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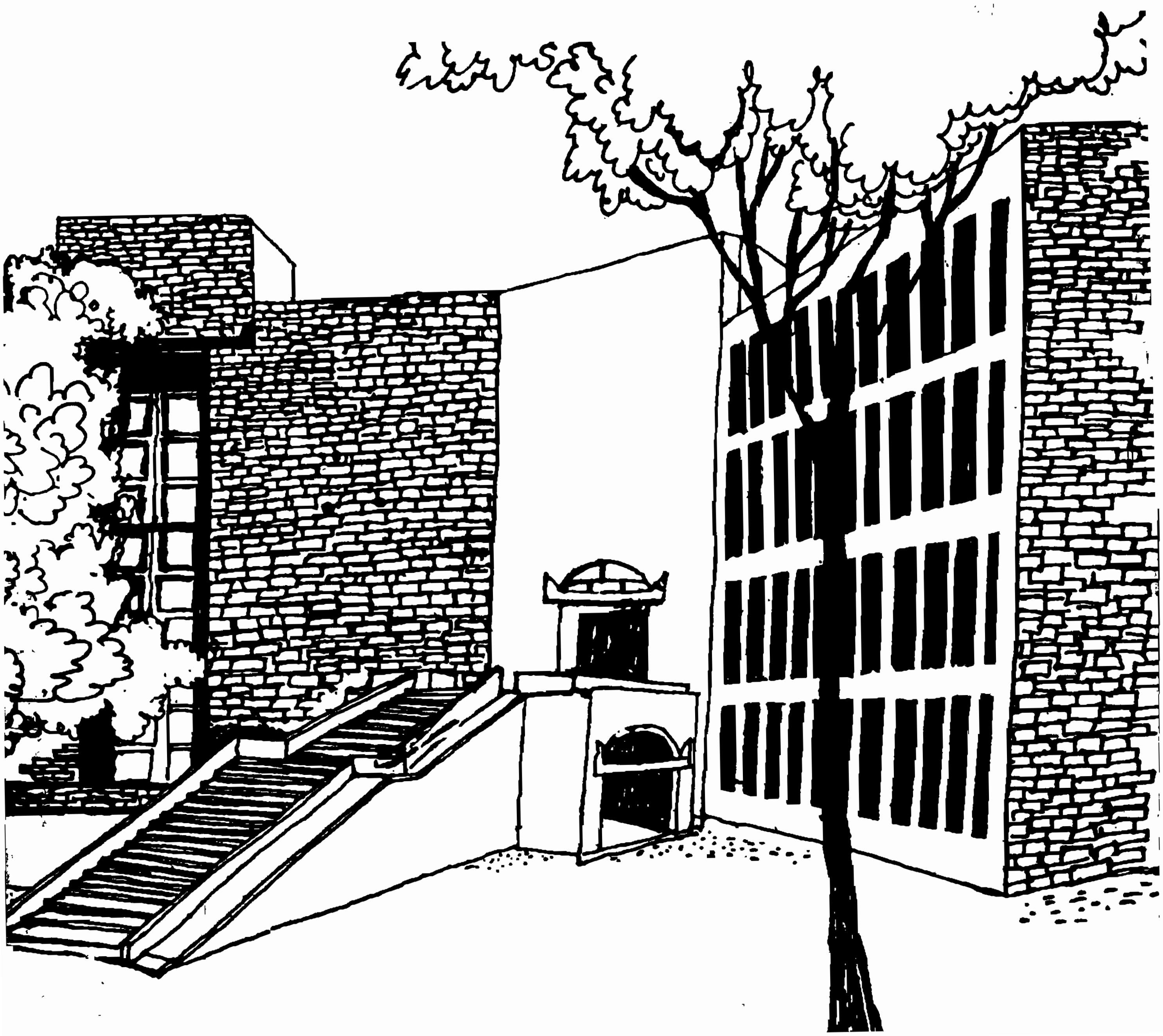

INFLUENCING HUMAN RESOURCE MANAGEMENT PRACTICES OF SUBSIDIARIES BY PARENT COMPANIES: EMPIRICAL EVIDENCES FROM INDIA

By

Sunil Kumar Maheshwari

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INDIAN INSTITUTE OF MANAGEMENT
AHMEDABAD-380 015
INDIA

Abstract

Effective management of transfrontier operations of Multinational Companies (MNCs) requires integration of subsidiaries for global competitiveness and autonomy of subsidiaries for local responsiveness. With the increased turbulence in the environment it is increasingly important to these subsidiaries to act fast to retain and build local competitive advantage in different countries of operations. These twin demands to manage global organizations are primarily centered on the following question that the managers at the parent company need to respond.

