

Expatriate Managers and Firm Performance

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Motivation

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- ▶ Some firms produce vastly more output per worker than others.
 - ▶ technology
 - ▶ organization

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- ▶ Two interventions known to improve firm performance:
 1. foreign investment
 2. management training

Research question

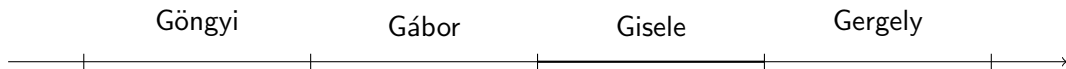
Do foreign managers improve firm performance?

Data

Data

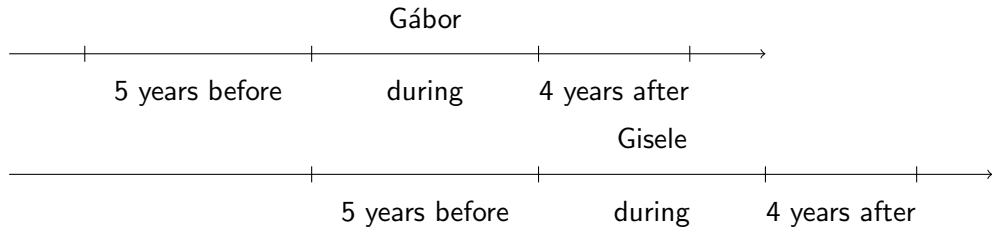
- ▶ Hungarian Manager Database, 1992–2016: names and addresses of all corporations and their executives.
- ▶ Analysis sample: foreign owned firms employing 20 people or more.
- ▶ Foreign manager: firm representative with a non-Hungarian name
 - ▶ e.g. Eva Bauer v Bauer Éva

