hierarchy. However, subsidiary performance increases as soon as expatriates are successful in increasing local corporate commitment. This happens when the company pushes to empower home country employees and these

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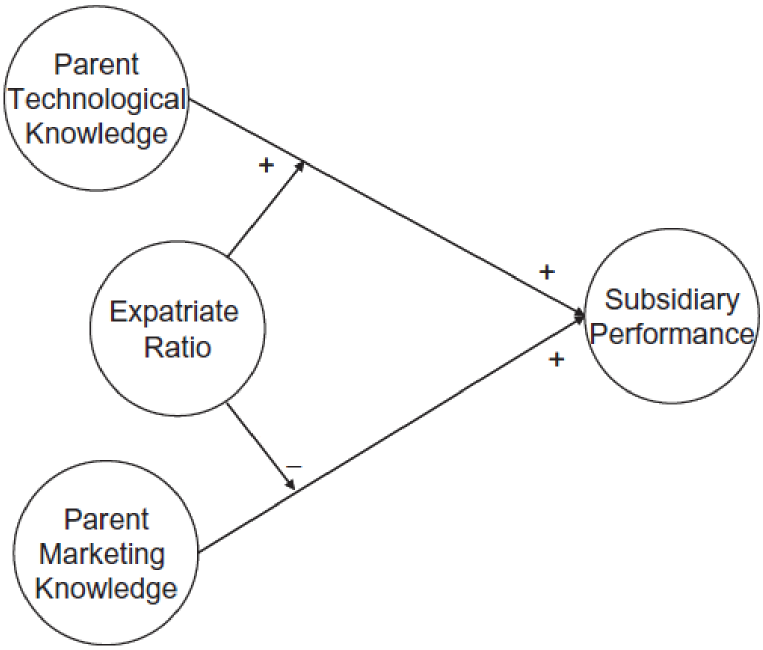
[3] Toh S. M., DeNisi A. S., (2005), *A local perspective to expatriate success*, The Academy of Management Executive (1993-2005) , Feb., 2005, Vol. 19, No. 1 (Feb., 2005), pp. 132-146

fully acknowledge their new responsibilities. Fang et al. (2010)[4] highlight the importance of expatriates in the technology and communication transfer. However, they argue that, to be beneficial, expatriation weight has to be carefully planned. Their model is concentrated on the local performances in relation to the expatriate ratio (Table 2).

Table 2: Expatriate concentration impact on technological transfer and local knowledge application (factors functional to good subsidiary performances)



Source: Fang et al. (2010)

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[4] Fang Y., Jiang F. G., Makino S., (2010), *Multinational Firm Knowledge, Use of Expatriates, and Foreign Subsidiary Performance, Journal of Management Studies 47:1 January 2010*

The authors show that expatriates facilitate knowledge transfer, especially in young contexts, which is considered beneficial to higher performances. However, this role gradually fades away as the subsidiary reaches maturity, de-facto reducing the expatriation positive effects related to knowledge transfer.

On the other hand, a high expatriate ratio is not always beneficial. Fang (2010) and Mendenhall et al. (1991)[5] provide examples that an overcrowding of expatriates damages their facilitator role. Introducing the specificity knowledge, they created a pattern for subsidiary performances (Table 3). "High specificity" is the knowledge that loses meaning outside the local environment; it is therefore highly specific to the subsidiary context. An example is the marketing knowledge in a particular area. "Low specificity" knowledge can be used everywhere without losing effect, such as the technical knowledge.

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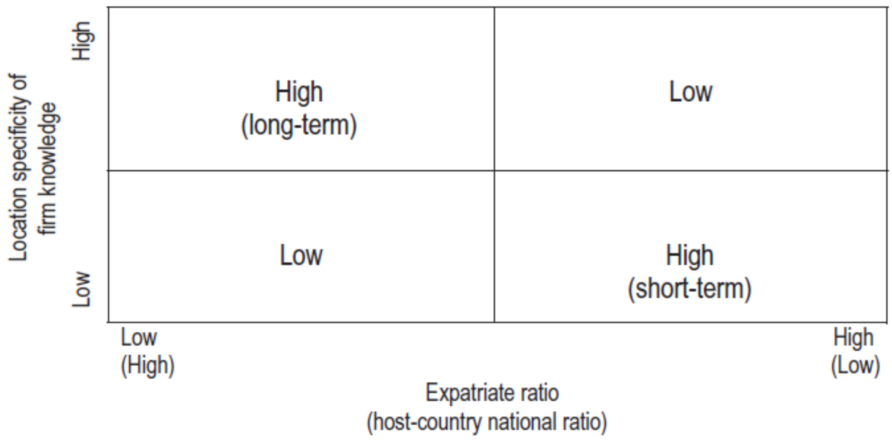
[5] Mendenhall M. E., Black S. J., Oddou G., (1991), *Toward a Comprehensive Model of International Adjustment: An Integration of Multiple Theoretical Perspective*, The Academy of Management Review 16(2):291-317

Table 3: Prediction model of superior subsidiary performance given location-specificity knowledge and expatriate ratio



Source: Fang et al. (2010)

Subsidiaries with highly specific knowledge benefit from low expatriation because they have a major freedom in applying their understanding of local environment. On the other hand, a high number of expatriates achieves good performances in locations with low-specificity knowledge due to their role of facilitating technology transfer. However, that is temporary because local employees will gain their own experience, thus making expatriates redundant and costly. For every other case, the projected outcomes are low chances of higher performance. What is suggested by Fang at al. and Mendenhall is that, given the expatriation negative impact on subsidiary local market knowledge, expatriates are useful in companies with highly standardized output. In line with Mahoney and Tan (2006)[6], expatriation will have therefore a detrimental effect when product customization is necessary to meet the market needs. Those two papers argue that, given the effect proposed in Table 4, the expatriation ratio moderate the effect of knowledge on subsidiary performances. The same table shows that the desirable outcome is achieved in the top-left quadrant, which means low expatriation is beneficial when the subsidiary has high local market knowledge. To reach the optimal result, the authors conclude that to a determinate level of specificity knowledge must correspond an intensity of expatriation.

The fact that expatriation advantages disappear progressively are also argued by Harzing (2001)[7]. In addition to that, the author stresses the importance of subsidiary maturity in determining the outcomes of expatriate management. Positive results are obtained when the expatriation ratio decreases as the subsidiary gets older.

In opposition with Fang, Goerzen and Beamish (2007)[8] propose that expatriate ratio correlation to subsidiary performances is moderated by the

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[6] Tan D., Mahoney, J., (2006), *Why a Multinational Firm Chooses Expatriates: Integrating Resource-Based, Agency and Transaction Costs Perspectives*, Journal of Management Studies, 43. 457-484

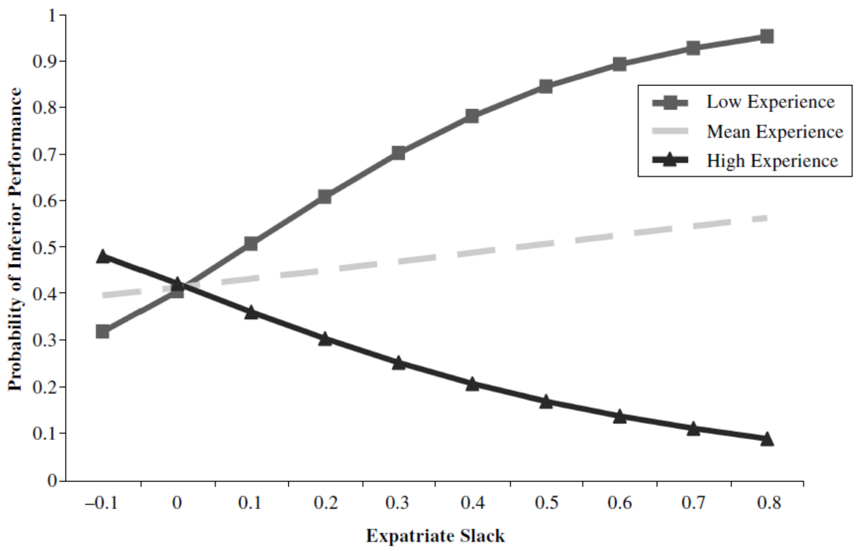
[7] Harzing A. W., (2001*), Of Bears, Bumble-Bees, and Spiders: The Role of Expatriates in Controlling Foreign Subsidiaries*, Journal of World Business 36(4):366-379

