The Relationship Between Expatriates, Parent Company-Affiliate Integration and HRM Control in the Overseas Affiliates of Japanese and American MNCs

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This paper examines the relationship between the level of parent company-subunit integration, parent control over the affiliate, and affiliate performance in a sample of 69 Japanese business units in the United States and 89 American business units in Japan. A discussion of the results and their implications are presented.

Introduction

A major feature of MNCs is their ability to utilize internal and external resources available to them around the world. Thus, their competitive advantages usually come from being able to effectively integrate their world-wide operations to achieve economies of scale, scope, and learning (Kogut, 1985; Bartlett and Ghoshal, 1987, 1989). In the context of today's global economic environment, the issues of international integration and control have become critical ones for MNCs (e.g., Bartlett and Ghoshal, 1987; Martinez and Jarillo, 1991; Gupta and Govindarajan, 1991; Sohn, 1994). For example, Bartlett and Ghoshal have argued that it is those firms which exhibit high levels of local responsiveness and global integration of their operations which will outperform their competitors.

Creating the organizational capacity for global integration is no simple matter, however. It requires a set of management structures and processes which are difficult to implement, given the geographic and cultural distances between the far-flung operations of multinational firms. In order to compete in the highly competitive international arena, MNCs must develop and implement the coordination and control mechanisms necessary to manage high levels of integration (Doz and Prahalad, 1981; Gupta and Govindarajan, 1991).

While most previous research in this area has focused attention on the MNC as a whole, this paper builds on a small but growing body of research which focuses on the level of the overseas business unit or affiliate (see e.g., Doz and Prahalad, 1981, Gupta and Govindarajan, 1991; Rosenzweig and Singh, 1991). In this paper, we explore the

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relationships between parent company-affiliate integration, control, and affiliate performance. While both environmental and organizational factors influence these relationships, in this study, we have focused our attention on organizational factors while controlling for host country environment by examining two distinct populations of firms, each operating in a different environment: affiliates of Japanese MNCs located in the United States and affiliates of American MNCs located in Japan.

Resource Dependence

The primary theoretical underpinnings for our hypotheses are rooted in exchange theory (e.g., Blau, 1964) and the resource dependence framework (Aldrich, 1976; Pfeffer and Salancik, 1978). The resource dependence approach begins with the premise that an organization is unable to generate all of the resources necessary to maintain itself. It must therefore enter into transactions with elements in its environment that can supply the required resources and services (Aldrich, 1976).

There are three factors which are critical in determining the dependence of one actor on another (Pfeffer and Salancik, 1978), and hence the need for control: (1) the more important the resource is to the organization; (2) the more discretion another party has over the allocation and use of the resource; and (3) the fewer the number of alternatives for the resource (Pfeffer and Salancik, 1978).

In MNCs, the parent company relies to varying degrees on its foreign subunits for

certain essential resources and it is therefore dependent upon those affiliates. The nature of the relationship is not, however, unidirectional. It is important to note that there is reciprocal interdependence between the subunit and the parent company as a whole. They are dependent upon each other and each will therefore seek to exercise control over the relationship. Our focus here, however, is upon the exercise of control by the parent company over the subunit, rather than vice versa.

While dependence can be a function of the nature of the business unit's role within the MNC's strategy, its size (Martinez and Jarillo, 1991) , the market size and criticality of the host country environment in which the business unit is located (Bartlett and Ghoshal, 1989), Gupta and Govindarajan (1991) note that the critical factor determining the level of control and coordination in MNCs is the level of integration between the parent company and the overseas subunit. We therefore expect that; P1: Higher levels of parent company integration with its overseas subunits will be associated with greater levels of parent company control.

While "integration" has been subject to various interpretations and operationalizations in the literature, Gupta and Govindarajan (1991) measure integration by the resource flows between the parent company and the subunit. They identify three types of resource flows in organizations: capital, product, and knowledge flows and hypothesize that the greater the flow of resources between the parent company and its overseas subunits, the greater the need for control and coordination mechanisms to effectively manage that interdependence (see also Egelhoff, 1984; Cray, 1984; Mascarenhas, 1984). We therefore predict that:

H1: The greater the level of resource flows between the parent company and its overseas subunit, the higher the level of control that will be exercised by the parent company over its overseas affiliate.

Control: Clan and Bureaucratic Controls

In writing about control in American versus Japanese firms, a number of authors (e.g., Ouchi, 1980, 1981; Baliga and Jaeger, 1984) have argued that American firms are characterized by bureaucratic mechanisms of control while Japanese firms use clan mechanisms of control. While empirical research on this question has been relatively sparse and has primarily been case study based, the results indicate that Japanese firms seem to be characterized by high levels employee training and intense corporate socialization, long length of tenure in the firm, and low levels of absenteeism and turnover (Johnson and Ouchi, 19??; Ouchi, 1981?; Baliga and Jaeger, 1984). American firms, on the other hand, have relatively higher levels of bureaucratic control mechanisms, such as rules and regulations, and rely less on clan mechanisms of control (Ouchi, 1981?; Baliga and Jaeger, 1984). Based on previous research, we therefore predict that:

H3: American affiliates will tend to use higher levels of bureaucratic control than Japanese firms.

Some authors have argued that bureaucratic control mechanisms, such as the formalization of explicit policies, can be used in place of direct, clan controls (Baliga and

Jaeger, 1984). Other authors assert that the two forms are complementary and that use of one

form of control may not preclude the use of other forms (see Child, 1984 for a summary of

this debate). Theoretically, the argument could be made for either hypothesis. However, a

previous study of Japanese affiliates in Southeast Asia (Beechler, 1992) found that the level of

clan control was not influenced by the level of bureaucratic control exercised by the parent

company over the affiliate. Based on this research, we therefore predict that:

H4: There will no relationship between the use of bureaucratic and clan mechanisms of control
exercised by the parent company over the affiliate.

Clan and bureaucratic controls represent two critical forms of managerial control.

Financial ownership is another obvious and powerful form of control which will influence the

need for managerial control (Hayashi, 19??). We therefore control for parent company

ownership in the analyses reported below.

Control: Expatriate Presence

In the international context, it is often difficult to effectively use control mechanisms

such as rules and regulations because of home country-host country differences and the

complexity of the international operating environment (Baliga and Jaeger,1984). In addition,

it can be costly, particularly in a cross-cultural environment, to invest significant resources in

the training and socialization of local employees. MNCs therefore often use a cadre of

international executives, usually expatriates from the home country whose loyalties lie with the parent firm, to help oversee and control their overseas operations (Edstrom and Galbraith, 1976; Boyacigiller, 1990b).

Therefore, expatriates in overseas subunits often act as key coordination and control mechanisms for the parent company (Edstrom and Galbraith, 1977; Baliga and Jaeger, 1984; Boyacigiller, 1990b; Cray, 1984; Boyacigiller, 1990a, 1990b; Sohn, 1994) and play an essential role in the successful implementation of strategy in MNCs. We therefore predict that, in general:

H1a: The greater the integration between the parent company and its overseas subunit, the greater the expatriate presence in the subunit.

