SWP 18/93 LOCALISATION AND EXPATRIATION:
THE CONTINUING ROLE OF EXPATRIATES
IN DEVELOPING COUNTRIES

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Enterprise Group

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ISBN 1 85905 018 2
Multinational companies are increasingly concerned at the cost and effectiveness of their expatriate managers, yet surprisingly little research has been published as to how such companies develop local managers and localize management positions in overseas subsidiaries in the developing world. Moreover, despite efforts to localize management positions, it is apparent that there is a continuing role for expatriates in many developing countries. This paper provides an introduction to the existing research into the effectiveness of localization strategies in these countries, and reviews the dynamics of the localization process, the role of expatriates as managers and consultants, and the cyclical nature of the expatriation process. The paper concludes by suggesting that researchers and international Human Resource professionals need to develop a greater understanding of the localization process and the localization policies of international companies if they are to help such companies develop local managers, reduce their expatriate costs, and improve the profitability of their international operations.

INTRODUCTION

In many developing countries the immediate post-independence years were marked by a resurgence of nationalism, visions of self-sufficiency and economic independence. But the pressure to localize came not just from local politicians, but also from the management of multinationals operating in the developing world. As a result many multinational companies reduced their shareholdings in local subsidiaries and began to localize senior management positions.

A key element in the localization process was increased investment in an accelerated programme of management training for a new generation of indigenous managers. Unfortunately the evidence suggests that there was little on-going investment in the next, or second, generation of local managers. Consequently a managerial vacuum has appeared that expatriates are again being asked to fill. Expatriates and consultants (who could be classified as "disguised-expats") therefore continue to play a significant role in both the public and private sectors of many developing countries. Furthermore experienced expatriates are increasingly requested to return to previous careers; such "return-expats" commonly play a key managerial role as consultants or counterpart advisers.

The analysis of the localization process undertaken by Guinness Nigeria over the last twenty years described in this paper reveals the complex dynamics of the localization process, and highlights some of the limitations of the post-Independence localization process. This case
study raises serious questions about the continued role of expatriates and the long-term effectiveness of localization programmes that are not being addressed by current research. Much contemporary research into expatriates and the expatriation process is arguably too rooted in the experience and perspectives of the industrialized world, and the analysis commonly found in the "globalization" literature. One implication of this is that there is little research into the dynamics of effective localization and the role of expatriates in this process that is of any relevance to the developing countries in which many expatriates still work.

The paper concludes by emphasising the cyclical nature of the expatriation/localization process, and suggesting that if international companies are going to break this cycle and operate profitably in the burgeoning markets of the developing world the role of expatriate managers should be redefined and greater investment should be made in training appropriate to the needs of a new generation of indigenous managers.

THE LOCALIZATION PROCESS

The localization process can be defined as where there has been "effective localization", rather than merely a local citizen filling a job. "Effective localization" has been defined by Potter as "when a local national is filling a required job sufficiently competently to fulfil organizational needs" (Potter, 1989). However, considering the growing awareness of the need to internationalize business and interest in the "glocalization" of multinationals there is surprisingly little recent research into the process of localization. There is a well established body of research into role and performance of the "new expatriate", the "transnational manager", and the "global leader"; but little has been written about the localization process, the indigenization of senior management, or the personal dilemmas faced by local managers working for multinational corporations operating in their home country.

Most researchers in this area have concentrated on, for example, the efforts of Japanese multinationals to localize their management staff in the US or Europe (Sigiura, 1990; Negandhi, 1991) or the implications of replacing expatriate managers (Yoshihara, 1987; Kobrin, 1989). In general such research has looked at the implications of localization from the multinational or Head Office perspective, rather than from the perspective of the localized manager. Researchers have rarely concerned themselves with the dynamics of localization, the pressures to localize, the operational and financial implications, the difficulties of localizing management in developing countries, or the potential conflict of interest or cross-cultural
dilemmas faced by such local managers, nor the process of selecting and training local managers (Buckley & Brooke, 1992).

