



WEIGHT versus voice:

How foreign subsidiaries gain attention from corporate headquarters
in emerging markets

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Abstract

The research problem of this project is to investigate if, and how, Birkinshaw and Bouquet's model of subsidiary attention seeking by means of weight and voice needs to be modified for MNC subsidiaries operating in emerging markets. The qualitative research technique used for this research was the multiple-case study method. Key findings are that weight is moderated by institutional environments and voice by national culture in emerging markets. Recommendations are made to assist managers of subsidiaries in increasing weight and voice in emerging markets in order to gain more attention from Corporate Headquarters.

Keywords

Multinational companies

Emerging markets

Attention seeking behaviour

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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Table of Contents

Chapter 1: Introduction to the research problem	6
1.1 Introduction	6
1.2 Definition of problem and purpose	6
Chapter 3: Research propositions	23
Chapter 4: Research methodology	25
4.1 Research design	25
4.2 Population and sample	26
4.3 Data collection.....	28
4.4 Data analysis.....	28
4.5 Ethical considerations	31
4.6 Limitations	31
4.7 Validity and significance of the research	33
Chapter 5: Research findings	34
5.1 Contextual background	34
5.2 Case 1: Corporate Headquarters	36
5.3 Case 2: Brazil.....	44
5.4 Case 3: China	50
5.5 Case 4: Guinea	54
5.6 Case 5: Mali	59
5.7 Case 6: South Africa	62
Chapter 6: Discussion of Results	69
6.1 Proposition 1: The weight of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.	69

6.2 Proposition 2: The voice of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters..... 71

6.3 Proposition 3: The national culture prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters..... 73

6.4 Proposition 4: The institutional environment prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters. 76

6.5 Weight and voice in an emerging markets context..... 78

Chapter 7: Conclusion 80

7.1 Main findings 80

7.2 Recommendations to stakeholders 81

7.3 Recommendations for future research 83

References 84

Chapter 1: Introduction to the research problem

1.1 Introduction

Multinational companies (MNCs) operate across borders, and are therefore exposed to individual country complexities (Cohen, 2010). The subsidiaries of MNCs depend, to greater or lesser degrees, on their parent companies for access to resources. Resources are not allocated evenly across subsidiaries (Brouthers, Brouthers & Werner, 2008), and subsidiaries must typically attract head office attention in order to gain access to resources (Bouquet & Birkinshaw, 2008). Under Barney's (1991) resource-based view of the firm, access to resources influences a subsidiary's capabilities and its resultant competitive advantage.

This chapter highlights the problem definition and purpose of the research, investigates previous literature about the topic, and proposes that qualitative research, particularly multiple-case study methodology, be used in applying and modifying Bouquet and Birkinshaw's model of gaining head office attention in an emerging market context.

1.2 Definition of problem and purpose

Attention from corporate headquarters has been deemed as a critical and scarce resource by numerous authors (Bouquet & Birkinshaw, 2008). Different countries have different languages, customs, traditions, cultures, laws and economies. As a result, while vying for head office attention, MNC subsidiaries are often faced with simultaneously having to deal with global consistency and

local responsiveness (Cohen, 2010; Levy, Beechler, Taylor & Boyacigiller, 2007).

In a model built by Bouquet and Birkinshaw (2008), subsidiaries of MNCs attract head office attention through two factors referred to as weight and voice; these are moderated by subsidiary strategic isolation. In short, a subsidiary's weight consists of the significance of the local market in which it operates, and the subsidiary's strength within the MNC network. A subsidiary's voice is made up of the initiative taken by a subsidiary and the profile that a subsidiary manages to create for itself across the MNC. Subsidiary strategic isolation consists of the geographic distance between the head office and the subsidiary, as well as a subsidiary's downstream competence (Bouquet & Birkinshaw, 2008).

In building this model Bouquet and Birkinshaw (2008) gathered and analysed data relating to MNCs located in developed countries: in Australia, Canada and the United Kingdom. These countries were chosen by the authors precisely because of their homogeneity – they share a common language and all have a history of inward investment (Bouquet & Birkinshaw, 2008). Conformity across subsidiaries allows for isomorphism, which is not applicable in emerging markets (Manev, 2003).

Emerging markets are heterogeneous, particularly regarding their progress in economic and institutional development (Wright, Filatotchev, Hoskisson & Peng, 2005). Several authors have identified differences in institutional contexts between developed and emerging economies (Narayanan & Fahey, 2005;

Wright, *et al.*, 2005), which raises the question of the applicability of Bouquet and Birkinshaw's model in the context of emerging markets.

The research problem is therefore to investigate if, and how, Birkinshaw and Bouquet's model of subsidiary attention seeking needs to be modified for subsidiaries operating in emerging markets.

This research therefore builds on that conducted by Bouquet and Birkinshaw (2008) by applying their model in an emerging market context. This research is particularly relevant given the vast increase in the study of multinationals and emerging markets over the past decade (Pillania & Fetscherin, 2009) and will be especially valuable to students of international business and to managers working in MNCs in emerging markets.

Chapter 2: Theory and literature review

Bouquet and Birkinshaw (2008) found that subsidiaries of MNCs gain head office attention in two ways. The first is what the authors refer to as weight and the second is voice. In this section, Bouquet & Birkinshaw's model of corporate attention allocation in MNCs is briefly explained. Following on from the discussion of the model, emerging markets are discussed and the variables that differentiate them from developed markets are highlighted. Finally, different types of resources that emerging market subsidiaries rely on from parent MNCs are discussed.