[8] Beamish P. W., Goerzen A., (2007), The Penrose effect*: Excess" expatriates in multinational enterprises*, Management International Review · March 2007

firm experience in local environment (Table 4), but that happens in an opposite manner. The analysis introduces the topic of "expatriate slack", which means higher expatriate assignments. The study is quite surprising, considering that slacking has always been associated with inefficiency, especially when it is excessive. When it comes to material resources, Geiger and Cashen (2002)[9] and Nohria and Gulati (2017)[10] argue that the relationship between resource slacking and innovation has an inverted U shape. On the other hand, Lecuona and Reitzig (2013)[11] show it is worth having a slack of "abstract" resources such as knowledge because it improves company reactivity to external pressures, either from markets or competitors.

[9] Geiger S. W., Cashen L. H., (2002), *"A Multidimensional Examination Of Slack And Its Impact On Innovation",* Journal of Managerial Issues Vol. 14, No. 1 (Spring 2002), pp. 68-84 (17 pages)
[10] Nohria N., Gulati R., (1996), *"Is Slack Good or Bad for Innovation?"*, The Academy of Management Journal Vol. 39, No. 5 (Oct., 1996), pp. 1245-1264 (20 pages)
[11] Reitzig M., Lecuona J., (2014), *"Knowledge worth having in "excess": the value of tacit and firm-specific human resource slack"*, Strategic Management Journal Vol. 35, No. 7 (JULY 2014), pp. 954-973 (20 pages)

Table 4: expatriate slack effect on subsidiary performance, moderated by local experience



Source: Goerzen and Beamish (2007)

The authors shows that companies with high local experience benefit from expatriate overcrowding as a measure to maximize the probability of higher subsidiary results (lower probability of inferior results). On the other hand, a higher expatriate ratio increases the probability of inferior performance when the parent firm has low host country knowledge. The study therefore reinforces the importance of subsidiary experience level for the expatriation outcomes.

The literature on the subject of expatriation provides mixed results and a multitude of variables can be very influential. In our analysis, we propose two hypotheses.

Hypotheses 1 (H1): expatriate managers performed consistently better than local managers when it comes to leading foreign subsidiaries

The provided literature show that the management effect on subsidiary performances is mainly dependant from the previous management outcomes. In contrast, we want to prove that expatriates are better at conducting operations than local managers.

Hypotheses 2 (H2): high specificity subsidiary knowledge (market knowledge) is not correlated to the ratio of expatriation

With regards to H2, we aim to disprove the conclusion offered by Fang et al. (2010) and Mahoney and Tan (2006). Our idea is that expatriation ratio is exclusively dependant from local technical knowledge. Of course, this study will provide results consistent with our database but it will not give a definitive answer to these questions. It is worth to mention that measuring expatriates' performances is arduous since each MNE has its own benchmarking process and KPIs.

3. Methodology

3.1 Research method

This research seeks to relate management with performance and to give an answer to how expatriation ratio moderates this relationship. Depending on the firm and the situation, management can refer to very different behaviours. It can therefore not be accurately measured as a quantitative project would require. Avoiding the quantitative approach, we will take a wholistic qualitative approach and distinguish only expatriate from local management. Each entails a set of managerial practices that do differ. By relating these types of management to the firm's performance, the existence of a difference can be ascertained even though the nature of this difference will remain essentially hidden.

We proceeded with "in-depth interviews" to gather the data. Due to the diversity of situations, it is necessary to have personalized interviews where the subjects can fully express themselves; a standardized survey is therefore undesirable. Moreover, a simple questionnaire cannot summarise the magnitude of information such as involvement and company processes. The managers were contacted via e-mail and asked to participate in a comparative study. Since the objective was to give a realistic portrait of expatriation and its comparison with local management, we tried to create a diversified sample. This is why we have companies from different sectors with subsidiaries located in different parts of the world. The managers that accepted the proposal were subjected to an interview with an average duration of 1.5 hours. The interviews were conducted in line with the suggestions proposed by the recent literature of Holstein and Gubrium (2001)[12]. The interviewer adopted an interested attitude and gradually expanded the discussion with pivotal questions about the topic as proposed by Sharp and Etten (2010)[13] in their guidelines on academic research. The interviewees were given ample freedom to discuss their experiences about expatriation and subsidiary characteristics, especially their perception of "subsidiary health"; then they introduced data about the key indicators used in the analysis. The figures were accompanied by an accurate interpretation so that their implication could be grasped by the interviewer. This interview method gives expatriates the opportunity to explain what they were assigned to do, if the previous local management was inefficient and what was the outcome of their action. Showkat and Parveen (2017)[14] highlight how in-depth interviews are more accurate than questionnaires and surveys when it

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[12] Gubrium, J. F., & Holstein, J. A., (2001*), Handbook of interview research: Chapter 5*, SAGE Publications, Inc.

[13] Healey-Etten V, Sharp S., (2010), *Teaching Beginning Undergraduates How to Do an In-depth Interview: A Teaching Note with 12 Handy Tips*, Teaching Sociology. 2010;38(2):157-165.

[14] Showkat N., Parveen H.,(2017), *In depth interview*, e-PG Pathshala (UGC & MHRD)

comes to gather qualitative data. Certainly, there are some rules to respect in order to achieve optimal results. The structure is based on some core questions around which the discussion can freely expand, therefore tailoring it for the specific case. Boyce and Neale (2006)[15] show how this qualitative technique is effective when used in combination with quantitative data in order to infer the correlation between them and give a comprehensive view of the analysis. In this case, we use the managers' experience or behaviour to explain subsidiary results; then we aim establish a connection between their actions and the outcomes of expatriation in their specific case. It is important to recognize the issues caused by cultural distance and how expatriation can solve them in order to give a context to the analysis. Through interviews, we can find a causal relationship between a certain style of management and the data in our paper, which otherwise would have no explanation. The performance measure takes into account the business results and the value increase brought by the employee in the company. The numerical performance data will thus show the efficacy of the expatriation strategy. Most of the evidence is derived from expatriates' personal experience. One could raise questions about the reliability of the material but several studies discussed in the literature review show how "in depth

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[15] Boyce, C., Neale, P., (2006*), Conducting In-Depth Interview: A Guide for Designing and Conducting In-Depth Interviews for Evaluation Input*, Pathfinder International Tool Series, Monitoring and Evaluation-2.

interviews” provide accurate and significant data. Being a first-hand observation, the bulk of the data is non-numerical; this is then associated with the complementary numerical data, kindly forwarded by the interviewed subjects. There may be concerns about using subsidiary data to demonstrate expatriation performance but Harzing (2001) shows that, due to the difficulty of evaluating single workers, they are a reliable way to evaluate expatriate managers.