These are crucial issues for local managers working in cultures that are very different from the home country or dominant culture of the multinational involved. Thus, for local managers of US multinationals operating in Europe such issues are seen as a hassle, rather than a matter of major concern. But for a local manager employed by the same company in, for example, a developing countries with a distinct cultural identity, social structure, or economic base such issues are a matter of serious concern. For too long these issues have been overlooked by researchers. Whether this reflects a lack of commercial sponsorship, academic recognition or merely ethnocentric bias is debatable; but obviously as more firms operate in the diverse cultures and expanding markets of the developing world the issues raised by the use of local managers appointed to positions of trust and responsibility deserves further exploration.

In many developing countries the post-independence pressure to localize and remove expatriate managers from high-profile positions (particularly the older generation of experienced, but somewhat intractable, "colonial expats") has had to be balanced with the need to employ local executives who could be trusted, who understood company procedures, as well as could manage effectively in the contemporary international business environment (Negandhi, 1983). The development of local managers with the knowledge, expertise and experience required to mobilize resources in a timely and cost-effective manner is crucial to long-term profitability.

This process can also be seen as part of the wider development process, and in many cases the immediate costs of indigenization have to be seen as a trade-off between short-term sacrifice and longer term developmental goals. As Potter commented "the key problem facing many multinationals and local organizations in Third World countries is how to balance the two goals of high quality and a nationalised workforce". He identified the major obstacles to effective localization as: inappropriate job specifications, irrelevant training, cultural attitudes to the value of training, impatience and ambition, an underestimation of the skills and experience required, the attitude of expatriates, and their attempts to maintain local dependence on themselves (Potter, 1989).

Unfortunately because of these obstacles, and the associated costs, it has not always been possible to maintain momentum to develop and promote local managerial talent. This may partly explain the failure to retain the staff that have been trained, as well as the failure to develop a second generation of local managers. Such staff who are all too often tempted away by high paying positions in international agencies, the local business community, consultancies
or politics. In the resulting "managerial vacuum" a variety of "third country nationals", "return-expats", or consultants ("disguised expats") have had to be employed at great expense.

The issue of "failed retention" was explored by Cohen in his review of the role of expatriates in Kenya. He examines why it is that a disproportionately high number of local staff who have been trained to take over positions previously held by expatriates do not actually fill these posts; or if they do, they are transferred or resign in a relatively short space of time. He suggests that this phenomena can be partly explained by the fact that training provided is of limited practical relevance, and that the selection and promotion procedures are often inappropriate or biased. But, most importantly, because the post-training terms and conditions offered to such ambitious highly trained young managers or civil servants are so poor that they offer little incentive for such high flyers to take such positions, particularly as there are plenty of other employers ready to poach such talent (Cohen, 1991).

The failure to maintain the localization momentum of promoting and training "second generation" managers can be partly explained by the lack of investment in management training, but also possibly by an unwillingness of first generation managers to invest in a new managerial elite that might jeopardize the status quo or threaten their position. There is sufficient evidence in hindsight to suggest that this first generation managerial elite used their positions to further their own personal, business, or political ambitions. Many therefore either relaxed, resigned, or milked their position for their own political or entrepreneurial gain.

Moreover, as many of the first generation of local managers were promoted to relatively senior positions at an early age, a career "log-jam" at the top of the organization developed, which limited the promotion chances of younger managers. Furthermore, many of this first generation of local managers felt threatened by these younger, ambitious, often better educated, management trainees. This state of affairs did little to add to the morale of younger, second generation, managers who could see little future in the company. This failure to develop or motivate a second generation management cadre, meant that many left or failed to fulfil their potential. The consequent "managerial vacuum" means that many companies face the 1990s with a young and inexperienced team of "third generation" managers, who have had limited training or international exposure, and are ill equipped to assume senior positions. In some cases this has resulted in companies having to employ return-expats or consultants in executive positions. This not only reflects the cyclical nature of the expatriation process, but also highlights the problems associated with the on-going process of localization.
EXPATRIATION AND LOCALIZATION

It is obviously hard to estimate the total numbers of expatriates that are employed in both the public and private sectors internationally; but the evidence suggests that, while their public profile and importance is less apparent than it was a generation ago, the number of expatriates has increased in real terms. The most obvious growth internationally has been in the numbers of aid funded expatriates and itinerant consultants working in both the public and private sectors.