2.1. Weight and voice

In essence, Birkinshaw and Bouquet's (2008) model showed strong evidence that weight and voice are two key factors that help subsidiaries of MNCs gain attention from corporate headquarters, and that these factors are moderated by the strategic isolation of subsidiaries. Before each of these factors is discussed independently, it is important to first gain an understanding of the authors' view of head office attention.

2.1.1. Attention

Bouquet and Birkinshaw (2008) describe attention from head office as the degree to which recognition and credit is given to subsidiaries by the parent company, for each subsidiary's contributions to the overall wellbeing of the MNC. Three points are inherent to this view of attention. Firstly, the authors focus on positive attention, which implies a developmental relationship between

an MNC and its subsidiaries. This differentiates the concept of attention from the concepts of head office control and compliance, which have negative associations. Secondly, the attention is given by the parent company in total, rather than by the Board of Executives or Chief Executive Officer. Thirdly, attention is gained as a result of a subsidiary's contribution to the total MNC, not to the local market or region (Bouquet & Birkinshaw, 2008).

The authors view attention as an aggregate multidimensional construct with three subconstructs, namely relative attention, supportive attention and visible attention. Relative attention is the perceived attention given to one subsidiary relative to others in perceived strategic regions, in the same region or in other parts of the world. Supportive attention is the perceived attention in terms of employee rewards and career opportunities, parent company interest in the subsidiary's local market and operations, and the role the parent company plays in terms of diffusing best practice. Visible attention is the exposure of individual subsidiaries to other subsidiaries in the MNC by means of published company documentation, such as annual reports.

Bouquet and Birkinshaw (2008) state that these three subconstructs may or may not covary. Therefore, where one of these three subconstructs was not visible at one of the subsidiaries from which Bouquet and Birkinshaw collected their data, the amount of attention for that subsidiary was decreased, but not completely eliminated.

Given this view of head office attention, it is possible to discuss the factors that, according to those authors, MNC subsidiaries can use to gain that attention.

2.1.2. *Weight*

Weight has to do with the strategic significance of the local market in which a subsidiary operates, and the strength of a subsidiary relative to other subsidiaries in the MNC network (Bouquet & Birkinshaw, 2008). Local market significance refers to the perceived importance of the market in which a subsidiary operates to the overall success of the MNC. This perception of market importance is influenced by two factors (Bouquet & Birkinshaw, 2008). Firstly, the presence of other foreign MNCs in a local market implies the existence of advantages specific to that location. Secondly, the presence of other MNCs in a market indicates that support services facilitating business already exist in that market.

Subsidiary strength within the MNC network is determined by the dependence of other subsidiaries on the value-adding activities undertaken by each subsidiary (Bouquet & Birkinshaw, 2008). In an MNC where product diversification is low, for example AngloGold Ashanti, value-adding activities can include best practice processes that create value for the MNC as a whole and that other business units can learn from. The more dependent other subsidiaries are on a particular subsidiary, the more important that subsidiary is deemed to be, and therefore it has greater weight and gains more head office attention (Bouquet & Birkinshaw, 2008).

2.1.3. *Voice*

The voice of a subsidiary is determined by the amount of initiative it takes and the profile it builds for itself. Taking initiative is voluntary, change-oriented and aimed at improving the status of the subsidiary in the local market context (Bouquet & Birkinshaw, 2008). As a result, it is viewed as a means to gain positive head office attention. Profile building is about improving the status of the subsidiary in the eyes of the MNC (Bouquet & Birkinshaw, 2008). A subsidiary's profile consists of its track record in terms of delivering against its stated commitments; its commitment to the parent company, or good citizenship, and impression management efforts, through which a subsidiary publicly highlights its contributions to the overall MNC.

2.1.4. *Moderating variables*

The moderator in Bouquet and Birkinshaw's model is strategic isolation. This is impacted by geographic distance and downstream competence (Bouquet & Birkinshaw, 2008). The authors imply that the greater the geographic distance between the head office and a subsidiary, the less attention head office is likely to give that subsidiary. The authors also state that a subsidiary with greater upstream competence, in activities such as research and development or strategic support services, has more importance than a subsidiary with lower competence in upstream activities. Greater subsidiary competence strengthens a subsidiary's role within the MNC.

2.2. **Control variables**

2.2.1. *Subsidiary size and age*

In order to control for subsidiaries possibly commanding more attention because of their size or history, Bouquet & Birkinshaw (2008) find that subsidiary size and age must be considered. The researchers account for subsidiary size in terms of total sales, total number of employees, and the size of the management team. Subsidiary age is measured in years.

2.2.2. Subsidiary performance

The performance of MNCs has been extensively researched, particularly the relationship between multinationality and firm performance (Rugman & Oh, 2009). Multinationality refers to an organisation having established subsidiaries in foreign countries (Rodrigues, 2001). In their research on the relationship between multinationality and business performance, Rugman & Oh (2009) use return on fixed assets (ROFA) as an indicator of business performance and conclude that regional influences have a greater impact on performance than does multinationality. Christmann, Day & Yip (1999) identify four determinants of MNC subsidiary performance, which they measure using gross margin as a percentage of revenues. The four determinants are the country in which each subsidiary operates, the industry structure, the corporate parent of the subsidiary and the subsidiary strategy. Chen (1999) measures performance in terms of market share and return on investment (ROI). The author finds that the main determinants of performance thus measured are industry-market characteristics and firm-specific advantages, such as the assets that an MNC has at its disposal, and transaction-based advantages.

