Influences on Affiliate HRM Systems in Japanese MNCs in Southeast Asia

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Influences on Affiliate HRM Systems in Japanese and American MNCs in Southeast Asia

Using data from 160 Asian affiliates of American and Japanese MNCs, this paper explores the determinants of whether MNCs transfer their parent company HRM systems overseas or adopt local practices. We find that demographic predictor variables which have often been found in previous studies to predict similarity are relatively unimportant while perceived HRM competence of the MNC is an important determinant of HRM transfer.

I. Introduction

Two major new and interrelated themes in the global marketplace are international competitiveness and the expanding role of Multinational Corporations (MNCs) overseas (e.g., Bartlett and Ghoshal, 1989; Ohmae, 1985). In today's global economy the MNC is perhaps the most important actor in the transfer of tangible and intangible goods across national boundaries. Since World War II foreign direct investment by MNCS has grown rapidly in developed and in developing countries. Not only has the total stock of capital grown rapidly, but there has been growth in the number of affiliates of MNCs, growth in the number of countries in which specific firms are active, and increasing diversity in the products manufactured and the goods and services sold abroad through the affiliates of MNCs.

American MNCs became prominent in international business soon after World War II and have continued to expand their overseas operations over the past four decades. American firms are currently the biggest direct foreign investors, by far, worldwide and invested nearly $150 billion overseas between 1993 and 1995.

The rise in Japanese MNCs, although much more recent, has been spectacular. Although Japanese firms did not begin to invest overseas in large numbers until the mid-1970s, their growth, particularly in the decade of the 1980s, has been rapid as they increasingly shifted from exports to overseas production, and from domestic production for the Japanese market to sourcing from abroad. Japanese MNCs took the world by storm in the 1980s and today, they represent a formidable presence on the global economic landscape. Responding to the revaluation of the yen in 1986 with the Plaza Accord, Japanese firms responded with "over-

courageous investment" (Doherty, 1995), expanding foreign direct investment (FDI) in North America, Western Europe, Southeast Asia, and other parts of the world. For example, in 1979, total Japanese FDI worldwide totaled $4.995 billion. Ten years later, in 1989, it had skyrocketed to $67.54 billion (Keizai Koho Center, 1993: 54).

Japanese firms have recently begun to incorporate FDI integrally into their corporate strategies. However, they are no longer expanding production capacities on a global basis; they are focusing on the Asian region and not on the advanced industrial countries (Doherty, 1994). While the United States is still the largest recipient of Japanese FDI, current inflows of FDI in Southeast Asia are nearly equivalent to those in Europe. Asia today has become Japan's fastest growing market and investment destination, with total Japanese investment in ASEAN increasing from $2.71 billion in 1988 to a peak of $4.7 billion in 1989 and remaining relatively steady since 1990. In 1993 new Japanese FDI in ASEAN totaled $3.04 billion (see Table 1 below). American investment in Asia has also experienced a dramatic rise in recent years and still dwarfs Japanese investment in the region. Total American investment in ASEAN grew from $9.501 billion in 1988 to $20.517 billion in 1993 (see Table 1).

Table 1: FDI Statistics

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In addition to the push factors which have increased FDI from abroad, there are a number of pull factors drawing foreign direct investment to the region. Asia, particularly

those countries in ASEAN, are currently enjoying long-lived and fast-paced economic expansion while the American, Japanese and European economies are stagnating. In the early 1990s, the economies of the member countries of the Association of Southeast Asian Nations (ASEAN) experienced the highest growth rates in the world (Yamazawa, 1994) and this growth is expected to continue well into the early 21st century. For example, predicted real economic growth for 1995 in the ASEAN countries is predicted to range from 5.5 % in the Philippines, 6.4% in Indonesia, 6.8% in Singapore, 7.9% for Malaysia and 8.2% in Thailand (Tan, 1994: 2). These figures compare with predicted real growth rates of 2.2% for the United States and 2.7% for Japan (Tan, 1994: 2).

With the high level of economic growth and increasing importance of Southeast Asia as an investment site, the relative performance of overseas affiliates in the region has become a critical management issue and important source of global competitiveness of MNCs. Despite the increasing importance of international operations and the management of an overseas workforce to the success, and indeed the very viability, of MNCs, there has been little recent empirical research on the management of Japanese and American affiliates overseas, particularly outside of the U.S. and Europe. The research study reported in this paper was conducted to begin to address this gap in our knowledge. This paper reports some of the results from a large-scale study of nearly 200 Japanese and American affiliates in Indonesia, Thailand, Malaysia, Singapore and the Philippines. While the study is quite comprehensive in its coverage, the results reported here focus exclusively on the determinants of the human resource management approaches of the affiliates in the sample. This paper seeks to answer

the following questions: 1. To what extent do MNCs transfer their parent company HRM systems overseas versus adopt local practices?; 2. What are the key determinants which lead MNCs to transfer their parent company HRM systems overseas?; 3. What are the key determinants which lead MNCs to use local HRM systems in their overseas affiliates?; and 4. Are there any differences in the above relationships between those affiliates with Japanese parent companies and those with American parent companies?

In the following section, we first briefly describe a model of the determinants of the HRM system of overseas affiliates which is based on concepts from the resource based view (RBV) of the firm and on the resource dependence framework. Then, we present a series of hypotheses derived from the model. In the third section of the paper we describe the methodology of the study, the operationalization of the variables, and the empirical results. Finally, in the last section we present a discussion of the results and conclusions.

II. Theoretical Framework

MNCs and their overseas affiliates have garnered increased attention by academics in recent years (e.g., Hamel & Prahalad, 1985; Prahalad & Doz, 1987; Gupta & Govindarajan, 1991; Kobrin, 1992; Rosenzweig & Singh, 1994). However, the field of international human resource management (IHRM) is still in its infancy. While a number of important theoretical and empirical contributions have been made in the past few years (e.g., Milliman, von Glinow & Nathan, 1991; Adler & Ghadar, 1991; Wright & McMahan, 1992; Schuler, Dowling & De Cieri, 1993), there is still little consensus in the field, and no common paradigm to guide

empirical research. Borrowing from organizational theory and the strategy literatures, the theoretical framework described below is based on two theoretical pillars: resource dependence theory and the resource-base view (RBV) of the firm.

The RBV conceptualizes of firms as unique bundles of resources and capabilities that are the foundation upon which competitive advantage is based (Barney, 1991; Penrose, 1959; Werenfelt, 1989). A key tenet of the RBV is that competitive advantage is derived through resource accumulation and deployment. In order for competitive advantage to occur, however, the resource must be valuable, rare, imperfectly mobile, and inimitable (Barney, 1991; Conner, 1991). Over time, firms accumulate unique combinations of resources and abilities which result in distinctive competencies (Selznick, 1957). These distinctive competencies are relatively immobile and differential mechanisms for resource combination and utilization, resulting in heterogeneity among firms, and, when they are not easily imitated or substitutable, can account for advantages over competing firms.

Applying the RBV to the MNC, we can distinguish between three levels of resources which may result in competitive advantage, based on their place or origin (Taylor, et al., 1995). The first, home country-specific resources, are based in the particular configuration of economic, cultural, human, and other resources in the MNC's home country (Porter, 1990) and are available to all firms from that country. The second source of competitive advantage is at the parent company-level and represents the unique bundle of assets and capabilities that the MNC has developed over its lifetime. Finally, resources at the affiliate-level may provide a source of competitive advantage for the MNC both at the local level and at the

regional and/or global levels. The origin of the resource -- national, firm, or affiliate -- is likely to influence its usefulness in other locations and it ability to lead to competitive advantage for the MNC. Thus, all resources, including HR competence, vary in their level of context-specificity or generalizability, depending on their usefulness outside the location in which they were developed (Taylor et al., 1995).

Because the HR system is "a repository of knowledge about firm-specific knowledge, skills, abilities, relationships, and the work-related values of its employees" (Lado and Wilson, 1994: 709) it represents a potential distinctive competence. To the extent that HRM expertise and capabilities are immobile, they constitute a basis for sustained competitive advantage (Barney, 1991; Lado & Wilson, 1994; Ulrich & Lake, 1990).