It is difficult to gauge the number of expatriate managers employed by established multinationals and their subsidiaries, let alone the growing number of smaller companies who are expanding internationally. But it appears that their numbers are still rising because of the number of new joint-venture operations, strategic alliances, the expansion of the service sector (particularly commerce, tourism, and transport), and new investments in the mining, energy and export manufacturing in Economic Free Zones. Recent research by Scullion in the United Kingdom suggests that 50% of companies operating overseas had increased the number of expatriates they employed during the 1980s, while only only 20% had reduced the number (Scullion, 1992). Research by Brewster indicates that multinationals continue to employ expatriates because of the need for shareholder control and co-ordination with local partners, their technical expertise and managerial capability, or their understanding of corporate procedures, international markets, banks and financial systems (Brewster, 1991).

Researchers cite contrary evidence as to the numbers of expatriates working overseas. Some point to the reduction in the number of expatriate executives employed by Japanese, Swedish, and US multinationals, and the corresponding increase in the number of local managers employed (Kobrin, 1989), whereas others suggest that there has been an expansion in the relative number of expatriates working, for example, within the European Community countries because of legislation that removes cross-border employment restrictions (Brewster, 1991; Scullion, 1992). However, all the indicators from the developing world point to an increasing use of expatriates despite the efforts to localize key positions. Recent figures suggest that there are well over 200,000 advisers, consultants and seconded experts currently work in the Third World; and more specifically in the late 1980s in the forty sub-Saharan Africa countries the World Bank estimated that there were at least 100,000 resident foreign advisers employed at cost of $4 billion annually (World Bank, 1989).
This continued role of expatriates in many developing countries reflects the recognition of the need for such external expertise to help tackle some of the intractable problems associated with development. This perception is reflected in the context of Africa by the observation that:

"If you look at the handful of African countries that have combined economic progress with political stability since Independence .... they all use a large number of Europeans in the private and public sectors. By moving cautiously in the "Africanization" of their economies, the countries maintained levels of expertise in key positions and were less apt to be run on a trial-and-error basis by untrained Africans" (Lamb, 1982)

Notwithstanding this perception many multinationals faced strong pressure to localize key management positions that was hard to resist. This pressure came from three distinct forces: 1). local governments, 2). local managers, and 3). corporate Head Quarters.

1). Pressure from Local Government

The localization of high profile senior management positions held by expatriates was seen as an essential part of the post-Independence process of nation building. The role of expatriates and multinationals operating in the economy became a political issue, as many local politicians reacted to the perceived economic power of such corporations, encouraged by accusations of transfer pricing, exploitation of local labour or raw materials, and excessive profits. Legislation was therefore introduced to restrict the number of expatriates or ensure a certain proportion of local shareholding.

In this way Government could be seen to be doing something with high profile popular appeal, which had little immediate repercussions locally. They also used such legislation to quell opposition critics; particularly as accusations of collaborating with multinationals and expatriate managers was a popular weapon used by opposition politicians and trade unionists to criticise the Government. Thus in many countries in the years immediately after Independence expatriate quotas were established, work permits were restricted, and financial or fiscal controls on expatriate salaries were introduced.
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2). Pressure from Local Managers

As investment increased and multinational operations expanded in the relatively buoyant economic climate of the developing world in the 1950s and '60s multinationals recruited a growing cadre of supervisory and middle management. In time this group became increasingly frustrated at the way their careers were blocked by expatriates holding senior executive positions, some of whom were relatively young or inexperienced, and relied heavily on the experience and contacts of local staff. This frustration was fuelled by their resentment at the perks and fringe benefits enjoyed by expatriate staff, as well as the lack of recognition of their role in the company's success. Consequently Trade Unions and Management Associations began to aggressively pressurize companies to reduce the number of expatriates and promote local managers to positions of responsibility.