Given the understanding of how subsidiaries gain attention from head office, it

is necessary to investigate the primary reason they require attention – specifically, access to resources (Johnston & Menguc, 2007).

2.3. Emerging markets

Numerous authors have stated that emerging markets are becoming the drivers of global economic growth (Pillania & Fetscherin, 2009; Wright, *et al.*, 2005). Various factors differ between developed and emerging markets. These variables are briefly discussed below.

2.3.1. National culture

National culture has been identified as a prospective moderating factor in the roles of weight and voice in subsidiary attention seeking for two primary reasons. Firstly, MNCs operate across borders, and are therefore exposed to individual country complexities (Cohen, 2010). Different countries have different languages, customs, traditions, cultures, laws and economies. As a result, MNCs are often faced with simultaneously having to deal with global consistency and local responsiveness (Cohen, 2010; Levy, Beechler, Taylor & Boyacigiller, 2007). Secondly, various authors have found that failing to take note of differences in national culture between MNC parent companies and subsidiaries is a key reason for the failure of MNCs in emerging markets (Li & Scullion, 2010; Pillania, 2009; Chen, 2008; Harvey, *et al.*, 2002).

Before national culture can be discussed, a foundational understanding of the term culture is needed. In simple terms, culture can be described as a set of social norms and responses that form a very strong determinant of human

behaviour, since it allows individuals within certain groups to make sense of their worlds (Rodrigues, 2001). The behaviour of one cultural group might seem foreign to people who are not members of that cultural group. However, culture can be learned (Rodrigues, 2001).

Culture consists of four key elements that exist at different levels of awareness (Cummings & Worley, 2008; Schein, 1990). From the highest to the deepest levels, these are artefacts, norms, values and basic assumptions. Artefacts are visible through the members of a cultural group's behaviours, clothing and language. Furthermore, they can also be observed in that group's structures, systems, procedures and physical aspects such as noise levels and décor. Norms are considered the unwritten rules of behaviour and as such, they guide members' behaviour. Values are explicit statements of what is considered important in the group. Assumptions guide members' perceptions, thoughts and feelings.

National culture is not to be confused with organisational culture (Hofstede, 1993). Whereas a nation's culture is rooted in fundamental values that are shared by most members of that nation, an organisation's culture is easier to change, since it is largely formed through socialisation of new members (Hofstede, 1993). When considering the interrelationship between national culture and organisations, literature indicates that national and regional differences have an influence on business behaviour (Hofstede, 1993; Schneider & de Meyer, 1991). This is understandable, since business organisations operate within greater macroeconomic systems, which means that they

are interrelated and interdependent with other factors within their environments (Senge, 2006). Although the employees of a single MNC are expected to share the same worldwide corporate culture, the differences in their values can be used to estimate the differences between nations in general (Hofstede, Neuijen, Ohayv & Sanders, 1990).

National culture influences subsidiaries' perception of organisational control (Schneider & De Meyer, 1991) and the way that parent companies and international subsidiaries interact (Yan, 2003). Peterson and Smith (1997) found ten cultural predictors that can be used to explain differences in countries. These are listed below.

- **Language** affects ease of communication between business units.
- **Proximity** predicts that the closer a subsidiary is located to the head office, the more interaction between them takes place.
- Although Peterson and Smith (2007) refer to **colonisation** as a method of increasing interaction between foreign cultures, in MNCs this can, at closest, be compared to the presence of **expatriate** employees in foreign subsidiaries.
- **Religion** forms underlying assumptions around values and ethics.
- **Economic systems**, such as capitalism or socialism, influence the degree to which employees are more achievement oriented or more collectivist (Koopman, Den Hartog, Konrad, *et al.*, 1999).
- **Economic development** influences intercultural contact and values.
- **Technological development** influences the way different groups interact.
- **Political boundaries** influence direct interpersonal interaction.

- Prevailing **industry types** in countries have an influence on country differences through their contributions to economic and technological development.
- **Climate and topography** influence the way that employees act in different countries.

Alongside these aspects of national culture, institutional environments likewise differentiate the operation of MNCs in developed and emerging markets.

2.3.2. *Institutional environments*

The institutional environments of the countries in which MNC subsidiaries operate must be taken into account as a prospective moderating factor in the role of weight and voice in attention seeking. This is because failure to understand the political stability of and the maintenance of good relations with host country governments is an important reason for MNC failure in emerging markets (Pillania, 2009; Chen, 2008; Wells, 1998).

In general, MNC operation in more developed markets requires less of a relationship with institutional structures than is the case in less developed markets, since in more developed markets there are more formal rules in place and fewer informal constraints (Narayanan & Fahey, 2005; Wan, 2005). Institutional environments in developing economies are affected by a lack of economic and political stability and market-based management skills (Wright, *et al.*, 2005) and affect transaction costs, capital flows and competition regulation (Narayanan & Fahey, 2005). Furthermore, emerging market govern-

ments usually facilitate access to host country resources, such as raw materials (Wan, 2005). Developing strategic government relationships is therefore necessary in order to gain access to host country resources.