"How to ensure subsidiaries' managers to act in autonomous manner to respond effectively to local needs yet, be able to influence the actions of these managers whenever the need arises?"

This can be effectively achieved through staffing and other HRM practices in such diversified companies. The study examined the HR practices of the subsidiaries in this context.

The study indicates that HR systems continue to remain autonomous with subsidiaries, though, there are differences across different HR activities. Subsidiary's turnover and age are the two variables that influence the subsidiary autonomy on different HR issues most. Increased turnover of the subsidiary is positively related to parents' influence on HR related matters at subsidiary.

India remains to be the host nation with less expatriation of managers from parent companies. Parent companies employ multiple influencing mechanisms in subsidiaries to achieve the task of global integration. The intensity of influence increases with increase of equity stakes of companies. Increased expatriation and cultural proximity are frequently used by MNCs to influence their subsidiaries in India.

Influencing Human Resource Management Practices of Subsidiaries by Parent Companies: Empirical Evidences from India

Author: Sunil Kumar Maheshwari

Introduction: Given the current economic climate, most of the companies see transfrontier operations as a logical and even unavoidable step in developing their competitive potential. Effective management of transfrontier operations of Multinational Companies (MNCs) requires integration of subsidiaries for global competitiveness and autonomy of subsidiaries for local responsiveness. Subsidiaries need to be integrated so that organizations can counteract and preempt the competitive moves of their global competitors. Simultaneously, subsidiaries in different nations need to be autonomous to act effectively to competitive moves of local competitors, integrate the customer needs and respond to the local cultural and legal requirements. With the increased turbulence in the environment it is increasingly important to these subsidiaries to act fast to retain and build local competitive advantage in different countries of operations.

These twin demands to manage global organizations are primarily centered on the following question that the managers at the parent company need to respond.

"How to ensure subsidiaries' managers to act in autonomous manner to respond effectively to local needs yet, be able to influence the actions of these managers whenever the need arises?"

For example, EMI could not respond to the needs of US customers after their successful launch of CAT scanner. Headquarter of the company at UK failed to sense the market needs and industry structure away from home (Bartlett and Ghoshal, 1986). Consequently, this very successful business became financially unviable for EMI and had to be sold to Thorn Electric. Managers at the parent company could not get all the relevant information in time and local managers were not in a position to counteract the moves of their competitors in US. The company had to pay the price for the same. The Indian subsidiary of the same organization failed to respond effectively again to the emerging challenge from cassette technology to its gramophone records monopoly in early 80s. Local managers could not respond effectively to the local emerging competition and Government policies. Timely appropriate intervention of the company headquarter was missing. A profit making subsidiary in India became sick and had to be sold off.

Levers with Parent Companies to Influence the Operations of Subsidiaries: The parent company managers can influence the actions of subsidiaries through any or all of the methods, listed below. Each of these influencing mechanisms creates different challenges to Human Resource Managers.

1. Controlled resource allocation to subsidiaries
2. Creating a structure characterized by formality and centralization coupled with performance appraisal of subsidiary managers at the parent company headquarter
3. Posting managers from parent company headquarter/third country subsidiary on important positions
4. Softer control centered on socialization

Hedlund (1986) found that autonomy of subsidiary increases in the initial stages with the growth of subsidiary size. Subsidiaries have little autonomy in the initial stages after their birth. They are highly dependent on parent company for managerial and technical resources. At this stage resource based influencing mechanisms are effective. Some parent companies continue to protect their technical core from the subsidiaries to enable them to exercise this influence mechanism longer. However, such actions deprive the companies to exploit global advantage of technological capabilities. For example, Suzuki Motors Corporation (SMC) of Japan did not provide the latest technology and newer models of cars for a long to Maruti Udyog Limited (MUL) in India. SMC holds 50% equity stakes and has substantial managerial control in the MUL. Since opening of Indian economy in 1991, Maruti is exposed to intense competition from Hundai, Daewoo, Ford and Telco. SMC Japan could not hold back the latest vehicle designs with itself in the changed competitive environment and Maruti launched almost all the product variants under the armory of SMC Japan. Shortening of product life cycle further reduces the efficacy of technology core protection from subsidiaries.