Initially, there were some adjustments to make, first with the time span of the analysis and then with the variables themselves. In the first case, a three-year span was deemed too short to provide a significant correlation between the appointment of expatriates and the relative business results; for this reason, a ten-year span was considered given that, in some cases, governance results can only be observed after a reasonable amount of time. It is worth of mentioning how that change can be faster; some managers testified rapid developments even after two years of their commitment. Secondly, some variables are too difficult to gather. For this reason, we opted for a small set of reliable indicators. It is rare for managers to know data on “return on investment/equity” and sometimes even profits. The data has to be uniform across the database, that means the analysis cannot proceed unless everyone provides what is required. This means that we had to drop the "profit" variable since only one manager provided the indicator.

3.2 The data collection

The interview data gathered for the research is both qualitative and quantitative. For the qualitative data, the interviewed managers can provide an inside view of their business sector, job responsibilities and personal experience, in both the cultural and technical sphere. Through this, they explain the strengths and weaknesses of employing non-native managers and highlight the priorities at corporate level. Moreover, it is useful to understand how companies operate regarding subsidiaries management and the policy implemented to appoint expatriates, which seems to lay in a sort of shadow zone. At the current state, the lack of a standard procedure on expatriation is caused by the different needs and priorities depending on the sector of operation or geographical area. The company strategic objectives have their weight in the process. Experienced managers were sent in young subsidiaries while inexperienced but promising ones were appointed in mature subsidiaries for their training process. The HQ have to balance all those factors before deciding how intensively they will rely on expatriates. Moreover, some companies prefer to assign expatriates that showed to be high achievers; other MNEs picked subjects with high cultural intelligence for their coordination capabilities, especially in context with high cultural distance. Cultural intelligence has been defined by Ang and Van Dyne (2008)[16] as "the capability to function effectively in contexts characterized by cultural diversity". This skill has a great impact on the effectiveness of adaptation to new local patterns and proved to be useful in reducing psychological pressure linked to working in unusual environments, as shown by (Leung et al., 2014)[17].

The second kind of data is quantitative and it is necessary to observe the relative performance of a company in relation to the use of expatriates, from which we will try to answer the research question. The dataset has three major variables: gross revenues, investments and number of employees. The data refer to the foreign subsidiary to which the specific expatriate was assigned or to the HQ performances in the case where there is no expatriate. In addition, the variables are expressed in "percentage growth rate" for the period of the last decade (2010-2019). The gross revenue data is straightforward and provides a surface explanation of the sales done by the subsidiary. The other two indicators are the investment and employment growth. The last deserves some clarification; it would seem genuine that

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[16] Ang, S., Van Dyne, L., (2008), *Conceptualization of Cultural Intelligence: Definition, Distinctiveness, and Nomological Network*, In S. Ang, & L. Van Dyne (Eds.), Handbook of Cultural Intelligence: Theory, Measurement, and Applications (pp. 3-15). Armonk, NY: M. E. Sharpe

[17] Leung K., Ang S., Tan M. L., (2014), *Intercultural Competence*, Annual Review of Organizational Psychology and Organizational Behaviour Vol. 1:489-519

expanding companies or good performers would show an increase in workforce, however, that isn’t straightforward. At this point, several considerations have to be made. Concerning the number of employees, the reverse could be true. However, some managers testified that the process of workforce expansion is usually sequential to the revenue expansion. Companies wait for clear market messages before increasing their operative costs, so they can avoid falling profitability when something unexpected happens. When the local market gives a demonstration of reserves of potential revenue that cannot be reached with the available means, the decision to expand plants and workforce is taken. Secondly, the employment index could be misled by the possibility of MNEs engaging in e-commerce. However, some companies in our database deal in goods that are not tradable online, while others operate in markets with generally high e-commerce but low incidence at the local subsidiary level (Nike, Gucci, Hugo Boss). Regarding investments, the interpretation of the index must go hand in hand with the identification of the business sector. For example, the investment indicator is much more significative in the engineering/clothing areas than it is in the financial one. The mechanical and engineering fields are technology driven; the result is that even a small development greatly increases the value of the product for the consumer. The fashion industry has to keep up with new materials, methods of production and trends in a fast-moving market. On the other hand, financial institutions trade the usual products, even though we are now witnessing the launch of numerous FinTech innovations. In addition, a positive sign is not necessarily positive in the whole context. An increase of employment might suggest a business expansion but, if it doesn't correspond to an increase in revenues, that will eventually result in major cost of operations.

3.3 Control variables

Two control variables will be retained because of their a priori impact on management: industry and country. The industry takes into account many actors, such as the firms that trade the same product/service, and the market context. This variable moderates the effects of expatriation on the overall performances of a subsidiary considering the sector expansion/stagnation, competition level and novelty. This is the most influential control variable because its effects have a greater magnitude and companies are highly susceptible to sector mutations; as a matter of fact, the sector variable generates a transversal effect that hits everyone across the market. On the other hand, the country variable is the impact of a country's socio-economic and political traits on the specific subsidiary, which is an interaction between two actors. Political institutions can establish legal and commercial constraints on subsidiaries. In addition, institutions express the country's social beliefs since they are a product of citizens. Country effects have an influence limited to the subsidiary the national context. For this reason, they have to be considered from case to case, since it can cause different outcomes even in the same company (Nike).

3.3.1 Sector variable

Certainly, the companies operating in the luxury segment had much larger growth rate of revenues in the last decade, most of which was achieved through the expansion in the Asian market. The luxury retail businesses in our database are owned by holding groups. However, both Gucci and Hugo Boss do not have subsidiaries. Instead, they carry out their operations through flagship stores and franchises when situated abroad. However, Gucci and Hugo Boss started a campaign to take back control of those franchises in the early 2000s. Nowadays, the vast majority of Asian shops are directly controlled by the firms but the few franchise units still receive support and coordination by the parent company. If it is true that their organization makes impossible to identify subsidiaries, the indicators are still registered by geographical area thus providing an analysis of the country. In this way, we believe that the data provided by the interviewed managers are still significant considering they have access to those documents.

The financial sector, on the other hand, has not performed that well. In the last decade, public regulators introduced several checks and balances to avoid future 2008-like scenarios. Moreover, few big companies dominate the sector, making it a de-facto oligopoly where revenues are big yet their growth rate is minimal. Another factor to keep in mind is that the financial world recently underwent periods of severe stress, which initiated several processes of restructuring, in both employment and operating procedures.

The same goes for the sportswear sector. That already consolidated market - with low growth rates and significant absolute numbers - highly benefits from periodical international sporting events. However, many of those brands managed to improve their segmentation process by offering their products also on the basic clothing market alongside the traditional sport line sector.

The hardware sector is sustained by basic and applied research. Nevertheless, despite the typical technological entrance barriers, there is a strong competition since several new companies with innovative ideas can enter the market. Considering the overall status, the sector experienced a mild stagnation with the competition and patent defence efforts eroding much of the profits.

On the contrary, another research-intensive market like the engineering one is in strong expansion. Developed countries heavily invested in new green projects that both encompass national infrastructure and the energetic field. In this regard, the highly specialized workforce combined with the abundance of orders has made the sector profitable in last decade. In addition, the new political push for clean energy anticipates good market forecasts in the medium term.

Finally, the particular food subsector analysed is the “large-scale distribution”. Here there is a novelty in our specific instance, since the company provides frozen bakery in a B2B context. The choice of outsourcing this kind of goods is recent in most of the businesses that operate with final customers and transition pace is accelerating. The appearance of several similar companies testifies that the sector is expanding, which is also clear by the numerous investments for new production facilities all over the world.