A critical decision MNCs have to make concerns what HRM system they will put in place in their overseas affiliates. The MNC can take a HRM system developed and perfected in the home country and export it overseas or it can emulate local companies in the host country environment and implement a system which is similar to HRM systems used in the local host country. Which choice will be successful depends on whether the HRM system can utilize human resources available in the local host country in a superior way to generate advantage over competing firms. While a number of authors have hypothesized that the mere presence of a competence will help determine whether it is will be transferred overseas, our own research has shown that it is top management's perception that it has a competence, regardless of the actual presence or absence of the competence, which is the critical factor. We therefore hypothesize that:

H1a: The greater the strength of top management's belief that the parent company possesses a competence in HRM, the more likely that MNC is to transfer its HRM system to its overseas affiliate, and hence, the greater the level of HRM similarity between the parent company and the overseas affiliate.

In parallel fashion, we would expect that:

H1b: The greater the strength of top management's belief that the parent company possesses a competence in HRM, the lower the level of HRM similarity between the local companies and the affiliate.

While we expect the above hypotheses to be true in general terms, there is substantial evidence that not all affiliates are created equal. Recent work in the international strategy literature (e.g., Bartlett & Ghoshal, 1989; Gupta & Govindarajan, 1991; Rosenzweig & Singh, 1991; Roth & Nigh, 1992; Westney, 1990) suggests that MNCs should not and do not approach all of their affiliates uniformly. One critical underlying determinant is the level of resource interdependence between the parent company and the affiliate.

The resource dependence approach (Aldrich, 1976, 1979; Pfeffer & Salancik, 1978) is based on the fundamental premise that an organization is unable to generate all of the resources necessary to maintain itself, and is therefore dependent on other actors in its environment. Organizational stakeholders will attempt to initiate control over the actors with whom they have exchanges in order to ensure that the resources necessary to achieve organizational objectives are obtained in an effective and efficient manner (Anthony, 1965; Green & Welsh, 1988).

According to this framework there are three key factors that determine the dependence of one actor on another (Pfeffer & Salancik, 1978). First is the importance or criticality of the

resource to the continued operation and survival of the operation (Blau, 1964; Thompson, 1967). Second is the extent to which an interest group (or individual) has discretion over the resource's allocation and use (Pfeffer & Salancik, 1978). Finally, resource dependence is determined by the extent to which alternatives to the resource are available (Blau, 1964; Pfeffer & Salancik, 1978; Thompson, 1967), that is, its rareness (Barney, 1991).

Because the parent company relies on its overseas affiliates for certain essential resources, the parent company is dependent to varying degrees on the resources controlled by the affiliates. As the parent company's dependence increases, the more control the parent company will want to exercise over the affiliate (Ghoshal & Nohria, 1989; Beechler & Yang, 1994).

The degree of dependence on the MNC on a particular affiliate, and hence the degree of control it will exert over the affiliate's HRM system, is determined in large part by the amount and direction of the resource flows between the parent company and the overseas affiliate (Gupta & Govindarajan, 1991; Beechler, 1990). While greater reliance by the parent company on resource flows from the affiliate will increase the parent company's desire for control, it simultaneously increases the power of the affiliate over the parent company (Gupta & Govindarajan, 1991). The resource dependence of the parent company on its affiliates is highest in those affiliates with the greatest inflows and outflows of resources to the rest of the organization and lowest in those affiliates with the lowest inflows and outflows of resources to the MNC.

When the parent company is not dependent on the affiliate, there is little reason to

exercise high levels of control over the affiliate, particularly since control can be costly to exercise. However, as resource dependence increases, parent company control will increase. Therefore we predict that there will be a positive relationship between resource dependence and the exercise of parent company control over the affiliate, resulting in a higher the level of HRM system similarity between the affiliate and the parent company.

Specifically we predict that:

H2a: The greater the flow of resources between the parent company and the affiliate, the greater the level of HRM similarity between the parent company and the affiliate.

H2b: The more the parent company relies on the overseas affiliate to achieve its organizational goals, the greater the level of HRM similarity between the parent company and the affiliate.

However, there is an equally plausible counter-argument which leads to an alternative prediction regarding the relationship between resource dependence and HRM similarity. High levels of both resource inflows and outflows from the affiliate to the rest of the MNC result in the highest levels of resource dependence and will therefore lead to the greatest pressure on the parent company to control the overseas affiliate. At the same time, because the parent company is also dependent on the affiliate to supply needed resources to attain its organizational objectives, the affiliate possesses power to resist control efforts by the parent company. Therefore, we would expect that:

H2c: The greater the flow of resources between the parent company and the affiliate, the lower the level of HRM similarity between the parent company and the affiliate.

H2d: The more the parent company relies on the overseas affiliate to achieve its organizational goals, the lower the level of HRM similarity between the parent company and the affiliate.

Because of these equally-plausible scenarios we cannot, a priori, predict whether hypotheses 2a and 2b or 2c and 2d will prevail.

While the degree of control that the parent company wants to exercise over its affiliate depends on the level of resource dependence, the degree of control that the MNC can exert over its affiliates will be influenced by other constraining factors. Here, we focus on three major factors which can which influence the exercise of control: mode of entry (Rosenzweig & Nohria, 1994), level of expatriate presence, and level of parent company ownership (Milliman et al., 1991; Rosenzweig and Nohria, 1994; Schuler et al., 1993; Rosenzweig & Singh, 1991). We predict that an affiliate that is established as a greenfield (new) operation is likely to experience a higher degree of parent company control over its HRM system for several reasons. First, expatriates sent over to establish the affiliate are likely to utilize the HRM policies and practices that they know, leading to organizational imprinting (Bartlett & Ghoshal, 1989; Stinchcombe, 1965). Second, a greenfield operation does not have to contend with employee resistance to a new system or organizational inertia, making it easier to institute parent company HRM policies and practices. On the other hand, a MNC that establishes an overseas affiliate in partnership with a local firm or that buys a pre-existing firm, will experience greater pressures to adopt local HRM policies and practices.

H3: There will be greater similarity between a parent company's HRM system and affiliate's HRM system in those affiliates established as greenfield operations than in affiliates which

have been acquired or established as shared partnerships with other firms.

H4: Affiliates founded as greenfield operations will have HRM systems with lower levels of similarity to local companies in the same industry than affiliates which were founded as acquisitions.

Building on the argument above, since most expatriates have grown up in an environment dominated by their parent company's "way of doing things" they are likely to bring with them a parent company-dominated mental model of HRM. Local managers, on the other hand, have a mental model shaped by local company practices. Thus, we would expect that in those affiliates staffed with larger numbers of expatriates, the HRM system of the affiliate will be more similar to the parent company and less similar to local companies than in affiliates with fewer expatriates. We therefore hypothesize that:

H5: The larger the expatriate presence in the affiliate, the higher the level of HRM similarity between the affiliate and the parent company.

H6: The larger the expatriate presence in the affiliate, the lower the level of HRM similarity between the affiliate and local companies in the same industry.

Finally, we predict that higher levels of capital ownership of the parent company will increase the ability of the parent company to control the affiliate. There will be greater pressures to adopt local HRM policies and practices when there is a local partner than when the parent company has complete ownership or a controlling interest in the affiliate. Hence, we predict that:

H7: The greater the percentage of capital owned by the parent company the higher the level of

HRM similarity between the affiliate and the parent company.

H8: The greater the percentage of capital owned by the parent company, the lower the level of HRM similarity between the affiliate and local companies in the same industry.

III. The Study

Methodology

Data were collected from the foreign affiliates of American and Japanese MNCs in three major industries, two of the most global industries -- automotive and electronics, and one currently globalizing industry -- chemicals/pharmaceuticals. Data were collected by a multinational research team from the U.S., Malaysia, Indonesia, Thailand, Singapore and the Philippines using both structured face-to-face interviews and written questionnaires. Although qualitative and quantitative data were gathered in this study, the results reported here are based on quantitative responses to the written questionnaires.