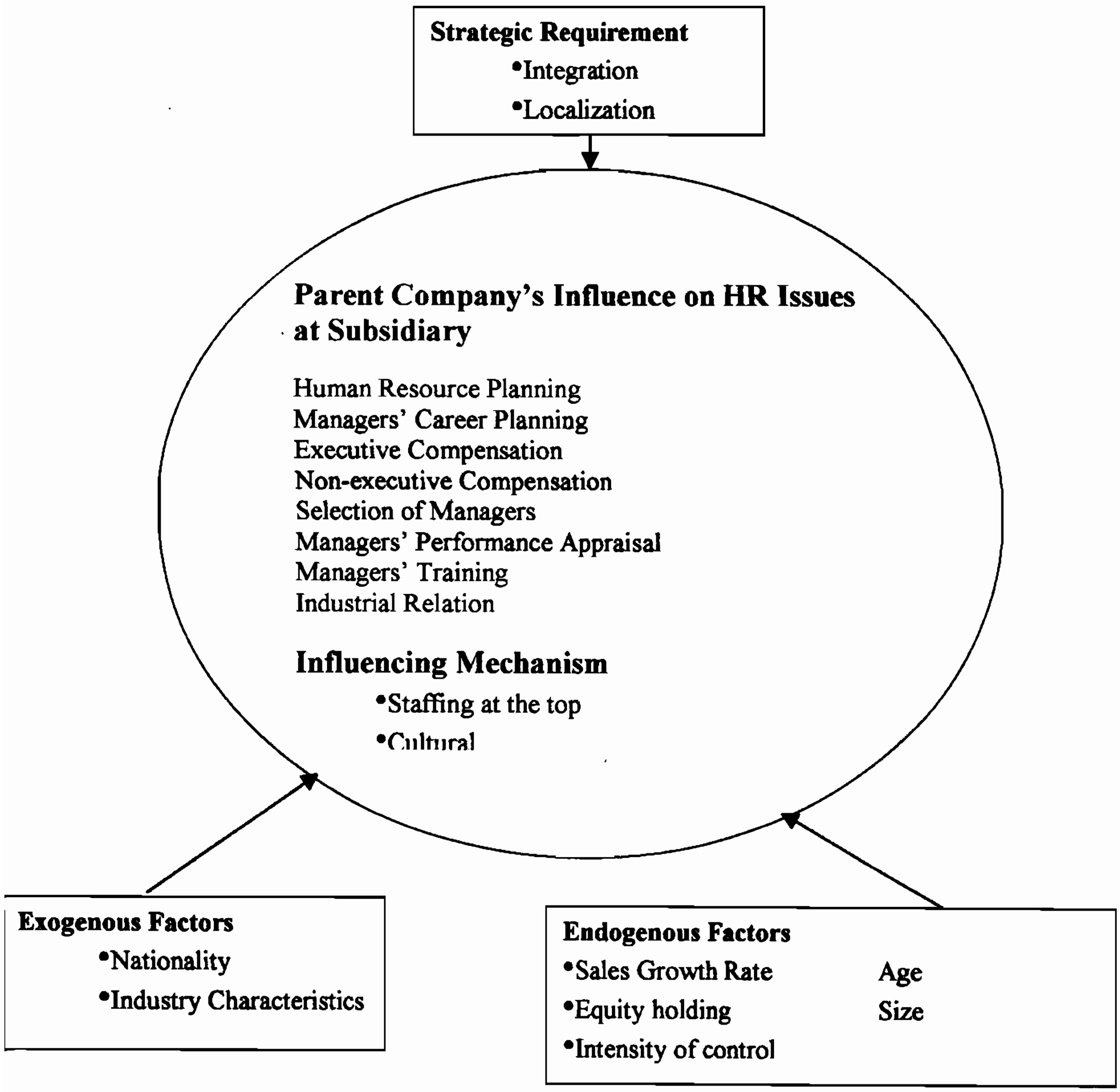
Further, resource based influence starts declining after subsidiary attains a critical size. Large subsidiaries become resource independent from the parent companies. Simultaneously they also become strategically important for overall MNC performance, hence, parent company headquarter feels greater need to exercise the influence. MNC managers need to discover alternative means of influencing the actions of such resource independent subsidiaries. For example, Hindustan Levers Limited (HLL) has its own R&D set up and has its own subsidiaries and many plants. It has become nearly resource independent from Unilever for both technical and managerial resources. Under such conditions, Unilever will find it extremely difficult to influence the functioning of HLL through resource control.

Structural characteristics such as formalization and centralization have been studied as control and coordination mechanisms by researchers. Child (1972) stated that control over managers could be achieved by centralization of decision making and introducing formal rules and procedures. However, both these structure-based control mechanisms cause delay in the response by subsidiaries to their local environment. Hence, their efficacy remains doubtful in diversified organizations such as MNCs, specially, in high velocity environment.

Hence, staffing and cultural similarity remain efficacious influencing mechanisms with MNCs in almost all the situations. Staffing the top management positions of subsidiaries has been a concern of strategic importance for MNCs. The expatriates could be posted at subsidiaries primarily for three reasons. First, for direct influence over subsidiaries, second, for transfer of managerial and technological skills, and third, for developing leaders for globalize operations. However, studies (Tung, 1988; Black & Gregorson, 1992) report the low success rate of expatriates causing severe financial and opportunity losses for MNCs. However, significant differences are reported in the pattern of expatriation and success rate of expatriates across different nations (Tung, 1988).