CEO succession



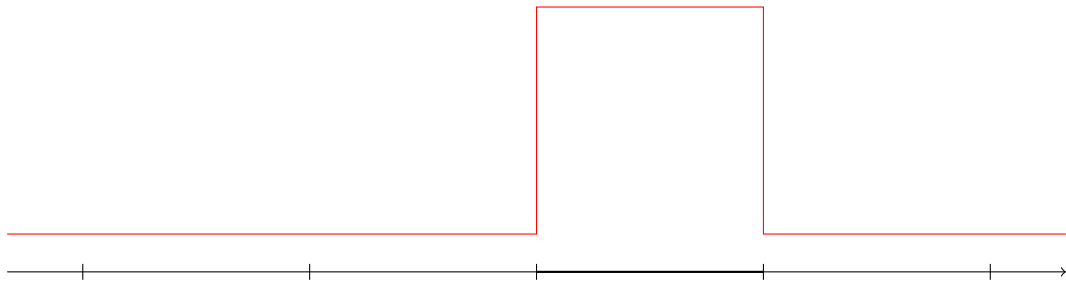
Research design

Manager-level event study

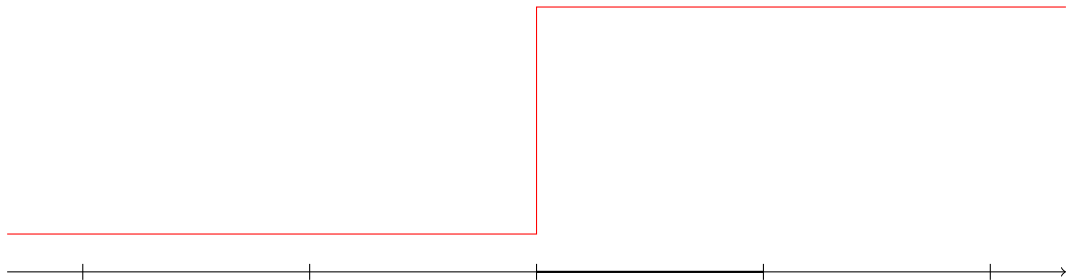


Mechanism

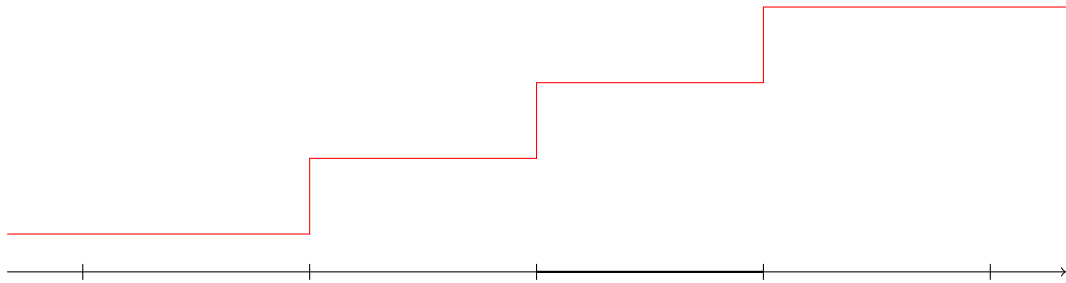
Specific knowledge



Technology transfer

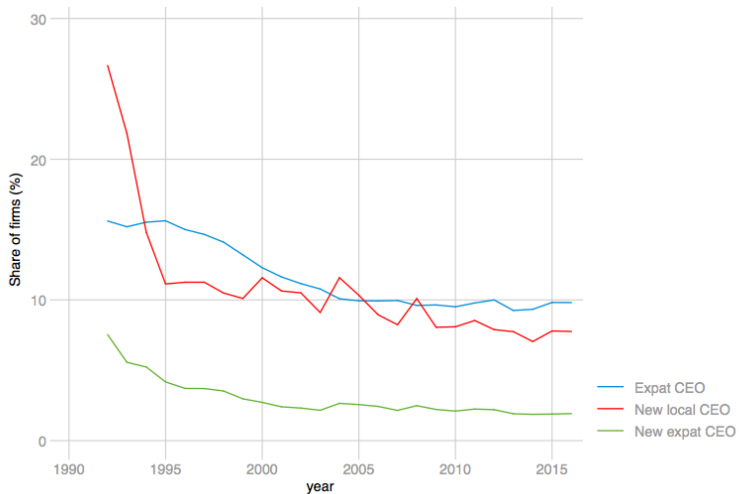


Reorganization

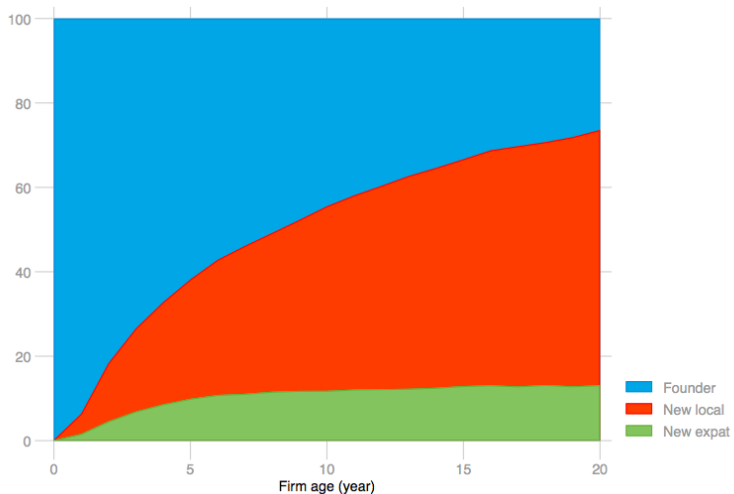


Descriptives

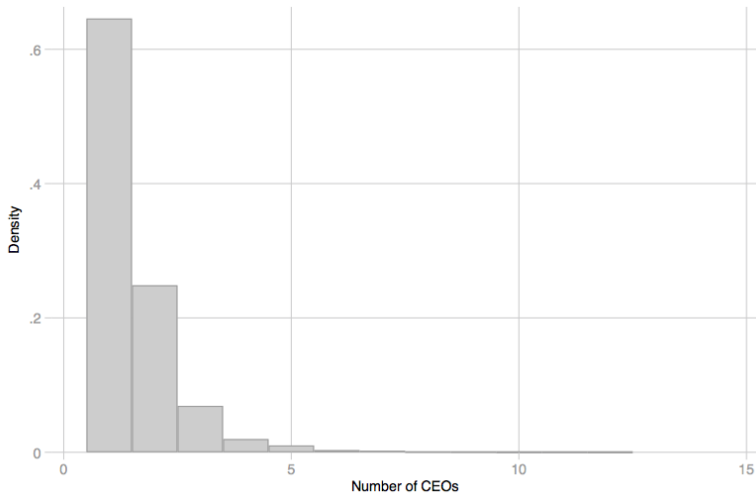
Local and expat managers over time



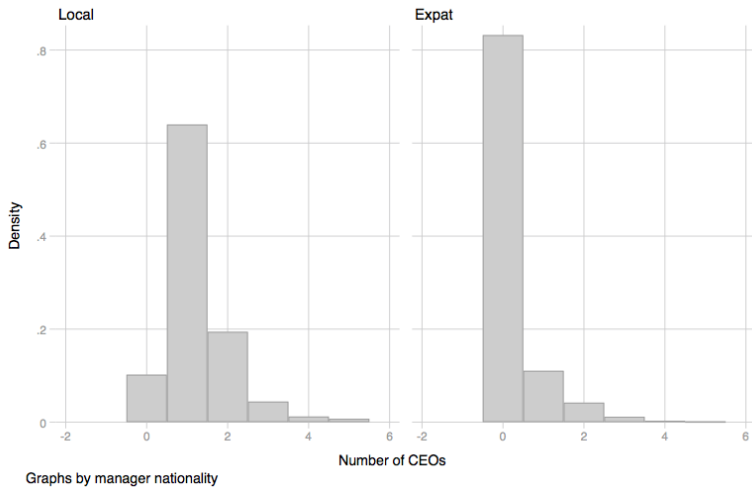
Founder CEOs are slowly replaced



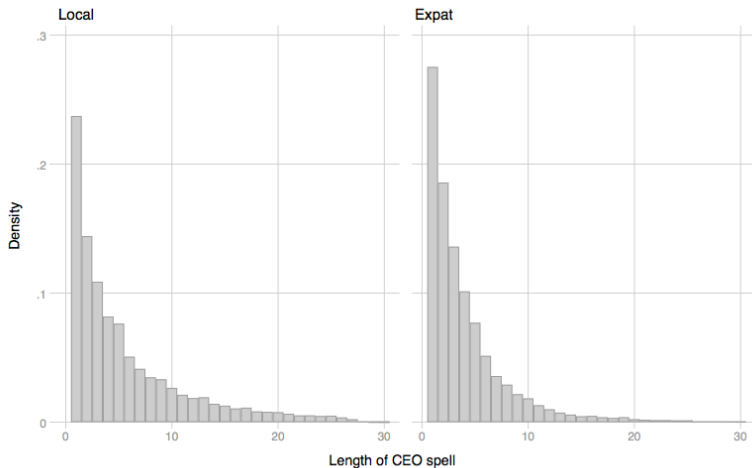