At the same time, the strength of this relationship may vary with the nationality of the parent firm. Previous work (e.g., Yoshino, 1976; Negandhi, 1979; Tung, 1982; Trevor 1983; Beechler, 1992; Kopp, 1994) has shown that while Western MNCs tend to rely on more bureaucratic forms of control such as written reports, communications between the subunit and the parent company, etc., the use of expatriates is particularly important in Japanese MNCs for language, cultural and organizational reasons. While previous authors (e.g., Baliga and Jaeger, 1984) have used the presence of expatriates as a measure of clan control, our own research (e.g., Beechler, 1992) has shown that expatriates can function as either a clan mechanism or a bureaucratic mechanism of control -- expatriates may be sent overseas to train

and socialize local employees into the corporate culture but there are a number of other reasons for expatriation. Expatriates can be assigned overseas to facilitate technology transfer, to socialize local employees, for career development (Edstrom and Galbraith, 1977), or to monitor the behaviors and outcomes at the affiliate (Boyacigiller, 1990b; Beechler, 1992). While we do not explore the roles of expatriates in the affiliates in this sample, based on previous research we predict that:

H2: Japanese affiliates will have higher levels of expatriate presence than their American counterparts.

Finally, a number of authors writing in the international strategy literature have argued that for MNCs operating in global industries, organizational performance is a function of the MNC's capability to be simultaneously globally integrated and locally responsive. The capacity to integrate the MNC's operations worldwide, however, is complex and there are very few companies which have been able to accomplish this effectively (Bartlett and Ghoshal, 1989). This is partially due to the fact that higher levels of integration, because they increase the level of interdependence within the MNC, require higher levels of control. Without this control, high levels of integration are unlikely to yield positive performance outcomes. We therefore would expect that:

H5: For those affiliates whose operations are highly integrated with those of the parent

company, level of parent company control over the affiliate will have a positive relationship with the level of performance of the subunit.

Methods

The results reported here are a subset of a larger study conducted between 1989 and 1992 of the strategy, human resource management practices, and performance of 69 Japanese affiliates located in the United States and 89 American affiliates located in Japan. Data were collected through written questionnaires mailed to the managing director or human resource director at each affiliate.

In the United States, a total of 219 questionnaires were mailed to a non-random sample of Japanese-owned companies located throughout the United States. These companies had all been involved in an earlier study of labor practices in overseas affiliates. Sixty-nine of the 219 firms returned usable surveys for a response rate of 32%.

In Japan, questionnaires were mailed to the entire population of American affiliates which were listed in the directory of the American Chamber of Commerce in Japan. Four hundred seventy nine questionnaires were mailed to the managing directors of these affiliates, and of these, a total of 99 firms responded, for a response rate of 21%. Because of missing data on the variables explored in this paper, 10 of these questionnaires were unusable, yielding a usable sample size of 89 American affiliates in Japan.

<u>Variables Used in the Study</u>

A list of all of the variables used in the analyses and their means and standard deviations are presented in Table 1. Descriptive statistics for the sample as a whole and for the two subsamples are also presented separately.

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Table 1 About Here

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Measures of Integration

Building on the recent work of Gupta and Govindarajan (1991) who argue that control and coordination in MNCs is a function of the resource flows between the parent company and the subunit, we also measured integration using resource inflows and outflows between the parent company and the affiliate.

Respondents were asked to estimate the percentage of the subunit's total outputs (products or services) which was sold to the parent company in its home country and the percentage of outputs which was bought and sold to other branches, joint ventures, and subsidiaries of the parent company outside of its home country. Similarly, respondents were asked to indicate the percentage of inputs which were purchased from the parent company and its other affiliates. Thus, we are able to measure both the magnitude of the level of product-based resource flows and the directionality of those flows (Gupta and Govindarajan, 1991). In the analyses below, we have created three variables from this information to measure integration: <u>Total input</u>, <u>Total output</u>, and a multiplicative interaction of <u>Total input</u> x <u>Total</u>

output.

We used one additional measure of integration since our first measure only measured the flow of product/service inflows and outflows but does not incorporate flows of knowledge and capital. We asked respondents to indicate, across 17 functional areas (Table 2), the level of integration between the parent company and the affiliate (see appendix for questionnaire items). These responses were summed to create an index of functional integration (Integration of Business) where higher values on the index indicate higher levels of functional integration between the subunit and the parent company.

Table 2 About Here

Measures of Parent Company Control

Management control is a critical issue for MNCs but is notoriously difficult to define and to measure. Different authors have both defined and operationalized international control in a myriad of ways (see Martinez and Jarillo, 1991 for an excellent review of the literature on international control and coordination). In this study we focused on control over human resources, since it is the human network which is critical in managing the integration between the parent company and its overseas subunits (Bartlett and Ghoshal, 1989).

Clan Control

Clan control, because of its informal nature, is difficult to measure and most studies

have used proxies such as number of expatriates (Baliga and Jaeger, 1984), length of service of employees, etc. In this study, we use a variety of measures which are described below.

Bureaucratic Control

Two measures of bureaucratic control are used in this study and both are measures of the human resource management system in place at the affiliate. As described above, bureaucratic controls (Ouchi, 1977, 1979, 1981) are synonymous with formal control mechanisms (REF). We therefore measured the degree of explicitness and formality of a number of human resource management policies and practices in place in the overseas affiliate. HRM Explicitness was measured by creating an index from responses to questionnaire items (see appendix for items) concerning the level of explicitness of the subunit's HRM planning, hiring and promotion, compensation, appraisal, and training and development policies. Responses were summed across the HRM functions and the total was then divided by the number of items in the index. A higher score on the index indicates a higher level of explicitness and bureaucratic control. HRM Formalness was measured by creating an index from responses to parallel questionnaire items (see appendix) concerning the level of formality of the subunit's HRM policies. A higher score on the index indicates a higher level of formality and bureaucratic control.

Expatriate Presence

In this study, we used two measures of expatriate presence: the percentage of expatriates in the top three levels of management at the affiliate (Expatriates/Top Managers) and the percentage of expatriates in all levels of management (Percent of Expatriates).

Measures of Affiliate Performance

Measuring the performance of overseas subunits, particularly of Japanese MNCs, is extremely difficult for two critical reasons: Japanese accounting laws do not require unconsolidated reporting so there are no publicly available figures and performance figures are considered to be confidential and proprietary data. Furthermore, performance data at the subunit level are generally unreliable since such inputs as internal transfer prices are manipulated for taxation and other reasons (Rosenzweig, 1994).