The sector variable impact is important. Expatriates working in thriving environments, such as the luxury, clothing and food industry, reported major improvements after their assignment. However, the sector variable explains a significant part of the revenue growth and almost the entire growth of investments. The innovation speed is high, consumers are observant and their tastes are changeable, which causes companies to heavily invest in

R&D. On the other hand, the few expatriate managers operating in mature sectors registered average results, in line with those of their local counterparts.

Table 5: level of product standardization for the subsidiaries in the database

Company	Sector	Output standardization
Gucci	Fashion	Low
Hugo Boss	Fashion	Low
Nike		
- Russia	Sportswear	Medium
- Brazil	Sportswear	Medium
- Mexico	Sportswear	Medium
Delifrance	Catering	High
Aon	Finance	High
Bosch	Components	Medium
Prysmian	Engineering	High

Source: own construction based on interview data

Product standardization can have an influence on expatriation. We introduce this topic because we think expatriation has different effects on subsidiary performances based on the MNE output. In addition, we believe it is one of the drivers moderating the expatriation ratio, together with the local technical knowledge.

3.3.2 Country variable

Countries have a dominant culture but they express much more than that. When it comes to appointing expatriates, it is important to evaluate the differences and the possible conflicts that can arise from the interaction with local employees. Cultural affinity is one of those characteristics that helps foreign managers to integrate, understand and create a solid network among co-workers; that does not necessarily guarantee good performance, but it is a good start. To be specific, cultural affinity can be defined as the cultural compatibility, in language, religion and custom (in fact relatable to every aspect of the cultural sphere) perceived by one subject towards another. This compatibility makes him feel inclined to create a positive connection. In this sense, expatriation is useful because it connects the HQ with the subsidiary through people with matching backgrounds, thus avoiding cultural distance.

There are however further layers of complexity in this analysis. The country variable can affect the subsidiary business performance beyond the quality of managerial control. Both the institutional or legislative environments play an important role. Corruption and bureaucracy represent two of the worse combinations in the multinational context since they damage the brand and expose the company to slowdowns. This happens in every country but Central/South America and South-East Asia have an endemic situation. Lastly, it is necessary to consider the economic policy of the country.

Protectionism puts a heavy constraint on profits and there is little expatriates can do to challenge this. A clear example is in the analysis sub-chapter, the Nike Brazil case shows how the country variable effect can have such a negative impact to eliminate any good management result. Quantitative data do not make the country variable influence observable. Since negative country effects have the result to increase operative costs, the proper way to identify them is through the analysis of profits. However, we do not have access to that indicator and, therefore, we will rely on the testimonials of expatriates that will describe what they witnessed and what was the repercussion on the subsidiary overall performances.

4. Data analysis

4.1 Qualitative data

The sector variable gives a good insight on the industry where analysed MNEs operate. Certainly, that variable can influence the expatriation policy. Dynamic markets require a major emphasis on coordination and, especially at early subsidiary stage, that is better achieved through expatriates. This is the case of subsidiaries located in the Asian market, which is relatively new to the fashion industry proposed by Gucci/Hugo Boss and to the products of

Delifrance. Conversely, the maturity reached by hardware, and engineering fields makes sure that local employees already benefited from the process of technology transfer by expatriates. That means the role of facilitators has ceased or is greatly reduced. Another difference is given by the generated product. Bosch, AoN, Delifrance and Prysmian have a standardized output that changes only little, if at all, with respect to the country variable. Consumers expect the products/services to have the same characteristics worldwide. Gucci, Hugo Boss and Nike trade goods subjected to higher local sensitivity since they operate in the fashion/clothing industry. The impact of personal tastes or the cultural dimension is much bigger there than in the hardware sector. In these contexts, expatriates need to adapt corporate technical knowledge to the local market, with the help of local employees. The importance of coordination becomes a primary concern and a major number of expatriates is desirable.

Apart from those differences, the companies have some similar characteristics. All have a big corporate dimension, since they employ thousands of people, and are highly internationalized with dozens of subsidiaries in many different countries. This influences their expatriation strategy in the sense that those companies have to scale up the number of expatriates in order to satisfy their dimension needs. Their structure is vast and requires more resources for a proper coordination. In addition, bigger

MNEs are prone to employ more expatriates because they have the resources to cover the costs; as a matter of fact, expatriation is much more expensive than employing local managers. We have to remember that the use of expatriates is connected to different factors, from coordination/communication to training purpose and necessity of skilled personnel. The dimension and degree of internationalization influence the expatriation ratio and they have a similar effect across our entire database, since the companies are similar from this point of view.

Despite obvious difference in conducting their operations and managing decisions, the basis for appointing expatriates is almost the same anywhere. The interviewed subjects stated that there is no specific written rule or code of conduct when it comes to this aspect; however, they all gave the answer referring that the decision of appointing expatriates fits in the broader scheme of creating wealth for the company. In particular, they referred that the two biggest moderating factors are the cultural distance between corporate and subsidiary and the local technical knowledge.

With regard to our dataset, expatriation enhanced the subsidiary organization through the improved compliance with corporate practices and by making sure actions are coherent with HQ's directives. In the manufacturing sector, expatriates created a "psychological contract" with the employees, which is necessary to ensure a satisfactory commitment and uniformity of language. Companies need a standardized informative process in order to avoid rigidity and that helps in achieving the goal. In the long term, a good training process is essential; in fact, interviewees considered training an important investment to create competent managers. Some of the analysed companies referred how pairing expatriates with local managers, especially in countries with a low technical knowledge, steadily increased the subsidiary performances. In that sense, the subsidiary gradually achieves major importance for the HQ. the interviewees referred that, although important for coordination, the number of expatriates has to be planned in order not to give the perception of “cultural colonization” to the local workers.

The “Delifrance” case is particular. There, corporate prefers a less invasive method for appointing subsidiary management. The process consists in sending the most valuable local managers to the HQ for training, which therefore does not take place at the subsidiary level. At the same time, Delifrance Thai still needs expatriates because, as wells as coordinating and controlling the operations, they transfer their technical knowledge.

In every case, the roles assigned to expatriates are very specific. Companies prefer to hold a tight control on direction and financial affairs from the HQ without any intermediary. The director of the subsidiary and the financial controller are generally recruited among HQ personnel while all the other managers may be sourced “in loco”, depending on their availability in the local job market. That is important because expatriates can properly spread the internal culture and make sure other foreign workers can assimilate it and act accordingly. On the other hand, marketing and legal branches need to properly understand the local market, its laws and address the consumers’ preferences to perform best. This cannot happen without local market knowledge. This way we introduced two important factors. The local knowledge, which is the understanding of local market and consumers’ preferences, and the technical knowledge, which is useful in the decisional and operative context. On the technical matter, it comes naturally to observe its relation to the educational level. Developed countries can provide a satisfactory level of education, which translates in major technical abilities. Companies operating in highly educated countries show a lower number of expatriates, almost always assigned to the previously specified roles. Table 6 gives a representation of local and technical knowledge observed by the interviewees and the intensity of expatriation used in the relative subsidiary.