Authors (Edstrom and Galbraith, 1977, Hall 1968) examined socialization as a lever for control and coordination in organizations. Socialization increases the sensitivity to inter role linkages in organizations among managers. Socialization also reduces the cultural distance between different units of the organization. This cultural unity binds different units of the organization. Frequently, MNCs' headquarters try to create a strong culture that is similar their own throughout the organization through socialization process by designing appropriate staffing and training practices. In this paper attempt has been made to understand and examine staffing and cultural based influencing mechanisms in India.

Framework for the study: Following framework was used for the study.



The intensity of influence and choice of influencing mechanisms are influenced by strategic requirements of MNCs in different countries. Requirements for integrating different business units would be different in different industries (Yip, 1992). Parent companies are required to exercise influence over subsidiaries to respond effectively to global competitors' competitive moves in a global industry in different host nations. There is high need for inter-subsidiary integration in MNCs in such industries.

Countries' legal and cultural environment also affects the choice of influencing mechanism. Hence, nationality of the parent company has been used as a predictor variable to explain inter-firm differences in the choice of influencing mechanism (Perlmutter, 1969; Schneider, 1986; Schuller et. al. 1993; Tung, 1988). Many countries restrict the intensity of expatriates to protect their national interests. Cultural characteristics of a country affect the managerial assumptions in the country (Hofstede, 1994). Perlmutter's (1969) study indicates that headquarter-orientation could be Ethnocentric, Polycentric or geocentric towards subsidiaries. This orientation will determine the extent of influence over subsidiaries and mechanisms adopted for the same. Tung (1988) found inter-country differences in international orientation of parent companies.

Industry characteristics like competitive intensity, availability of skilled manpower, demand conditions, and infrastructure are likely to influence the influencing mechanisms. In the constrained manpower situation it is likely that the MNCs will send people with required managerial and technical skills to subsidiaries.

Methodology: The study was focussed on HRM practices at the subsidiary level. The two dimensions that are used to define a subsidiary are equity holding by the parent company and managerial control of a foreign firm (Sim 1977, Hedlund 1986). However, there have been methodological problems to ensure managerial control to operationalize this definition. Hence, the present study used two criteria to define a subsidiary. First, a foreign company must hold at least 40% equity holding. Secondly, the managers of the firms must perceive their company to be a subsidiary of the foreign firms. This perception of managers is indicative of managerial control of the parent company in the subsidiary. The other condition for choosing an organization for data collection was a minimum of one year of operations in India.

Based on these criteria a questionnaire was mailed to 150 subsidiaries in India. The author personally visited to 60 companies who showed some interests to be the part of the study. At the end of the data collection, 33 usable responses could be collected. Profile of responding firms is given in the table 1 below.

Table1: Profile of Subsidiaries

Type of Subsidiary	Number (Total 33)
American Subsidiaries	14
European Subsidiaries	16
Asian Subsidiaries	03
Firms from manufacturing sector	23
Firms from service sector	10
Average equity holding of the parent company	67%
Average turnover of the subsidiary	Rs. 3.5 billion
Average number of employees	1867
Average sales growth rate of subsidiary	18.1% Per Year

Findings:

Autonomy of subsidiaries for HRM related issues: Subsidiaries in India were found to be highly autonomous on most of the HR related issues (table 2).

Table 2: Autonomy of subsidiaries on Different HRM Related Issues

HRM related issues	**Autonomy score (Max. 5)**	**Standard Deviation**
Human Resource Planning	3.64	0.60
Career planning of Managers	3.66	0.64
Executive Compensation	3.71	0.63
Non-executive Compensation	3.90	0.53
Selection of Managers	3.97	0.47
Industrial Relations	4.00	0.36
Training of Managers	4.03	0.74
Performance Appraisal	4.06	0.62

Table 2 indicates two patterns. First, subsidiaries in India are highly autonomous on HR related issues. Second, there are differences in autonomy on different HR issues.

Human Resource Planning is the least autonomous activity. Human resource planning is generally closely linked to business plans of the organizations. Hence, it is one of the most strategic activities that have long term implications for the organizations' core competencies and direction. Hence, parent companies exercise maximum influence on this aspect of Human Resource Management at the subsidiary.

Career planning of managers influences the staffing practices of MNCs. For example, career planning for managers for global assignments needs to be closely coordinated to rotate managers in different countries. Hence, this is the second most closely looked after activity by the parent companies.

Compensation of managers has two-way influence on the management of MNCs. First, it affects the financial performance of the company and secondly, it influences the ability of companies to attract and retain skilled managers. Hence, this activity of the subsidiary's management is the third most closely looked after activity by the parent companies.