3). Pressure from Corporate Head Quarters

Faced with these pressures companies came to see expatriates not only as a public relations liability, but a major block to staff morale or improved productivity. Expatriates became increasingly redundant as a cadre of experienced, well educated local managers was recruited or developed. Furthermore, because of the growing costs involved in recruiting and maintaining expatriate, they came to be seen as a drain on profits.

Questions were also being asked in corporate headquarters about the quality and capabilities of many career expatriates who had by the early 1970's become increasingly isolated from the changing international business environment, or who were unable to adapt to the cultural and economic challenges facing many newly Independent nations. This was also a time when companies found it increasingly difficult to persuade ambitious management recruits to take up what were seen as "dead-end" expatriate postings with an uncertain future. Moreover, with improved telecommunications and airline links it became much easier for Head Office executives to maintain regular contacts with overseas subsidiaries from a distance.

Thus a number of inter-related factors coalesced in such a way that multinationals were motivated to localize senior positions. These factors were part political, part financial, but also partly as a result of the internal pressure from within the company itself. The following case study examines the dynamics of the localization process within Guinness Nigeria Limited, the impact of these pressures, and their implications for the Company.
GUINNESS NIGERIA: A CASE STUDY

Guinness Nigeria Limited (GNL), a drinks distribution and brewing operation, was established as an equal joint-venture between the United Africa Company (Unilever's West African subsidiary) and the brewers Guinness. GNL established breweries in a number of different regions, developed a national marketing policy, and nation-wide distribution system. As with many similar British-owned subsidiaries most key posts were initially held by a cadre of expatriate managers and technical staff. The pressure to promote local staff and encourage local ownership grew inexorably through the 1960s and '70s, so that by the early 1980's the process of localization was all but complete.

GNL's localization process involved three distinct issues: 1) an increase in the level of local shareholding, 2) the appointment of Nigerian Directors, and 3) a reduction in the number of expatriate managers. The pressure to localize, as has already been suggested, came from three sources - Government, local staff, and Corporate Head Office. This case study attempts to describe briefly the operation of these three different pressure groups, analyse the dynamics of the localization process, and attempt to explain the recent re-appointment of one of the original cadre of expatriates to a senior executive position.¹

Local Shareholders

The process of increasing the level of local ownership of GNL began in 1964; when, in line with government policy, the two overseas shareholders (Guinness and Unilever) sold 10% of their holding to the Western Nigeria Development Corporation. Within a year the company had sold a further 10% to nearly 1400 local shareholders. As can be seen in Appendix 1 the level of shareholding increased substantially through the 1970s. This was partly as a result of legislation enacted in 1972 which required that 40% of company equity be owned by Nigerian interests, and partly because of the Nigerian Enterprises Promotion Decrees of 1977 which increased this figure to 60%. As a result by the end of 1978 over 50,000 Nigerian...

¹ This case study is based on interviews with, and the research of, Dr John Brown who was Managing Director of Guinness Nigeria Ltd (1976-79), and returned recently to Nigeria as Managing Director of Jos International Brewery, a Guinness Brewing International joint venture.
shareholders owned nearly two-thirds of the company. Yet in reality effective control remained in the hands of the two overseas partners, because the largest individual Nigerian shareholding was only 8.5% and the remaining 40% was controlled by the two overseas shareholders.