The first stage of the research consisted of interviews with over 30 top level executives in a non-random sample of Japanese and American MNCs in the region to learn what were the most pressing issues facing the affiliates. Using these preliminary data as a basis, questionnaires were constructed and then pretested by the multinational research team in each of the target host countries. The questionnaires were modified based on the feedback from the pretests and a common questionnaire and structured interview protocol were developed by the research team. Interviews were conducted in English, Japanese, and/or the host country language, depending on the nationality of the respondent.

A stratified sampling strategy targeting the largest Japanese and American manufacturing

affiliates in each of the five countries was used. Using lists published by host country government agencies, Chambers of Commerce, JETRO, and major business magazines, Japanese and American affiliates with more than 100 employees in each of the three industries were identified. Faxes or registered letters were sent directly to the managing director of each affiliate, requesting participation and face-to-face interviews with the managing director and at least one other member of the affiliate's top management team. In those countries where there was a small population of affiliates in a target industry or when there were insufficient responses to the initial letters, the researchers contacted industry associations which helped to recruit respondents by sending out a supporting letter and/or telephoning their membership. The analyses presented in this paper are based on data from 160 Japanese and American MNC affiliates (69 Japanese affiliates and 91 American affiliates) in Malaysia, Singapore, Thailand, Indonesia, and the Philippines.

Interviews lasted approximately two hours each and were conducted with an average of two respondents per firm, most often with the managing director and one additional member of the top executive team at the affiliate. Questions regarding the parent company were generally answered by an expatriate while questions regarding the local host country were generally answered by host country nationals. In those cases where there were multiple responses from one affiliate to the same questions, those answers have been inversely weighted in the analyses below.

Characteristics of the parent companies and affiliates are presented in Table 2 below. As shown in the table, the parent companies of the affiliates included in the study are large and

well-established, with an average age of 79 years, over 67,000 employees, and average sales of nearly $18 billion. The affiliates are, on average, over 21 years old and have an average of $99.7 million in sales and 981 full-time employees. Two-thirds of the affiliates were originally established as greenfield operations while the remaining one-third were acquisitions and currently, the affiliates have an average parent ownership totaling 80.17%. Almost half of the respondents hold the top position in the affiliate and almost all are in top management positions in the affiliates. Respondents are, on average, 46 years old, have an average of 15 years tenure with their company and nearly all (93%) of the respondents are male.

Table 2: Sample Characteristics
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Measurements

Control variables: Affiliate size was entered as a control variable since size has systematically been shown to have important and significant effects on most affiliate characteristics. In this study, size was measured in two ways: natural log of the total affiliate sales volume (AFFSALES) and natural log of total number of full-time employees in the affiliate. Parallel regression analyses were run using these two measures for all of the analyses reported in this paper but because the results for number of employees are nearly identical to those derived by using affiliate sales as the measure of affiliate size, only the results for sales are reported in below.

In addition to size, a number of previous studies have shown the age of the affiliate is an

important factor in how its various systems are configured and how much the affiliate adopts local versus headquarters practice (see e.g., Rosenzweig & Nohria, 1994). In the regressions reported below, we therefore controlled for age of the affiliate (AGE) which was calculated by subtracting the date of affiliate establishment from 1994.

Percent capital of the affiliate held by the parent company (PERCAPCU) represents one important source of parent company control and has been shown in a number of previous studies to influence the parent company's ability to control affiliate management (see e.g., Hayashi, 1978). This variable was calculated by taking the actual percentage of the affiliate's capital currently held by the parent company. In Hypotheses 7 and 8 above we predicted that parent company ownership will lead to higher levels of HRM similarity between the affiliate and the parent company and lower levels of HRM similarity between the affiliate and local companies in the same industry. However, after we test for its impact on HRM similarity, we subsequently enter it as a control variable in the later regressions because of the important role that financial ownership plays in all aspects of affiliate management.

Independent variables: Method of affiliate establishment (METDUM) was measured using a dummy variable (with a value of 1 for greenfield affiliate, and 0 for acquisitions).

Management's belief in HRM as a core competence was measured on a five-point Likert-type scale (1=no effect, 5=very great effect) in a series of six questions about managers' beliefs in the organization's HRM competence. HRMBETTE asked respondents whether parent company managers believed that the HRM system of the parent company was better

than the HRM systems of other firms while HRMSUCCE asked respondents if managers at the parent company believed that the HRM system of the parent company was a key to the company's success. HRMKEY and HRMPRAC asked parallel questions about the beliefs of expatriates stationed at the affiliate, and HRMLOCAL and HRMLMGR asked respondents about the beliefs of local managers concerning their affiliate's HRM competence. While we predicted that management's belief in HRM as a core competence was an important factor determining whether the parent company's HRM system would be transferred to the affiliate, we were less confident as to whose relative level of influence, parent company nationals in the home country, parent company nationals in the affiliate, or local managers, was the most important determinant of HRM similarity. We therefore included all six measures in the analyses below.

Expatriate presence in the affiliate was measured in two ways: first, as the actual number of expatriates stationed in the affiliate (EXPATASS) and as a percentage of the total number of full-time affiliate employees (EXPATEE). It is interesting to note that contrary to popular stereotype, the Japanese and American affiliates in this sample have similar number of expatriates stationed in their Asian affiliates (American affiliates have a mean of 9.28 expatriates while Japanese affiliates have a mean of 9.38 expatriates). Controlling for affiliate size, we find that American affiliates have an average of 4% expatriates to total number of affiliate employees while Japanese affiliates have an average of 2%.

Resource dependence, although an elegant concept, is quite difficult to measure because it is multi-faceted. Therefore, a number of different measures were used in this study to tap

this construct. The first measure is a subjective determination by the respondent of how much the affiliate needs the parent company to attain its goals (AFFNEED). This measures the resource dependence by the affiliate on the parent company. In similar fashion, we asked respondents to indicate how much the parent company needs the affiliate to attain its goals (PARNEED). Both variables were measured on a 5 point Likert-type scale where 1=not at all, 5=to a very great extent. This measure indicates the level of resource dependence by the parent company on the affiliate. We then summed the responses to these two questions to create an Interdependence Index between the parent company and the affiliate.

The second set of items measures resource dependence by asking respondents what percentage of all goods and services produced by the affiliate are sold to the parent company and its affiliates (PERSOLD) and what percentage of parts and raw materials purchased by the affiliate are purchased from the parent company and its affiliates (PERPURCH). We used these two items to also create a third measure by summing the responses to create an index of product integration. The higher the level of intrafirm sales and purchases, the greater the resource dependence.

Next, we measured resource dependence by taking affiliate sales volume as a percentage of total company sales volume. The greater the percentage of the affiliate's sales to total MNC sales, the higher the dependence of the parent company on the affiliate. Finally, the percentage of local sales and purchases were used as proxies for resource dependence. The greater the local sales (SOLDAFF) and purchases (BOUGAFF), the greater the independence of the affiliate and the lower the resource dependence between the parent company and the affiliate.

An index was also constructed by adding the percentage of the affiliate's total sales sold outside of the local host country and the percentage of the affiliate's total purchases outside of the host country. The higher the score on the index, the greater the level of resource dependence.

IV. Results

Correlations

Examining the first-order correlations between the resource dependence measures (see Tables 3a, b and c) we see that the highest correlations are between the component variables and the indices which were created from these variables. For the other measures, the correlations are generally moderate and positive. Overall, although some of the resource dependence measures do show significant intercorrelations, the measures still appear to tap different dimensions of the construct. Therefore, all of the measures were retained but entered into separate models in the analyses reported below. Splitting the total sample into Japanese and American subsamples we see from Table 3b and Table 3c that the correlations and directional relationships between variables are similar, although they tend to achieve significance more often in the Japan sample. A discussion of the correlations between the resource dependence measures in the three samples (full, Japanese and American) follows:

Full Sample. Examination of the first-order correlations between the resource dependence measures indicates that the highest correlation is between the percentage of products sold locally (SOLDAFF) and the total sales volume of the affiliate (AFFSALES) (r

= -.3120, $p < .05$). The results indicate that larger affiliates tend to sell a larger percentage of their products in their host countries than do smaller affiliates. The relationship between the dependence of the parent company on the affiliate (PARNEED) and the affiliate's dependence on the parent company (AFFNEED) is positive and significant ($r = .2854$, $p < .01$), indicating that mutual interdependence is common among the affiliates and parent companies in the sample.

