The Expat Managers Supremacy against the Local Managers in Romania – Myth or Reality

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Abstract
In the context of global economic crisis, the management of multinational organizations have undergone significant changes, becoming more sensitive at the strategic matters. In the managerial leadership multinationals are faced again with the eternal dilemma: choosing a foreign manager in the top management of local organizations or promoting Romanian managers who, according to experts, could successfully replace the existing management. It is there or not a supremacy of foreign managers against the Romanian ones or it is just a myth? Are the Romanian managers as well prepared as the foreign ones and can bring better results for the business or the already established trend will continue for expatriate managers? Given what is happening in the Romanian business environment, we can say that the choice of foreign managers is currently the best solution for multinational companies.

Key words: globalization, multinational companies, expatriate managers, personnel recruitment.

JEL Classification: M12, M21

1. Introduction
For the multinationals management the economic recession was an important lesson for survival in a turbulent and unpredictable economic environment. The past three years have shown how important it is for the management to have a long term vision given the risks that the company deals with. Currently, the negative effects of the economic crisis are still felt pretty strong, although some countries have begun to record a low economic growth. Maintaining the leading position on the market depends on the management response to the current challenges that in the literature are described in the form of “separate dimensions of analytical effects” or designed as a “management circuit” where the learned post-crisis lessons ideally offer, feedback to prevention, planning and response1.

1 A.N. Peral, Managementul crizei: o perspectivă asupra provocărilor şi a oportunităţilor pentru managerii publici şi liderii care se confruntă cu dezastre, Administrație și Management public, Nr. 6, București: p. 76.
In this turbulent and unpredictable environment it is difficult for the companies to achieve their aims without well-defined management strategies. Strategic management involves a common goal which shows a grid of decisions, setting the priorities.

During its evolution, an international organization permanently develops its own culture. If it reflects national culture at first, with the expansion of business internationalization process, organization also takes more and more elements of the cultures from the implantation countries. Parallel to this process, the company is developing its own personnel policy. This includes employees’ selection, training, evaluating, rewarding and motivating. The relations between the management company and its employees are strongly influenced by corporate culture. Once the business involvement in the implantation countries and the various activity forms increase, the company must adopt a multicultural policy, both in achieving these activities and in the relationships with the employees. For this reason, recruitment policies, training and rewarding staff must be adapted to each country where the company wants to expand its business.

2. Contents

In Romania, multinationals emergence and the ongoing trend of globalization has brought a number of new issues in organizations recruitment policy. Multinational entrants had three options in choosing top management to lead their subsidiaries or branches: to send managers from the parent country, to appoint Romanian managers or managers from a third country. Generally, in the early years, multinational companies have chosen to send managers from the parent country, and once the development and strengthening of business on the Romanian market, they are gradually replaced by Romanian managers or managers of third countries. Literature and multinationals practice offer us a wide range of advantages or disadvantages for each of these options. With or without a local manager, multinationals have continued to boom on the Romanian markets. The financial crisis has changed the situation a little, multinationals becoming more attentive in this respect.

We could say that this led to a certain pattern, a recent pattern that the expat replaces another expat or a Romanian manager. Cases where Romanian managers take mandates from foreign managers are increasingly rare. On the other hand, more common are the situations where Romanians go abroad on leading positions. This phenomenon creates a series of questions because it generates principles that seem to cancel each other: how is it that we import so many managers, although in other markets Romanians' skills are sought for top management positions in multinational corporations? Indeed, Romanians cannot lead themselves but can lead others?

