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ABSTRACT

This study examined the relationship between International Human Resource (IHR) Strategy and International Human Resource Control. To do so, Jarillo and Martinez's (1990) framework for parent--subsidiary business strategy was recast into an IHR strategy context and Snell's (1992) conceptualization of control in the supervisor--subordinate relationship was extended to the parent--subsidiary setting. Data from 100 subsidiaries and their parents showed that subsidiaries adopt one of three (receptive, active, or autonomous) IHR strategies. In addition, the data demonstrate that a globally integrated IHR strategy is associated with tighter control over the subsidiary's selection, performance evaluation, and reward systems and looser control over the subsidiary's training and socialization system when contrasted with a more locally responsive IHR strategy.
INTRODUCTION AND SUMMARY

The past decade has seen an increasing interest in "International Human Resource Strategy" as one of the newest subfields of Human Resource Management (Pucik, 1984; Doz and Prahalad, 1986; Adler and Ghadar, 1989; Milliman and Von Glinow, 1991). Of late, one stream in this research domain has even begun to explore the link between international human resource (IHR) strategy and overall corporate strategy. To date, however, this research has tended to be conceptual, focusing nearly exclusively on overall corporate strategy, IHR strategy, or the intersection of the two. The relationship between IHR strategy (the decision to standardize or localize) and IHR control systems (those policies and practices adopted to govern a subsidiary) has been neglected. To address this gap, we define, measure, and then analyze the relationship between IHR strategy and IHR control.

At present, a framework to analyze the IHR strategy--IHR control relationship does not exist. This is the case, even though some argue that multinationals should be thought of as internally differentiated interorganizational networks (Ghoshal and Bartlett, 1990). Indeed, some even assert that the MNC's headquarters and its collection of national subsidiaries comprise a network of geographically disperse and goal disparate organizations. Moreover, there are those who say that such an interorganizational network resides within a larger external network made up of other stakeholder groups (including customers, suppliers, and regulators) with whom the multinational and its subsidiaries must interact.

Accordingly, there are many who suggest that when it comes to managing their human resources, MNCs need to balance consistency and standardization against the need to adapt to the varied cultures and countries in which they are operating (Adler, 1986; Laurent, 1986; Schneider, 1988; Sheth and Eshgi, 1989). In fact, nearly half of the MNCs surveyed by Dowling (1989) reported that they use different HRM approaches from subsidiary to subsidiary. Considering findings like this, the need for a framework to categorize different HR strategies at the subsidiary level is readily evident.
Since every country presents its own unique strategic opportunities and threats for MNCs, a parent company must, therefore, tailor its control to match the diverse conditions that a MNC faces in the various regions and nations in which it operates. Thus, it does not seem tenable to suggest that it is appropriate to base strategic control around the globe upon a single set of centrally issued policies. Instead, it appears that it is imperative for the MNC to be sensitive to local issues while at the same time insuring that there is some degree of integration across countries and operations (Doz and Prahalad, 1986). In light of this, the fundamental challenge that confronts us is to first examine the tradeoffs multinationals face when deciding between globally integrated (standardized) and locally responsive (customized) HR strategies and then to answer the question, "how do these strategies affect the level of control that the parent has over the human resources of its subsidiary?"

To accomplish this, this paper begins by developing a global integration–local responsiveness framework to categorize IHR strategies at the subsidiary level. Then we define and investigate IHR control from a strategic perspective. Finally, using a sample of companies who have subsidiaries operating in Taiwan, we test a set of hypotheses that address the relationship between IHR strategy and IHR control.

INTERNATIONAL HUMAN RESOURCE STRATEGY

The Global Integration and Local Responsiveness Framework

The dominant lens for examining firms and strategies operating in an international context has been the global integration–local responsiveness, or IR, framework. Some of its different renderings appear in Table 1 below. In short, managerial perceptions of the environment vary along two basic imperatives, pressures for global integration and pressures for local responsiveness. These two dimensions define this categorization scheme. For example, for any given business, pressures for global integration are driven by industry forces that necessitate worldwide business resource deployments for strategic pursuits. Accordingly, strategic decisions
take into account the need to maximize the efficiencies of the collective organization to integrate activities across national boundaries. In contrast, local responsiveness pressures are industry forces that necessitate local, context-sensitive strategic decisions. Responding to local pressures, management must respond predominantly to each local market or industry setting irrespective of the strategic consideration of sister business units (Prahalad and Doz, 1987).

Put Table 1 here

Heenan and Perlmutter (1979) used four terms to describe MNC firms. The four types they defined are **ethnocentric**, an approach that features uniformity; **polycentric**, a perspective that allows for autonomy; **geocentric**, a viewpoint that facilitates the blending of standardization and customization; and **regiocentric**, an approach that is smaller than a worldwide focus but bigger than a nation. Evans (1986) states that each of these approaches represents a different way of coping with the different sociocultural environments a MNC confronts. There are those who say that when it is possible to distinctly and independently define divisions and business, firms should adopt "polycentric human resource strategies." On the other hand, it has been argued that firms in worldwide industries where divisions and subsidiaries are **interdependent** ought to adopt "global human resource strategies."

As for linking global human resource strategies and these different types of firms, Schneider (1988) suggests that it is necessary to take care when establishing global practices so that "geocentric" firms look different from "ethnocentric" ones, while remaining sensitive to needs for differentiation at the same time. Indeed, it is easy to see how this schema designed for classifying firms can be used to categorize different IHR strategies, too (see Figure 1). For example, a MNC may adopt an ethnocentric HR strategy which creates a global integration benefit, but provides little, if any, benefit on the local responsiveness dimension. Alternatively, a polycentric strategy will provide the MNC with a high benefit on the local responsiveness dimension, but a low one on the global integration dimension. Finally, a MNC may embrace a
responding to each pressure (Ghoshal, 1987). These pressures may be present across the overall
capital, product and labor markets, at the industry level, at the individual business unit level, or
even at a functional or task level within a business unit. Therefore, this framework can also be
useful for modeling the two pressures that drive IHR strategy. To formulate IHR strategy, we
need to ask: Should HRM necessarily be localized, or culture-bound? On the other hand, we need
to probe whether a MNC can derive a competitive advantage associated with applying a
globalized approach to HRM.

According to Adler (1986), a homogenized approach to HRM weakens a MNC's
competitive advantage because it ignores or trivializes culture differences rather than taking
advantage of them. As Laurent (1986) has noted, in order to build, maintain and develop their
corporate identities, MNCs need to strive for consistency in their ways of managing people on a
worldwide basis. At the same time, to be effective locally, they also need to adapt their ways to
the specific cultural requirements of different societies. While the global nature of the business
may call for increased consistency, the variety of cultural environments may be calling for
differentiation. Thus, consistency and differentiation may seem to capture the fundamental
dimensions of IHR strategy.