Table 3a,b,c Rank-Order
Correlations About Here

The correlation between the percentage of parts and raw materials purchased by the affiliate locally (BOUGHAFF) and the percentage of the affiliates production sold locally (SOLDAFF) is .3767 ($p < .01$). The relationship between the percentage of the affiliate's products sold locally (SOLDAFF) and the dependence of the parent company on the affiliate is (PARNEED), not surprisingly, negative (-.2809) and significant at the .01 level. The percentage of the affiliate's products bought locally (BOUGHAFF) and the affiliate's dependence on the parent company (AFFNEED) is negative ($r = -.2228$, n.s.), as expected .

The largest number of significant correlations between the various measures of resource dependence are found between the percentage of products sold in the local host country (SOLDAFF) and other measures of resource dependence, including the percentage of parts and raw materials purchased in the host country (BOUGHAFF) (.3767, $p < .01$), the percentage of products sold to the parent company (PERSOLD) (-.5671, $p < .01$), the degree to which the

parent company needs the affiliate to achieve its goals (PARNEED) (-.2809, $p < .01$).

American Sample. Examination of the first-order correlations between the resource dependence measures in this sample shows that none of the measures are significantly correlated. Nonetheless, the highest correlation is found between the percentage of products sold to the parent (PERSOLD) and the total sales volume of the affiliate (AFFSALES) ($r = .2982$). The results indicate that larger affiliates tend to sell a larger percentage of their products to their parents than do smaller affiliates. The relationship between the dependence of the parent company on the affiliate (PARNEED) and the affiliate's dependence on the parent company (AFFNEED) is positive ($r=.1769$), but not significant, indicating that mutual interdependence is less common among the affiliates and parent companies in the American sample.

The correlation between the percentage of parts and raw materials purchased by the affiliate locally (BOUGHAFF) and the percentage of the affiliates production sold locally (SOLDAFF) is .2828, but not significant. The relationship between the percentage of the affiliate's products sold locally (SOLDAFF) and the dependence of the parent company on the affiliate is (PARNEED), not surprisingly, negative (-.2178) but not significant. The percentage of the affiliate's products bought locally (BOUGHAFF) and the affiliate's dependence on the parent company (AFFNEED) is, as expected negative ($r=-.0608$) but not significant.

Unlike in the full sample, only the relationship between the percentage of products sold in the local host country (SOLDAFF) and the percentage of products sold to the parent

company(PERSOLD) (-.7358) is significant.

Japanese Sample. Examination of the first-order correlations between the resource dependence measures indicates that the highest correlation is between the percentage of products sold locally (SOLDAFF) and the total sales volume of the affiliate (AFFSALES) ($r = -.5141$, $p < .05$). The results indicate that larger affiliates tend to sell a larger percentage of their products in their host countries than do smaller affiliates. The relationship between the dependence of the parent company on the affiliate (PARNEED) and the affiliate's reliance on the parent company (AFFNEED) is positive and significant ($r = .4254$, $p < .01$), indicating that mutual interdependence is common among the affiliates and parent companies in the sample.

The correlation between the percentage of parts and raw materials purchased by the affiliate locally (BOUGHAFF) and the percentage of the affiliates production sold locally (SOLDAFF) is .4942 ($p < .01$). The relationship between the percentage of the affiliate's products sold locally (SOLDAFF) and the dependence of the parent company on the affiliate is (PARNEED), not surprisingly, negative (-.3917) and significant at the .01 level. The percentage of the affiliate's products bought locally (BOUGHAFF) and the affiliate's dependence on the parent company (AFFNEED) is, as expected negative and significant ($r = -.3859$, $p < .05$).

Similar to results found in the full sample, the largest number of significant correlations between the various measures of resource dependence are between the percentage of products sold in the local host country (SOLDAFF) and other measures of resource dependence, including the percentage of parts and raw materials purchased in the host country

(BOUGHAFF) (.4972, $p < .01$), the percentage of products sold to the parent company(PERSOLD) (-.4036, $p < .01$), the degree to which the parent company needs the affiliate to achieve its goals (PARNEED) (-.3917, $p < .01$).

Dependent variables: HRM similarity to the parent company and to local companies in the host country were measured by asking respondents how similar the HRM system at their affiliate was to both the parent company and to locally-owned companies operating in the same industry. Both the level of similarity between the human resource management system at the overseas affiliate to the HRM system of the parent company (PARHRM) and the similarity of the HRM system at the affiliate to the HRM systems of locally-owned companies in the same industry (LOCHRM) were measured by using a 7 point Likert-type scale with 1 indicating "not at all similar" and 7 "exactly the same."

While a number of authors have assumed an orthogonal relationship between these two dimensions, we did not make such an assumption in the present study. As shown in Table 3a, for the sample as a whole, the correlation between the similarity of the affiliate's HRM system to the parent company and their HRM similarity to local companies in the same industry is moderate and significant ($p < .01$). While the two variables are negatively correlated these results support our initial assumption that similarity between the parent company and the affiliate and between local companies and the affiliate should not be treated as opposite ends on a single dimension. Thus, in the following analyses, both HRM system similarity to the parent company and HRM similarity to local companies were used as

dependent variables in separate regression equations.

We see from Table 4 that in the sample as a whole the average level of similarity between the affiliate's HRM system and the parent company's HRM system is 4.07 (on a scale of 1 to 7 with 1=not at all similar and 7=exactly the same). For the American subsample, the mean is 4.24 while for the Japanese subsample it is 3.95. At the same time, the mean level of similarity between the affiliate's HRM system and the HRM system of local companies in the same industry is 3.66 for the total sample, 3.58 for the American subsample, and 3.56 for the Japanese subsample. These results indicate that on average, the affiliates in the sample have HRM systems which are simultaneously moderately similar to both the parent company and local companies' HRM systems, although they are somewhat more similar to their parent companies. American affiliates are significantly more similar to their parent companies than are Japanese affiliates but their relative levels of local similarity are virtually identical.

Table 4: HRM Similarity Means
About Here

Univariate Analyses

To test the hypotheses outlined above, we first performed simple univariate analyses. To test Hypothesis 1 that the greater the strength of top management's belief that the parent company possesses a competence in HRM, the greater the level of similarity between the parent company and overseas affiliate HRM systems, we examined the rank-order correlations between these variables (see Tables 3a,b,c). As mentioned above, there are 6 separate measures of perceived HRM competence (HRMBETTE, HRMKEY, HRMLMGR, HRMLOCAL, HRMPRAC, HRMSUCCE). As shown in Table 3a, for the sample as a whole the correlations between HRM similarity between the affiliate and the parent company (HRMPAR) and the six measures of perceived HRM competence are all positive and significant at $p < .05$ (HRMLOCAL) or $p < .01$ (HRMBETTE, HRMKEY, HRMLMGR, HRMPRAC, HRMSUCCE), supporting Hypothesis 1.

Hypotheses 2a and 2b predicted that the greater the resource dependence of the parent company on the affiliate the greater the level of HRM similarity between the parent company and the affiliate (PARHRM). To measure resource flow between the parent company and the affiliate, three measures were used: the percentage of raw materials and parts bought by the affiliate locally (BOUGHT AFF), the percentage of products sold locally (SOLD AFF), and the interdependence index (INTERDEX) which is an additive index of the first two variables. From Tables 3a, b, & c it is evident that none of the relationships in any of the three samples are significant. However, it should be noted that the results are in the predicted direction for all of the variables in both the American and Japanese subsamples.