Industrial Relations in the subsidiaries are strongly influenced by the legal-socio-economic conditions in a country. Hence it is one of the least influenced HR activity by parent companies at subsidiaries.

Training of managers and performance appraisal are the other two least influenced activities by the parent companies. Immediate supervisors influence most of the decisions regarding performance appraisal and training need of managers in India. Hence, there is very little influence of the parent companies on these HR related issues at the subsidiary.

Parents' influence on HRM related matters is significantly influenced by sales turnover of the subsidiary, age of the subsidiary and R&D expenses of the subsidiary. Table 3 indicates that increased turnover reduces the autonomy of the subsidiary on all the HRM related issues. Hedlund (1986) found that autonomy of subsidiaries increases initially with the increase in their size. It starts declining after reaching an optimal autonomy level. However, the current study indicates that autonomy is increasing with the increase in the size of the subsidiary in India. This could be explained for two reasons. First, MNCs in India view their operations from strategic perspective. For example General Electric is performing many research and product development activities in India for its global operations. Second, Increased turnover of subsidiaries makes them relatively resource rich. Hence, traditional resource based influencing mechanisms become ineffective. Hence, organizations look for HR based influencing mechanisms. For similar reasons, parent company depend more on the HR based influencing mechanisms with increased R&D expenses at the subsidiaries. For example, Unilever finds it extremely difficult to influence the operations of Hindustan Lever through formal budgeting and technology control routes. Hindustan Lever can only be influenced by HR based mechanisms. The recent posting of an Indian- Mr. Dadiseth (Ex-CEO, Hindustan Lever) at Unilever headquarter is the testimony for the same.

(Table 3 here)

Influencing Mechanisms:

a) Rate of Expatriation at the top management position: Composition of top management is as indicated in table 4 below.

Table 4: Composition of Top Management

Nationality	% of top management	Standard Deviation
Parent country nationals	15.37%	19.37
Third Country Nationals	5.62%	10.79
Host Country Nationals	79.01%	19.56

Rate of expatriates in India has been low. Simultaneously there is high variation across the responding firms. The high standard and low mean indicate that most of the subsidiaries in India have either no expatriation or very little expatriation. There are few firms that have very high rate of expatriation in India. Rate of expatriation has been low primarily for two reasons. First, there is generally a reluctance of managers from other countries. India is perceived to be a difficult place to work by them. Secondly, the pay differential of an Indian manager with the compensation of an executive in Europe, US, and Japan is very high. Hence, many times parents companies are reluctant to post expatriates in India to save cost.

Table 3 indicates that expatriation is significantly positively related to share of equity holding of the parent company. This relationship could be for two reasons. First, the rate of expatriation is influenced by the requirement of direct supervision by parent company representatives at the subsidiary. The increased equity holding share of the parent company at a subsidiary prompts it to increase direct supervision through increased rate of expatriation. Second, increased equity participation of the parent company also induces social control through cultural similarity. This increased cultural similarity requires increased expatriation of managers for increased socialization of managers in different cultures. To delineate the influence of these two effects partial correlation coefficients controlled for cultural similarity are calculated as shown in table 5.

(Table 5 here)

Table 5 shows that expatriation rate is significantly related to only two factors.

1) Equity participation of the parent company has positive relation with the rate of expatriation at the subsidiary level. However, equity participation is also positively related to cultural similarity between the parent company and the subsidiary. This indicates that increased equity stakes of the parent company induces multiple influencing mechanisms at the subsidiary.
2) The intensity of localization of the management of the subsidiary is negatively related to the expatriation intensity at the subsidiary. Increased localization of the business requires autonomy for the managers to respond quickly to local market requirements. This is better

achieved with local managers than with managers from the parent company or from a third country.

b) Cultural Similarity between the Parent Company and the Subsidiary: Table 6 indicates the partial correlation coefficients, controlled for rate of expatriation. The results indicate two main understandings.

(Table 6 here)

1) Cultural similarity between the subsidiary and the parent company has significant positive relation with localization of the management of the subsidiary. Localization of subsidiaries makes formal influencing mechanisms such as staffing of expatriates, rules and strict procedures ineffective. These formal mechanisms slow down the response of subsidiaries to the environment. For example, parent companies in software industry are unlikely to be able to influence the subsidiary working through formal methods. High mobility of people due to aggressive poaching of employees from competitors by organizations makes it important for subsidiary to be active locally. Simultaneously, inflexible rules and procedures make places unattractive for these highly mobile professionals.
2) Cultural similarity is negatively related with unionization intensity. Increased unionization of the subsidiary forces the management of the subsidiaries to be more sensitive to the local issues. This increases the formalization of the workplace. Managers at the subsidiary under these conditions find it extremely difficult to create cultural similarity with the parent company.