Although all measures of performance are imperfect, we chose to measure performance through self-reported ratings of the subunit's performance. Previous research on both domestic and international operations (e.g., Dess & Robinson, 1984; Geringer and Hebert, 1991; Venkatraman and Ramanujam, 1986, 1987) has found that subjective and objective measures of performance are highly correlated, supporting the general reliability of self-reported performance measures. Since all respondents are top level executives in the business unit with knowledge of the subunit's actual performance and because they were guaranteed anonymity, these self-report measures, used in a number of studies of global strategy (e.g.,

Samiee and Roth, 1992; Morrison and Roth, 1992) are reasonable proxies in the absence of objective measures.

A number of performance measures were included in this study, all based on respondents' assessments of their affiliate's past and current performance (see appendix for questionnaire items). Respondents were first asked to assess their subunit's performance for the past year (Current Performance).

In addition, respondents were asked to assess their current overall level of performance (Overall Performance) and their performance compared to their main competitors (Comparative Performance). Finally, respondents were asked to rate their business unit's performance on a variety of measures including profitability, sales volume, return on sales, etc. (see appendix of a list of the individual items). Responses were summed to create an index of performance (Performance Scale). All of the performance variables are coded such that higher values indicate higher levels of affiliate performance.

Control Variables

A number of control variables were entered in the analyses reported below since all of these variables could influence the level of integration, control and/or performance of the affiliate.

Age (Age) of the affiliate was coded as the number of years since its establishment in the host country.

The method of founding of the subsidiary (greenfield site or acquisition) was measured as a dummy variable (Founding), with a value of 0 indicating an acquisition and a value of 1 indicating a greenfield site.

Financial control by the parent company over the overseas subunit (Ownership) was measured as the percentage of subunit capital owned by the parent company.

Business unit size (# of Employees) was measured by current number of employees.

Industry indicates whether the MNC is a manufacturing or service firm. This variable was coded as a dummy variable with the value of 0 assigned to manufacturing firms and a value of 1 assigned to service firms.

Country of origin (Japan or the United States) was also entered as a dummy variable (Country) where a value of 0 indicates that the parent company is American and a value of 1 indicates that the parent company is Japanese.

Finally, past performance (Past Performance) was also included as a control variable in the regression analyses on affiliate performance reported below.

Results

Correlations between all of the variables used in the analyses are presented in Table 3 below.

Table 3 About Here

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Using difference in means tests between the two subsamples, we find that there are significant differences between the American and Japanese affiliates on six of the variables included in the analyses (see Table 1). First, American-owned affiliates in Japan are significantly older than the Japanese-owned American affiliates (mean=21.62 vs. 13.25 years; $p < .05$). In addition, American-owned affiliates have significantly more employees (mean=492.72) than the Japanese-owned affiliates in the sample (mean=209.96).

Consistent with previous studies we find that Japanese-owned affiliates have a higher proportion of expatriate managers than do American-owned affiliates and the proportion of expatriates in the top three levels of management is significantly greater in Japanese-owned affiliates (mean=67% vs. 23% in American-owned affiliates; $p < .05$). While the proportion of expatriates to local managers is relatively high in the Japanese-owned affiliates, it is important to note that, on average, the actual number of expatriate personnel in the Japanese-owned affiliates is 6.36, whereas for the American-owned affiliates the number is 9.53 ($p <$ n.s.).

In terms of ownership, the parent companies of American-owned affiliates in Japan have an average of 78.73% ownership while the parent companies of Japanese-owned affiliates in the United States hold an average of 91.97% (significant at $p < .05$).

While there are no significant differences between the two subsamples in terms of integration across functional areas or total percentage of input received from the parent firm (see Table 1), Japanese-owned affiliates sell significantly more of their output to their parent

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firms than do American-owned affiliates (mean=26.75% vs.10.91% for American-owned affiliates; $p < .05$).

Finally, the two subsamples do not differ significantly in their level of HRM explicitness or formality or on any of the performance measures, although the American-owned affiliates do report slightly higher levels of performance on all of the measures (see Table 1).

Regression Results

In Hypothesis 1 we predicted that higher levels of integration between the parent company and its overseas subunit would be associated with higher levels of expatriate presence. First, using the level of product resource flows between the parent and the affiliate as the measure of integration, we see in Table 4 below that controlling for country of origin, industry, age of the affiliate, level of parent company ownership, number of employees, and method of founding that the interaction term between inputs received from the parent and outputs sold to the parent is significant at $p < .05$ (For Model 1: Adjusted R-square=.21; $p < .05$). As predicted, there is a positive relationship between expatriate presence and integration as measured by product/service resource flows (Model 1). However, there is no significant relationship between the level of functional integration and expatriate presence (Model 2). We therefore find only limited support for Hypothesis 1 in the total sample.

Table 4 About Here

Since country of origin, entered as a control variable in the preceding analyses was significant, we performed parallel analyses for the American and Japanese subsamples separately. The results for the Japanese-owned affiliates are exactly the same as those found for the total sample as a whole (see Models 3-6, Table 4) and the only significant relationship is found in Model 3 between Total Input x Total Output and Percentage of Expatriates (p < .05).

The results for the American-owned affiliates show that there are no significant relationships between expatriate presence and integration as measured by resource flows. In addition, while the results are not significant, we find that there is a negative relationship between Total Output and expatriate presence and between Integration of Business and expatriate presence. These results are opposite to those hypothesized.

Finally, we also performed identical analyses for all three samples, replacing percentage of expatriates to total number of affiliate employees with the percentage of expatriates in the top three levels of management as the dependent variable. Although they are not reported here, these results are similar to those found for expatriates as a percentage of all managers.

Hypothesis 2 predicted that Japanese-owned affiliates would have higher levels of expatriate presence than their American counterparts. We saw from the difference in means

tests (Table 1) that Japanese affiliates do have a significantly higher level of expatriate presence than American-owned affiliates.   Using regression analyses controlling for industry, age of the affiliate, ownership, number of employees, and method of founding, we find that even with these controls, Japanese-owned affiliates still have significantly higher levels of expatriate presence in the top three levels of management and across all levels of management (p < .001).   The regression models explain 17% (Top Three Levels) and 35% (Percentage of Managers) of the total variance in expatriate staffing and are significant at the p < .001 and .01 levels, respectively (see Table 5).

Table 5 About Here

We also predicted in Hypothesis 3 that American affiliates would tend to use higher levels of bureaucratic control than Japanese firms. We saw from the descriptive statistics (Table 1) that there were no significant differences between the means for the two subsamples on either HRM explicitness or formalness.   However, we also conducted regression analyses on HRM Explicitness and HRM Formalness, controlling for industry, age of the affiliate, ownership, number of employees, and method of founding. As shown in Table 6, country of origin does not significantly predict either HRM Explicitness or HRM Formalness. Hypothesis 3 is therefore not supported.

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Table 6 About Here
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Hypothesis 4 predicted that there would be no relationship between the use of

bureaucratic and clan mechanisms of control exercised by the parent company over the

subunit. As shown in Table 7, controlling for industry, age of the affiliate, ownership,

number of employees, and method of founding, HRM Formalness and HRM Explicitness have

positive but non-significant relationships with both measures of expatriate presence. These

results support Hypothesis 4.

