Challenges in the Subsidiary

A home-country manager is sent by the home office to a subsidiary to manage the subsidiary. Home-country managers of foreign subsidiaries face several challenges. The foreign subsidiary business is usually conducted in a language different from that of the home office, and it is governed by laws of the host country. It operates in a cultural environment that is not the host-country cultural environment, and it is not the corporate cultural environment, but rather, a blend of both.

Language and Cultural Challenges

The first challenge a new manager faces is the language barrier. Not speaking the language of the host country might impair the manager’s capacity to do his or her job effectively. Using a translator always reduces the efficiency of communication because of the "lost in translation" phenomenon. Conversely, speaking the language of the host country opens barriers and is a demonstration of respect for the host-country culture.

Another important challenge is the cultural one. Home-country managers should be trained in cross-cultural management for the culture of the country of assignment (Black & Gregersen, 1998). Open-mindedness and knowledge of other cultures, particularly of the host-country culture, is a must.

Dual Allegiance

When trying to implement the rules established by the home office in his or her subsidiary, the manager may face a strong resistance sometimes voiced as, “This is not how things are done here.” It will be the manager’s obligation to find out if indeed he or she is going against a local custom or if the staff is just testing him or her. In due time, both parties will get accustomed to each other, a common ground operational solution will be found, and a subsidiary subculture will be developed with a blend of local and “imported” corporate culture. Eventually, it will be the home-country branch manager who will become the advocate of the branch before head office while still keeping his or her mind on the goals of the home office. Home-country managers must always face the challenge of dual allegiance to both the home office and to the subsidiary.

Law and Ethics

There will be cases in which the home office will request the application of legal solutions with which it is familiar. When these solutions are not applicable in the country of the subsidiary, there will be need for local legal counsel. For example, in
International Law and Ethics

France, management cannot fire an employee without going before a special tribunal.

In the United States, it is absolutely prohibited to give gifts to officials. In other countries, this is not considered bribery but an efficient way to speed up business. The American executive must struggle between compliance with the home-office laws and rules and the local mentality always keeping within the laws and guidelines of the Foreign Corrupt Practices Act.

International Teams

International corporations will have international composed executives from several nationalities. This where corporate culture can become predominant among absence leading culture. As far virtual teams concerned (that is, group people in different countries communicating via Internet and working together on a project), research indicates fact members are familiar with each other not something that will impair work of team long as the assignment is short-term (Fiol & O’Connor, 2005).

International executives will be required to display the same critical thinking skills they are expected to use when operating in their home-office environment in addition to the extra dimension of good operability in the foreign culture in which they are performing.

Negotiation and Conflict Resolution

Negotiation and conflict resolution in an international environment will require the executive to examine the power distance of the country with which he or she is doing business as opposed to his or her own country. The greater the difference in the power of distance indices between the two countries, the closer to the top of the hierarchy the decision makers will be (Hofstede, 2001).

References