Local Directors

As pressure to localise grew in the 1970s, the Board of Directors was not only localized, but began to reflect the ethnic and regional diversity of the country. This was in line with government policy to reflect the "federal character of the nation". By 1982 eight out of fourteen Board members were Nigerians (see Appendix 1), and most of whom had well established contacts in both government and the local business community. But despite these moves to localize the Board the two overseas parent companies maintained a powerful influence over Board decisions through their "Advisory Board" and its successor, the "Liaison Committee". Both of these comprised of senior company executives with considerable seniority and experience. Thus the Advisory Board, for example, exerted considerable influence over policy, operational issues, and the appointment of Directors and senior managers. As a result the overseas shareholders (Guinness and Unilever) maintained de facto control over the operations of the company, and the appointment of local Directors to the Board did not reflect any real shift in power.

Local Managers and Executives

But it was the localization or "Nigerianization" of the Executive Directors that signalled a real move towards the localization of senior management and transfer of power. In 1975 the first Nigerian Executive Director was appointed, and this process continued so that by 1982 over two thirds of the Executive Directors were Nigerian, and the first local Managing Director was appointed. The decline in the influence of expatriates working for GNL is reflected in reduction from the position in 1965 when 60% of the company's managers were expatriates, to a situation twenty years later in 1985 when 96% of the management cadre were Nigerians (see Appendix 2).

It is worth looking in more detail at the process of Nigerianization of senior management to see the impact of pressure from both local managers, local politicians, as well as the decision makers in Corporate Head Office.
1) Internal Pressure from Local Staff

In the early 1970s the first internal moves towards Nigerianization were initiated when the authority of the expatriate directors and managers was challenged by local managers in the guise of "The Association of Managers of Guinness Nigeria Limited (MSA). The emergence of this informal Association took the Company by surprise, particularly as most expatriates had prided themselves on their ability to get along with their local colleagues, a feeling not necessarily shared by local managers. In 1971 the first MSA "Bulletin" pointedly referred to the expatriate management as "15 privileged overlords who assume power of life and death over other 900 Nigerians engaged in the Company". The Bulletin went on to suggest that these "overlords" were "power drunk", and so made the company "hell on earth" for its employees, who "live only from hand to mouth thus wallowing in perpetual misery".

At first the Company refused to recognize the MSA officially, thinking incorrectly that the Association's concerns reflected the views of only "four or five" local disaffected managers who had stirred up the affair for their own ends and intimidated the rest. In reality the establishment of the MSA reflected the local managements growing frustrations at their lack of involvement in running the business or in the decision making process; as well as the lack of recognition of their contribution to the company's success, and a general resentment at the benefits enjoyed by the expatriate managers.

This latter issue was the most tangible in that expatriate staff enjoyed such benefits as an "intercontinental" allowance of 30% of basic salary, fully furnished accommodation, subsidised electricity, free medical attention, company car and driver, heavily subsidised education, and exclusive use of a beach chalet. As a result the cost of employing an expatriate manager was more than double that of employing a Nigerian manager. This was justified by the Company on the grounds that it helped the majority shareholders to maintain effective control over the business, and because they believed that expatriates contributed substantially to the efficiency of the business, an argument which only managed to further antagonize the local management staff.

Other complaints raised by the MSA included concerns at the calibre of recently recruited expatriates vis a vis the capabilities or experience of local staff, and the general attitude of many of the expatriates to Nigerian staff. For example, the Fifth MSA Bulletin noted that
GNL expatriates had "nothing else to offer Nigeria than arrogance, intolerance and insensitiveness".

The feelings generated and the comments articulated in the MSA Bulletins reflected a spontaneous reaction to the rapid changes in post-Independence Nigeria, and the position of both the Company and expatriates within it. Expatriate complacency was shaken, and the lack of any meaningful dialogue between expatriate managers and local staff was exposed. But once the initial tensions had subsided, and consultations commenced a more open and consultative style of management emerged that was more appropriate to the changing environment of Nigeria in the mid-1970s, and a number of local managers began to be promoted to senior positions.

The frustrations that lead to the creation of the MSA was indicative of the tensions that had been developing in Nigeria since Independence. There were the understandable frustrations at limited career opportunities within the company because of the dominant position of expatriate managers, and resentment at the privileges they enjoyed. These tensions were fuelled by burgeoning nationalism, a vicious civil war, the oil boom and rapid economic growth, and the resulting political and social instability.