Table 6: subsidiaries, local and technical knowledge and expatriate ratio

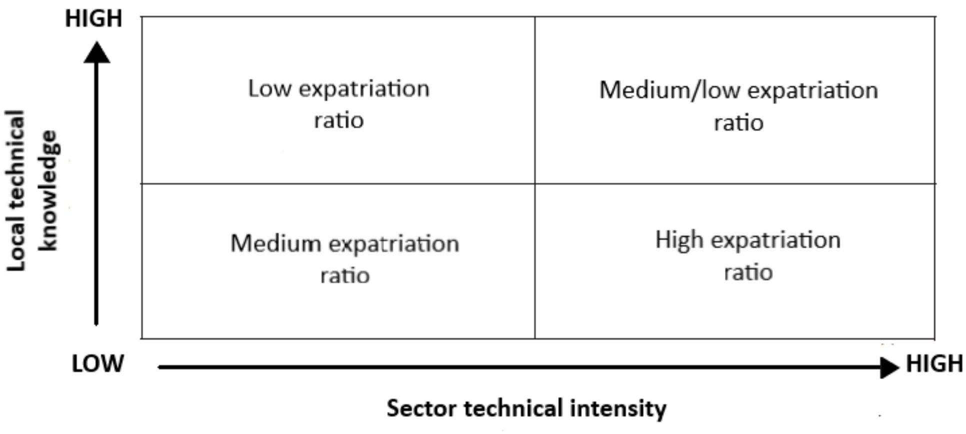
Company	Country	Local market knowledge	Local technical Knowledge	Expat. ratio
Gucci	South Korea	High	High	Medium
Hugo Boss	Vietnam	Medium	Low	High
Nike				
- Russia	Russia	Low	Low	Medium
- Brazil	Brazil	Medium	Low	High
- Mexico	Mexico	Medium	High	Low
Delifrance	Thailand	Low	Low	High
Aon	UK*	High	High	Low*
Bosch	Germany*	High	High	High*
Prysmian	UK	Medium	High	Low

Source: own construction given expatriates' interviews

The knowledge measure was indicated by expatriate given their impressions and their experience maturated during their assignment. It is therefore based on a qualitative scale. During their time abroad, they were able to identify if and to which extent the local workforce understood the market dynamics or possessed satisfactory technical knowledge. The expatriation ratio is expressed by a percentage scale. Low, medium and high expatriation ratio correspond respectively to 1-5%, 5-10% and above 10% of expatriates in the subsidiary decisional management. Gucci and Prysmian opted for a minor expatriate concentration since the country variable allows to hire competent managers in the local job market. It is common in South Korea and United Kingdom to observe a substantial portion of the population with quality tertiary education. The same can be said for Nike Mexico; there, many senior managers benefited from working experience and higher education in the USA. On the contrary, Hugo Boss and Delifrance operations in Vietnam and Thailand require a stronger presence of expatriates, which make their knowledge available to local employees at human resources and marketing levels. A high rate of expatriation was used in Brazil because of the coordination needs during exceptional sports events. The asterisk is shown since the Aon and Bosch managers that were interviewed are local. However, they indicated their companies have some personal preferences. Aon usually relies on low expatriation strategies due to the standardization of their products. On the other hand, Bosch has a rigid management based on strict control, it therefore relies on higher expatriation ratio, in line with the German style.

It is also worth of mentioning that subsidiaries with high level of technical knowledge very often present a high level of local knowledge too. The more educated local managers are on the technical subject, the more probable it is that they have a deep knowledge on the operative context, market-wise. The two factors are therefore correlated. In addition to the local technical knowledge, in order to build our model (Table 7), we have to consider another factor: the sector technical intensity. Some business, such as engineering or finance need it more than catering.

Table 7: Model on expatriate strategy



Source: own construction

Communication is central because coordination is central. This allows diffusion of ideas and directives from the headquarters to the subsidiaries. Our expatriates state that their companies express major concerns at the launch of new products as well as during benchmarking procedures. This happened because the intelligibility among subsidiaries and HQ was taken for granted and led to misunderstandings that caused the loss of an important market position. such as in the Nike Russia case. There, the local management inappropriately continued to operate a push strategy despite HQ dispositions to discontinue the practice. Push marketing is useful to reach many consumers in competitive markets. It is an expensive practice but the effects are only temporary; new promotions have to be planned periodically to keep the public interest at a high level. Despite being useful during a product launch, push marketing must give way to strategies that create consumer loyalty. That's why push strategies have to be correctly balanced by pull strategies, aimed at retaining the conquered consumer share. The different background of employees has long been an obstacle to a proper information flow; the Nike manager referred that this problem caused a 30% loss of previous market share. The situation was almost totally solved when the companies started to appoint more expatriates in key subsidiary positions. Nike managed to implement a "pull" strategy in the Russian market, in line with the HQ directives, and gain back a good market share. On the other hand, Gucci in Asia standardized its procedures and data gathering process in order to provide coherent measures for benchmark evaluations, which facilitate the decision of following corrective measures. Communication can also be declined on the organizational level, the networking ability that oils up the bureaucracy inside the company. Hugo Boss and Delifrance managers used their personal contacts in HQ to speed up the grant of authorizations. This allowed more resources to flow in the subsidiary in a quicker time, which resulted in a major reactivity in the Asian market, where corrective actions are required frequently. This wouldn't have been possible in presence of a local manager. This is confirmed by the investment data collected since these companies allocated growing funds. Expatriates have access to many resources thanks to their networking ability. Through this, they have a direct channel of communication with the HQ or, in some cases, with those deputed to offer support to the subsidiary. By that sense, expatriate can exert a major pressure on the HQ than local managers when reporting local needs. Certainly, this resource slackening could be interpreted as a negative and undesirable consequence but expatriates achieved good revenues during the same time, in both the analysed cases.

4.2 Quantitative data

Shifting our attention to the numerical data (Table 8), a premise is due. We have to point out that mature companies that often have a big international dimension (both in market and structure), if considered as a whole, follow similar patterns of revenues and growth. The patterns change depending on industry. Luxury companies, for their intrinsic characteristics, tend to have big revenues increases in comparison with their dimension; something they share with younger companies despite the difference in absolute numbers. With respect to revenue potential, luxury brands and sportswear dominate the others. On the other hand, financial institutions and hardware sectors are consolidated and registered only a small growth in the past ten years . Few big actors compete to capture a greater market share which, combined with the maturity of the market, reduces the revenue potential to a small yearly percentage and increases operative costs. Naturally, even though we lack data, it is typical for this kind of MNEs to register relatively small profits for their dimension.

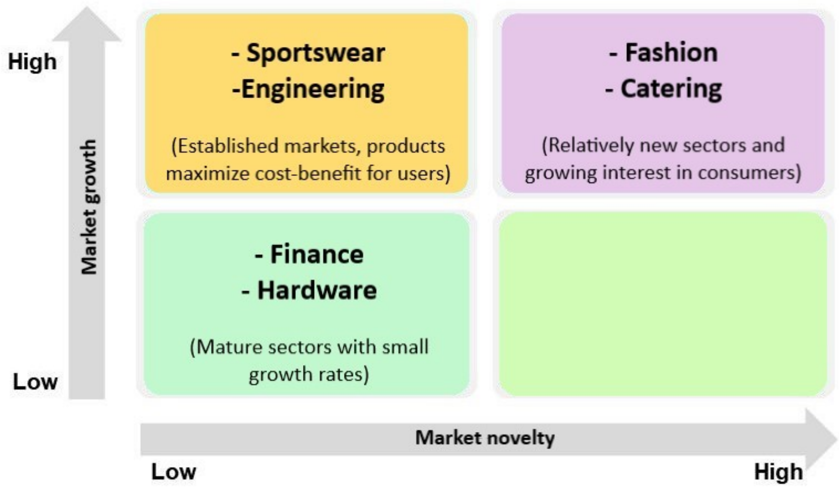
Table 8: Indicators forwarded by the interviewed subjects