Jarillo and Martinez (1990), based on their empirical study of 50 Spanish subsidiaries of
MNCs, offer yet another integration--responsiveness categorization scheme. For any subsidiary
of an MNC operating in a given country, they posit that the subsidiary follows: an "autonomous"
strategy if it carries out most of the functions on the value chain in a manner that is independent
of its parent organization or other subsidiaries; a "receptive" strategy if these functions are highly
integrated with those of the rest of the firm; and finally, an "active" strategy if the functions
originate within the country but are carried out in close coordination with headquarters and other
subsidiaries--thus serving as one of many active nodes in a tightly knit network (see Figure 3).
geocentric strategy for a high benefit on both the local responsiveness and global integration dimensions.

Along with Heenan and Perlmutter (1979), Bartlett and Ghoshal (1987) have also developed a categorization scheme at the firm level. Rather than focusing on the firm’s levels of independence and interdependence, they focus on the notions of global integration and national responsiveness to arrive at their global, multinational, and transnational designations. Likewise, Porter (1986) casts the integration/responsiveness dimensions in terms of "coordination configuration of activities" to arrive at a similar scheme classifying different corporate strategies.

A Framework for HR Strategy at the Subsidiary Level

Sheth and Eshgi (1989) were among the first to develop a framework exclusively for classifying different IHR strategies according to their levels of consistency (globalization) and localization (responsiveness). As can be seen in Figure 2, they label the two strategic dimensions, consistency and localization, and argue that when neither is appropriate a "decentralized" IHR strategy is sufficient. For example, they suggest that export driven companies often act in this manner. Of course, this is likely to be less and less true as organizations gain experience expanding the scope of their business operations. In addition to this, they identify three other strategic approaches (an "ad hoc", country by country HR strategy; a "worldwide", best of both worlds HR strategy; and an "umbrella", or all encompassing HR strategy) that multinationals and their subsidiaries may adopt.

It is also possible to use the global integration--local responsiveness framework to ascertain the relative strength of these two pressures by considering the costs and benefits of
In general, the \textit{autonomous} HR strategy will be typical of subsidiaries of polycentric firms; the \textit{receptive} HR strategy will be typical of subsidiaries of ethnocentric firms; and finally, subsidiaries of geocentric firms will adhere to an \textit{active} HR strategy. It is important, however, to note that in some cases a MNC may use a combination of approaches, depending on the region or country in which it is operating. As Dowling (1989) reported, a MNC may operate its European interest in a geocentric manner and its Southeast Asian interests in an ethnocentric way.

Another approach is that of Milliman and Von Glinow (1991) who propose that the concepts of external organizational fit (across cultures or countries) and internal organizational fit (across levels or units) are useful for classifying subsidiaries' HR strategies. The internal--outside organizational fit specifies the fit between the IHR functions of the foreign subsidiary and the IHR functions at the corporate level. The external--outside organizational fit involves the degree of fit between the IHR function and the cross-national and cross-cultural environment at both the corporate and subsidiary levels. In other words, subsidiaries need to take into account the degree of integration within the corporation (internal fit) and the degree of localization within the nation or environment (external fit) for their IHR strategies. Therefore, based on the concepts of IR and fit, we can apply Jarillo and Martinez framework (1990) to categorize the different types of HR strategies at subsidiary level.

In this study, we blend the Jarillo and Martinez (1990) approach, which emphasizes the receptive, autonomous, and active notions, with the Milliman and Von Glinow (1991) approach, which emphasizes the role of IHR strategy, to develop a new IHR strategy classification scheme (see Figure 4).
Under this scheme, a subsidiary of an MNC in a given country is adopting: an "autonomous HR strategy" if it is benefiting from a low degree of integration and high degree of localization; a "receptive HR strategy" if it is benefiting from a high degree of integration and low degree of localization; and an "active HR strategy" if it is benefiting from high degree of integration and high degree of localization. Accordingly, the first hypothesis for this study is as follows.

Hypotheses 1: IHR strategies of MNCs' subsidiaries will be segmented by subgroups according to degrees of integration and localization. These subgroups will resemble Jarillo and Martinez's three types: autonomous strategy, receptive strategy, and active strategy.

**INTERNATIONAL HUMAN RESOURCE MANAGEMENT CONTROL**

Tannenbaum (1968) has defined control as, "any process that helps align the actions of individuals with the interests of their employing firm." The effectiveness of an organization's control system is a function of (1) the degree of alignment in the direction of control and (2) the human resource management policies and practices in place to support it (Ouchi, 1979). Ouchi (1981) characterizes the overall control process as "people treatment", which consists of selection/screening, training, behavior monitoring and output monitoring. Recently, in his examination of the supervisor/subordinate relationship, Snell (1992) identified and studied three types of control systems: (1) input control, (2) behavior control, and (3) output control.

Through the extension of this reasoning, we propose that these three types of control affect the Parent/Subsidiary relationship in that, to varying degrees, MNCs control their subsidiaries' (1) HR inputs (by influencing selection and training/socialization practices), (2) HR behaviors (through the level of bureaucratic and cultural control they do, or do not, impose), and (3) HR outputs (by the reward systems they permit or impose).
Selection supports the basic control mechanism of monitoring and is basically a form of input control that occurs prior to the monitoring of output (Jaeger, 1983). Its purpose is to screen job applicants and allow only those who are most likely to behave as desired into the organization (Jaeger and Baliga, 1985). As proposed by Ouchi (1979), companies use selection for the internalization and identification of employees. This practice is most common in the "professional bureaucracies" such as hospitals, public accounting firms, and universities.

Accordingly, some have suggested that a control mechanism designed to identify and select the most appropriate people will generate high employee commitment as a result of internalized and shared values (Ouchi, 1979; Schneider, 1987). Therefore, through the selection process, an organization must find persons who have the technical skills required (or are trainable), will accept the organization's authority, will learn the organization's rules and regulations, and will perform satisfactorily.

In the context of an MNC, especially as more host-country nationals move into managerial positions within its subsidiary, several major strategic management and control issues arise; such as the need to insure that local managers commit to world-wide, rather than just local, business objectives (Kobrin, 1988). In addition, think about a subsidiary that needs to hire employees. Here, the parent company's representative, the expatriate, may develop and rely upon a set of non-uniform personal criteria for hiring. Finally, the expatriate manager may choose to administer some form of corporate culture or value assessment to insure that candidates' values match those of the firm (Evans and Lorange, 1989). Therefore, a rigorous process for selecting the expatriate managers that will guide the subsidiary may be useful as a control mechanism to insure the global integration of human resource management strategies across the MNC.
Alternatively, some MNCs attempt to create flexible career paths for their management. For instance, Doz and Van den Poel (1983) point out that the managing directors at Ciba Geigy subsidiaries have a stronger say in the appointment of their subordinates than the central product division has. Similarly, Martinez and Ricks (1989) found that U.S. parent companies involvement in various stages of the selection process of managers in affiliates is greater when there is high resource dependence on the parent company, and the opposite is true for affiliates with low resource dependence. Low resource dependent affiliates often simply submit a selection decision to the U.S. parent for approval after the affiliate's general manager renders a decision.