2). Pressure from the Nigerian Government

As with many other newly-Independent countries in the 1960's and '70s the various Governments introduced policies and legislation designed to ensure that international companies operating in Nigeria began to localize both ownership, Boards of Directors and management positions. Politicians articulated their concern at the lack of the number of local Directors and Executives employed by multinationals operating within Nigeria, and threatened punitive legislation. In fact, as has already been noted, legislation was passed in 1972 to ensure that local shareholders controlled at least 40% of multinational subsidiaries operating in the country, and later in 1978 a Decree was issued which raised this proportion to 60% local shareholding.

Government attempted to reduce the number of expatriates employed by companies like GNL by limiting the number of work permits available for expatriates. Quota's on the number of expatriates a company existed unofficially even prior to Independence. The Colonial Government had tried to limit not just the number of expatriates, but also to prescribe the jobs they could perform and define their responsibilities to train local counterparts. Immediately
after Independence in 1960 the government took a relatively liberal view towards the number
of expatriates employed in the country as they were seen as essential for Nigeria's push
towards industrialization. But by the early 1970s the quota system began to be operated more
rigourously, with work permits only being granted to those with sufficient experience and
suitable qualifications. Moreover companies had to submit a "succession plan" with each
application for an expatriate work permit. This plan was expected to include the name of the
Nigerian who had been nominated to take over from the expatriate, normally within a three to
five year period.

3). Pressure from Corporate Head Quarters

The policy of the major shareholders to reduce the number of expatriates they employed, came
partly as a result of changing management attitudes and political pressure to localize senior
positions, but also partly as a result of the cost of employing expatriates. Such expatriates not
only needed (and demanded) an expensive management and personnel support system, but cost
double their local counterparts in terms of salary package and fringe benefits provided.
Moreover, the cost of employing GNL expatriates became an increasing drain on overall
corporate profitability. In most countries, multinationals expected to pay expatriates out of
locally generated profits, but in Nigeria foreign exchange restrictions shareholders to underwrite expatriate remittances in hard currency. These additional costs became increasingly hard to justify, and pressure was put on GNL to cut costs by reducing the number of expatriates employed in Nigeria.

There was also an added cost in terms of low morale of local staff frustrated because of the
presence of expatriates in key positions they felt they could perform equally well, and the
consequent impact on productivity and quality. Furthermore the Board of Directors and the
Liaison Committee recognized that it was hard to justify the continued use of expatriates in all
but a few positions because of the time it took for expatriates to adapt to the managerial and
cross-cultural demands of post-Independence Nigeria, and the availability of increasingly
capable and experienced local staff.

From the perspective of the overseas shareholders the process of localizing the GNL
management was, for all intents and purposes, completed by 1985, when 96% of the
management staff were Nigerian, or 300 out of the 310 managers employed by the company.
The 10 remaining expatriates mainly filled key technical and advisory positions, or acted as
shareholder representatives. Thus expatriates no longer held executive positions, and despite
earlier concerns that productivity and profits would suffer, the evidence suggests otherwise and that during the Nigerianization years (1970-1985) turnover and productivity per manager increased (see Appendix 2).

In general terms the localization process at GNL has been sufficiently successful for nearly two-thirds of the respondents of a recent survey to agree that GNL was a Nigerian company with foreign shareholders, rather than a foreign company with Nigerian shareholders. However the need to hire a "return-expats" or employ overseas consultants ("disguised expats") casts doubt on the efficacy of the localization process. Moreover experience suggests that when such "return-expats" are employed they are only effective when they have a well-established local track-record and reputation, and have the public support of the local Board, their bankers and other creditors.\(^2\)

**DISCUSSION**

The GNL case study reviewed in some detail the pressure to create a first generation of post-independence managers; yet the need for on-going expatriate support in key executive positions suggests that the management development programme introduced to prepare a second or third generation of indigenous managers had not been entirely successful. This "oversight" was not limited to GNL alone, and in many ways GNL was a model employer with considerable investment in training and staff development.