Two ways of influencing the institutional environment are through policy networks (Rizopoulos & Sergakis, 2010) and corporate social responsibility (CSR) projects (Gifford, Kestler & Anand, 2010). Policy networks are structured actions that the MNC undertakes in order to influence the government of the areas in which it operates (Rizopoulos & Sergakis, 2010), whereas CSR projects are undertaken in communities that in emerging markets generally do not have clear government protection, regulation or oversight (Gifford, *et al.*, 2010).

In short, national culture and institutional environments are very different in emerging markets than in developed markets.

2.4. Resources and control

Resources are more freely available in developed countries than in emerging countries (Wan, 2005). In emerging markets, therefore, access to resources is crucial in competing with local companies and attracting governmental support (Wright, *et al.*, 2005; Wells, 1998). Research conducted by Yiu, Bruton and Lu (2005) revealed that competitive advantage in emerging markets is not obtained by applying government-allocated resources. Rather, businesses that are able to gain resources elsewhere are most likely to succeed.

Access to resources and the extent of parent company control over subsidiaries go hand in hand. Bouquet and Birkinshaw (2008) identify parent company control as a form of attention. Resource dependence theory (RDT) maintains that control over MNC subsidiaries is easier where subsidiaries depend on their parent companies for resources (Johnston & Menguc, 2007; Rao, Brown & Perkins, 2007). Therefore, wholly-owned subsidiaries are generally easier to control (Brouthers, *et al.*, 2008; Stopford & Wells, 1972), given their sole dependence on parent companies for resources. Conversely, the less control an MNC has over its subsidiaries, the smaller the dependency on resources from the parent company by the subsidiary. Johnston & Menguc (2007) rationalise subsidiary resource dependency in terms of a quadratic inverted U-shaped model. By this model, then, as a subsidiary's size increases, so too initially does its autonomy and the amount of resources it is allocated. Ultimately, however, an inflection point is reached and autonomy declines as a result of coordination complexity, of the need for more managerial inputs and expertise, and of a growing interdependence between a subsidiary and the rest of the organisation.

Of Bouquet and Birkinshaw's (2008) the three subcategories of head office attention, supportive attention is that required by subsidiaries for access to key resources. These key resources are talent, funding, knowledge, and access to goods and services. Each of these is highlighted below.

2.4.1. Talent and the role of expatriates

Emerging markets often have a shortage of the skilled senior executive talent

that MNCs rely on to drive the business forward (Li & Scullion, 2010). As a result, expatriate managers are often brought in to take on strategic roles, to develop local management and to contribute towards organisational development (Harzing, 2001). In particular, these managers are relied upon for technical competence, which they need to merge with cultural and context-specific factors inherent to subsidiaries' countries of operation. This development is a two-way street, however. An understanding of the local markets in which subsidiaries interact is critical, and it is important that local employees in operating countries train these expatriates (and, indirectly, their head office colleagues) about local norms (Li & Scullion, 2010; Harvey, *et al.*, 2002). Whilst facilitating knowledge transfer and management development in host countries, expatriates also exert a degree of control over subsidiaries (Harzing, 2001).

2.4.2. *Funding*

Subsidiaries need access to large amounts of money for capital investment and research and development (Bouquet & Birkinshaw, 2008). In contrast to those in a developed market, financing decisions in an emerging market are impacted by aspects such as currency stability, exchange controls, local capital market development, regulation regarding collateral, host country-specific tax regulations and the host country's administrative capabilities (Wells, 1998).

2.4.3. *Knowledge*

The more access to knowledge a subsidiary has, the higher its importance to the MNC (Mudambi & Navarra, 2004). In terms of RDT, subsidiaries have a

need to acquire specific knowledge of immediate relevance (Hocking, Brown & Harzing, 2007). Tacit knowledge, in particular, has been found to contribute towards competitive advantage (Hocking, *et al.*, 2007). This can be explained by the importance of knowledge as an input into production capabilities (Wan, 2005). Knowledge can be transferred from an MNC parent company to its subsidiaries (Wang, 2009); from the subsidiaries to the parent company (Harvey, *et al.*, 2002); or from one subsidiary to another (Wang, 2009).

On the one hand, expatriates are fundamental to sharing both home country knowledge with host countries, and learnings from host countries with parent companies (Hocking, *et al.*, 2007; Harzing, 2001). On the other, employees local to the country of operation are crucial in the interaction of MNCs with local stakeholders and in the training of expatriates in societal and cultural norms (Harvey, *et al.*, 2002).

2.4.4. Goods and services

The goods and services subsidiaries require can be sourced either globally or locally. Chen and Cannice (2006) found that the more control exerted by head office over the sourcing of supplies through centralised networks, the costlier it is for subsidiaries in emerging markets to source supplies. In emerging markets, however, some of the goods and services necessary for production are not always available locally. Consequently, they must be sourced globally, bringing to these subsidiaries a cost that can often be avoided by their counterparts in more developed markets.

In conclusion, then, Bouquet and Birkinshaw (2008) model attention-seeking behaviour by MNC subsidiaries in developed markets primarily in terms of weight and voice. This literature study has shown, however, that emerging markets differ from developed markets in two key ways: from a national culture perspective, and an institutional environment perspective. The research propositions that flow from this theory base are outlined in Chapter 3.

Chapter 3: Research propositions

The research problem seeks to investigate if and how Bouquet and Birkinshaw's model of subsidiary attention seeking needs to be modified for subsidiaries operating in emerging markets. This problem requires the formulation of research propositions in order to clarify the issue to be resolved and to prevent ambiguity in addressing the research problem (Zikmund, 2003; Miles & Huberman, 1994). Propositions are appropriate for this research, given that they claim proposed links between concepts (Zikmund, 2003).