Hypotheses 2c and 2d made opposite predictions, that the greater the resource dependence of the parent company on the affiliate, the lower the level of HRM similarity between the parent and the affiliate. From Tables 3a, b, & c it is apparent that the correlations between these variables are very small and not significant. These results do not provide support for either Hypothesis 2c or 2d.

Hypotheses 3 and 4 predicted that greenfield operations would have higher levels of HRM similarity to the parent company and lower levels of similarity to local companies than affiliates founded by acquisition or joint venture. To test these two hypotheses, we conducted difference in means tests, comparing the mean level of HRM similarity to both the parent and to local companies for affiliates established as greenfield operations versus affiliates established as acquisitions or joint ventures. As shown in Table 4, for all three samples, the means for both parent-affiliate HRM similarity and local company-affiliates similarity are virtually identical for affiliates founded both as greenfield operations and acquisitions and joint ventures. The lack of significant differences in the means between the two groups indicates a lack of support of both Hypotheses 3 and 4.

Hypotheses 5 and 6 predicted that expatriate presence would have a positive impact on HRM similarity with the parent company and a negative impact on HRM similarity with local companies. As shown in Tables 3a, b, & c, the correlations between the number of expatriates (EXPATASS) and the percentage of expatriates of total full-time affiliate employees (EXPATEE) and parent company HRM similarity (PARHRM) are not significant and are close to zero. In fact, the relationships are generally negative in sign, opposite to our prediction.

The correlations between local HRM similarity (LOCHRM) and expatriate presence (EXPATASS and EXPATEE) are also generally small and do not reach statistical significance in any of the three samples. Further, only in the full sample are the relationships between the measures consistently in the predicted direction. Thus, these results fail to support either Hypotheses 5 or 6.

Hypotheses 7 predicted that the greater the percentage of capital held by the parent company (PERCAPCU), the greater the level of HRM similarity between the affiliate and the parent company (PARHRM). As shown in Tables 3a, b, & c, the relationship between PERCAPCU and PARHRM reaches statistical significance in the full ($r=.3316$, $p<.01$) and American subsamples ($r=.3052$, $P<.01$). In the Japanese subsample, the relationship is in the predicted direction but does not reach statistical significance. Overall, these results therefore support Hypothesis 7.

Hypothesis 8 predicted that the greater the percentage of capital held by the parent company (PERCAPCU), the lower the level of similarity between the affiliate and local companies in the same industry (LOCHRM). We see from Tables 3a, b, and c that the relationship between PERCAPCU and LOCHRM is in the predicted direction in the full sample and American subsamples, but does not achieve statistical significance. Thus, these results fail to support Hypothesis 8.

While the rank-order correlational analyses are suggestive, there are a number of confounding variables which need to be controlled in order to fully test our predictions. We therefore conducted a series of regression analyses to test Hypotheses 1 through 8 and to

examine possible differences among the Japanese and American subsamples in the study.

Regression Analyses

To test hypotheses 1 through 8, while controlling for affiliate age, size, method of founding, and ownership, we ran regression analyses using each of the two dependent variables: similarity of the affiliate's HRM system to the parent company's HRM system (PARHRM) and similarity of the affiliate's HRM system to the HRM systems of locally-owned companies in the same industry (LOCHRM). Because independent and dependent variables were constructed using different scales, all scale variables were standardized.

The results of the regressions on similarity to the parent's HRM system are presented in Table 5 below and the results for similarity between the affiliate and local companies' HRM systems are shown in Table 6. Each model was run for each of the three samples: the full sample, the Japanese subsample and the American subsample.

Tables 5 & 6: Regression Analyses About Here

Hypothesis 1a predicted that the greater the strength of top management's belief that the parent company possesses a competence in HRM, the more likely that MNC is to transfer its HRM systems to its overseas affiliate and hence, the greater the level of HRM similarity between the parent company and the overseas affiliate. We find support for this prediction for both the full sample and the American subsample, as shown in Model 4, Table 5. Particularly important are the predictors HRM BETTER, HRM LOCAL MGT and HRM KEY. HRM BETTER asked respondents to what extent the managers in the parent company in its home country believe that the HRM policies and practices of the parent company as a whole are better than those used by other companies. HRM LOCAL MGR asked respondents to what extent the local managers at the affiliate believed that the HRM policies and practices of the parent company are a key to its success and HRM KEY asked respondents to what extent parent company managers stationed at the affiliate believe that the HRM policies and practices of the parent company are a key to its success. It is interesting to note that the beliefs of managers in both the affiliate and the parent company, as well as the beliefs of both local and home country nationals are important predictors of HRM similarity.

Comparing the base model (Model 1) with Model 4, we see that while the regressions are non-significant for the Japanese subsample, there is a substantial gain in the predictive power of Model 4 for the American subsample (adjusted R squared increases from 21% to 53%), indicating the important role that perceived HRM competence plays in determining parent-company HRM similarity.

Hypothesis 1b predicted that the greater the strength of top management's belief that he parent company possesses a competence in HRM the lower the level of HRM similarity between the affiliate and local companies. Model 4, Table 6 shows only limited support for this prediction. For the sample as a whole, only HRM LOCAL MGR (to what extent the local managers at the affiliate believed that the HRM policies and practices of the parent company are a key to its success) significantly predicts local HRM similarity. None of the predictors are significant for the American subsample and only HRM SUCCESS (the extent to which managers in the parent company in its home country believe that the HRM policies and practices of the parent company are a key to its success) is significant for the Japanese subsample.

Comparing the base model (Model 1) with Model 4, which includes the perceived HRM competence measures we see that while the regression equations for the total and American subsamples remain non-significant with little explanatory power, the predictive power of Model 4 is significantly greater for the Japanese subsample than the base model (adjusted R squared for Model 1 = -.0821 and for Model 4 = .4759, significant at $p < .05$).

Hypotheses 2a through 2d offered predictions on the relationship between the level of dependence of the parent company on the affiliate and its ability to control that affiliate through its HRM system. As noted above, there are plausible arguments which would lead us to predict that resource dependence of the parent company on the overseas affiliate could lead to either higher or lower levels of HRM similarity with the parent company. Because resource dependence, is a multi-faceted construct, as noted above, we measured dependence using a

variety of measures in this study (Models 5-10 in Table 5). Looking first at the relationship between how much the parent company needs the affiliate to achieve its objectives (PARENT NEED) and affiliate sales as a percentage of parent company sales (Aff Sales/Parent Sales) we find that neither of these predictors are significant in any of the three samples. At the same time, for the full sample and for the American sample, the regression equation itself is significant (adjusted R square for the total sample=21%; for the American sample adjusted R square 45%). Contrasting this model with Model 1 which only contains the control variables, the adjusted R squared increases from 10% to 21% for the total sample and from 21% to 45% for the American sample.

Models 5-7 examine two composite measures of resource dependence between the affiliate and the parent company: the Integration Index and the Interdependence Index. As described above, the Integration Index is an additive measure of the percentage of all goods and services sold by the affiliate outside of the local host country (SOLD AFF) and the percentage of the affiliate's total purchases that are made outside the host country (BOUGHT AFF). The Interdependence Index is an additive measure of the degree to which the parent needs the affiliate to achieve its objectives (PARENT NEED) and the degree to which the affiliate needs the parent company to achieve its objectives (AFF NEED).

Separately, neither the Integration Index (Model 5) nor the Interdependence Index (model 6) have any significant relationships with parent company-affiliate HRM similarity for the full sample, the Japanese subsample or the American subsample. Combining the two indices in a single regression, we see in Model 7 that while the Interdependence Index is not

significant for any of the three subsamples, the Integration Index is significant in the Japanese subsample. For the Japanese affiliates in the sample, the higher the level of integration, the higher the level of parent company-affiliate HRM similarity. However, none of the regressions are significant. These results therefore fail to support our hypothesis.