Experts say that foreign managers are no less important than the Romanian ones, are not any smarter or better prepared, or less honest. They just have a different attitude, their leadership position not being called into question. They know how to settle conflicts, to attract the employees respect and to be heard. They are more disciplined and more organized than Romanians because of the education system in which they were raised and prolonged exposure to a much more structured social and economic system and thanks to the cultural values system they developed. They also have long-term thinking, planning and budgeting skills and an objective way to address the arising issues, unlike Romanian managers. There are also a number of disadvantages that the foreign managers especially

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2 Militaru, A. Zanfir, Managementenentul companiilor multinaționale-provocări ale perioadei actuale, in „Dimensiuni ale crizei societății contemporane”, Editura ProUniversitaria, București, 2011, p. 312
3 C. Militaru, Managementul afacerilor internaționale, Editura ProUniversitaria, București, 2009, p. 91
4 A. Răduța, Manager străin vs. Manager român. De ce nu suntem în stare să ne conducem singuri?; Revista Business Magazin, 12 februarie 2012, p. 12
have when they run a company with local shareholding. The cultural inadequacy, the lack of knowledge of the Romanian language, the lack of informal communication with the employees, the fact that they don’t know the legislation, the customs, the way of working and interaction with the local authorities, the tendency to shift the way of working or other cultural elements from their country of origin, without attempting to adapt these issues at the local specific, additional costs of preparing them and their families, are some aspects that add advantage to choosing local managers.

On the other hand, an expat manager seems to present a number of advantages in the eyes of employees. Intercultural experience, language skills, life experience and years spent working in a multinational seem to turn them into valuable and essential employees for the company. It can be said that nationally there is a sense of inferiority in relation with foreign managers, due to a lack of potential reporting for the local managers compared to other nations. So, there is a myth of foreign manager which is somewhat hyperbolized. The foreign manager is seen almost as an institution in itself, with an envious curiosity and some awe of him expecting spectacular results. But, most times it turned out that Romanian managers have done things and had results as good as if not better than the foreign ones. Not once was it told that Romanian managers were used only with growth. However, there are Romanian managers who have experienced triple-digit inflation, through currency shock or a dramatic unfriendly tax with a higher power endurance and adaptability to change than the expat managers. It seems that the lack of the local managers is a greater confidence in themselves and in their ability to succeed. Some experts believe that the coming of foreign managers in Romania is mainly due to the economic and financial crisis that has led to an excess of managers in the West available for developing countries. Obviously, they say, those who come on these premises are not, for the most part, the best managers in the West, because otherwise they would find opportunities on larger markets. Part of expat managers, unfortunately both for the Romanian economy and for them, they are "parked" in local organizations, their leadership is uninteresting, they don’t add value and do nothing but create conflicts in the local organization. But there are other categories of expat managers who come for difficult tasks and add value to the organization.

If the organization is in its early years in Romania, expat managers are usually experienced people, towards the end of their careers and have the role of "evangelists" in the local organization. If the organization is on a downward spiral, people with great intellectual power and usually ambitious and determined leaders are usually sent "turnaround" and their legacy remains for another one or two generations of leaders.

According to a study by the New Europe Foundation, another category of expats is that of those who come to learn, to develop themselves and who are generally at the first level of responsibility or role in an emerging market. According to this study, the majority of foreign managers that are members of the boards directors of the largest 100 local companies by turnover, are at their first promotion or are approaching retirement.

According to the fifth edition of the Yearbook "Who's Who in business 2012 - most important 1,000 business people", almost a quarter (23%) of the most important 1,000 local business people are of foreign origin, most are executives in banks, working in companies from the consumer goods field and in the telecommunications sector.

Most expat managers are working in banks, because, usually, in this area, CEO mandates are given to foreigners from the parent country of financial group. A significant proportion of expats is in the consumer goods sector, at the top of the biggest players in the

5 www.zf.ro
markets in which they operate. They are expats who have, usually, mandates of maximum 2-3 years and who have well-defined growth targets in the short term, so their career development within the same company depends on the success achieved in Romania. In telecommunications, most expats are in the first management line of the largest companies - Orange, Vodafone and Cosmote. The least foreign executives are in the industry of media & advertising, this area being dominated by Romanian managers who have developed businesses starting from nothing. Another category of expat managers are the ones that, because of restructuring at the overall organization level, are assigned to Romania, valuable employees, who are contributing as long as they don’t consider this role as a retrogradation or they find the joy of working here as they discover the people.