We also tested for differences between the American- versus Japanese-owned affiliates,

by splitting the sample and performing the same analyses on the two subsamples. Although

they are not presented here, none of the predictors were significant and neither model

explained a significant amount of variance in the dependent variable.

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Table 7 About Here
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Finally, Hypothesis 5 predicted that for affiliates whose operations are highly integrated

with those of the parent company, level of parent company control over the affiliate would

have a positive relationship with the level of performance of the affiliate. In order to test this

relationship, we first split the total sample using a median split to form two subsamples based

on their level of integration (high and low as measured as resource flows). We then performed a number of regressions, using the different performance measures as the dependent variables and controlling for country of origin, industry, age, ownership, number of employees, method of founding, and past performance.

We ran regressions using both the percentage of expatriates in the top three levels of management and the percentage of expatriates in management as a whole. Because the results are nearly identical, we present only those results for percentage of expatriates in top management in Table 8 below. This table shows that for highly integrated affiliates, the relationships between performance and HRM Explicitness and HRM Formalness are negative, although the relationships are only marginally significant ($p < .1$) in the case of current performance (Model 1; Adjusted R-square $= .12$; $p <$ n.s.). In addition, there are no significant relationships between expatriate presence and any of the performance measures. For highly integrated affiliates, there is no relationship between expatriate presence (clan control) and performance. In addition, there are either non-significant or significant negative relationships between the bureaucratic mechanisms of control and performance, contrary to our prediction.

Interestingly, among the low integrated affiliates, the direction of the relationship between performance and the bureaucratic control measures is opposite to that for the high integrated firms. HRM Explicitness is positively related to performance across all three dependent variables and is highly significant in Models 1 and 3. HRM formalness is also

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positively related to performance but the relationship is significant (p < .05) only for Model 3, using the performance scale as the dependent variable. Expatriate presence is not a significant predictor of performance for Models 2 and 3 but is marginally significant (p < .1) for Model 1. The greater the percentage of expatriates among the top management team, the lower the performance of the affiliate.

Table 8 About Here

Discussion

The results from this study support the conclusions of previous writers that Japanese-owned affiliates tend to use expatriates to a greater extent than American-owned affiliates. We found that even controlling for age of the affiliate, number of employees, parent company ownership, method of founding, and type of industry, that Japanese-owned affiliates in this United States have significantly larger percentages of expatriates in both the top management team and in all levels of management. The presence of expatriates is generally not, however, associated with level of performance.

Our results show that, contrary to our predictions, for highly integrated affiliates, there are no significant relationships between expatriate presence and any of the performance measures. In addition, the relationship between performance and the bureaucratic controls of

HRM Explicitness and HRM Formalness are negative. On the other hand, for the low

integrated affiliates, HRM Explicitness and HRM Formalness are positively related to

performance while expatriate presence shows a significant negative relationship with current

performance.

Because there are so many influences on affiliate performance at the organizational,

subunit and individual levels, it is not surprising that the results reported above are not

significant. However, further research exploring these relationships in more detail are needed.

MNCs spend a tremendous amount of money staffing overseas operations with expatriates. It

is important to determine whether, as it is often assumed, those expatriates do positively

influence the performance of the firm.

We also found that there are no significant relationships between bureaucratic and clan

controls, indicating that the two types of controls may be complementary. In addition, while

American-owned affiliates use significantly fewer expatriates, they do not use greater levels of

HRM Explicitness or Formalness, which we characterized as bureaucratic mechanisms. This

is in spite of the fact that, as a whole, the American-owned affiliates have lower levels of

parent company ownership than their Japanese counterparts. These results lend to the tentative

conclusion that compared to American MNCs, Japanese firms use higher levels of clan and

financial controls and equivalent levels of bureaucratic controls in their overseas operations.

While our results are provocative, it is important to note that we have used only a few

of the possible measures for the constructs examined in this study. Further research using other

operationalizations of management control, integration, and organizational performance should be undertaken to more fully understand the complex nature of these relationships.

In addition, the data used in this study are cross-sectional in nature. While we have measured associations between the variables, we are unable to determine causality between the constructs. For example, it would be interesting to know whether expatriates are used to manage high levels of integration between a parent company and its overseas subunit or whether high levels of integration develop because of the presence of expatriates in the affiliate.

Finally, because we examined Japanese affiliates located in the United States and American affiliates located in Japan, we cannot untangle the influences of host country environment and nationality of the parent firm in this study. We can describe the similarities and differences between the two subsamples but are unable to answer the question of why these differences exist. More research is needed to specifically address this important research question.

Conclusions

This paper has examined the relationship between the level of integration between the parent company and its overseas affiliate, the level of HRM control exercised by the parent company over the affiliate, and the affiliate's level of performance. Organizational integration and control have been key topics in the field of international management for decades

(Lawrence and Lorsch, 1967; Martinez and Jarillo, 1991), although the complexity of the issues and the ever-changing nature of the phenomena have complicated their study. Nonetheless, as the global economy itself continues to become increasingly integrated, the survival of multinational firms will, in no small part, depend of their ability to integrate and control their far-flung global operations no matter where they may be.

There is every indication that both the demands for international management integration and control and the external environment are becoming increasingly complex for the growing number of MNCs in globalizing industries (e.g., Porter, 1986; Bartlett and Ghoshal, 1989). It is therefore critical, for managers and academics alike, to better understand the complex relationships between integration, control and organizational performance.

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Table 1: Descriptive Statistics

Variable	n	Mean	Std dev	t-value
COUNTRY (Dummy Variable 0,1)				
Full Sample	158.000			
American Affiliates = 0	89.000			
Japanese Affiliates=1	69.000			
INDUSTRY (Dummy Variable)				
Full Sample	149.000			1.78
Manufacturing Firms=0	81.000			
Service Firms=1	68.000			
AGE				
Full Sample	131.000	18.107	11.722	4.29*
American Affiliates	76.000	21.618	12.828	
Japanese Affiliates	55.000	13.255	7.804	
OWNERSHIP (Dummy Variable)				
Full Sample	158.000	84.513	31.869	-.2.64*
American Affilaites	89.000	78.730	36.621	
Japanese Affiliates	69.000	91.971	22.535	
NUMBER EMPLOYEES				
Full Sample	145.000	380.167	876.829	1.63
American Affiliates	76.000	492.724	1095.688	
Japanese Affiliates	69.000	256.192	523.676	
FOUNDING				
Full Sample	130.000			-.87
Other=0	37.000			
Greenfield Site=1	93.000			
PAST PERFORMANCE				
Full Sample	91.000	3.374	1.131	
American Affiliates	61.000	3.426	1.271	
Japanese Affiliates	30.000	3.267	1.413	
INTEGRATION				
Full Sample	142.000	1.920	0.642	-2.17*
American Affiliates	79.000	1.817	0.627	
Japanese Affiliates	63.000	2.049	0.643	
TOTAL INPUT				
Full Sample	97.000	50.845	40.875	0.28
American Affiliates	49.000	52.000	41.870	
Japanese Affiliates	48.000	49.667	40.241	
TOTAL OUTPUT				
Full Sample	118.000	18.157	31.586	-2.79*
American Affiliates	64.000	10.906	22.925	
Japanese Affiliates	54.000	26.750	37.935	
TOTAL INPUT x OUTPUT				
Full Sample	108.000	845.602	2164.343	-2.28*
American Affiliates	57.000	404.386	1446.156	
Japanese Affiliates	51.000	1338.725	2685.569	