Considering this, we posit that a subsidiary with a higher level of HR localization will place less emphasis on the selection input control. Alternatively, a subsidiary with more global HR integration will have more emphasis on selection control. Therefore, we offer the following hypotheses regarding the selection input control:

Hypothesis 2a: Subsidiaries pursuing a "receptive" HR strategy will score the highest on the selection input control measure.

Hypothesis 2b: Subsidiaries pursuing an "autonomous" HR strategy will score the lowest on the selection input control measure.

Training and Socialization

In cybernetic systems, the process of training and socialization is also considered by many to be part of an organization's input control system (Snell, 1992). Indeed, Ouchi (1979) proposed that most organizations can rely on selection and screening only to a limited extent, and after that, they must rely on training to impart the desired skills and values. Among other things, training provides organization members with the necessary skills, abilities and values to be functional in the organization. Some have even asserted that the component of training which ultimately has the greatest impact on control is socialization (Etzioni, 1961). Socialization is an interpersonal process of informally or implicitly teaching organizational values and behavioral expectations to
organizational members to equip them for successful participation within the organization (Jaeger and Baliga, 1985).

Therefore, MNCs that rely on this type of input control emphasize a longitudinal process of socialization as the primary vehicle for managerial training. Its purpose is to ensure that future managers thoroughly internalize the corporate culture and related information-processing rules and norms before assuming managerial responsibilities in a subsidiary (Pucik and Katz, 1986). In addition, many MNCs recognize that management development programs need to emphasize worldwide information sharing on economic, social, political, technological and market trends. To facilitate this, some companies export home country training and development programs to other countries for local employees, or they bring host-country nationals to corporate headquarters to expose them to the corporate culture and enable them to develop a broader perspective (Dowling and Schuler, 1990).

Furthermore, Stopford and Wells (1972) point out that one way of combating control problems is the creation of a sense of cooperation, and shared values among organization members around the world. They point out, however, that this requires heavy expenditures for communication, including frequent meetings and retraining sessions. Jaeger (1983) also argues that in a cultural control driven organization, personal contacts, such as visits and telephone calls, serve as the most frequent and useful form of interaction between headquarters and the subsidiary. Consequently, training and socialization facilitates the global integration of HR in MNCs.

Alternatively, there is recognition of local needs and the need to provide training, development, and promotion opportunities for host-country nationals as well as parent-country nationals in MNCs (Dowling and Schuler, 1990). So, training needs to be provided to local managers to enable them to learn how the subsidiary operates and to develop the skills required to fulfill their managerial roles. Even more, Baliga and Baker (1985) suggest that expatriates receive training concentrated in the assigned region's culture, history, politics, economy, religion, social, and business practices to adapt to the host country. Therefore, we hypothesize that training and
socialization may be used for responding to both integration and localization of subsidiary's HRM. Consequently,

Hypothesis 3a: Subsidiaries pursuing an "active" HR strategy will score the highest on the training and socialization input control measure.

Hypothesis 3b: Subsidiaries pursuing an "autonomous" HR strategy will score the lowest on the training and socialization input control measure.

Behavior Control

In the MNC/Subsidiary context, the two most powerful control mechanisms that emerge from the literature on human resource management control are bureaucratic and cultural control. These forms of control influence how people do their work, rather than who performs the work or the rewards they receive for doing it (Edstrom and Galbraith, 1977; Pucik and Katz, 1986; Baliga and Jaeger, 1984). Bureaucratic control is manifest when a headquarters influences the operations of a subsidiary primarily through a clearly defined set of rules and procedures. Budgets, on-site inspections, and control of the management process facilitate the enforcement of these rules (Doz and Prahalad, 1984). Alternatively, the concept of cultural control is less explicit and relies more on perpetuating common values and meanings than on explicit audits and regulations required by a bureaucratic control mechanism (Pucik and Katz, 1986).

Bureaucratic

Bureaucratic control systems operate under norms of rationality and usually rely on a high degree of formalization. Standard operating procedures (SOPs) are the central elements of a bureaucratic control system. SOPs, which often come in the form of company manuals or rule books, outline the behavioral repertoires that members of the organization are to adhere to (Hickson, 1966). Child (1973) notes that bureaucratic control consists of the utilization of a limited and explicit set of rules and regulations to define desired performance in terms of outputs and/or behaviors. Furthermore, based on the assumption of a centralized hierarchy, behavior control originates from the top down, frequently in the form of clearly articulated operating procedures (Cheng and McKinley, 1983; Hitt, Hoskisson, and Ireland, 1990). Given this
backdrop, Snell (1992) has defined bureaucratic behavior control to be centralization, articulated procedures, close supervision, and behavior appraisal.

In the MNC setting, bureaucratic control exists when the headquarters of a subsidiary exerts its influence through a clearly defined set of rules and procedures. For example, Doz (1986) notes that IBM analyzes thirteen general indicators, and countless micro measures, of subsidiary performance each month. Moreover, centralization, formalization and standardization (written policies, rules, job descriptions, standard procedures, manuals, and charts) are coordination mechanisms used by MNCs for integrating activities that remain dispersed across subsidiaries (Martinez and Jarillo, 1991). Consequently, we can surmise that bureaucratic behavior control of subsidiaries provides an advantage for integrating human resource management across a MNC's far flung subsidiaries.

Alternatively, Cray (1984) proposes that when subsidiaries have the temptation to deviate from overall organizational policy or when the need for predictability is high (especially when the subsidiary looks as it is in danger of being overtaken by local political, cultural, or economic forces), MNCs are more likely to use bureaucratic control. Therefore, in the case that a subsidiary has a predisposition toward localizing their HRM, some explicit control mechanisms may be used to insure stability and predictability. Doz (1986) notes that Dow Chemical developed a corporate Product Department for central management of five autonomous regional companies, which allows managers from different units to cooperate in joint economic studies. In the end, however, he asserts that managing localization hinges on a paradox: intersubsidiary coordination provides subsidiary managers with the means to improve their competitiveness over purely national competitors, and yet it limits their freedom to be successful in their own particular national environment (Doz, 1986). Hence, localization of subsidiaries' HRM will not make the need for bureaucratic behavior control as great as the pressure for integration across the globe.
Therefore.

Hypothesis 4a: Subsidiaries pursuing an "active" HR strategy will score the highest on the bureaucratic behavior control measure.

Hypothesis 4b: Subsidiaries pursuing an "autonomous" HR strategy will score the lowest on the bureaucratic behavior control measure.

Cultural

Some define culture, be it organizational or national, as a set of taken-for-granted assumptions, expectations, or rules for being in the world. In a circular manner, culture shapes individual attitudes and it, in turn, is shaped by the actions, beliefs, and behaviors of individuals (Adler and Jelinek, 1986). Ouchi and Jaeger (1978) liken cultural control in a Type Z organization to "clan control." In organizations characterized by cultural control, control is more implicit and informal rather than explicit and formal (Jaeger and Baliga, 1985). In a pure cultural control system, any guidance is of an aggregate rather than specific nature, and monitoring in this type of system occurs mostly through interpersonal interactions. Essentially, all members of the culture are familiar with it and share its expectations. It is relatively easy to observe performance and compliance with the culture through these interpersonal interactions. Feedback occurs on a person-to-person basis and is often subtle in nature. Finally, some say that culture serves as a very rich and broad guide to behavior, so that an individual and the persons around him will always have an implicit sense of his performance in the context of that culture (Baliga and Jaeger, 1984).