Company	Expatriate	Area	Gross Revenues	Investments	Employees
Gucci	Yes	Asia	140%	60%	20%
Hugo Boss	Yes	Asia	50%	20%	-15%
Nike	Yes (all cases)				
- Russia		Europe	200%	10%	3%
- Brazil		South America	40%	60%	5%
- Mexico		Central America	25%	8%	5%
Delifrance	Yes	Asia	250%	20%	70%
Aon	No	Europe	25%	8%	-3%
Bosch	No	Europe	15%	30%	10%
Prysmian	Yes	Europe	20%	50%	5%

Source: own construction based on interview data

The industry variable (Table 9) has the biggest weight in the analysis. We can observe its impact on revenues across the database. Gucci and Hugo Boss benefited from the expansion of the luxury sector which is still ongoing, especially in Asia, and scored a revenue growth of 140% and 50% respectively, with signs that their trend is continuing. The same is valid for Delifrance since frozen products represented welcome novelty in the hospitality and catering sectors. There, the growth was remarkable and up to 200%. Nike would normally fall into the category of mature companies but maturity didn't particularly limit its revenue potential, which was more than one would expect. The growth was positive in all three subsidiaries. In Russia the result was +200%, definitely a positive outcome considering the premises of a failing market. In Mexico a good stability was achieved. However, the situation in Brazil was not satisfactory due the influence of the country variable. Brazil imposed high tariffs on goods and materials coming from abroad, thus increasing the costs of the supplying process. In addition, it is particular to the Brazilian case that any excess materials imported should have been entirely used in the country and their export was not allowed. Any surplus input that was not used for production could not be redirected to other subsidiaries and was therefore dismissed. This had a high impact on operative costs. Industry had definitely a negative effect on AoN, Bosch and Prysmian. As previously explained the first two sectors are already mature and, unlike the Nike case, the companies were unable to propose innovative products to consumers or convince them to consume more. At the same time, Prysmian operates mostly through public commissions and the high competition limited the number of contracts the company has been awarded.

Table 9: sectors by market growth and novelty



Source: own construction

The sector variable is also influential for investments since they improve the sensibility of a company to react to market changes and face competitors. If from one side we can argue that MNEs prefer to fund remunerative subsidiaries, we cannot overlook that certain sectors require a major R&D contribution than others. Gucci and Hugo Boss received more funding for their Asian subsidiaries in line with the innovativeness of the fashion industry. Expenses are directed towards the realization of new materials, production methods and advertising campaigns. Nike has the same needs but the data show a different picture. Considering that the company has always invested heavily in research and marketing, the Russian and Mexican branches registered an increase of just 10% but that must be adjusted to the already consistent amount in 2010. On the other hand, the spike in the Brazilian case is more to be attributed to the country variable. Bosch and Prysmian need basic and applied research so both companies registered a great increase of investments in their subsidiaries. Both have to maintain an edge on competitors in a market where even slight improvements can shift substantial consumer shares; the second works with highly technological products in a competitive market. Generally speaking, consumers in technology driven sectors are highly attentive to improvements since they significantly increase the customer value. In these sectors, the perceived benefit given by the acquisition of the latest product very high for two reasons. First, there is a behavioural process that makes consumers think a new technology is better than an older one. Second, this novelty is often real since it brings improvements in efficiency and comfort. Needless to say, these companies' success relies on patents, which are obtained and challenged thanks to R&D inventions. This is in sharp contrast with firms that operate in low-innovation industries. AoN still needs technological instruments for its daily operations but the products it offers are standardized all across the sector. The small increase in investments

(8%) financed new interfaces and digital solutions, as well as means to keep a sufficient visibility to consumers. Delifrance is similar in the sense that bakery products are quite standardized and any small differences do not justify great R&D expenses. On the other hand, the company registered an increase of 20% in investments due to structural reasons. In that period, the Thai subsidiary expanded its market and new productive plants were necessary to keep up with orders.

With respects to employment, there is a weak correlation with the sector variable. The observation of Gucci and Hugo Boss data show different trends even though, at the end of the ten-year period, both subsidiaries have an overall high-performing status. Workforce expansion occurred because it was coherent with the corporate long-term strategy of Gucci. On the other hand, Hugo Boss decided to pursue a strategy based on efficiency and cut its staff. It is normal for luxury brands to recur to physical presence in order to gain major visibility for their products. Increasing the number of local stores is useful for marketing and to understand and research better local preferences. We believe this was the idea behind Gucci decision to pursue this road. On the other hand, it is understandable that Hugo Boss decision was in line their objective to reach a higher level of efficiency. Nike, AoN and Bosch represent clear examples, together with the previously highlighted Gucci and Hugo Boss, of companies that can conduct business to consumer transactions without physical contact. That does not necessarily mean they conduct their operation without local presence. This makes available to the companies the choice to operate through e-commerce or, more in general, online. AoN and Hugo Boss decided to follow that path and cut their headcount. On the other handIn fact, Gucci, Nike and Bosch, despite benefiting from these the online channels, deemed important to expand their on-the-ground presence in their markets coherently with their strategy. Delifrance registered a 70% workforce increase because physical staff is necessary to run catering and industrial production sectors, especially during an expansion phase. That contrasts with the Prysmian case, where the increase of orders did not generate an excessive increase of employees since the construction and assembly processes are overwhelmingly conducted by machines.

When we shift attention to the country variable, we can observe that it influences our indicators in one specific way. Regarding the gross revenues, Gucci, Hugo Boss and Delifrance proceeded at a higher positive pace than their parent company counterparts in other parts of the world. This happened because their business novelty in the relative country. Nike Russia revenues were initially moderated negatively by the unprepared local management, a problem solved by expatriate takeover. By contrast AoN, Bosch, Prysmian and Nike Mexico achieved good results in line with the market potential of the period; their success can, with a certain degree of confidence, be attributed to control variable and not expatriation, as suggested by their interviewees. Nike Brazil outcome was heavily moderated by the country variable since local and institutional constraints limited operative success. The investments indicator shows that subsidiaries operating in the Asian market received the major increase of funding. Gucci and Hugo Boss operate in countries with demanding customers which are very attentive to the company social conduct or new fashion trends. That is why products have to be designed paying attention to animal and environmental sustainability. All the other companies do not seem to have their investment plan influenced by the country variable, with the exception of Nike Brazil. This case shows a 60% increase, which was attempt to take advantage of major world sport events in order to get subsidiary "back even" from its chronic losses. Despite this eventuality limited to the Brazilian case only, Brazil and Russia have similar political and economic characteristics. Both are heavily protectionist countries. The first has strict rules for imported materials (whose re-export is forbidden) and high barriers, which created an environment not conducive to profitable business and the subsidiary has been transferred to a third party for management since it is not profitable anymore for Nike. Russia, although classifiable as protectionist, is still a profitable market from the moment it loosened some tariffs for the sake of market attractiveness. Employment-wise, the country variable has a particular effect. It has no correlation to any increase or decrease shown in our database since that is exclusively attributed to the corporate strategy for the long-term. However, this variable influences the composition of the workforce and its recruitment, with repercussion on the presence of expatriates. The socio-economic situation of a country modifies the availability of skilled/not skilled labour in the local market. Delifrance, Gucci, Bosch, AoN and Prysmian all operate in places with a job market coherent with their needs. Those in Europe can find plenty of skilled professionals and the Gucci subsidiary in South Korea benefits from diffuse tertiary education attainment among locals. On the other hand, Delifrance low skill needs are met by Thai workers, with expatriates relegated to decisional roles. The Delifrance manager referred that, due to local scarcity of skilled workforce, expatriate engineers were seldom sent to launch the new production plants and form local workers. This is an example of non-managerial expatriation. The country effect also caused a greater rate of expatriation towards countries with high cultural distance with the parent company. The subsidiaries located in Asia (Gucci, Hugo Boss and Delifrance) present a higher ratio of expatriates compared to those located in other parts of the world. The reason is that all the companies in the database operate according to Western standards, either European or North

American. Those definitely have a major cultural affinity with Central and Southern America than with Asia. Despite this, Bosch uses to appoint a higher number of expatriates everywhere, reflecting their German managerial style based on strict control.