Table 1 continued

Variable	n	Mean	Std dev	t-value
EXPATS/TOP MANAGERS				
Full Sample	119.000	0.436	0.347	-9.07*
American Affiliates	63.000	0.227	0.241	
Japanese Affiliates	56.000	0.672	0.294	
PERCENT EXPATS				
Full Sample	86.000	0.218	0.237	-3.78*
American Affiliates	41.000	0.124	0.196	
Japanese Affiliates	45.000	0.304	0.240	
EXPLICITNESS				
Full Sample	153.000	3.758	1.044	-1.48
American Affiliates	85.000	3.647	1.060	
Japanese Affiliates	68.000	3.897	1.013	
FORMALNESS				
Full Sample	153.000	4.453	1.166	1.98*
American Affiliates	85.000	4.618	1.990	
Japanese Affiliates	68.000	4.247	1.096	
CURRENT PERFORMANCE				
Full Sample	144.000	3.421	1.145	1.83
American Affiliates	75.000	3.587	1.152	
Japanese Affiliates	69.000	3.240	1.119	
OVERALL PERFORMANCE				
Full Sample	149.000	3.258	0.913	1.70
American Affiliates	80.000	3.375	0.877	
Japanese Affiliates	69.000	3.122	0.940	
COMPARATIVE PERFORMANCE				
Full Sample	148.000	3.194	1.055	0.89
American Affiliates	79.000	3.266	1.151	
Japanese Affiliates	69.000	3.111	0.934	
PERFORMANCE SCALE				
Full Sample	135.000	23.290	5.664	0.60
American Affiliates	66.000	23.591	6.337	
Japanese Affiliates	69.000	23.002	4.966	
HRM STRATEGY				
Full Sample	151.000	2.424	0.678	2.15*
American Affiliates	84.000	0.607	0.630	
Japanese Affiliates	67.000	0.433	0.499	
HRM PHILOSOPHY				
Full Sample	151.000	0.401	0.331	-1.15
American Affiliates	83.000	0.349	0.480	
Japanese Affiliates	68.000	0.441	0.500	
PERCENTAGE WORK CAREER TOP MANAGERS				
Full Sample	146.000	58.028	37.334	-4.24*
American Affiliates	77.000	46.299	39.627	
Japanese Affiliates	69.000	71.117	29.792	

Table 1 continued

Variable	n	Mean	Std dev	t-value
PERCENTAGE WORK CAREER				
OTHER MANAGERS				
Full Sample	144.000	46.961	35.747	-.46
American Affiliates	75.000	45.640	38.836	
Japanese Affiliates	69.000	48.396	29.792	
AVERAGE TENURE				
Full Sample	110.000	6.673	6.761	1.07
American Affiliates	61.000	7.984	6.903	
Japanese Affiliates	49.000	5.041	6.271	
AVERAGE TENURE MALE				
NON-PRODUCTION EES				
Full Sample	109.000	6.922	6.415	3.30*
American Affiliates	60.000	8.675	7.456	
Japanese Affiliates	49.000	4.776	3.965	
AVERAGE TENURE FEMALE				
NON-PRODUCTION EES				
Full Sample	105.000	4.388	4.145	3.53*
American Affiliates	60.000	5.563	4.967	
Japanese Affiliates	45.000	2.822	1.775	
AVERAGE TENURE MALE				
PRODUCTION EES				
Full Sample	55.000	5.800	5.629	5.40*
American Affiliates	27.000	9.185	6.367	
Japanese Affiliates	28.000	2.536	1.347	
AVERAGE TENURE FEMALE				
PRODUCTION EES				
Full Sample	55.000	3.836	2.814	3.40*
American Affiliates	27.000	5.037	3.391	
Japanese Affiliates	28.000	2.679	1.389	
TURNOVER TOP MANAGERS				
Full Sample	134.000	8.016	12.949	1.49
American Affiliates	65.000	9.723	14.924	
Japanese Affiliates	69.000	6.408	10.626	
PROMOTION TOP MANAGERS				
Full Sample	125.000	11.084	14.482	1.07
American Affiliates	56.000	12.625	16.267	
Japanese Affiliates	69.000	9.833	12.840	
TURNOVER OTHER MANAGERS				
Full Sample	130.000	9.690	13.443	0.87
American Affiliates	61.000	10.787	12.372	
Japanese Affiliates	69.000	8.720	14.342	
PROMOTION OTHER MANAGERS				
Full Sample	125.000	17.800	16.654	-0.11
American Affiliates	56.000	17.625	13.032	
Japanese Affiliates	69.000	17.941	19.193	

Table 2: Functional Integration Index

FUNCTION	MEAN	ST. DEV.
Operations/Production	2.31	1.14
Procurement	1.86	1.17
Marketing/Sales	2.2	1.22
Distribution	1.56	1.17
Business Planning	2.44	0.99
Accounting	2.68	1.03
Legal Affairs	2.25	1.02
Product Development	2.31	1.14
Basic R & D	2.02	1.55
Applied R & D	1.96	1.41
Employee Hiring	1.43	0.77
Employee Training	1.61	0.8
Employee Compensation	1.52	0.83
Employee Promotion	1.48	0.86
Employee Career Development	1.59	0.84
Employee Appraisal	1.68	0.95
Employee Rotation	1.51	0.84
Mean	**1.47**	**0.78**

Note: Data was coded 0 = Not Applicable; 1 = Not at All Integrated; 2 = Somewhat Integrated; 3 = Mostly Integrated; 4 = Completely Integrated.