In MNCs, headquarters may place trustworthy expatriates in upper and middle management positions of subsidiaries, socialize new employees into the firm's culture, de-emphasize formalization, and allow greater local discretion (Edstrom and Galbraith, 1977). In addition, a MNC may assign parent company managers to the key management positions of a foreign subsidiary. These actions are consistent with the concept of cultural control, because parent company managers within a foreign subsidiary are likely to be monitoring and evaluating the activities and behaviors within the subsidiary (Egelhoff, 1984). Moreover, Jaeger (1983) also
indicates that one would expect an initial heavy use of expatriates in subsidiaries for MNCs to establish and maintain their organizational culture in the overseas location. All to say, the use of expatriates, an absence of explicit monitoring, and limited direct feedback all characterize a reliance on cultural control. Taken together, these attributes allow for more decentralized decision making.

A recent study found that Japanese MNCs rely heavily on cultural control (Jaeger and Baliga, 1985). In addition, some suggest that Japanese firms in southeast Asia seem to be taking more positive steps to "Japanize" than their counterparts in the U.S. and in West Germany (Ishida, 1986). Interestingly, Jaeger (1983) also found a so-called Type Z organization, an American company that has often been likened to the typical Japanese company, that relies heavily on cultural control. On the other hand, Egelhoff (1984) found that to exert control, U.S. MNCs generally rely on more precise plans and budgets to generate suitable standards for comparison (bureaucratic controls), whereas European MNCs lean more on cultural control.

The advantage of cultural control is that it allows for a greater degree of localization of subsidiaries' HRM policies and practices. When an expatriate takes over a key position in a subsidiary, he/she opens and widens the communication channels between headquarters and the subsidiary which fosters greater local discretion and responsiveness (Edstrom and Galbraith, 1977; Pucik and Katz, 1986). Likewise, Doz (1986) posits that the key role of headquarters management in the nationally responsive MNC is to transfer cultural norms, organization beliefs, and behavioral standards.

However, the level of cultural control raises another issue, namely, the cost of imparting control (Jaeger, 1983). An overreliance on cultural control driven systems can drive the organization toward a bureaucratic control system, because the explicit costs (such as greater use of expatriates) associated with the headquarters-subsidiary relationship in a cultural control system tend to be greater than those of a bureaucratic control system (Wilkins and Ouchi, 1983;
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Baliga and Jaeger, 1984). Therefore, we hypothesize that subsidiaries that make heavy use of bureaucratic behavior control will make less use of cultural behavior control. Accordingly,

Hypothesis 5a: Subsidiaries pursuing an "autonomous" HR Strategy score the highest on the cultural behavior control measure.

Hypothesis 5b: Subsidiaries pursuing a "receptive" HR Strategy score the lowest on the cultural behavior control measure.

Output Control

Rewards

Think of the final phase in the control sequence as monitoring an input, process, or output, comparing it to a standard, and providing selective rewards and adjustments accordingly (Ouchi, 1977). As an alternative to using input control or process (behavioral) control, organizations can focus on output control (Ouchi, 1977). In the case of output control, there is no need to know the process itself in its entirety, but a reliable and valid measure of the desired outputs must be commonly accepted (Ouchi, 1977; Hill and Hoskisson, 1987). In addition, to induce performance that fulfills an organization's intentions, the reward system needs to link to outcomes (Kerr, 1985; Snell, 1992).

In MNCs, it seems particularly important to match the corporation's strategic intent with the goals, competencies, and motivations of key managers (Edstrom and Lorange, 1984). Indeed, the undergirdings for reward systems in most MNCs are a host of readily apparent relationships between performance and remuneration. When this is not the case, the decoupling of appraisal and rewards may render output-based control systems ineffective (Pucik and Katz, 1986). Furthermore, Pucik (1984) proposes that any reward system must strike a balance between equity issues within the organization and the conditions of labor markets in countries from which managers originate. Therefore, the features that facilitate output control in MNCs include: the presence of measurable outcomes, the measurement of outcomes, and the presence of an outcomes--consequences link.
As the number of levels of hierarchy increase, horizontal differentiation makes it more difficult to arrive at an equitable comparison of behavior. Even when this is the case, however, an output control system will at least provide the appearance of yielding more readily comparable units of performance (Ouchi, 1977). As such, there is little doubt that output control serves as an important coordination mechanism for integrating separate subsidiaries of MNCs (Martinez and Jarillo, 1989). For example, Doz (1986), notes that integrated MNCs often pay higher wages than other companies in the same industry to build loyalty toward the company. Accordingly, fueled by localized monetary incentives that are in synch with corporate objectives, output control frequently blends the best of localization and globalization. Consequently,

Hypothesis 6: Subsidiaries pursuing an "active" HR Strategy will score the highest on the rewards output control measure.

Hypothesis 6: Subsidiaries pursuing an "autonomous" HR Strategy will score the highest on the rewards output control measure.

DATA, MEASURES, AND METHODS

Data

An empirical study of the relationships between subsidiaries' IHR strategies and their parents' IHR control follows. A sample of 321 subsidiaries of foreign MNCs operating in Taiwan was used. The companies surveyed and in the sample include the largest and most renowned MNCs operating in Taiwan. Indeed, most of the entities in this sample appear on the "Top 1000 Manufacturing Companies" and "Top 300 Service Companies" lists for Taiwan in 1993. Others were included because they are located in the main Industrial Export Area of Taiwan. A mail questionnaire was sent to the CEO or HR executive of these companies. One hundred subsidiaries returned the questionnaire for a response rate of 31%. In the sample, there is a one-to-one relationship between parent and subsidiary, no parent is represented by more than one subsidiary. Summary statistics (see Table 3) suggest that the firms included in the study present a reasonably representative sample of the subsidiaries of MNCs operating in Taiwan.
Note that for all of these subsidiaries the percentage of ownership by the parent company was at least 50%, and in most cases this percentage was nearly 100%. A large majority of the companies were in manufacturing industry, and nearly half had Japanese parents.

Put Table 3 here

Measures

Two sets of variables were operationalized in this study. The first set consisted of measures designed to capture the IHR strategies of these MNCs in Taiwan, and the second set contained variables intended to measure the IHR control utilized by these firms.

The IHR strategy variables capture the degree of global integration and the degree of local responsiveness being exhibited by MNC parent companies in Taiwan. Much the same as the concepts that other researchers have investigated and reported in the literature (Tichy, Fombrun and Devanna, 1982; Schuler and Jackson, 1987; Bamberger and Philips, 1991), the dimensions in this study include: organization culture, compensation and rewards, staffing and appraisal, and training and development. We designed and used a seven-point scale proposed by Prahalad and Doz (1987) to capture the executives' strategy assessments. The items we developed measure the strategic benefit of localization (customizing HR policies in accordance with the needs of the local environment) and globalization (importing HR policies from the parent's headquarters).