The impetus to localize management positions and reduce the number of expatriates employed by GNL and can be explained by:

a). pressure from government that reflected the changing political and economic climate in post-Independence Nigeria. A climate which encouraged self-sufficiency and the Nigerianization of senior positions in all organizations and businesses throughout the country.

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\(^2\) As exemplified by Dr Browns' own experience of returning to Nigeria in 1991, and building on his track-record and reputation as Managing Director of GNL in the late 1970s, as a Board Member of Nigerian Breweries, and Managing Director of Whitbread Nigeria prior to his retirement in 1986.
b). internal pressure from senior local managers who were frustrated at their role and status within the company, and resentful at the terms and conditions enjoyed by expatriate managers.

c). pressure from overseas shareholders to reduce the number of expatriates employed, partly as a result of changing attitudes and political pressure, and partly because of the rapidly increasing costs, in both financial and operational terms, of employing large numbers of expatriates, as well as a recognition of the skills and experience of local managers.

Although GNL invested heavily, in both time and money, in its efforts to localize senior positions, there is some concern that, along with many other Nigerian companies and multinational subsidiaries, they face the 1990s with a young, often inexperienced, team of third generation managers. The task of these managers is all the more difficult because of economic uncertainty, rising inflation, reduced consumer spending, competitive markets, uncertain profitability, little reinvestment in new plant or training, and growing political interference in the operation of many companies. This situation has been further exacerbated by the recent devaluation of the Naira, and the impact of World Bank imposed Structural Adjustment Programmes. The Nigerian Government has also been sufficiently concerned at the lack of relevant management training to appoint a number of committees and panels to look into this issue; and for example in 1976 a Government White Paper highlighted the Adeosun Panel's concern that "few major employers have made noticeable efforts in establishing training programmes".

Despite efforts to develop a cadre of local managers and localize key positions throughout the developing world it appears that the number of expatriates, consultants ("disguised expats"), and return-expatriates is increasing. This contradiction maybe partly explained by the growth in the demand for their specialist skills and the flexible "contract culture" of the 1980's, but it can also be partly explained by the failure of the localization process to maintain momentum and create new generations of skilled local staff to take over key positions.

In many developing countries there appears to be little on-going investment in human resource development generally, and management training in particular, that is appropriate to the needs of local managers. The first generation of local managers who inherited positions previously held by expatriates often benefited from some degree of support and training. But as the first generation of local managers either retired or moved on to a career as entrepreneurs, consultants or politicians, a managerial vacuum was created which second generation local
managers have not always been able to fill. Their task of managing large, complex operations has been made that much harder by the very difficult economic environment, and increasingly competitive market, common to many developing countries in the 1980s.

Further research is needed to understand why some companies have been unable to promote and keep a new generation of local managers. Among the issues to be considered are to what extent was it because pressure to localize was driven by legislative and political imperatives, rather than recognized need, that the momentum to localize was never embedded in management values or the culture of the local company. Moreover, researchers need also consider the extent to which the parent company failed to sanction on-going investment in staff development in order to discredit the localization process generally, and ensure that in time they could justify the re-employment of expatriate managers in positions of authority and control.

Research is also required into the content and effectiveness of the training provided to local managers. The research of Cohen and Brewster would suggest that it was predominately technical in nature, rather than being geared to behavioural or attitudinal change. The latter may have been more effective in embedding corporate values and building trust between employees, which in the long-term may have been more appropriate for local managers employed to run local operations in times of change and uncertainty. But apart from such specific issues it is clear that researchers and HR practitioners need to benchmark localization strategies, understand more about how multinational companies operationalize them, and generate a body of knowledge and expertise as to how best develop local managers in the developing world.