Firms sometimes have multiple CEOs



80 percent of firms have no expat CEO



Expat CEOs leave somewhat earlier



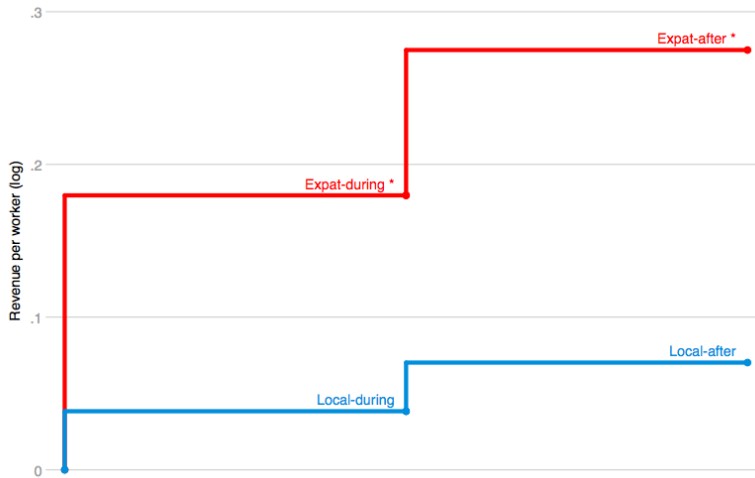
Graphs by manager nationality

Estimates from acquisitions sample

Local and expat managers reduce employment by same amount



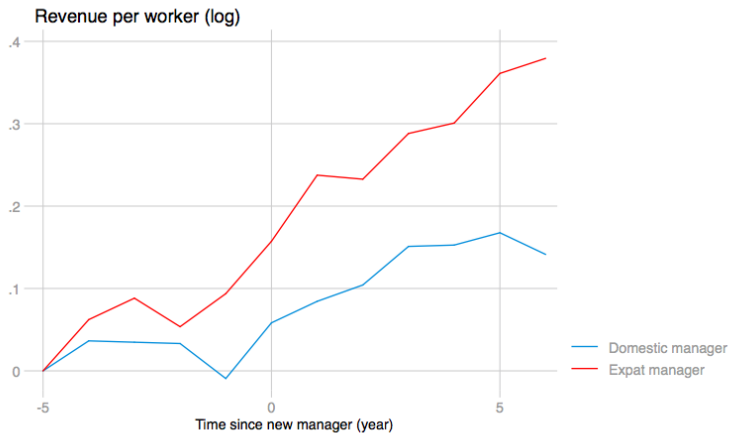
Expat managers improve revenue per worker by 15–25 percent



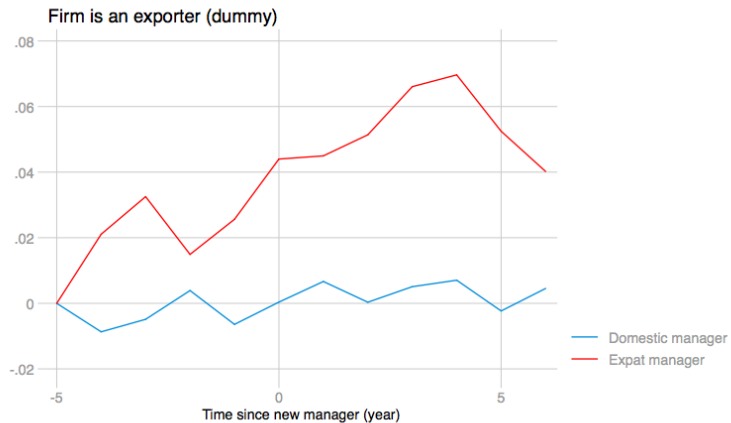
Expat managers increases probability of exporting by 3pp



Expatriate managers have persistent effect on revenue per worker