Specifically, the IHR control variables capture the use of the selection control, training and socialization control, bureaucratic behavior control, cultural behavior control, and rewards output control, which appear below:

1. Selection--input control:
   - parent's involvement in assessing potential of subsidiary managers.
   - parent's agreement with staffing of subsidiaries' managers.
   - parent's provision of selection procedures for subsidiaries' managers.
2. **Training and Socialization**—input control:
   - Parent's visits to managers and technicians in the foreign group.
   - Parent's commitment to training managers.
   - Parent's involvement in managers' skill development.
   - Amount of foreign training for subsidiaries' managers before assignment.

3. **Bureaucratic**—behavior control:
   - Degree of explicit monitoring.
   - Frequency of feedback.
   - Centralization of appraisal.

4. **Cultural**—behavior control:
   - Use of expatriates.
   - Decentralization of appraisal.
   - De-emphasizing formal policies and procedures.

5. **Rewards**—output control:
   - Development of results criteria.
   - Presence of performance-reward link.
   - Presence of localized monetary incentives.

The overall measures of control and the set of items we used were based upon research by Snell (1992), who has studied the concept of control in the supervisor–subordinate setting. We refined and modified his measures to suit our level of analysis, the parent–subsidiary relationship. To measure MNC parent–subsidiary IHR control, this study uses a 27-item, 7-point scale.

**Methods**

The first procedure was to identify the dimensions of IHR strategy and IHR control. Factor analysis was employed to explore these constructs, identify the tentative underlying dimensions, and suggest items for deletion (Schwab, 1980). Like the preceding studies, the factor analytic method used was principle components with varimax rotation.

The second step consisted of taking the IHR strategy dimensions discovered in step one and classifying the sample firms along these dimensions. Doing so enables the formation of subgroups of subsidiaries, those that follow similar HR strategies. Two firms were deemed to be in the same strategic group if they displayed similar levels of IHR integration and localization, regardless of the industry in which they compete. The objective here was to obtain a taxonomy of
IHR strategies across industries with the two dimensions empirically measured (Martinez and Jarillo, 1991) and compare it with the model typology of IHR strategy that appears in Figure 4. As has been the case for previous studies of this construct, this step was performed through a cluster analysis following the "k-means" algorithm (Hartigan 1975; Hartigan and Wong 1979).

The third stage consisted of exploring the differences in IHR controls across the IHR strategic groups. By doing so, we were able to test the five hypotheses developed previously. Means difference tests were used to analyze the relationships between IHR strategies and IHR controls. ANOVA (Analysis of Variance) was the statistical technique used to accomplish this.

**RESULTS**

**Summary Statistics: IHR Strategy and IHR Control**

Table 4 gives the means, standard deviations, coefficient alphas, interrater reliabilities, and intercorrelations for all variables. The alphas indicate internal consistency. For the global integration, the local responsiveness, and most of the control variables, the alphas were higher than .80 level; which is good for basic research in that the proportion of error variance for a scale with alpha = .80 is exactly the same for any test regardless of the number of items (Cortina, 1993). Although the alphas for the cultural control measure are somewhat low, just above the .60 level, they still meet Nunnally’s (1967) criterion of a minimum of .50 for adequate reliability.

****************************
Put Table 4 here
****************************

**Factor Analyses: IHR Strategy and IHR Control**

The IHR strategy and IHR control variables were factor-analyzed to determine their underlying dimensions. In the first factor analysis, of IHR strategy, the strategy measures generated two stable factors representing global integration and local responsiveness, each having
an eigenvalue above 1.0 and together accounting for 68.30 percent of variance in the data. Table 5 provides the IHR strategy items and factor loadings.

The second factor analysis, of IHR control, produced five stable factors. Two input, two behavioral and one output control factors emerged, each having an eigenvalue above 1.0 and together accounting for 58.36 percent of variance in the data. Four items did not load on any of the five factors and were deleted. Table 6 gives the IHR control items and their factors loadings.

Cluster Analysis: IHR Strategy

The 100 MNCs in the sample were classified according to their values on the IHR strategic dimensions of integration and localization. The results of the cluster analysis appear in Table 7, where the two dimensions, IHR integration and localization, appear to be good discriminators of strategic groups. Three clusters emerge, representing three specific strategic groups. A good three-group clustering was observed, for the variance among the groups is larger than variance within the groups.

Of these three groups (see Figure 5), we classified the first, composed of 33 firms with high integration and low localization, as adopting the "receptive" IHR strategy outlined previously. The second group, made up of 36 firms with high integration and high localization, appears to adhere to the "active" HR strategy outlined above. The third group, which contains the remaining 31 firms with low integration and high localization, seems to follow an "autonomous" HR strategy.
The Relationship Between IHR Strategy and IHR Control

After placing the subsidiaries in the IHR strategic framework of Figure 4, we examine the hypotheses pertaining to the relationships between IHR strategy and IHR control. Table 8 shows the means and standard deviations for selection, training and socialization, bureaucratic, cultural, and reward control by group, the differences between the mean values across groups, and the statistical significance of these differences. Note that firms in Group 1 (the receptors) used selection control with the highest intensity among the three groups. Additionally, the firms in Group 2 (the actives) employ the greatest amount of training and socialization, bureaucratic, and reward control among the three strategic groups. Finally, while the firms in Group 3 (the autonomizers) utilize the most cultural control, they adopt the least of all the other types of control, especially selection and bureaucratic control.

DISCUSSION

Recall that the aim of this analysis was to unite the precepts of the global integration--local responsiveness framework from the Strategy literature (Heenan and Perlmutter, 1979; Porter, 1986; Bartlett and Ghoshal, 1987) and Control Theory (Tannenbaum, 1968; Ouchi, 1979; 1981) to define and empirically examine the concepts of International Human Resource Strategy and
International Human Resource Control. We set out to test the relationship between IHR strategy and IHR control by studying the parent companies of MNCs operating in Taiwan and their subsidiaries. On the whole, the evidence from this analysis suggests that the global integration-local responsiveness framework provides a useful taxonomy for IHR strategy identification.

Likewise, Snell's (1992) operationalization of Control Theory seems to serve as an appropriate theoretical backdrop for studying IHR control at the firm level. Combining these two theoretical perspectives provides us with a means to analyze the relationship between IHR strategy and IHR control. A summary of the hypotheses and the conclusions we were able to draw from this study may be found in Table 9 below.

Put Table 9 here

Regarding the role of the parent in the acquisition of managers and employees to staff the subsidiary we observe that strategic Groups 1 (receptive) and 2 (active) place more of an emphasis on the use of selection control than Group 3 (autonomous). Therefore, the data partially support Hypothesis 2. Since the difference between Groups 1 and 2 is not significant, however, the support is not unequivocal. These results suggest that if a MNC and its subsidiary emphasize a high degree of global integration and low localization, there will be a greater reliance on controlling the selection process. For example, the parent will rigorously select the subsidiary's managers, picking those who demonstrate high commitment to the company and those who identify with its world-wide objectives. Alternatively, in a subsidiary that has low integration and high localization, executives within the subsidiary are likely to exert stronger influence on the appointment of their subordinates.