Conclusions:

The study indicates that HR systems continue to remain autonomous with subsidiaries, though, there are differences across different HR activities. Turnover of subsidiary and age are two variables that influence the subsidiary autonomy on different HR issues most. Increased turnover of the subsidiary is positively related to parents' influence on HR related matters at subsidiary.

India remains to be host nation with less expatriation of managers from parent companies. This validates some of the earlier studies on the same issue (Welge, 1981). The high wage differential between India and other countries is one of the reasons for the same.

Parent companies employ multiple influencing mechanisms in subsidiaries to achieve the task of global integration. The intensity of influence increases with increase of equity stakes of companies. Increased expatriation and increased cultural similarity between the parent company and subsidiary are frequently used by MNCs to influence their subsidiaries in India.

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Table 3: Correlation coefficients

	Equity holding of Parent Company	TO of the subsidiary	% TO of subsidiary To global TO	Age	Expenses On R&D: % of sales	Sales growth rate	Formalization	Centralization	Parent's influence in Human Resource Planning	Parent's influence in Career planning	Parent's influence in Compensation for Executive	Parent's influence in Compensation for Non-Executive	Parent's influence for Selection of Managers	Parent's influence in Performance Appraisal	Parent's influence in Training	Parent's influence in Industrial Relations	Autonomy to the subsidiary	% of expatriate at top positions	Culture	% of unionized employee	Localiz
Equity holding of Parent Co.	100																				
TO of the subsidiary	-0.13	1.00																			
% TO of sub. To global TO	0.02		1.00																		
Age	0.11	0.10	0.39*	1.00																	
Exp. On R&D: % of sales	0.13	-0.22	-0.13	-.18	1.00																
Sales growth rate	-0.16	.31*	0.15	0.27	-.02	1.00															
Formalization	0.22	-0.26	0.09	0.28	0.14	-0.22	1.00														
Centralization	-0 07	0.26	0.02	-.02	-0.23	0.10	-0.38*	1.00													
Parent's influence in Human Resource Planning	-0.11	0.26	-0.15	0.23	-0.33*	0.10	-0.18	0.31*	1.00												
Parent's influence in Career planning	-0.27	0.21	0.11	.38*	-0.31*	0.15	-0.05	-0.06	.50**	1.00											
Parent's influence in Compensation for Executives	-0.12	.42**	0.22	0.25	-0.15	0.19	-0.14	.45**	.52**	0.10	1 00										
Parent's influence in Compensation for Non-Executives	-0.22	0.28	0.23	.30*	-0.31*	0.15	-0.08	0.18	.43**	0.15	72**	1.00									
Parent's influence for Selection of Managers	-0.27	0.33*	.48**	0.24	-0.25	0.24	0.06	0.13	0.07	0.28	0.26	.48**	1.00								
Parent's influence in Performance Appraisal	-0.36	0.39*	0.16	0.12	-0.07	0.35*	-0.17	0.35*	0.15	0.13	.50**	0.31*	.45**	1.00							
Parent's influence in Training	-0.34*	0.37*	0.32*	-.10	-0.16	0.11	-0.39*	0.07	0.03	0.23	0 15	0.17	.46**	.42**	1.00						
Parent's influence in Industrial Relations	-0.19	0.26	.44**	0.22	-0.27	0.33*	-0.20	0.06	0.00	0.00	0.26	.49**	.57**	0.29	.49**	1.00					
Autonomy to the subsidiary	0.01	-0.39*	-0.24	-.21	0.11	-0.17	0.26	-.47**	-.58**	-0.23	-.52**	-.36**	-0.19	-0.19	-0.07	-0.15	1.00				
% of expatriate at top positions	.44**	0.24	0.06	0.00	0.00	-0.22	0.22	-0.15	-0.13	0.10	-0.05	-0.12	0.21	0.02	0.02	0.07	-0.05	1.00			
Culture	0.34*	0.12	-0.05	-.14	0.07	-0.02	0.04	-0.20	-0.14	-0.06	-0.01	-0.05	0.14	0.02	-0.07	0.05	0.13	.43**	1.00		
% of unionized employees	-0.14	0.14	0.15	.36*	-0.11	-0.16	0.25	-0.07	0.10	0.33*	0.10	0.20	-0.01	0.07	0.00	-0.13	-0.21	0.14	-0.29	1.00	
Localization	-0.31*	0.28	0.02	0.02	-0.05	0.34*	-.42**	-0.28	0.00	0.29	-0.08	-0.01	-0.10	0.08	0.20	-0.01	0.23	-0.31*	0.22	0.04	1.00
Integration	0.15	0.10	-0.03	-.09	0.26	0.07	-0.03	0.20	-0.37*	-0.30*	-0 02	-0.08	-0.12	-0.15	-0.24	-0.09	-0.10	0.13	-0.14	-0.05	-0.26