Four propositions are put forward for this study. The first two are in line with the hypotheses put forward by Bouquet and Birkinshaw (2008) in determining that weight and voice assist MNC subsidiaries to gain attention from headquarters. The third and fourth propositions address the emerging markets context. They stem from the literature review undertaken in Chapter 2 and address aspects that differentiate emerging and developed economies.

Proposition 1

The weight of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.

Proposition 2

The voice of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.

Proposition 3

The national culture prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

Proposition 4

The institutional environment prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

In addition to alleging that links exist between head office attention and the four concepts mentioned in each proposition, the use of propositions rather than research questions or hypotheses is also influenced by the nature of the research, which is qualitative. This is expanded on in Chapter 4.

Chapter 4: Research methodology

The purpose of this research was to test an existing model, that of Bouquet and Birkinshaw (2008), in a context that is different to the model's original context – emerging markets. The unit of analysis was MNC subsidiaries, each located in a different country.

4.1 Research design

This research aimed to verify an existing model in a context slightly different to the one in which it was originally developed. The appropriate methodology to use was therefore qualitative in nature (Patton & Appelbaum, 2003; Zikmund, 2003; Voss, Tsikriktsis & Frohlich, 2002). In particular, the qualitative research technique used for this research was the multiple-case study method. The primary advantage of using this method for this research was that it enabled in-depth study of subsidiaries, which catered for the determination of relationships between the subsidiaries and the corporate office (Zikmund, 2003). Furthermore, the case method allows for the combination of induction and deduction (Grünbaum, 2007; Perry, 2001). For the purposes of this research, deduction was used to test Bouquet and Birkinshaw's 2001 model in an emerging markets context, and induction was used to examine additional factors moderating attention seeking behaviour.

Case studies are appropriate when research is based on only one or a few organisations (Rowley, 2002). In this instance, one company is used as a proxy for MNCs in emerging markets. One case was developed for each subsidiary,

based on data gathered during personal and telephonic interviews.

4.2 Population and sample

For their study, Bouquet and Birkinshaw (2008) selected sample subsidiaries from Australia, Canada and the United Kingdom (UK). These are all developed countries, and were considered suitable by these authors because, besides each housing many foreign-owned MNC subsidiaries, they share commonalities in two main areas. Firstly, the authors considered people in Australia, Canada and the UK as being relatively homogenous in terms of language and culture. Secondly, all three countries have histories of inward investment (Bouquet & Birkinshaw, 2008), making them an interesting context in which to investigate how subsidiaries gain attention.

The sample selected for this study differed from that selected by Bouquet and Birkinshaw (2008) in three ways. Firstly, and most importantly, the MNC subsidiaries selected were all in developing, rather than developed, countries. As outlined in the research problem, the primary aim of this study was to determine how Bouquet & Birkinshaw's model could have been modified for MNC subsidiaries in developing countries. This had the implication of replacing sample homogeneity with heterogeneity, since the sample subsidiaries for this study were each located in different countries, each with its own distinct language and culture. Secondly, Bouquet & Birkinshaw's respondents represented 246 corporate parents. The respondents for this study all represented one parent company with its subsidiaries located in diverse geographic areas, most of which (and all of those examined in this work) are

developing countries. Thirdly, Bouquet and Birkinshaw studied responses from attention seekers (subsidiaries) only. This research aimed to also incorporate the view of respondents held by the attention giver (corporate parent), in order to determine how subsidiary perceptions of seeking attention might correspond with or differ from how the corporate parent gives attention to subsidiaries seeking it.

The sampling techniques chosen for this research were non-probabilistic (Zikmund, 2003); the population the research aims to elucidate is that of MNCs, and the sample frame was AngloGold Ashanti (AGA), which was selected by means of convenience sampling. The sample itself consisted of a total of twelve employees across five business units and the corporate office; these six locations were stratified to ensure representation across the company's four geographic locations. Therefore, six cases were developed, in line with Perry's recommendation of no fewer than two and no more than fifteen (Perry, 2001). The selected employees at the business units were all senior managers, whereas the targeted respondents at the corporate office were all members of the senior executive team. As far as was possible, expatriate managers were not invited to participate in the research in order to eliminate potential home-country bias.

The business units were the Corporate Office located in Johannesburg, South Africa, which was selected because it is the attention giver. Subsidiaries for this research were located in South Africa, China, Brazil, Ghana, Mali, Guinea and Tanzania. Although South Africa is a country considered much more developed

than the other African countries included, its inclusion was necessitated by the fact that forty percent of AngloGold Ashanti's gold production takes place in South Africa. Given its proximity to the head office and its size of production, both of which are moderating factors identified by Bouquet and Birkinshaw (2008), the South African unit was therefore included as one of the cases.

4.3 Data collection

In order to maximise alignment with the methodology of Bouquet and Birkinshaw (2008), data were collected from primary and secondary sources. Bouquet and Birkinshaw (2008) stated that this method would mitigate problems associated with common methods variance. Furthermore, data collection from multiple sources is aligned with the case method (Perry, 2001). Primary data were collected during interviews with targeted senior managers of subsidiaries in developing countries, while secondary data were gathered from the parent company's published annual financial statements. The researcher already had business relationships with certain key senior managers in the selected developing countries, which facilitated access to the targeted respondents. All of the interviews were recorded and the transcriptions are in the possession of the researcher.