Table 3: Correlation Matrix

	1	2	3	4	5	6	7	8	9
1) COUNTRY	1.0000								
2) INDUSTRY	-0.1456	1.0000							
3) AGE	-.3535**	.2364**	1.0000						
4) OWNERSHIP	.2068**	-0.0716	-0.0795	1.0000					
5) NUMBER EMPLOYEES	-0.1352	0.0279	.3482**	-0.1200	1.0000				
6) FOUNDING	0.0764	-0.0593	0.0058	0.0646	-0.0276	1.0000			
7) INTEGRATION	.1804*	-0.0824	0.0176	.1865*	-0.0452	0.0548	1.0000		
8) TOTAL INPUT	-0.0287	0.0616	-0.1587	-0.0713	-0.0530	0.0122	.2412*	1.0000	
9) TOTAL OUTPUT	.2510**	-0.0157	-0.0337	.1849*	-0.1075	-0.1701	0.1348	0.0309	1.0000
10) TOTAL INPUT x OUTPUT	.2165*	0.1125	0.0338	0.1085	-0.0521	-.2419*	0.1064	.3330**	.7722**
11) EXPATS/TOP MANAGERS	.6427**	0.0557	-.2577**	0.1331	-0.1095	0.0627	0.1495	0.0232	0.1993
12) PERCENT EXPATS	.3817**	0.1748	-.2555*	0.0022	-0.0187	0.0611	0.1408	0.1906	0.1280
13) EXPLICITNESS	0.1194	0.0555	-.2045*	-0.0005	-0.0909	0.0698	-0.0654	-0.0117	-0.0729
14) FORMALNESS	-.1588*	-0.0861	.2486**	0.0522	0.1048	0.0184	.2278**	-0.0724	-0.0671
15) PAST PERFORMANCE	-0.0574	0.1177	0.0744	0.0160	0.1243	-0.0761	0.1076	0.1760	0.1561
16) CURRENT PERFORMANCE	-0.1517	0.0401	0.0800	-0.0006	0.0422	-0.0459	0.0064	-0.0802	-0.0113
17) OVERALL PERFORMANCE	-0.1385	0.0343	0.0746	0.0866	-0.0749	-0.1106	0.1157	-0.0516	0.0081
18) COMPARATIVE PERFORMANCE	-0.0735	0.0616	0.0915	0.1366	-0.0598	0.0203	0.1260	-0.1197	-0.0233
19) PERFORMANCE SCALE	-0.0522	0.0071	0.1142	0.0374	-0.0237	-0.1289	.2534**	0.0794	-0.1364
20) HRM STRATEGY	-.1855*	0.0575	0.0793	0.1097	-0.1457	-0.1362	-.2233**	-0.1757	0.0574
21) HRM PHILOSOPHY	0.0984	-0.0089	-.2068*	0.0076	-0.0989	0.0625	-0.1050	0.1342	-0.1495
22) PERCENTAGE WORK CAREER TOP MANAGERS	.3330**	-0.0122	0.0602	0.0866	0.0995	0.0488	0.1100	0.1012	.2034*
23) PERCENTAGE WORK CAREER OTHER MANAGERS	0.0387	-0.0564	.2436**	-0.0357	0.1256	-0.0582	0.1379	0.0956	0.0960
24) AVERAGE TENURE	-.2173*	-0.0075	.5150**	-0.0965	.1982*	-0.0783	0.1759	-0.2076	0.1539
25) AVERAGE TENURE MALE NON-PRODUCTION EES	-.3038**	0.0709	.6032**	-0.1024	.2973**	-0.0251	0.0713	-0.0748	0.0578
26) AVERAGE TENURE FEMALE NON-PRODUCTION EES	-.3287**	0.0076	.5568**	0.1351	.2142*	-0.0927	0.0095	-0.1229	0.1324
27) AVERAGE TENURE MALE PRODUCTION EES	-.5960**	0.1009	.6575**	-.3587**	.4095**	-0.0392	0.1557	0.1125	-0.1329
28) AVERAGE TENURE FEMALE PRODUCTION EES	-.4229**	0.0249	.5789**	-0.0591	.4244**	-0.1429	-0.0889	-0.1590	0.0342
29) TURNOVER TOP MANAGERS	-0.1284	0.0050	-0.0594	-.2008*	-0.0831	0.0109	-0.0276	0.0214	-0.0779
30) PROMOTION TOP MANAGERS	-0.0963	-0.0408	0.1220	-0.1705	0.0542	0.1558	0.0277	0.0611	-0.1117
31) TURNOVER OTHER MANAGERS	-0.0770	0.0382	-0.0607	-0.0381	-0.0812	-0.0965	0.1577	-0.0177	-.2275*
32) PROMOTION OTHER MANAGERS	0.0095	-0.0445	-0.1442	-0.0124	-0.0680	0.0019	.2605**	0.0342	-.2022*

Table 3: Continued

	10	11	12	13	14	15	16	17	18
10) TOTAL INPUT x OUTPUT	1.0000								
11) EXPATS TOP MANAGERS	0.1700	1.0000							
12) PERCENT EXPATS	0.2482	.6577**	1.0000						
13) EXPLICITNESS	-0.1054	0.1566	0.0109	1.0000					
14) FORMALNESS	-0.0318	-.1832*	0.0199	-.6554**	1.0000				
15) PAST PERFORMANCE	0.1226	-0.0067	-.3233*	-.2394*	0.0938	1.0000			
15) CURRENT PERFORMANCE	-0.1036	-0.0828	-0.0013	-0.0908	0.0909	.3363**	1.0000		
16) OVERALL PERFORMANCE	-0.0419	-0.0600	-0.0764	-0.1380	0.1601	.3643**	.5308**	1.0000	
17) COMPARATIVE PERFORMANCE	-0.0993	-0.1375	-0.1893	-0.0929	.1945*	.3754**	.3538**	.6068**	1.0000
18) PERFORMANCE SCALE	-0.0240	0.0050	-0.0044	0.0592	0.0912	.2307*	.4972**	.6086**	.5168**
19) HRM STRATEGY	-0.0172	-0.0589	0.0193	-.1922*	.2297**	-0.1317	0.0070	0.0188	0.0214
20) HRM PHILOSOPHY	-0.0849	0.0425	0.0462	0.1204	-.2070*	0.1524	-0.0419	-0.0106	-0.0354
21) PERCENTAGE WORK CAREER TOP MANAGERS	0.1221	.3682**	.3513**	0.0426	0.0065	0.0294	-0.0727	-0.0445	-0.0511
23) PERCENTAGE WORK CAREER OTHER MANAGERS	0.0960	-0.0030	.2592*	-0.0700	.1839*	0.0640	-0.0405	0.0164	-0.0068
24) AVERAGE TENURE	0.0076	-.2290*	-0.1928	-0.1537	.2427*	0.1478	-0.0214	0.0708	-0.0187
25) AVERAGE TENURE MALE NON-PRODUCTION EES	0.0244	-.2844**	-0.2350	-0.1744	0.1607	0.1880	0.0695	0.0906	0.0239
26) AVERAGE TENURE FEMALE NON-PRODUCTION EES	0.1174	-0.1917	-0.1479	-0.1695	0.1884	0.2102	0.0808	0.1089	-0.0325
27) AVERAGE TENURE MALE PRODUCTION EES	-0.0279	-.4548**	-0.2216	-0.1618	0.2315	0.1810	-0.0565	0.1507	0.1701
28) AVERAGE TENURE FEMALE PRODUCTION EES	0.0363	-.3808**	-.3350*	-0.2530	0.0432	-0.2591	-0.2299	-0.0026	0.0625
29) TURNOVER TOP MANAGERS	0.0097	-0.1405	-0.0066	-0.1285	0.1424	-0.0502	-0.1560	-0.1531	-0.0974
30) PROMOTION TOP MANAGERS	-0.0641	-0.1027	0.0074	-0.0776	0.1332	0.1017	0.0619	-0.1006	-0.0053
31) TURNOVER OTHER MANAGERS	-0.1017	-0.0045	-0.0696	-0.0269	0.1072	-0.0496	0.0303	-0.0583	-0.0292
32) PROMOTION OTHER MANAGERS	-0.1460	-0.0504	-0.1797	-0.0653	0.1562	.2551*	0.1595	0.0955	.2192*