While Model 7 included the summary measure of integration, Model 10 (Table 5) examines the relationship between the percentage of products sold locally (SOLDAFF) and the percentage of parts and materials procured locally by the affiliate (BOUGHAFF) separately. Here we see that in all three samples the percentage of goods and services sold by the affiliate outside of the local host country is not an important predictor of parent-affiliate HRM similarity but for the total and American subsamples, it is the percentage of the affiliate's total purchases that are made outside of the host country which is important. The greater the percentage of purchases made outside of the host country, the lower the level of HRM similarity, opposite to our prediction. While the total regression equation for the full and Japanese samples do not achieve significance, the regression for the American subsample is significant ($p < .1$; adjusted R squared=46%).

Hypothesis 3 predicted that affiliates established as greenfield operations will have higher levels of HRM similarity between the parent company and the affiliate than affiliates established as joint ventures or acquisitions. Model 1 in Table 5 looks at this relationship, controlling for affiliate age, size, and parent company ownership. As shown in Model 1, there are no significant relationships between method of founding and parent company HRM similarity in any of the three samples. Hypothesis 3 is therefore unsupported by the data.

In a parallel manner, Hypothesis 4 predicted that affiliates established as greenfield operations will have lower levels of HRM similarity to local companies than affiliates established as joint ventures or acquisitions. Model 1 in Table 6 shows the results of this analysis, controlling for affiliate age, size, and parent company ownership. In the full and Japanese subsamples there are no significant relationships between local HRM similarity and method of establishment. In the American subsample, however, there is a significant and positive relationship between these two variables. This relationship is opposite to that hypothesized since greenfield operations among American affiliates show significantly greater local HRM similarity than do acquisitions. These results therefore fail to support Hypothesis 4 for any of the samples in this study.

Hypothesis 5 predicted that the larger the expatriate presence in the affiliate, the higher the level of HRM similarity between the affiliate and the parent company. Model 2, Table 5 presents the results using the number of expatriates stationed in the affiliate while Model 3 presents the results using the percentage of expatriates to total full-time affiliate employees as the predictor variable. As shown in Models 2 and 3 there are no significant relationships between the number of expatriates or the percentage of expatriates in the affiliate and the level of HRM similarity between the affiliate and the parent company in the full sample, the Japanese subsample, or the American subsample.

Hypothesis 6 predicted that the larger the expatriate presence in the affiliate, the lower the level of HRM similarity between the affiliate and local companies. These results are presented in Models 2 and 3 of Table 6. As shown in Model 2, we find no significant

relationships between number of expatriates and local HRM similarity in the total sample or the Japanese or American subsamples. Using percentage of expatriates as the predictor of local HRM similarity (Model 3, Table 6) we find an interesting difference between the subsamples. While there is not a significant relationship between expatriate presence and local HRM similarity in either the full or Japanese samples, there is a strong negative relationship between the two variables in the American subsample. For these affiliates, the greater the percentage of expatriates in the affiliate, the lower the level of HRM similarity between the affiliate and local companies ($p < .005$). For the American subsample the regression equation is also significant (at $p < .05$) and the predictor variables explain over 18% of the variance in local HRM similarity. In summary, while we find no support for Hypothesis 6 in the full or Japanese subsamples, there is strong support, using percentage of expatriates as the measure of expatriate presence, in the American subsample for this hypothesis.

Model 1 in Tables 5 and 6 look at the relationship between parent company ownership and HRM similarity, controlling for method of establishment, affiliate age, and affiliate size. As described above, Hypothesis 7 predicted that the greater the percentage of capital owned by the parent company the higher the level of HRM similarity between the affiliate and the parent company. As shown in Table 5 (Model 1) there is no evidence for the sample as a whole or the Japanese and American subsamples to support this proposition. In all three cases, the relationship between HRM similarity and the predictor variable is very small and non-significant.

Hypothesis 8 predicted that the greater the percentage of capital owned by the parent

company the lower the level of HRM similarity between the affiliate and local companies. As shown in Table 6 (Model 1), we again find no support for this prediction in the full sample or the two subsamples. Hence, the data lead us to reject Hypotheses 7 and 8.

IV. Discussion and Conclusions

As outlined a the beginning of this paper, we explored the answers to four research questions: 1. To what extent do MNCs transfer their parent company HRM systems overseas versus adopt local practices?; 2. What are the key determinants which lead MNCs to transfer their parent company HRM systems overseas?; 3. What are the key determinants which lead MNCs to use local HRM systems in their overseas affiliates?; and 4. Are there any differences in the above relationships between those affiliates with Japanese parent companies and those with American parent companies? We saw from the means for each of the samples in the study that both Japanese and American firms have moderate levels of HRM similarity to both local companies and to their parent companies, with slightly higher levels of similarity to the parent than to local companies (see Table 4 above). These MNCs therefore do not chose between exporting the parent company system overseas or adapting to local conditions but take a hybrid approach, combining elements of both in their Asian affiliates. Japanese and American affiliates have nearly identical levels of local HRM similarity although the American affiliates in the sample have significantly higher levels of parent-company HRM similarity than their Japanese counterparts. These results are interesting and counterintuitive given the widespread stereotype that it is Japanese firms which tend to export their management systems overseas.

In looking at the data bearing on the second research question concerning the key determinants which lead MNCs to transfer their parent company HRM systems overseas, we saw from the rank-order correlations and from the regression equations that for both the sample as a whole and for the American subsample, perceived HRM competence and affiliate age are critical factors. For the Japanese subsample, none of the predictor variables appear to predict the level of parent company-affiliate HRM similarity. Whether the affiliate was founded as a greenfield operation or as an acquisition or joint venture, the level of parent company ownership, the size of the affiliate, and the level of resource dependence between the affiliate and the affiliate were all found to be non-significant predictors of parent company-affiliate HRM similarity.

Turning to the third research question concerning the key determinants which lead MNCs to use local HRM systems in their overseas affiliates, we found that the base model (Model 1, Table 6), is not significant for any of the samples and only method of establishment in the American sample significantly predicts local company-affiliate HRM similarity. Controlling for interdependence, however (Model 6) we find that for the American affiliates, affiliate age is positively and significantly related to affiliate-local company HRM similarity. The older the affiliate, the higher the HRM similarity between the affiliate and local companies.

There are fewer significant relationships between the predictor variables and HRM similarity in the Japanese subsample, although there is some evidence that perceived HRM competence among parent company managers does reduce the level of affiliate-local company HRM similarity. Finally, in the American subsample, percentage of expatriates has a strong

negative effect on local company HRM similarity, although there is no similar relationship within the Japanese subsample. In addition, if percentage of expatriates stationed in the affiliate is entered as a control variable (Model 3), parent company ownership becomes significant for the American affiliates. In this case, controlling for expatriate presence, the greater the parent company ownership, the lower the level of affiliate-local company HRM similarity.

In summary, the control variables of affiliate establishment method, affiliate age, size, and parent company ownership are not related to either HRM similarity with the parent company or local companies in the full sample or Japanese subsample. For the American subsample, only affiliate age is a significant predictor of parent company similarity (Model 1, Table 5) and only method of establishment is significant for the American subsample for local HRM similarity (see Model 1, Table 6). These results are in contradiction to the assumptions of most writers in this field and to the recent findings of Rosenzweig and Nohria (1994) for a sample of U.S. affiliates of foreign-based MNCs.

In addition, resource dependence does not appear to play an important role in the level of HRM similarity between the affiliate and local companies or between the affiliate and the parent company. HRM similarity is admittedly a partial and proxy measure for parent company control and further research is necessary to tease out whether our results are indicative of the nature of the relationship between the variables themselves or are an artifact of our measures.