4.4 Data analysis

A key challenge in terms of data analysis stems from the multiplicity of data sources (Miles & Huberman, 1994). For this research, data were collected by interviews and from secondary sources. Miles & Huberman (1994) suggest that in order to overcome this challenge, the collected data be coded. Coding allows

for groups of data to be differentiated and combined, thus facilitating analysis (Zikmund, 2003; Miles & Huberman, 1994). Here, then, data were coded in terms of the four research questions identified in Chapter 3.

Bouquet and Birkinshaw (2008) found that both weight and voice influence the attention that subsidiaries receive from parent companies, and that subsidiary size and geographical distance from the parent company are moderating factors. Therefore, this research made use of the same dependent variables (weight and voice), but in a specifically emerging-market context.

4.4.1 Weight (W)

Bouquet and Birkinshaw (2008) determined weight in terms of the strategic significance of a local market, including local market size and the presence of MNCs in the local market; and subsidiary strength.

Local market size was defined by Bouquet & Birkinshaw (2008) as the proportion of worldwide industry sales realised in the subsidiary's host country. The secondary data used for this research was the proportion of ounces of gold produced by the subsidiary in relation to total gold produced by the MNC.

Subsidiary strength was recorded as the interviewees' perceptions of how dependent their subsidiary was on other subsidiaries and how dependent other subsidiaries were on them.

4.4.2 *Voice (V)*

Bouquet and Birkinshaw (2008) used two variables – specifically, measures of initiative taking and profile building – as a proxy for voice. Profile building, in turn, was a composite measure of the subsidiary’s track record, commitment to the parent company and impression management. Here, the voice variables were recorded as the interviewees’ perceptions of the strength of their initiative taking and profile building.

4.4.3 *Moderating variables*

Bouquet and Birkinshaw (2008) found that the strategic isolation (consisting of geographic distance and downstream competence) of a subsidiary would moderate a subsidiary’s attention seeking. For the purposes of this research, isolation was measured in terms of the physical distance in kilometres (MapCrow, 2010) of the capital city of each of the selected subsidiary countries from the MNC’s corporate headquarters, given that most of the subsidiary countries have more than one business operation. Since a mining company has been selected as a proxy for MNCs in emerging markets, and the subsidiaries of this MNC focus on upstream activities in a mining value chain, subsidiary downstream competence was not addressed.

As noted in Chapter 2, emerging markets are different to developed countries. Therefore, it was hypothesised that in emerging markets, additional variables should be taken into account; in particular, national cultures and the institutional environments of subsidiaries’ countries of operation.

4.4.4 *National culture (C)*

Each subsidiary was assessed in terms of the cultural predictors listed in Chapter 2.

4.4.5 *Institutional environment (E)*

To gain an understanding of each subsidiary's institutional environment this research addresses for each case the perceived extent to which the subsidiary country's regulation contradicted or restricted subsidiary operations; the number of times the subsidiary's managing director met with country authorities each year; and the perceived political stability of neighbouring countries.

4.5 Ethical considerations

In accordance with the ethical clearance granted by the University of Pretoria to the researcher to undertake this research, interviews were kept confidential. In order to preserve their anonymity, respondents' names, titles and positions were excluded from the interview transcriptions. The only identifiers recorded were the country names in which the respondents lived and worked in order to facilitate country comparisons.

4.6 Limitations

A number of limitations were inherent in this research and must be disclosed in order for a holistic view of the overall value of the research.

4.6.1 *Sample selection error*

The research was based on a sample selected by means of non-probabilistic

convenience sampling. Hence, the researcher could not omit the possibility that the selected sample frame, AngloGold Ashanti, differed from other multinational companies and might not have been representative of the target population. Furthermore, the quota sample relied on the researcher's classification of respondents across geographical areas. Non-random selection within these areas meant that error from the population could not be estimated (Zikmund, 2003). However, it was acknowledged that the presence of expatriates in the sample would potentially influence the effect of national culture as a moderator of attention seeking behaviour; therefore expatriates were specifically excluded from being interviewed.

4.6.2 Respondent error

The risk of auspices and social desirability bias existed because the interviews that were conducted were all with employees from AngloGold Ashanti, meaning that respondents might have wanted to be seen as creating a favourable impression (Zikmund, 2003). This was mitigated by assuring interviewees of their anonymity.

4.6.3 Limitations inherent to qualitative research and the case method

Whereas quantitative research requires rigorous mathematical analysis, measurement in qualitative research is largely left to the discretion of the researcher (Zikmund, 2003). Furthermore, observer bias must be guarded against when using multiple case studies (Voss, *et al.*, 2002). To mitigate the risk of interviewers not having been able to record answers fast enough in writing and to avoid interviewers from incorrectly having recording responses

due to their own selective perceptions, all interviews were recorded electronically. Transcripts of these interviews are in possession of the researcher.

4.7 Validity and significance of the research

Case study designs that have a single unit of analysis are referred to as being holistic (Rowley, 2002). Where multiple case methods are used for holistic cases, external validity is important (Rowley, 2002). This implies that the researcher must be able to generalise the research results to other groups within the population of the study (Cepeda & Martin, 2005; Patton & Appelbaum, 2003; Zikmund, 2003; Voss, *et al.*, 2002). For the purposes of this research, therefore, it is assumed that the results are applicable to MNCs with subsidiaries in emerging markets. Validity is increased through triangulation with multiple means of data collection (Voss, *et al.*, 2002). This research used both primary and secondary data, which therefore increased its validity.