This research gives a representation of the role of expatriates in the last decade. These results have to be contextualized through the lenses of industry and country of operation. In addition, it is useful to understand what the starting point was for some of the companies. The qualitative data provided by the interviewees can do the job. Gucci and Hugo boss relied on a good number of local managers but they encountered problems with compliance to directives, which led to significative errors in product development and segmentation processes. This happened to be much more widespread in the Asian context and, conversely, very rare in North/South America. This may be explained by the notion of cultural distance. North and South America are culturally closer to Europe. In both cases, expatriates managed to achieve important executive autonomy for product launches by exchanging with the HQ through personal channels. That considerably shortened reaction time which translated in achieving major sales due to the first mover status. Intelligibility has been of key importance for companies such as Gucci, Hugo Boss and Nike, which benefited from expatriate takeover. The other MNEs acted similarly, to a certain degree, in order to overcome communication breakdowns caused by cultural distance. To paraphrase the Gucci financial controller “never think that people are working like you, with your same method and mentality”. In the Nike case, the expatriation strategy was functional to train the local employees on technical subjects. The subsidiaries in Russia and Brazil suffered from outdated market strategies that couldn’t be reformulated due to poor competence. In the first case, the market share declined by 1/3, with the complicity of the 2008 crisis. The expatriate takeover solved the situation by adopting a “pull” strategy. In the second case, expatriates managed to draw a recovery plan that succeeded due to specific environmental conditions but, in the end, had to surrender to major adversities. Brazilian laws are extremely protectionist; this caused a swelling of operative costs during the supplying as well as in the final sale of products. These conditions made impossible to keep the subsidiary profitable and had been running for more than a decade. Expatriation could not solve the institutional problems and the directly owned operations were therefore dismissed. AoN, Prysmian and Bosch interviewees stated that expatriates’ results were sometimes boasted as a great success, but the idea that this was an exaggeration was quite widespread. Their idea was that local managers were more than able to maintain the same performance level. They argue that the sector variable effect gives a narrow differential between local management and expatriation outcomes. Especially in the AoN and Prysmian cases, the interviewee testified that locals often sided with expatriates in leading the operations and results were no more different than a full-expatriate lead.

Market novelty boosts the company inclination to use expatriation. Young subsidiaries need expatriates for their start-up process, which includes formation for the employees and the establishment of communication channels with HQ. When the market is relatively new, companies prefer to appoint a major number of expatriates. Naturally, this process is moderated by the local availability of technical knowledge, strictly tied to the country variable. Delifrance relied heavily on expatriation in comparison to Gucci, which preferred a moderate use.

Product innovation, on the other hand, requires two considerations. First, innovation related to the need of adapting a particular product to local consumer preferences. In this case, a major ratio of expatriates was observed. Gucci, Hugo Boss and Nike are an example. This can be explained with the need to combine corporate directives and local market needs, which much coordination. Secondly, the classic technological innovation that needs basic and applied research. In this case, expatriation increases the more a sector is technologically intensive. However, it depends on the level of local technical knowledge. Prysimian certainly needs qualified personnel but, since it operates in a highly educated country, relies little on expatriation.

Company size is not directly related to expatriation. Bigger companies certainly have more expatriates due to their dimension but that does not necessarily mean that the ratio of expatriation is influenced by this factor. As previously shown, all the analysed companies are big MNEs but some are larger than others. AoN has a relatively lower expatriation ratio than Gucci despite being bigger. On the other hand, Nike is bigger and uses a higher ratio than AoN. It is clear that company size is not that meaningful in defining expatriation; that is the reason we have to moderate its effects through the control variables.

5. Conclusion

The top management in foreign subsidiaries is usually composed of expatriates, with very few exceptions, especially when the cultural distance is deemed a risk for the decisional and executive process. It is not rare to realize that due to the different background there could be some misunderstanding in decrypting and executing HQ directives by the local workers. The density of expatriates varies depending on the country of operation; unskilled labour is employed in-loco while, at times, specialized workers are mostly sent by the HQ due to their relative scarcity on the local job market.

Expatriates increased subsidiary reaction time to new changes in the market through their networking ability. That allowed to capitalize on new opportunities through the "first mover advantage" or to accelerate processes, whether they were payments, technology transfer or project development. Naturally, with regards to communication and information flow, the bigger the cultural distance factor the better expatriation will absolve its purpose. Many companies aim to standardize procedures since this reduces the cultural distance between the HQ and the subsidiary, avoiding a de-facto "drifting ship".

The training finality of expatriation is the second major function. It is relevant both for the expatriate, in their long-term development, and for the local employees that could benefit from good source of knowledge. Expatriates instruct other employees on company culture and technical subjects, because there often is unwillingness to follow corporate guidelines or unsatisfactory knowledge level.

We have observed that some characteristics have a positive impact on expatriation ratio . Market novelty is directly correlated to a major use of expatriates; same for product innovation related to customization, especially when there is a need to propose attractive products on the local market. This is true for the fashion/clothing sector. On the other hand, we found that the local technical knowledge has an inverse relation with expatriation while the number of employees is largely irrelevant for the expatriation policy.

We therefore keep in mind that expatriation has numerous benefits such as coordination, training and improved communication. However, these do not necessarily generate improved subsidiary performances, nor they prove local manager are not capable. Industry and country often overlap each other and are the main input for the gross revenues measure, which is driven by the expansion phase of the sector in the particular country analysed. Investments are correlated to the sector variable. Expatriates can do little to increase the importance of sector R&D; however, they can stress out the importance of investments at corporate level and ask for major funds to be allocated. This action is often successful thanks to the networking ability of expatriates. Finally, employment appears not correlated with the control variables but still offers a perspective on expatriation and its characteristics, especially when taking into account the country variable. In addition, the qualitative part of the interviews suggests that expatriation does not always achieve major performances. Even though, sometimes, this happened to be true. In other words, we cannot assess beyond reasonable doubt that expatriates consistently perform better than local managers. In some cases, expatriation did not solve the problems at subsidiary level or provided any suggestion that a local manager could be a worse performer. Hypothesis 1 is therefore rejected. On the other hand, we found that expatriates brought positive results in companies that constantly need to customize their products for the local market, in contradiction with the conclusions proposed by Mahoney and Tan (2006). However, we have to point out that the discussion around expatriation and its outcomes is much more complex. First of all, the number of moderating variables is vast, MNE dimension or cultural distance are just two of many. Secondly, the study has numerical database but the analysis happens through the lens of qualitative data, which is difficult to gather and gives a much broader array of results than quantitative data.

Finally, the model proposed in the paper shows that, for our database, the expatriation ratio is not correlated to specificity knowledge (local market knowledge) as suggested by Fang et al. (2010). Hypothesis 2 is therefore accepted, since we found that expatriation ratio is related to the intersection between local technical knowledge and sector technical intensity.

We must therefore remember that appointing expatriates is not a sufficient condition for good subsidiary results. Economic, social and legislative environment of a country can improve or damage those results and eliminate the positive effects of expatriates. Protectionism makes difficult and costly the supplying process. This erodes profits and increases the probability of getting pushed out of the market by competitors. At the same time, highly corrupt institutions create uncertainty, which is always undesirable in commerce. Expatriates can manage their resources but negative effects of the country variable are out of their reach and cannot be changed.