With all the current problems in Romania, it still remains an attractive destination to entrepreneurs. Romania's integration in the European Union, quality improvement of life at least for expatriate managers with generous compensation packages, the existence of a several options for themselves and their families in Romania, (eg. regarding the program school of children), cultural and artistic life, social environment and the living conditions, free movement of people, are arguments that support this idea.

At the beginning of the economic crisis, experts in labor recruitment were of the opinion that the entry flow of expats in Romania will be slower, simply because it was not a good time for changes and that, ultimately, the salary package of a foreign is greater than a Romanian, if we take into account extra wages benefits or installation payment. However, foreign managers continue to be brought into Romania to occupy top management positions. Over 40 of the top 100 most valuable companies in our country changed the general manager or president since 2009. In 22 cases the expats have replaced other expats, nine foreign managers have been appointed to a function that, until that moment, was held by a Romanian, five Romanians had replaced other Romanians and just four expats were replaced by Romanians. There are only examples of the most valuable companies in Romania, but, in addition, many other similar movements took place in the market in the last four years.

Companies that have made management changes in the last year mainly tried to adapt their costs, capabilities and management strategies to the economic parameters of the current Romanian market, in connection with what the local market can produce as income in lack of foreign investment that supported it in the growth years.

Under these conditions, changes in local companies' executive teams have been largely related by the "downshifting" adjustment of the Romanian economy, without being a clear trend in the choice of local managers versus expat managers. The conclusion is that in the coming years we will see foreign managers leading local companies, especially where foreign companies' business model aims transferring managers from the country of origin or from countries with a success history, in countries where new branches are open for better control. There are times when cost-benefit analysis, were achieved after several years after the implantation of a branch in a country such as Romania and required the relocation of the activities in other countries.

On the other hand, Romanians will go out for prominent positions, so that the balance of inputs and outputs, if it can be called as such, could get close to an equilibrium.

Currently, the trend in business environment is still to choose a foreign manager when costs allow and the situation requires, not only at the level of senior management but also for CFO and IT manager and opt for a Romanian when he has proven expertise and managerial potential in both the company and the market. Another situation is when the internal system of succession requires the appointment of an expat, so we can not talk about a preference of a Romanian organization, but a condition of the group level.
Or, simply, maybe it is about the prudency of multinationals and its strong desire to be very methodical and rigorous, in which case, the appointment of a Romanian - a manager that is known only after his CV - is an impossible option.

It is normal for a foreign company to send a foreign manager here. During a crisis or economic instability many multinationals adopt more conservative strategies, control the operations in a tighter way and then it is natural to give jobs to people they known, rather than rely on people who are not known.

In Romania, there still is no a strong school of management and a powerful business environment and this is seen and stands out more than it should, because we are in constant competition with what comes from the outside. Even so, if we evaluate the performance, we see that the value added in Romanian companies is higher than that of companies with foreign capital and management. So we don't have a competence problem, but one of experience.

Factors such as lack of foreign investment or the impossibility to develop new projects, corelated with political and reputational turbulences in Romania, had influenced multinationals options. It is impossible to trust people if you cannot integrate them in a coherent and predictable framework. First of all you need a minimum of confidence in a country if you want to have full confidence in its managers.

3. Conclusions
The advantages of expats coming to Romania are multiple, so nobody can be against them. There were situations where young Romanian managers were able to learn a lot of things from foreign managers. The different culture and mentality of expats are reflected in their management style and in the way they approach problems during activities. Although there was some controversy about the fact that they occupy jobs and reduce the Romanians' opportunities, the place and role of expat managers are elements defined in the local corporate world. In recent years, the trend of largest companies was to attract managers from outside, thinking that they can get better results. However, reality shows that in business the "hero myth" or the "perfect savior" does not exist. There are only very well-trained people who regardless of their place of birth have succeeded, through special skills, to get good managers and to impose in the business world. Obviously, among them we can identify a significant number of Romanian managers.

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