*Correlation is significant at the 0.05 level (1-tailed)
**Correlation is significant at the 0.01 level (1-taile)

able 5: Partial correlation matrix: Controlled for Culture

	Equity holding of parent Co.	TO of the subsidiary	% TO of subsidiary to global TO	Age	Expenses on R&D: % of sales	Sales growth rate	Formalization	Centralization	Parent's influence in Human Resource Planning	Parent's influence in Career planning	Parent's influence in Compensation for Executive	Parent's influence in Compensation for Non-Executive	Parent's influence for Selection of Managers	Parent's influence in Performance Appraisal	Parent's influence in Training	Parent's influence in Industrial Relations	Autonomy to the subsidiary	% of expatriate at top positions	% of unionized employee	Localization	Integration
Equity holding of Parent Co.	1.00																				
TO of the subsidiary	-0.19	1.00																			
% TO of sub. To global TO	0.03	0.26	1.00																		
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Sales growth rate	-0.16	0.31	0.15	0.27	-0.02	1.00															
Formalization	0.22	-0.27	0.10	0.28	0.14	-0.22	1.00														
Centralization	-0.01	0.29	0.01	-0.05	-0.22	0.10	-0.38*	1.00													
Parent's influence in Human Resource Planning	-0.06	0.28	-0.15	0.21	-0.32	0.10	-0.17	0.29	1.00												
Parent's influence in Career planning	-0.26	0.22	0.10	0.38*	-0.31	0.15	-0.05	-0.07	0.50**	1.00											
Parent's influence in Compensation for Executives	-0.12	0.43*	0.22	0.25	-0.15	0.19	-0.14	0.45**	0.52**	0.10	1.00										
Parent's influence in Compensation for Non-Executives	-0.22	0.29	0.23	0.30	-0.31	0.15	-0.08	0.18	0.43*	0.15	0.72**	1.00									
Parent's influence for Selection of Managers	-0.34	0.32	0.49**	0.27	-0.26	0.25	0.06	0.16	0.09	0.30	0.26	0.49*	1.00								
Parent's influence in Performance Appraisal	-0.4*	0.40	0.16	0.12	-0.07	0.35*	-0.17	0.37*	0.15	0.14	0.50**	0.31	0.45**	1.00							
Parent's influence in Training	-0.34	0.38*	0.32	-0.11	-0.15	0.11	-0.39*	0.06	0.02	0.22	0.15	0.16	0.48**	0.42*	1.00						
Parent's influence in Industrial Relations	-0.22	0.26	0.45**	0.23	-0.27	0.33	-0.20	0.07	0.01	0.00	0.26	0.49**	0.57**	0.29	0.49**	1.00					
Autonomy to the subsidiary	-0.03*	-0.42*	-0.24	-0.20	0.10	-0.16	0.25	-0.45**	-0.57**	-0.22	-0.52**	-0.36*	-0.21	-0.19	-0.06	-0.15	1.00				
% of expatriate at top positions	0.35*	0.21	0.09	0.07	-0.03	-0.23	0.23	-0.08	-0.07	0.14	-0.05	-0.10	0.17	0.01	0.05	0.05	-0.12	1.00			
% of unionized employees	-0.05	0.19	0.14	0.34	-0.10	-0.17	0.27	-0.14	0.06	0.32	0.10	0.20	0.03	0.08	-0.02	-0.12	-0.18	0.30	1.00		
Localization	-0.43*	0.26	0.03	0.05	-0.07	0.35*	-0.44**	-0.25	0.04	0.31	-0.08	0.00	-0.13	0.08	0.22	-0.02	0.21	-0.46**	0.11	1.00	
Integration	0.21	0.12	-0.03	-0.11	0.27	0.07	-0.02	0.18	-0.40*	-0.31	-0.02	-0.09	-0.10	-0.15	-0.25	-0.08	-0.08	0.21	-0.10	-0.24	1.00

- * two-tailed significance <= 0.05
- ** two-tailed significance <= 0.01

Table 6: Partial Correlation Matrix: Controlling for % Expatriates at Top Management