The lack of a relationship between expatriate presence and HRM similarity with the

parent company in the total and Japanese samples also contradicts the results found by Rosenzweig and Nohria (1994) that higher expatriate presence leads to lower levels of similarity between the affiliate and local practices. Although there are no significant relationships between expatriate presence and local HRM similarity for the total or Japanese subsample, the results from the American subsample that percentage of expatriates in the affiliate is associated with lower levels of local company-affiliate HRM similarity (Table 6, Model 3) do support Rosenzweig and Nohria's (1994) findings. In the American affiliates, the presence of expatriates suppresses the adoption of local HRM systems but does not enhance the exportation of parent company systems overseas. In the Japanese affiliates, on the other hand, expatriates do not seem to be important to the adaptation or exportation of HRM systems to the affiliate.

These results, in addition to the relatively modest correlation between the measures of affiliate-parent company HRM similarity and affiliate-local company HRM similarity, should be taken into account when conceptualizing and designing future studies. As highlighted in Tables 3a,b, and c, similarity to local companies and similarity to the parent company do not represent opposite ends of a single continuum but should be measured and tested independently. MNCs can, and in this study do, adapt their systems to fit local norms and export their parent company systems overseas.

Our fourth and final research question focused on the differences between Japanese and American affiliates in the sample. While we do find some notable differences between the two subsamples (as described above), overall, there are far more similarities among the American

and Japanese affiliates than differences between them.

In order to be successful in the complex global economic environment, MNCs must constantly balance the need for global integration versus local differentiation. In order to achieve this balance, the MNC must draw on its internal resources (Bartlett & Ghoshal, 1989; Collis, 1992; Evans & Doz, 1992; Pucik, 1992) and the IHRM system of the MNC is a critical internal resource necessary for the firm to manage this duality (Taylor, et al., 1995). The results from this study indicate that Japanese and American MNCs are simultaneously integrating and differentiating their HRM systems.

The results from this study also indicate that while MNCs respond to increased integration between the operations of the MNC as a whole and the affiliate with higher levels of integration between the affiliate and parent company's HRM system, HRM system similarity is also influenced by the belief of top management at the parent company that their parent company HRM system is a core competency. While most researchers have focused on "objective" factors to explain HRM similarity, equally important are subjective factors and perceptions. In this study the data indicate that the traditional explanatory factors such as affiliate age, size, ownership, etc. are not important predictors of HRM similarity. Whether this reflects the unique characteristics of the three industries included in this study, factors common to the ASEAN countries, Japanese or American MNCs, or some other factor is not clear. Clearly, future research is needed to reconcile these results with those from earlier studies. As FDI continues to play an increasingly important role in the attempts of MNCs to compete internationally, issues such as the determinants and outcomes of affiliate human

resource management systems will become even more critical to MNCs and a key factor in their long-term success and viability.

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Table 1: Japanese Investment in ASEAN
(in U.S. $ million)

	1988	1989	1990	1991	1992	1993
Indonesia	586	631	1105	1193	1357	813
Malaysia	387	673	725	880	704	800
Philippines	134	202	258	203	160	207
Singapore	747	1902	840	613	670	644
Thailand	859	1276	1154	807	657	578
Total	2713	4684	4082	3696	3867	3042

(Sources: Nihon Boeki Shinkokai, *Nihon no toshi, 1989-93* cited in Sudo, 1994: 65; Keizai Koho Center, 1994: 55)

Table 2: Number of Japanese Affiliates in the Sample By Country and Industry

	Elec-tronics	Auto-motive	Chem./ Pharm.	Other	
Singapore	9	5	4	3	
Malaysia	2	8	2	4	
Indonesia	4	5	2	2	
Philippines	1	5	1	3	
Thailand	1	6	0	2	
Total	17	29	9	14	69

Table 3: Parent Company, Affiliate and Respondent Characteristics

Variable	Mean (Standard Deviation)
Parent Co.	
Age of Parent	69.00 years (48.02)
Sales Volume ($)	$33,290,000,000 ($103,400,000,000)
# Employees	37,698 (69,011)
Affiliate	
Age of affiliate	16.39 years (10.48)
Sales Volume ($)	$102,984,309 ($117,235,328)
# Employees	873.01 (933.50)
% Parent owned	66.29% (29.14%)
Method of estab.	
-Greenfield	67.1%
-Acquisition	31.2%
-Other	1.7%
Respondents	
Position in co.	
-Mging. Director	46.2%
-Div./Dept. Head	27.3%
-Other mgmt.	26.5%
# years with co.	16.00 (10.67)
Gender	
-Male	92.7%
-Female	8.3%
Age	43.63 (9.46)

Table 4a: Descriptive Statistics

Variable	Mean	Std. Dev.	Minimum	Maximum
Parhrm Similarity of HRM to parent co.	3.70	1.42	1.00	7.00
Lochrm Similarity of HRM to local co's.	3.94	1.52	1.00	7.00
Age age of affiliate	16.39	10.48	2.00	59.00
PERCAPCU % aff. capital held by parent	66.29	29.14	15%	100%
Expatass # expats in aff.	9.52	8.94	1.00	39.00
Expatee # expats/full-time employees	2%	3%	0%	18%
Parage Age of parent co.	69.00 years	48.02	17.00	221.00
Ftees # affiliate ees.	873.01	933.50	29.00	5000.00
Parees # parent co. ees.	37698.19	69011.90	500.00	252000.0
Affsales Sales volume of affiliate	$102,984,309	117,235,328	350,000	400,000,000
Parsales Sales volume of parent co.	33.29 ($B)	103.4 ($B)	$30,400,000	500 ($B)
Parneed How much the parent co. needs the affiliate to achieve goals	3.01	1.15	1.00	5.00
Affneed How much the affiliate needs the parent co. to achieve goals	3.93	1.05	1.00	5.00
Bougaff % of inputs purchased from parent co.	44.90%	28.11	0	100
Soldaff % outputs sold to parent co.	63.93%	37.69	0	100
Integrax Integration index	82.10	57.17	0	193.00
Interdex Interdependence index	6.96	1.86	2.00	10.00
Hrmbette Parent mgr. belief that parent HRM is better than co's.	3.49	1.01	1.00	5.00
Hrmsucce Parent mgr. belief that HRM is key to parent success	3.99	.91	1.00	5.00
Hrmkey Expats belief that HRM at parent is key to success	3.75	1.13	1.00	5.00
Hrmlocal Local mgr. belief that HRM at parent is key to success	3.45	1.08	1.00	5.00
Hrmprac Expats' belief that affil. HRM practices are better than local	4.03	.80	2.00	5.00
Hrmlmgr Local mgr. belief that HRM of affiliate is better than local co.	3.57	.81	1.50	5.00

Table 4b: Correlation Matrix

	1	2	3	4	5	6	7	8	9	10	11
1) Local HRM	1.00										
2) Parent HRM	-0.19	1.00									
3) Age of Affiliate	-0.03	0.12	1.00								
4) Current Percent Capital	0.10	0.13	-0.12	1.00							
5) Method Established (Dummy)	0.03	-0.07	-0.12	0.07	1.00						
6) Log of Sales	0.04	0.09	-0.18	0.20	.42*	1.00					
7) Number of Expatriates	-0.19	-0.01	0.04	0.26	0.13	.61**	1.00				
8) Percentage of Expatriates	0.21	-0.09	-0.23	.39**	-0.11	-0.08	0.21	1.00			
9) Parent HRM is Better (Parent Co. Mgr.)	-0.19	0.23	0.05	-0.07	-0.13	-0.01	0.07	0.14	1.00		
10) Affiliate HRM is Better (Parent Co. Mgrs.)	-.29*	.29*	-0.01	0.03	-0.12	-0.09	0.10	-0.01	.47**	1.00	
11) Parent HRM is Key (Expats)	-0.08	0.25	-0.09	0.08	-0.08	0.18	-0.02	0.15	.62**	.54**	1.00
12) Parent HRM is Key (Affiliate Co. Mgr.)	-0.05	.28*	-0.10	-0.15	-0.05	0.01	-0.12	0.14	.562**	.54**	.77**
13) Affiliate HRM is Better (Expats)	-.39**	.31*	0.03	0.00	0.08	0.06	0.05	-0.10	.39**	.40**	.44**
14) Parent HRM is Better (Affiliate Co. Mgrs.)	-.53**	0.25	0.01	-0.23	0.11	0.03	0.13	-0.15	.27*	0.24	0.16
15) Integration Index	0.20	0.22	-0.26	.39*	-0.03	0.56	0.21	0.35	0.11	0.01	0.18
16) Interdependence Index	0.07	0.03	-0.01	0.21	-0.08	0.19	.28*	0.20	0.12	0.11	0.23
17) Bought Affiliate	-0.26	-0.16	0.20	-0.14	0.13	-0.52	-0.08	-0.33	-0.19	-0.03	-0.23
18) Sold Affiliate	-0.06	-0.11	0.25	-.63**	-0.06	-.51*	-0.29	-.35*	-0.09	0.01	-0.17
19) Affiliate Need	0.04	0.09	-0.11	-0.04	0.07	0.23	0.18	0.15	0.15	0.20	.30*
20) Parent Need	0.06	-0.04	0.08	.34*	-0.17	0.16	.31*	0.18	0.06	0.00	0.09