Table 3: Continued

	19	20	21	22	23	24	25	26	27
18) PERFORMANCE SCALE	1.0000								
19) HRM STRATEGY	-0.0251	1.0000							
20) HRM PHILOSOPHY	0.0707	-0.0004	1.0000						
21) PERCENTAGE WORK CAREER TOP MANAGERS	-0.0458	-0.0378	-0.0810	1.0000					
23) PERCENTAGE WORK CAREER OTHER MANAGERS	0.0050	-0.0062	-0.1660	.6620**	1.0000				
24) AVERAGE TENURE	-0.0420	-0.0138	-0.1473	.2404*	.3658**	1.0000			
25) AVERAGE TENURE MALE NON-PRODUCTION EES	-0.0119	-0.0173	-0.1148	.2238*	.3516**	.9735**	1.0000		
26) AVERAGE TENURE FEMALE NON-PRODUCTION EES	-0.0161	-0.0243	-.2218*	0.1153	.2425*	.8348**	.7358**	1.0000	
27) AVERAGE TENURE MALE PRODUCTION EES	0.1119	0.0999	-0.0545	0.1892	.3538**	.9340**	.8954**	.6161**	1.0000
28) AVERAGE TENURE FEMALE PRODUCTION EES	0.0084	.3263*	-0.0771	0.0499	0.1155	.6984**	.5499**	.6111**	.6078**
29) TURNOVER TOP MANAGERS	-0.1136	0.1515	-0.0784	-0.1658	-0.0110	0.0390	-0.0305	-0.0689	0.1753
30) PROMOTION TOP MANAGERS	0.0220	0.0429	0.0299	-.1977*	-0.1351	0.0042	-0.0911	-0.0897	-0.0318
31) TURNOVER OTHER MANAGERS	0.0593	0.1731	-0.0639	-0.1399	-0.1494	-0.1290	-0.1142	-0.1025	0.0849
32) PROMOTION OTHER MANAGERS	.2844**	0.0456	0.0217	-0.0696	-0.1200	-.2206*	-0.1599	-0.1922	-0.1205

	28	29	30	31	32
28) AVERAGE TENURE FEMALE PRODUCTION EES	1.0000				
29) TURNOVER TOP MANAGERS	-0.0044	1.0000			
30) PROMOTION TOP MANAGERS	-0.1519	.1824*	1.0000		
31) TURNOVER OTHER MANAGERS	0.0754	.4672**	0.0513	1.0000	
32) PROMOTION OTHER MANAGERS	-0.2217	0.0363	.3976**	.4061**	1.0000

Table 4: Regressions onto Bureaucratic Measures of Control

	(1)	(2)
COUNTRY	0.064509	-0.14283
INDUSTRY	0.152882	-.188272*
AGE	-0.11789	0.137537
OWNERSHIP	-0.04414	0.070654
# EMPLOYEES	0.006036	0.036944
FOUNDING	0.050485	0.054326
Multiple R	0.23394	0.2833
R Square	0.05473	0.0802
R Square Adjusted	0.00019	0.0272
Standard Error	1.09	1.22347
F	1.00351	1.51257
Significance of F	0.4272	0.1812

(1) HRM Explicitness
(2) HRM Formalness

*p<0.10
**p<0.05
***p<0.01
****p<0.001

Table 5: Regressions onto Clan Measures of Control

	1
Country	0.427064***
Industry	0.243575*
Age	-0.233298
Ownership	0.021476
# Employees	0.253177*
Founding	0.121717
Mulitple R	0.499821
R Square	0.24821
R Square Adjusted	0.17044
Standard Error	0.22487
F	3.19161
Significance of F	0.0089

(1) Percentage of Expatriates

*p<0.10
**p<0.05
***p<0.01
****p<0.001

Table 6: Regressions onto Clan Measures of Control

	1
Country	0.447694***
Industry	0.251387**
Age	-0.248656*
Ownership	0.001585
# Employees	0.243203*
Founding	0.115445
Explicitness of HRM	0.004585
Formalness of HRM	0.129605
Multiple R	0.513
R Square	0.26317
R Square Adjusted	0.15791
Standard Error	0.22657
F	2.50013
Significance of F	0.0214

(1) Percentage of Expatriates

*p<0.10
**p<0.05
***p<0.01
****p<0.001

Table 7: Integration and Resource Flows Regressed onto Percentage Expatriates

	(1)	(2)	(3)	(4)	(5)	(6)
			Japanese	Affiliates	American	Affiliates
COUNTRY	0.181017	.450854 ***				
INDUSTRY	0.255167	.262327 **	0.132323	0.289498	1.030518 **	0.156534
AGE	-.356041 *	-.226862 *	-0.399499	-0.040885	0.133179	-.448484 **
OWNERSHIP	-0.047779	0.001516	0.214624	0.104799	-0.683441	-0.071213
# EMPLOYEES	0.04866	.235216 *	-0.307389	-0.16517	-0.178999	.555852 ***
FOUNDING	.360971 *	0.115683	0.322006	0.071363	0.767174	0.277558
TOTAL INPUT	0.048505		-0.189104		0.759507	
TOTAL OUTPUT	-0.397606		-0.608655		-2.037482	
TOTAL INPUT X TOTAL OUTPUT	.752560 **		1.139663 **		2.147884	
INTEGRATION OF BUSINESS		0.092072		0.237498		-0.201698
Multiple	0.6128	0.50546	0.66843	0.46874	0.77812	0.58611
R Square	0.3755	0.25549	0.44679	0.21971	0.60548	0.34352
Adjusted	0.2052	0.16406	0.18846	0.04632	0.21095	0.1794
Standard Error	0.2336	0.22574	0.22698	0.24701	0.21855	0.18139
F	2.2069	2.79442	1.71624	1.26711	1.5347	2.09313
Significance of F	0.0473	0.0143	0.1661	0.3051	0.2793	0.0918