The paper therefore concludes by suggesting that more strategic thinking and research is needed into the problems faced by local managers employed by multinationals, the dynamics of the localization process, the strategic role of expatriates in this process, and the efficacy of efforts to develop a new generation of local executives. Moreover, the continued employment and influence of expatriates and "return-expats" appears not only to reflect the cyclical nature of the expatriation process, but also the limitations of the post-Independence initiatives to localize management, and the need for further resources to be invested in on-going training to develop indigenous managers that can operate effectively in both local and international markets.
## APPENDIX I

### Composition of the GNL Board of Directors: 1960-1985
(Executive Directors shown in brackets)

<table>
<thead>
<tr>
<th>Year</th>
<th>Foreign</th>
<th>Nigerian</th>
<th>Total</th>
<th>% Nigerian</th>
<th>Nigerian % of Equity</th>
<th>Executive Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(3)</td>
<td>(4)</td>
<td>(5)</td>
<td>(6)</td>
</tr>
<tr>
<td>1980</td>
<td>2(1)</td>
<td>2</td>
<td>4</td>
<td>32</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>3(2)</td>
<td></td>
<td>5</td>
<td>40</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>1982</td>
<td></td>
<td></td>
<td></td>
<td>(3)</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td></td>
<td></td>
<td></td>
<td>(4)</td>
<td>14%</td>
<td></td>
</tr>
<tr>
<td>1984</td>
<td></td>
<td></td>
<td></td>
<td>(5)</td>
<td>17%</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>6(2)</td>
<td>8(5)</td>
<td>14</td>
<td>57</td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>

Source: GNL records and Annual Reports
### APPENDIX 2

### Nigerianisation in GNL for Selected Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Expat Mgrs</th>
<th>Nigrn Mgrs</th>
<th>Total Mgrs</th>
<th>%Nigrn</th>
<th>Sales 000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1961</td>
<td>7</td>
<td>1</td>
<td>8</td>
<td>12.5</td>
<td>152</td>
</tr>
<tr>
<td>1965</td>
<td>22</td>
<td>15</td>
<td>37</td>
<td>40.5</td>
<td>180</td>
</tr>
<tr>
<td>1970</td>
<td>17</td>
<td>46</td>
<td>63</td>
<td>73.0</td>
<td>397</td>
</tr>
<tr>
<td>1975</td>
<td>21</td>
<td>133</td>
<td>154</td>
<td>86.4</td>
<td>1,068</td>
</tr>
<tr>
<td>1980</td>
<td>14</td>
<td>275</td>
<td>289</td>
<td>95.1</td>
<td>1,578</td>
</tr>
<tr>
<td>1985</td>
<td>10</td>
<td>300</td>
<td>310</td>
<td>96.7</td>
<td>2,131</td>
</tr>
</tbody>
</table>

*GNL records.*

### GNL's Sales and Turnover per Manager for Selected Years

<table>
<thead>
<tr>
<th>Year</th>
<th>Managers (*)</th>
<th>Turnover N000s</th>
<th>Total Sales 000s</th>
<th>Sales per Manager 000s</th>
<th>Turnover per Manager N 000s</th>
</tr>
</thead>
<tbody>
<tr>
<td>1965</td>
<td>37 (22)</td>
<td>10,308</td>
<td>180</td>
<td>4.66</td>
<td>278.6</td>
</tr>
<tr>
<td>1970</td>
<td>63 (17)</td>
<td>25,482</td>
<td>397</td>
<td>6.30</td>
<td>404.5</td>
</tr>
<tr>
<td>1975</td>
<td>154 (21)</td>
<td>64,550</td>
<td>1,068</td>
<td>6.93</td>
<td>419.1</td>
</tr>
<tr>
<td>1980</td>
<td>289 (14)</td>
<td>151,896</td>
<td>1,578</td>
<td>5.48</td>
<td>525.6</td>
</tr>
<tr>
<td>1985</td>
<td>310 (10)</td>
<td>258,214</td>
<td>2,131</td>
<td>8.87</td>
<td>833.9</td>
</tr>
</tbody>
</table>

(*) = Expatriate Managers in brackets. *GNL records*
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