	Equity holding of parent Co.	TO of the subsidiary	% TO of subsidiary to global TO	Age	Expenses on R&D: % of sales	Sales growth rate	Formalization	Centralization	Parent's influence in Human Resource Planning	Parent's influence in Career planning	Parent's influence in Compensation for Executive	Parent's influence in Compensation for Non-Executive	Parent's influence for Selection of Managers	Parent's influence in Performance Appraisal	Parent's influence in Training	Parent's influence in Industrial Relations	Autonomy to the subsidiary	Cultural similarity with the parent company	% of unionized employee	Localization	Integration
Equity holding of Parent Co.	1.00																				
TO of the subsidiary	-0.27	1.00																			
% TO of sub. To global TO	-0.01	0.25	1.00																		
Age	0.12	0.11	0.38*	1.00																	
Exp. On R&D: % of sales	0.14	-0.22	-0.13	-0.18	1.00																
Sales growth rate	-0.07	0.38*	0.16	0.27	-0.02	1.00															
Formalization	0.14	-0.33	0.08	0.28	0.14	-0.18	1.00														
Centralization	-0.01	0.31	0.03	-0.02	-0.23	0.07	-0.36*	1.00													
Parent's influence in Human Resource Planning	-0.08	0.30	-0.14	0.23	-0.33	0.08	-0.15	0.30	1.00												
Parent's influence in Career planning	-0.35*	0.20	0.10	0.39*	-0.31	0.18	-0.07	-0.04	0.52**	1.00											
Parent's influence in Compensation for Executives	-0.11	0.45**	0.22	0.25	-0.15	0.18	-0.14	0.44**	0.51**	0.11	1.00										
Parent's influence in Compensation for Non-Executives	-0.19	0.32	0.24	0.30	-0.31	0.13	-0.06	0.17	0.42*	0.17	0.71**	1.00									
Parent's influence for Selection of Managers	-0.41*	0.29	0.48**	0.25	-0.26	0.30	0.02	0.16	0.10	0.27	0.27	0.51**	1.00								
Parent's influence in Performance Appraisal	-0.42*	0.40*	0.16	0.12	-0.07	0.36*	-0.18	0.36*	0.15	0.13	0.50**	0.31	0.45**	1.00							
Parent's influence in Training	-0.39*	0.37*	0.32	-0.10	-0.16	0.11	-0.40*	0.07	0.03	0.23	0.15	0.17	0.47**	0.42*	1.00						
Parent's influence in Industrial Relations	-0.25	0.25	0.44**	0.22	-0.27	0.35*	-0.22	0.07	0.01	-0.01	0.26	0.50**	0.57**	0.29	0.48**	1.00					
Autonomy to the subsidiary	0.04	-0.39*	-0.24	-0.21	0.11	-0.18	0.28	-0.48**	-0.59**	-0.22	-0.52**	-0.37*	-0.19	-0.19	-0.07	-0.14	1.00				
Cultural similarity	0.19	0.02	-0.08	-0.15	0.07	0.08	-0.07	-0.15	-0.10	-0.12	0.01	0.00	0.05	0.01	-0.08	0.02	0.17	1.00			
% of unionized employees	-0.23	0.11	0.14	0.36*	-0.12	-0.13	0.22	-0.05	0.12	0.32	0.11	0.22	-0.04	0.07	0.00	-0.14	-0.20	-0.39*	1.00		
Localization	-0.21	0.38*	0.04	0.02	-0.08	0.29	-0.38*	-0.35	-0.04	0.34	-0.10	-0.05	-0.04	0.09	0.21	0.01	0.23	0.41	0.09	1.00	
Integration	0.10	0.07	-0.03	-0.09	0.26	0.10	-0.06	0.22	-0.38*	-0.32	-0.01	-0.07	-0.15	-0.18	-0.24	-0.10	-0.10	-0.22	-0.07	-0.24	1.00

- * two-tailed significance <= 0.05
- ** two-tailed significance <= 0.01

Appendix

A. Items to measure cultural similarity between the parent company and subsidiary

1. Headquarter's willingness to create uniform culture in the MNC.
2. Headquartre's belief in creating uniform culture in MNCs.
3. Hiring of people with global perspective.
4. Training by headquarter to learn "how things are done here."

B. Items to measure localization:

1. Percentage of input material that comes from the group (headquarter and other subsidiaries).
2. Percentage of locally produced goods and services over the total turnover of the subsidiary
3. Local content in locally produced goods.
4. Percentage of production/services earmarked for export in the group.
5. Proportion of local R&D out of total R&D incorporated in the goods sold/services rendered by subsidiaries.
6. Adaptation of goods and services for local marke.

C. Items to measure integration:

1. Integration of purchasing with the rest of the group.
2. Integration of manufacturing processes with the rest of the group.
3. Integration of R&D functions with the rest of the group.
4. Integration of marketing activities with the rest of the group.
5. Integration of HRM functions with the rest of the group.

D. Items to measure parent's influence of different HR issues:

1. Parent company looks after them completely.
2. Parent company takes decision in consultation with subsidiary.
3. Subsidiary takes decision in consultation with parent company.

4. Subsidiary takes independent decision without consulting parent company.