So far as the role of the parent in shaping the behaviors and outputs of employees after they have joined the subsidiary, note that the data confirm that strategic Group 2 (the actives) makes the heaviest use of training and socialization control, bureaucratic behavior control, and reward output control. Therefore, Hypotheses 3, 4, and 5 are at least partially confirmed. These results
verify that organizations employing a high degree of global integration and a high degree of local responsiveness will: utilize relatively more training and socialization input controls to formally impart requisite skills and desired values; rely heavily on bureaucratic control to formally and carefully monitor behaviors and processes; and make use of more reward output control to assure the desired outcomes.

Although strategic Group 3 makes a more extensive use of cultural behavior control than the other two groups, the difference between it and the other two groups is not statistically significant; thus there is no support for Hypothesis 5. When we look at the various types of control within Group 3 (autonomous), cultural behavior control is less important than training control, bureaucratic behavior control, and output control. There are several possible explanations for this.

On one hand, adopting an autonomous IHR strategy to respond to local needs may create some difficulties when expatriates are brought in. Indeed, some suggest that the rising ambitions and aspirations of local employees make it necessary to award an increased share of managerial positions in subsidiaries to local nationals (Pucik, 1984). In this case, training and socialization of local managers can be used instead of bringing in more expatriates (Jaeger, 1983; Pucik and Katz, 1986). Pucik (1984) notes that in order to respond to local pressures, it is only natural that MNCs begin to emphasize the promotion and development of local resident managers, with expatriates shrinking in number and influence.

On the other hand, due to the high cost of expatriates, the very prospect of creating and maintaining a cultural control system (where expatriates are shaped to the culture) can drive the organization more towards a bureaucratic control system (Wilkins and Ouchi, 1983). In addition, based on the proliferation of local-market driven monetary incentives, output control may address local needs, especially those pertaining to compensation and rewards management. When this is the case, the relationship between cultural behavior control and HR localization is more complicated than was originally hypothesized. It seems that more localization does not necessarily result in more cultural behavior control. This may be why an "active" HR strategy
In sum, when we look at the various types of control, it seems that training and socialization control is used more than selection control to influence a subsidiary's inputs. It also appears that bureaucratic behavior control is relied upon more than cultural behavior control to impact a subsidiary's processes. This is not too surprising, given Ouchi's (1979) assertion that most organizations can rely on selection and screening only to a limited extent; and they can select partially for the skills and values desired, but they will not be able to find people who fit exactly their needs. Therefore, the organization must rely on training and socialization. In MNCs, the reliance on local management is increasing. In that subsidiaries, when compared to their headquarters, know their job candidates and incumbents well, MNCs seems apt to get more involved with training and socialization, rather than selection, to control their subsidiaries' inputs.

Additionally, the literature suggests that the explicit costs (such as greater use of expatriates) associated with the headquarters–subsidiary relationship in cultural control dominated systems tend to be greater than those for bureaucratic control systems (Wilkins and Ouchi, 1983; Baliga and Jaeger, 1984). Accordingly, MNCs tend to use more bureaucratic control than cultural control to influence the subsidiary's HR processes.

CONCLUSIONS AND IMPLICATIONS FOR FUTURE RESEARCH

In this study a Global Integration–Local Responsiveness framework for studying the IHR strategies of MNCs and their subsidiaries was proposed, developed, and tested to investigate the relationship between IHR strategy and HRM control. The main conclusion from this study is that there seems to be a strong relationship between the IHR strategy a MNC adopts with regard to its subsidiary and the type and intensity of IHR control that defines the relationship between these two entities.
We observe that MNCs and their subsidiaries adopt one of three different IHR strategies, they are "receptive", "active", or "autonomous". Subsidiaries pursuing "receptive" IHR strategies depend more upon a rigorous selection process for employees than the other IHR strategy groups. Alternatively, subsidiaries pursuing "active" IHR strategies use more training and socialization, bureaucratic, and reward controls than other two IHR strategy groups. Finally, subsidiaries pursuing "autonomous" IHR strategies used more cultural control than the other IHR strategy groups did, although the differences were not statistically significant. However, for the "autonomous" HR strategy group, cultural behavior control was overwhelmed by training and socialization input control, bureaucratic behavior control, and rewards output control.

As proposed by Doz and Prahalad (1986), MNCs' approaches to strategic control need to be sensitive to both local responsive demands and global integration opportunities. Our findings seem to suggest that the global integration of a MNC and its subsidiary's IHR requires the use of rigorous selection and training and socialization to control IHR inputs; the use of bureaucratic controls for influencing IHR activities; and the use of results and rewards controls for their IHR output. Alternatively, the localization of a MNC and its subsidiary's IHR will require the use of training and socialization to control HR inputs, the use of bureaucratic and cultural controls to impact IHR processes, and the use of results and rewards control to affect HR outputs. However, we found that MNCs tend to use more training and socialization to control their subsidiaries' HR inputs, rather than utilize selection control. Additionally, they use more bureaucratic controls to direct their subsidiaries' HR processes, rather than use cultural controls, which are often more costly.

All to say, the field of HR control has advanced in the last decade, but most of the developments have been conceptual, especially on the "formulation" side of strategy, addressing issues such as, how to deploy HR controls to align international strategy needs. As has frequently happened in international human resource management, however, these developments have had very little to say on how to tie HR control and HR strategy together. Therefore, this study's
findings should prove to be useful to international human resource practitioners and researchers interested in strategic international human resource management.

Some limitations related to this study constrain the interpretation of its findings, but they do suggest avenues for future research. First, as noted, the participants in this study were the subsidiaries' CEO or Senior HR executives who provided perceptual data, as opposed to a survey of parent company respondents or numerous subsidiary managers to tap the parent company's perceptions about its strategy or the actual policies and practices in place within the subsidiary. Future research might investigate directly from the standpoint of headquarters how MNCs' headquarters manage their subsidiaries' IHR and how they respond to pressures for integration and localization.

Second, future research might try to refine the constructs and the operational definition of subsidiaries' human resource management control that was developed here. In this study, for example, we did not include items related to local acculturation of subsidiaries' expatriates—an important element of a subsidiary's HRM. In addition, the decentralization in cultural behavior control of this study needs to be more clearly defined to distinguish it from the decentralization in output control that Snell (1992) refers to. Martinez and Ricks (1989) have posited that MNCs have different influences on affiliates' individual HRM decisions. Therefore, there is a need to see what kind of IHR decentralization is related to cultural behavior control and output control.

Further research that focuses on IHR decentralization would be especially valuable.