	12	13	14	15	16	17	18	19	20
12) Parent HRM is Key (Affiliate Co. Mgr.)	1.00								
13) Affiliate HRM is Better (Expats)	.40**	1.00							
14) Parent HRM is Better (Affiliate Co. Mgrs.)	.31*	.49**	1.00						
15) Integration Index	0.00	0.04	-0.09	1.00					
16) Interdependence Index	0.07	0.03	-0.20	0.30	1.00				
17) Bought Affiliate	0.00	-0.08	0.10	-.82**	-0.33	1.00			
18) Sold Affiliate	0.11	-0.04	0.05	-.90**	-.32*	.49**	1.00		
19) Affiliate Need	0.17	0.17	-0.04	0.26	.83**	-.37*	-0.17	1.00	.43**
20) Parent Need	-0.06	-0.10	-0.25	0.29	.86**	-0.22	-.39**	.43**	1.00

Table 4c: Difference in Means Tests on Parent-Affiliate HRM Similarity and Local Company-Affiliate Similarity Between Greenfield and Acquisitions and Joint Ventures

	Greenfield Operations	Aquisitions/ Joint Ventures
	Mean	Mean
Similarity of Affiliate HRM to Local Companies	3.8515	3.8684
Similarity of Affiliate HRM to Parent Company	3.6659	3.8816
Significance of Difference in Means Scores	N.S.	

Table 5: Regression Results for Parent Company-Affiliate HRM Similarity

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
	Beta (S.E.)	Beta (S.E.)	Beta (S.E.)	Beta (S.E.)	Beta (S.E.)
Intercept	-1.0745 (2.9964)	-4.472 (3.6461)	-2.9358 (3.073)	-1.1757 (2.7980)	-8.8267 (3.6600)
Est. Method	-.1096 (.5982)	.1036 (.6399)	-.0359 (.5717)	.0916 (.5394)	1.3680* (.4446)
Aff. Age	.0140 (.0254)	-.0091 (.0330)	-.0225 (.0313)	.0232 (.0251)	.0966* (.0246)
Log of Aff. Sales	.0707 (.1717)	.3073 (.2236)	.2274 (.1871)	.0542 (.1614)	.4567 (.1914)
% Parent Ownership	-.0014 (.0103)	-.0031 (.0104)	-.0048 (.0109)	.0017 (.0135)	-.0137 (.0071)
# Expats		-.0463 (.0351)			
% Expats			.5112 (11.5475)		
HRMBETT				.2305 (.6019)	
HRMLOCA				.5459 (.5381)	
HRMPRAC				.0449 (.4425)	
HRMSUCC				-.0813 (.4730)	
HRMLMGR				.1845 (.4772)	
HRMKEY				-.0343 (.9076)	
Integration Index					-.6214 (.2402)
Interdepen-dence Index					
PARNEED					
AFFNEED					
Aff. Sales/ Parent Sales					
SOLDAFF					
BOUGHAFF					
R square	.0251	.1461	.1453	.4753	.8335
Adjusted R square	-.2112 (1.1596)	-.1589 (1.1529)	-.1835 (1.060)	-.0770 (.9953)	.5956 (.4828)
Significance of F	N.S.	N.S.	N.S.	N.S.	N.S.

Table 5: Regression Results for Parent Company-Affiliate HRM Similarity (continued)

Variable	Model 6	Model 7	Model 8	Model 9	Model 10
	Beta (S.E.)	Beta (S.E.)	Beta (S.E.)	Beta (S.E.)	Beta (S.E.)
Intercept	-2.2017 (3.1958)	-8.4271 (4.5602)	-3.0290 (3.3540)	-3.3999 (2.8854)	-12.9602 (4.1573)
Est. Method	-.0721 (.6261)	2.4193 (1.0445)	-.1693 (.6405)	.3782 (.5879)	1.7671* (.4655)
Aff. Age	.0252 (.0273)	.1539 (.0718)	.0408 (.0327)	.0184 (.0195)	.9026* (.0213)
Log of Aff. Sales	.1122 (.1796)	.4090 (.2189)	.1452 (.1848)	.0361 (.1667)	.6230 (.1983)
% Parent Ownership	.0012 (.0112)	-.0394 (.0218)	.0016 (.0113)	.0267* (.0121)	.0024 (.0124)
# Expats					
% Expats					
HRMBETT					
HRMLOCA					
HRMPRAC					
HRMSUCC					
HRMLMGR					
HRMKEY					
Integration Index		-.1141 (.4416)			
Interdepen-dence Index	-.3660 (.2914)	-.4060 (.5965)			
PARNEED			-.6070 (.4675)		
AFFNEED				.3419 (.4791)	
Aff. Sales/ Parent Sales			.1881 (.4675)		
SOLDAFF					1.2485 (.5760)
BOUGHAFF					-.1085 (.2943)
R square	.1201	.9655	.1688	.4393	.9123
Adjusted R square	-.1824 (1.1747)	.6611 (.4703)	-.2006 (1.1837)	.1441 (.8154)	.7018 (.4164)
Significance of F	N.S.	N.S.	N.S.	N.S.	.16

Table 6: Regression Results for Local Company-Affiliate HRM Similarity

Variable	Model 1	Model 2	Model 3	Model 4	Model 5
	Beta (S.E.)	Beta (S.E.)	Beta (S.E.)	Beta (S.E.)	Beta (S.E.)
Intercept	.1867 (2.3519)	-.1341 (2.8726)	.3721 (2.5921)	1.1668 (1.8378)	-16.2638* (5.0743)
Est. Method	.1007 (.4512)	.1671 (.5149)	.2206 (.4908)	-.0057 (.3383)	.4545 (.6666)
Aff. Age	.0127 (.0230)	.0155 (.0262)	.0104 (.0266)	-.0203 (.0214)	.0772 (.0529)
Log of Aff. Sales	-.0636 (.1412)	-.0462 (.1763)	-.0753 (.1580)	-.0667 (.1145)	.7924* (.2579)
% Parent Ownership	.0107 (.0078)	.0106 (.00083)	.0134 (.0092)	.0062 (.0085)	.0203 (.0096)
# Expats.		-.0046 (.0283)			
% Expats			-8.0999 (9.7785)		
HRMBETT				-.4556 (.4184)	
HRMLOCA				.1438 (.3961)	
HRMPRAC				-.2059 (.2757)	
HRMSUCC				-.6912* (.2951)	
HRMLMGR				-.2213 (.3052)	
HRMKEY				.9794 (.6230)	
Integration Index					-.9448 (.3611)
Interdepen-dence Index					
PARNEED					
AFFNEED					
Aff. Sales/ Parent Sales					
SOLDAFF					
BOUGHAFF					
R square	.1319	.1416	.1726	.7641	.8278
Adjusted R square	-.0723 (.8837)	-.1446 (.9350)	-.1223 (.9299)	.5021 (.6193)	.5407 (.6311)
Significance of F	N.S.	N.S.	N.S.	.0613	N.S.