* $p < 0.1$

** $p < 0.05$

*** $p < 0.01$

**** $p < .001$

Table 8: Regression of Level of Integration onto Performance

	Low Integration			High Integration		
	(1)	(2)	(3)	(1)	(2)	(3)
COUNTRY	-0.270715	0.545357	0.64081	-0.235051	-0.529281	0.259741
INDUSTRY	-0.061028	1.054097	0.308217	.524013*	0.627274	.692601**
AGE	-0.371407	0.352466	0.05446f	0.416282	1.230747***	0.37034
OWNERSHIP	-0.163754	-0.038325	0.063131	.616543*	0.411424	-0.093745
# EMPLOYEES	-0.033882	-0.073879	0.436785	-0.294164	-.852690**	-0.268303
FOUNDING	0.43317	0.479065	-0.251069	-0.48844	-0.457729	-0.231028
HRM EXPLICTNESS	-0.171997	-0.09637	-0.316714	.832040***	-0.053016	.916483***
HRM FORMALNESS	-0.207681	0.208516	-0.436996	0.039055	-0.363463	0.398183
PAST PERFORMANCE	0.579225	0.405975	0.490255	1.253853***	1.106262**	.576682*
PERCENTAGE OF EXPATRIATES	0.20915	-0.563511	-0.292768	-0.08845	-0.176556	-0.121651
Multiple R	0.89307	0.82304	0.82001	0.93416	0.8676	0.9456
R Square	0.79758	0.6774	0.67241	0.87265	0.75273	0.89415
Adjusted R	0.46022	0.13974	-0.14657	0.66041	0.34061	0.71774
Standard Error	0.78181	0.92409	5.29029	0.7172	0.6432	2.44351
F	2.36414	1.25989	0.82104	4.1116	1.82647	5.06848
Significance of F	0.1522	0.4046	0.6374	0.0486	0.2379	0.0299

(1) Current Performance
(2) Performance Comparative
(3) Performance Scale
(4) Current Performance
(5) Performance Comparative
(6) Performance Scale

* $p < 0.1$
** $p < 0.05$
*** $p < 0.01$
**** $p < .001$

Appendix: Questionnaire Items

HRM Explicitness Index was created from the following questionnaire items:

HRM plans are not stated clearly, but are still understood by employees.

1 - 2 - 3 - 4 - 5 - 6 - 7

HRM plans are stated clearly and in great detail.

Hiring and promotion criteria are ambiguous and not clearly communicated to employees.

1 - 2 - 3 - 4 - 5 - 6 - 7

Hiring and promotion criteria are clearly stated and communicated to employees.

Compensation policies are not clearly stated nor widely communicated within the firm.

1 - 2 - 3 - 4 - 5 - 6 - 7

Compensation policies are clearly stated and widely communicated within the firm.

Appraisal criteria are ambiguous and not widely known within the business unit.

1 - 2 - 3 - 4 - 5 - 6 - 7

Appraisal criteria are clearly stated and widely known within the business unit.

What constitutes training is ambiguous. There is no clear distinction between training and non-training activities.

1 - 2 - 3 - 4 - 5 - 6 - 7

What constitutes training is clearly identified and delineated. Distinctions are made between what is training and what is not.

To achieve the HRM Formalness Scale, scores for the following questions were aggregated.

HRM planning follows no set sequence of steps.

1 - 2 - 3 - 4 - 5 - 6 - 7

HRM plans and policies focus primarily on future concerns.

Decisions concerning recruiting and promotion are highly unstructured and do not follow an established sequence of steps.

1 - 2 - 3 - 4 - 5 - 6 - 7

decisions concerning recruiting and promotion are highly structured, and follow a well-established sequence of steps.

Compensation policies are not standardized; there is wide variation in application among employees, even at the same managerial level.	1 - 2 - 3 - 4 - 5 - 6 - 7	Compensation policies are standardized and applied uniformly to all applicable employees.
Appraisals are very informal. There is little written documentation.	1 - 2 - 3 - 4 - 5 - 6 - 7	Appraisals are very formal. Standardized forms are filled out and processed at regular intervals.
Training is provided to employees on an ad hoc basis.	1 - 2 - 3 - 4 - 5 - 6 - 7	Training is provided to employees on a systematic basis.

HRM Formalness Index was created from the following questionnaire items:

Not applicable	Very low level of performance	Somewhat low level of performance	Average level of performance	Somewhat high level of performance	Very high level of performance
0	**1**	**2**	**3**	**4**	**5**

To measure Past Performance, the following item was used:
How well did your business unit perform five years ago?

To measure Present Performance, the following item was used:
How well did your business unit perform this year?

To measure Overall Performance, the following item was asked:
In general, how would you rate the current overall activities of this business unit?

To measure Comparative Performance, the following item was used:
In general, how do the overall results of this business unit compare to the overall results of its main competitors?

To create the Performance Scale, scores from the following performance criteria were used:

* Profit	* Sales Volume	* Return on Sales	* Market Share
* New Product Development	* Employee Morale	* Conformance with Budget	* Return on Assets

To create the HRM philosophy scale the following categories were used (Philosophy A was considered to be a measure of clan control):

HRM PHILOSOPHY A	HRM PHILOSOPHY B	HRM PHILOSOPHY C
focuses on attracting and retaining good employees. Hiring decisions are often based on the personality fit rather than the technical fit of candidates to the organization. There is also an organizational emphasis on continual employee development. As part of the emphasis, employees are provided with opportunities to enhance their abilities, skills, and knowledge through in-house training programs or through job rotations.	focuses on placing people in positions where they will be able to make an immediate contribution. Hiring decisions are often based more on the technical fit of candidates (job-relevant skills, knowledge, and abilities) than on the personality fir of candidates. There is little organizational support for employee development, If employees want to improve their skills or enhance their knowledge, they are expected to do so on their own.	focuses on helping people work together, Technical skills are necessary, but it is also important that people be able to work together. Hiring decisions are based on a combination of technical and personality fit. Skills and knowledge development are valued, but not provided by the organization. However, employees receive guidance and support from the organization in their individual development activities.

To create the HRM strategy scale the following categories were used (Strategy C was considered to be a measure of clan control):

HRM STRATEGY A	HRM STRATEGY B	HRM STRATEGY C
is aimed at encouraging very high levels of reliable job behavior. Cost is a major consideration, and business units with this strategy seek to run lean, particularly with respect to overhead and staff jobs. Competence, in contrast, is a secondary goal. Despite a low tolerance for incompetence, no attempt is made to develop employee skills beyond levels required by current tasks. Commitment is encouraged, but is not a preoccupation.	is aimed at attracting and developing quality employees. Performance standards are high, although not excessively so, and employees are expected routinely to exercise a fair amount of initiative and creativity in carrying out their tasks. Competence is clearly the preferred path to achieve desired levels of employee contribution, Attaining a high level of employee commitment is also important.	is aimed at achieving a very high level of employee commitment. A deep psychological commitment from employees' is sought based on employees; close identificationwith the organization, its mission, and its work. High levels of employee commitment should result in equally high levels of employee contribution. Employee contribution involves more than a high level of output on a particular job. The goal for employees at all levels is to exercise considerable initiative, creativity, and spontaneity in solving a wide range of problems. This requires employees who are competent in specific job skills as well as problem-solving and social skills..