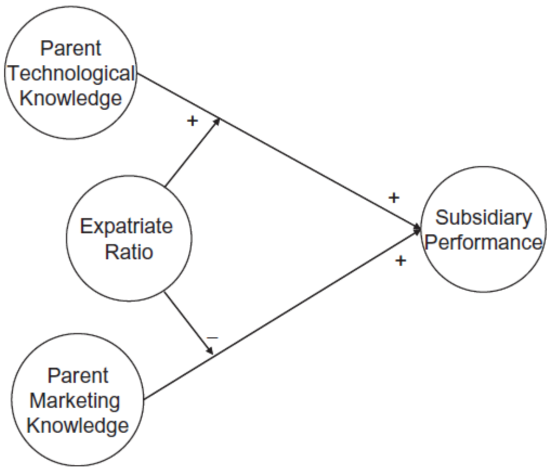
The analysis we propose skims the surface of the argument. Further research could prove useful to understand better expatriation, from the positive traits to the criticalities and their effects on MNEs. In particular, intra-sector studies can provide a better result. They will give a clear answer to the outcomes of expatriation for a particular industry and eliminate the distortion of control variables, such as the sector one. In addition, the limited database has been a major weakness of the study. Firstly, an improvement could be to include more MNEs, sorted by sector in order to address the previous concern. Secondly, we propose a major effort to gather significative data such as the "profit" indicator, which gives a better picture of the subsidiary performance and can be more useful in analysing the qualitative data derived from interviews.

6. Tables

Table 1

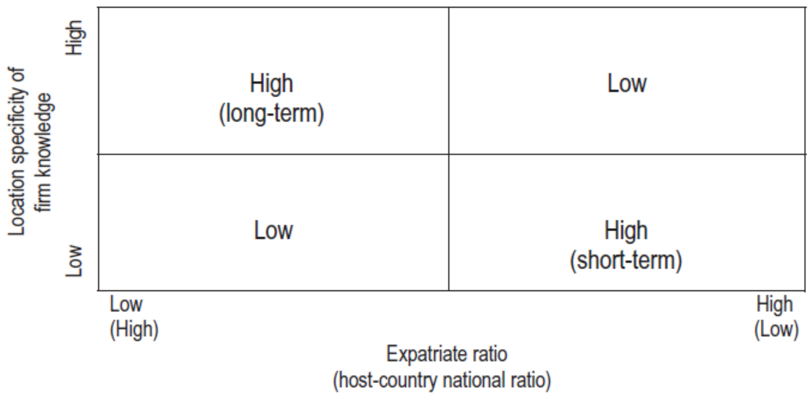
Source: Bebenroth and Froese (2020)

Table 2



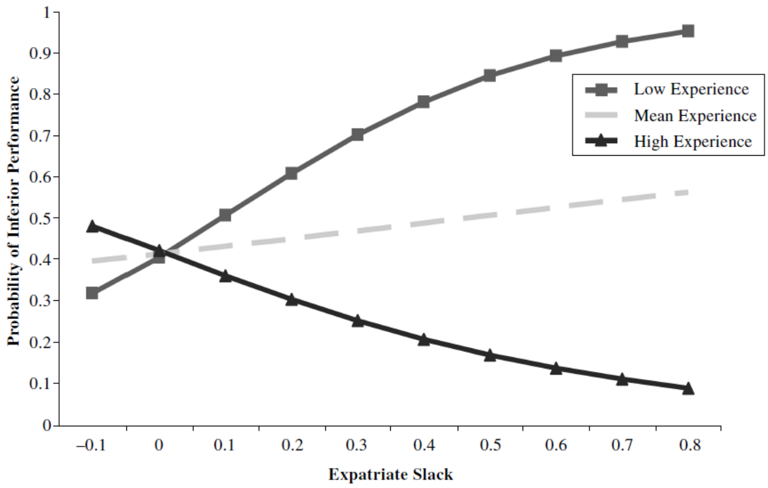
Source: Fang et al. (2010)

Table 3



Source: Fang et al. (2010)

Table 4



Source: Goerzen and Beamish (2007)

Table 5

Company	Sector	Output standardization
Gucci	Fashion	Low
Hugo Boss	Fashion	Low
Nike		
- Russia	Sportswear	Medium
- Brazil	Sportswear	Medium
- Mexico	Sportswear	Medium
Delifrance	Catering	High
Aon	Finance	High
Bosch	Components	Medium
Prysmian	Engineering	High

Source: own construction based on interview data

Table 6

Company	Country	Local market knowledge	Local technical Knowledge	Expat. ratio
Gucci	South Korea	High	High	Medium
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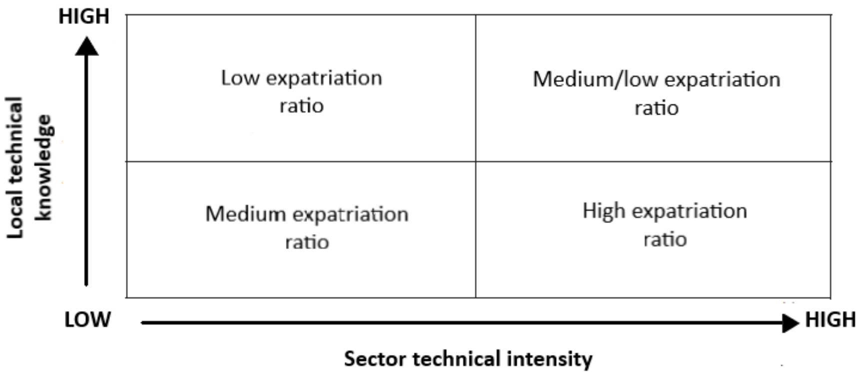

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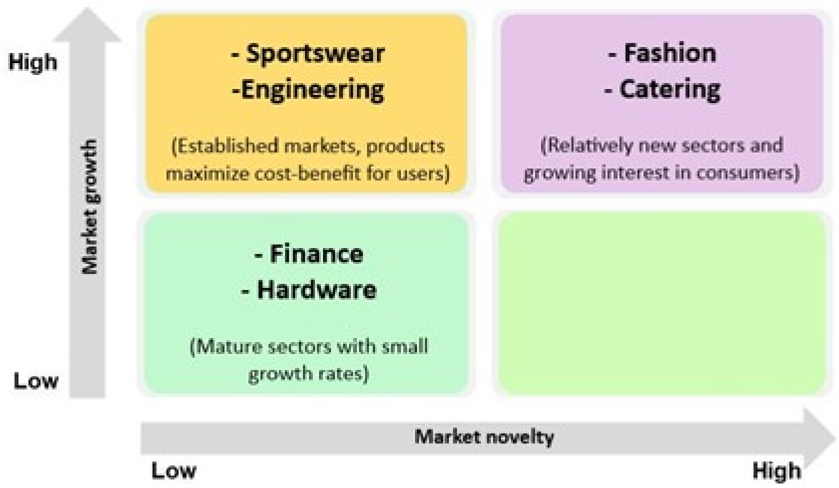
Nike	Yes (all cases)				
- Russia		Europe	200%	10%	3%
- Brazil		South America	40%	60%	5%
- Mexico		Central America	25%	8%	5%
Delifrance	Yes	Asia	250%	20%	70%
Aon	No	Europe	25%	8%	-3%
Bosch	No	Europe	15%	30%	10%
Prysmian	Yes	Europe	20%	50%	5%

Source: own construction based on interview data

Table 9



Source: own construction

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