The research findings are presented in Chapter 5. Given the increasingly global nature of business research, this information will be especially valuable to both students of international business and managers working in MNCs and. It is also of particular value in understanding that, as compared to developed markets, additional variables influence attention-seeking behaviour in emerging-market MNC subsidiaries.

Chapter 5: Research findings

The research findings originate from qualitative interviews conducted with senior managers from five subsidiary countries that all form part of the same MNC, and with members of the executive team from the parent company of that MNC. Additional data included are from published country reports and from the MNC's published annual and quarterly reports. The data from the interview transcripts and secondary data of each country have been categorised according to the four research propositions and are presented as five country cases plus one corporate parent case.

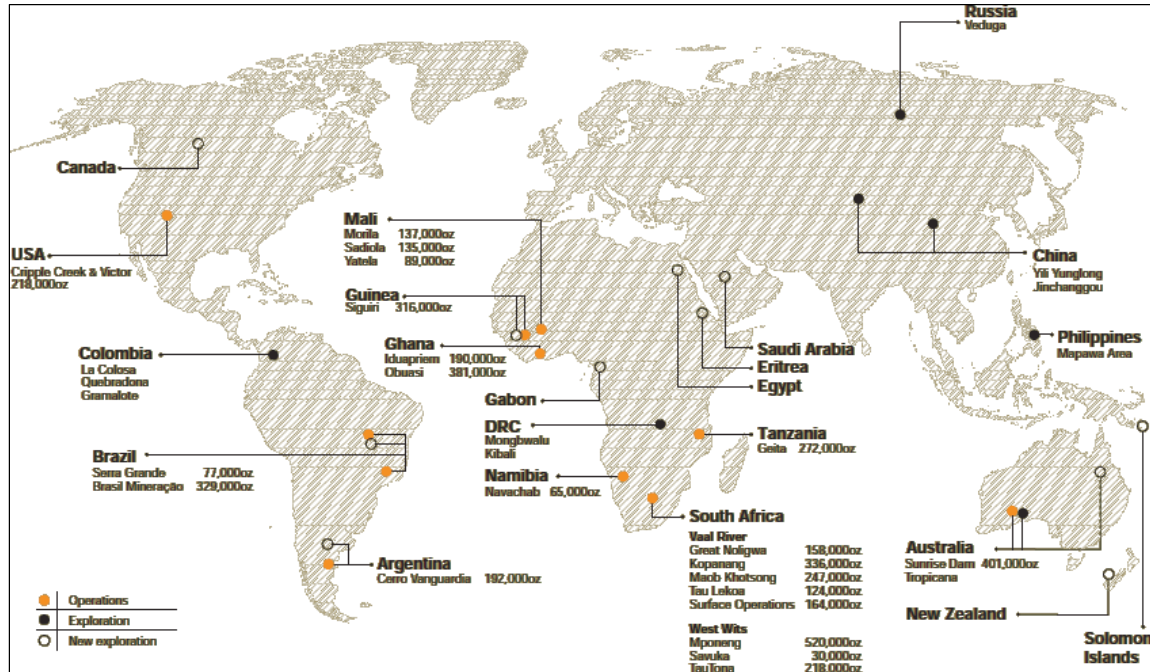
5.1 Contextual background

The population element for this research is the world's third largest gold producer, an MNC headquartered in Johannesburg, South Africa. In order to understand more about the countries in which this MNC has subsidiaries and how those subsidiaries seek attention from the MNC parent company, it is necessary to first gain a contextual understanding of the company and its subsidiaries.

The company has three distinct business focus areas. These are operations, exploration and marketing. Not every business unit is active in all three of these business focus areas. Geographically, the business is grouped into four regions. Each of the four regions has a regional management team that reports to global managers at the corporate office. Figure 5.1 illustrates the locations of the company's current operations and exploration areas (AngloGold Ashanti,

2010).

Figure 5.1: Company operations and exploration



Source: AngloGold Ashanti (2010)

The company's 21 mining operations are located in ten countries across the four geographic regions: South Africa is a region on its own with eight operations; Continental Africa has two operations in Ghana, one in Guinea, three in Mali, one in Namibia, and one in Tanzania; Australasia has one operation in Australia, and the Americas region has one operation in Argentina, two in Brazil and one in the United States of America (AngloGold Ashanti, 2010). Current exploration activities are located in Australia, China, Colombia, the Democratic Republic of the Congo, Gabon, the Philippines and Russia. New exploration activities are located at Argentina, Australia, Brazil, Canada, Egypt, Eritrea, Guinea, New Zealand, Saudi Arabia and the Solomon Islands. Marketing activity is directed from the Corporate Office.

5.2 Case 1: Corporate Headquarters

Corporate headquarters attention is the attention given by executives at corporate headquarters to subsidiaries (Bouquet & Birkinshaw, 2008). For the purposes of this research, three members of the executive team were interviewed separately. Their responses in terms of which subsidiaries have more weight, which have more voice, and which subsidiaries are perceived to gain more attention, are presented below according to the research propositions.