Finally, the construct domain for output control also remains somewhat murky. Further research might investigate whether explicit performance reporting systems are best conceived as a form of output control, as Jaeger and Baliga (1985) suggest, or as a type of bureaucratic behavior control as Snell (1992) argues. Snell (1992) states that researchers have developed many different frameworks to describe both of these controls. This study adopted the approach where controlling processes are thought of as throughput controls; thus, the subsidiary's frequent reports to headquarters were viewed as a method for MNCs to control the information exchanges with the subsidiary. However, further research is needed to differentiate the construct.
Despite these limitations, it is believed that the results of the analysis make a contribution to our understanding of the relationship between subsidiaries' IHR strategies and the IHR controls used to implement them within a multinational corporation.
REFERENCES


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<td>Firm</td>
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<td>Parent / Subsidiary</td>
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<td>Global Integration</td>
<td>Consistency</td>
<td>Global Integration</td>
<td>Global Integration</td>
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<td>Multinational Firm</td>
<td>Decentralized Firm</td>
<td>Autonomous Firm</td>
<td>External Fit HR Strategy</td>
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Table 1
Relevant Firm Type and Business Strategy Categorization Schemes
Figure 1
MNC IHR Strategy: The GI--LR Framework

<table>
<thead>
<tr>
<th>High Benefits Realized as a Result of Being Globally Integrated</th>
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</thead>
<tbody>
<tr>
<td>Low Benefits Realized as a Result of Being Locally Responsive</td>
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</tbody>
</table>

<table>
<thead>
<tr>
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<td>Regiocentric HR Strategy</td>
<td>Polycentric HR Strategy</td>
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**Figure 2**
MNCs' IHR Strategies

<table>
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<th>High Need for Human Resource Consistency (Integration)</th>
<th>Low Need for Human Resource Localization (Responsiveness)</th>
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<tr>
<td>Decentralized Human Resource Management</td>
<td>Ad hoc Human Resource Management</td>
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Figure 3
Subsidiaries Business Strategies

High
Degree of
Global Integration

Low

Low
Degree of
Local Responsiveness

High

Receptive
Subsidiary

Active
Subsidiary

Autonomous
Subsidiary
Figure 4
Subsidiaries' IHR Strategies

<table>
<thead>
<tr>
<th>High Benefit of Global Integration</th>
<th>Low Benefit of Local Responsiveness</th>
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<td>Receptive HR Strategy</td>
<td>Autonomous HR Strategy</td>
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Table 2
Subsidiaries' IHR Control and IHR Practices

<table>
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<td>Input</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1. Selection same selection procedures, and approval of headquarters.</td>
</tr>
<tr>
<td></td>
<td>2. Training and Socialization headquarters provides, and headquarters visits subsidiary to oversee.</td>
</tr>
<tr>
<td>Throughput</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4. Cultural: use of expatriates, decentralization, de-emphasizing rigid procedures, and limited feedback.</td>
</tr>
<tr>
<td>Output</td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Rewards: use of objective and results-based criteria, presence of performance-rewards link, and use of monetary incentives.</td>
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Table 3  
Sample Profile

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<td>1. Global Integration</td>
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<td>6. Cultural</td>
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Table 5
Factor Analysis: Subsidiaries' IHR Strategy

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<th>Questionnaire Items</th>
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<tr>
<td><strong>1. Global Integration</strong></td>
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<td>Corporate Culture</td>
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<td>Staffing Policy</td>
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<td><strong>2. Local Responsiveness</strong></td>
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Eigenvalue    4.44    3.76
Percentage of Variance Explained 37.00 31.30
Total Variance Explained 37.00 68.30
Table 6
Factor Analysis: Subsidiaries' IHR Control

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<td>REWARD—OUTPUT CONTROL</td>
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<td>Performance Appraisal is based on reaching goals</td>
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<td>.02</td>
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<td>-.07</td>
<td>.01</td>
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<tr>
<td>Differences in managers' pay represent performance</td>
<td>.80</td>
<td>.10</td>
<td>-.13</td>
<td>.16</td>
<td>-.10</td>
</tr>
<tr>
<td>Performance is judged by results</td>
<td>.75</td>
<td>.18</td>
<td>-.16</td>
<td>.27</td>
<td>.12</td>
</tr>
<tr>
<td>Managers' rewards are linked to concrete results</td>
<td>.70</td>
<td>.01</td>
<td>.22</td>
<td>-.04</td>
<td>.15</td>
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<tr>
<td>Those who do not reach objectives receive a low rating</td>
<td>.66</td>
<td>-.12</td>
<td>.20</td>
<td>-.14</td>
<td>-.18</td>
</tr>
<tr>
<td>The incentives employee receive are linked to subsidiary's profit</td>
<td>.62</td>
<td>-.21</td>
<td>-.08</td>
<td>.52</td>
<td>.01</td>
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<tr>
<td>Motivating managers by higher base salary than competitors</td>
<td>.36</td>
<td>-.00</td>
<td>.31</td>
<td>.12</td>
<td>.26</td>
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<tr>
<td>Motivating managers by higher base salary than competitors</td>
<td>.36</td>
<td>-.00</td>
<td>.31</td>
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<tr>
<td>Performance is judged by results</td>
<td>.80</td>
<td>.10</td>
<td>-.13</td>
<td>.16</td>
<td>-.10</td>
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<tr>
<td>BEHAVIORAL—BUREAUCRATIC CONTROL</td>
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<td></td>
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<tr>
<td>Target are written by parent</td>
<td>.05</td>
<td>.81</td>
<td>.17</td>
<td>-.33</td>
<td>-.02</td>
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<tr>
<td>Performance programs are imposed by parent</td>
<td>-.11</td>
<td>.71</td>
<td>.03</td>
<td>.09</td>
<td>.08</td>
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<tr>
<td>Receive frequent performance feedback from parent</td>
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<td>.71</td>
<td>-.04</td>
<td>.02</td>
<td>-.16</td>
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<tr>
<td>Report frequent performance information to parent</td>
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<td>.71</td>
<td>-.15</td>
<td>.15</td>
<td>-.11</td>
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<tr>
<td>Account for detail actions to parent</td>
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<td>.69</td>
<td>-.09</td>
<td>-.01</td>
<td>-.01</td>
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<tr>
<td>Primary weight in evaluation is placed on managers' behavior</td>
<td>-.01</td>
<td>.46</td>
<td>.18</td>
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<td>.02</td>
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<td>INPUT—TRAINING AND SOCIALIZATION CONTROL</td>
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<td>Frequent visiting of managers and technicians to the foreign group</td>
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<td>.05</td>
<td>.83</td>
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<td>Involvement in managers' skill development</td>
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<td>.81</td>
<td>-.08</td>
<td>-.01</td>
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<td>Substantial foreign training for high-level managers</td>
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<td>.05</td>
<td>.69</td>
<td>.32</td>
<td>.00</td>
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<td>Parent's commitment to training the manager</td>
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<td>.25</td>
<td>.65</td>
<td>.17</td>
<td>-.16</td>
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<td>INPUT—SELECTION CONTROL</td>
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<td></td>
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<tr>
<td>Series of parents' evaluations for second level managers before staffing</td>
<td>.06</td>
<td>.06</td>
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<td>.01</td>
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<td>Parents' agreement with staffing of second level managers</td>
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<td>.01</td>
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<td>.79</td>
<td>-.14</td>
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<tr>
<td>Parent provide staffing procedures for managers</td>
<td>.24</td>
<td>.08</td>
<td>.10</td>
<td>.52</td>
<td>.05</td>
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<td>BEHAVIORAL—CULTURAL CONTROL</td>
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<tr>
<td>Subsidiaries don't need to consult with HQ in setting standards</td>
<td>.14</td>
<td>-.15</td>
<td>.07</td>
<td>-.09</td>
<td>.69</td>
</tr>
<tr>
<td>Parents don't concern with procedures and methods</td>
<td>.12</td>
<td>-.17</td>
<td>-.15</td>
<td>-.04</td>
<td>.67</td>
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<td>Portions of high-level managers expatriated from the group</td>
<td>-.25</td>
<td>.28</td>
<td>.04</td>
<td>.33</td>
<td>.59</td>
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<td>Subsidiary's performance evaluations place primary</td>
<td>.15</td>
<td>-.25</td>
<td>-.16</td>
<td>-.47</td>
<td>.55</td>
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<tr>
<td>Numerical results are used as the chief index of effectiveness</td>
<td>-.23</td>
<td>-.15</td>
<td>-.16</td>
<td>.11</td>
<td>.44</td>
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<tr>
<td>Subsidiaries don't need to consult with HQ for setting performance goal</td>
<td>.09</td>
<td>.35</td>
<td>.19</td>
<td>-.13</td>
<td>.43</td>
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</tbody>
</table>