Exporting firms are more likely taken over by an expat

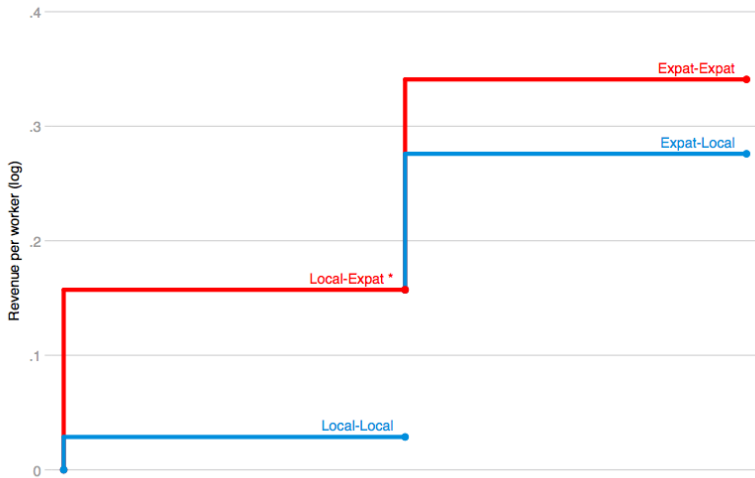


Estimates from manager switches

All reorganization results in loss of employment



Productivity effect of expats remains after they leave



Exporting effect of expats remains after they leave



Conclusions

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- ▶ Firms with expat managers improve output per worker and enter export markets.
- ▶ Patterns are consistent with a "technology transfer" interpretation.