Eigenvalue: 5.93  3.70  2.35  1.86  1.34
Percentage of Variance Explained: 22.81  14.21  9.03  7.16  5.15
Total Variance Explained: 22.81  37.02  46.05  53.21  58.36
Table 7
Cluster Analysis: Subsidiaries' IHR Strategies

<table>
<thead>
<tr>
<th>Factor</th>
<th>Inter-group variation</th>
<th>Intra-group variation</th>
<th>F value</th>
<th>P level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1: <strong>Global Integration</strong></td>
<td>3758.451</td>
<td>1887.389</td>
<td>96.58</td>
<td>0.0001</td>
</tr>
<tr>
<td>2: <strong>Local Responsiveness</strong></td>
<td>1482.931</td>
<td>1671.819</td>
<td>43.02</td>
<td>0.0001</td>
</tr>
</tbody>
</table>

Cluster                    | Firms | Factor     | Min. | Mean  | Max.  | s.d.  |
---------------------------|-------|------------|------|-------|-------|-------|
1. Receptive               | 33    | Integration| 21.00| 27.39 | 36.00 | 4.61  |
                           |       | Localization| 12.00| 23.73 | 27.00 | 3.20  |
2. Active                  | 36    | Integration| 23.00| 28.81 | 37.00 | 3.85  |
                           |       | Localization| 28.00| 32.86 | 42.00 | 4.04  |
3. Autonomous              | 31    | Integration| 6.00 | 14.94 | 21.00 | 4.97  |
                           |       | Localization| 21.00| 29.97 | 42.00 | 5.08  |
Figure 5
Cluster Analysis

Global Integration

HIGH

LOW

Local Responsiveness

(18 observations hidden)
Table 8
The Relationship Between IHR Strategy and IHR Control

Utilization of IHR Control Across IHR Strategy Clusters

<table>
<thead>
<tr>
<th>IHR Strategy Cluster</th>
<th>Selection</th>
<th>mean</th>
<th>mean</th>
<th>mean</th>
<th>mean</th>
<th>mean</th>
<th>mean</th>
<th>mean</th>
<th>mean</th>
<th>mean</th>
<th>mean</th>
<th>mean</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Selection</td>
<td>11.42</td>
<td>18.82</td>
<td>5.84</td>
<td>28.76</td>
<td>21.91</td>
<td>5.23</td>
<td>32.52</td>
<td>7.10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Training and Socialization</td>
<td>10.94</td>
<td>21.19</td>
<td>3.91</td>
<td>30.33</td>
<td>21.06</td>
<td>7.07</td>
<td>36.06</td>
<td>4.95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bureaucratic</td>
<td>7.84</td>
<td>16.68</td>
<td>5.35</td>
<td>24.71</td>
<td>22.81</td>
<td>5.18</td>
<td>30.11</td>
<td>7.57</td>
<td></td>
<td></td>
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</tr>
<tr>
<td></td>
<td>Cultural</td>
<td>0.48</td>
<td>-2.38</td>
<td>-1.58</td>
<td>-1.75</td>
<td>-0.90</td>
<td>1.81</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rewards</td>
<td>3.11</td>
<td>4.52</td>
<td>5.62</td>
<td>5.35</td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

Differences Between Means for IHR Control Across IHR Strategy Clusters

<table>
<thead>
<tr>
<th>Clusters</th>
<th>Selection</th>
<th>Training and Socialization</th>
<th>Bureaucratic</th>
<th>Cultural</th>
<th>Rewards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1 -- Group 2 receptive-active</td>
<td>3.11 **</td>
<td>4.52 **</td>
<td>5.62 **</td>
<td>-1.75</td>
<td>5.35 *</td>
</tr>
<tr>
<td>Group 1 -- Group 3 active-autonomous</td>
<td>3.59 **</td>
<td>2.14</td>
<td>4.05</td>
<td>-0.90</td>
<td>1.81</td>
</tr>
</tbody>
</table>
### Table 9
Summary of Hypotheses and Findings

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Hypothesis 1:</strong> IHR strategies of MNCs' subsidiaries will be segmented by subgroups according to degrees of integration and localization. These subgroups will resemble Jarillo and Martinet's three types: receptive strategy, active strategy, and autonomous strategy.</td>
<td>Supported</td>
</tr>
<tr>
<td><strong>Hypothesis 2:</strong> Subsidiaries pursuing a “receptive” HR strategy will score the highest and Subsidiaries pursuing an “autonomous” HR strategy will score the lowest on input selection control.</td>
<td>Partial Support</td>
</tr>
<tr>
<td><strong>Hypothesis 3:</strong> Subsidiaries pursuing an “active” HR strategy will score the highest and subsidiaries pursuing an “autonomous” HR strategy will score the lowest on input training and socialization control.</td>
<td>Partial Support</td>
</tr>
<tr>
<td><strong>Hypothesis 4:</strong> Subsidiaries pursuing an “active” HR strategy will score the highest and Subsidiaries pursuing an “autonomous” HR strategy will score the lowest on behavioral bureaucratic control.</td>
<td>Partial Support</td>
</tr>
<tr>
<td><strong>Hypothesis 5:</strong> Subsidiaries pursuing an “autonomous” HR strategy will score the highest and Subsidiaries pursuing an “receptive” HR strategy will score the lowest on behavioral cultural control.</td>
<td>Not Supported</td>
</tr>
<tr>
<td><strong>Hypothesis 6:</strong> Subsidiaries pursuing an “active” HR Strategy will score the highest and Subsidiaries pursuing an “autonomous” HR strategy will score the lowest on output reward control.</td>
<td>Partial Support</td>
</tr>
</tbody>
</table>