5.2.1 Proposition 1: *The weight of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.*

Weight is determined by the strategic significance of the local market in which the subsidiary of an MNC is located, as well as the subsidiary strength within the MNC network (Bouquet & Birkinshaw, 2008). In terms of strategic significance, the consensus view of the three interview respondents representing the corporate office is that the Continental African region and the Americas (specifically Colombia) are strategically significant regions for the company. This is substantiated by the statements that *“in Africa, there is a great wealth of minerals and people”* and *“it represents 40 percent of the world’s natural resources”*. In the Americas, *“big bang for your buck growth potential”* exists. The Middle East was mentioned as being strategically significant in terms of long-term positioning strategies and that it, together with the Continental African region and some of the new exploration areas, *“is where the real long-term value drivers will be”*. The importance of local market significance in attention giving was made quite clear when one of the executive respondents stated: *“Ultimately it would go back to the size of the prize in terms*

of attention and the bigger the prize, the more attention something will gain”.

In terms of subsidiary strength within the total MNC network, operations in Continental Africa were once again on the forefront of the respondents’ minds because of the impact that the region’s results has on the MNC as a whole, making the rest of the company largely dependent on Continental African operations performing well. This dependence on Continental Africa increases its strength in the global MNC network and, in line with Bouquet and Birkinshaw’s model (2008), its attention. *“Continental Africa receives disproportionate attention for the positive stuff ... because when that engine motors, we have no issues at a Group level, but if it pulls back, we are going to have problems”.* Although according to the model Continental Africa appears to be strong in the view of the corporate respondents, it is viewed as a *“weak player”* in terms of performance, *“which is why [business units in Continental Africa] require more attention and resources”* than business units located elsewhere in the world. The respondents viewed the Americas and South Africa as strong players.

From the Corporate Headquarters view, therefore, it is seems that the business units with the most weight in terms of strategic significance of the local market and the strength of subsidiaries within the global MNC network are located primarily in Continental Africa, followed by the Americas and then South Africa.

5.2.2 *Proposition 2: The voice of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.*

Voice is a factor of initiative taking, profile building and impression management within the subsidiary (Bouquet & Birkinshaw, 2008). Initiative taking is described as the extension to or departure from an existing mandate. It is often embedded in local market contexts and sometimes only noticed during executive subsidiary visits. Profile building is the extent to which a subsidiary has a good record of delivering on its commitments to the parent company and its overall commitment to the parent company. Impression management is concerned with how the subsidiary manages the parent company's impression of itself by developing connections and working closely with contacts at the corporate headquarters (Bouquet & Birkinshaw, 2008).

In the view of the corporate office respondents, one of the reasons voice is used to seek attention by subsidiaries is in order to gain access to capital in order to fund their businesses. One respondent stated: *"the resources are there for those who ask for it and who need it"*. In the Corporate Headquarters view, this is primarily achieved through profile building and impression management. The first aspect of profile building is the importance of developing a good track record. At the MNC in question, this is done by consistently delivering on commitments, which was clearly substantiated by all three executive respondents. *"Business units create a good track record if they deliver and ask for assistance"*. Consistent delivery against commitments makes room for business units to *"be a very central part of the discussion"*. One respondent explains: *"It might be that your financial contribution is miniscule on the grand*

scheme of things, but your ability to deliver the commitment you have undertaken to deliver is very material, because off that, a lot of other things are built elsewhere in the business ... it's not all about big cash flow – it's about the hand you've been dealt and what you do with it". Consistent delivery, rather than superior financial performance, therefore, results in subsidiaries having better track records and helps them build better profiles, which increases their voice, and thereby, the attention they can get from corporate headquarters.

Another aspect of voice is impression management (Bouquet & Birkinshaw, 2008). Other than using voice in order to get access to capital, business units also want *"to be seen to be core and contributing ... to the whole and what standards they set which really become the benchmark for the whole"*. From the interview responses, subsidiaries build favourable impressions in two ways. The first is by actively engaging with the corporate office by *"seeing what makes people tick"* and using that knowledge to filter what information is *"sold"* to which executive so that subsidiaries can *"be seen to be playing the game"*. The Americas were specifically singled out for having a well structured engagement model with executives from the corporate office by two respondents. One respondent lauded the Americas for demonstrating *"a lot of innovative leadership – the maximum contact is from [a senior manager in the regional office] who calls on a weekly basis for an update"*. South Africa was also mentioned as having *"a willingness and desire to connect on a broad range of issues, not that they are asking for support but they are quite happy to demonstrate what they are doing and how they are doing it"*. From the responses, it is interesting to note that the amount of engagement that takes

place depends on key individuals at business units, or "*one charismatic person who comes and goes*".

The second way that subsidiaries are perceived by the corporate parent to create a favourable impression is in terms of how strongly aligned the subsidiary is with the global company (Bouquet & Birkinshaw, 2008). This is substantiated by the following statement made by one of the executive respondents: "*it matters [as] a business unit sitting in the middle of nowhere to really be seen as a leading part of what this company is about*". Alignment is viewed as being different to engagement. The example provided of a strongly aligned business unit country is Brazil: "*Brazil is one of the strongest connections I have seen between the Brazilian local brand, alignment and seamlessness with the company brand – so it's not that there is a huge amount of engagement with Brazil on issues from Corporate, in fact there is very little, but there is something going on in Brazil, and has been for a long time, where they absolutely, absolutely see themselves as AngloGold Ashanti with 'Brazil' in brackets*".

In short, therefore, it appears that from a Corporate Headquarters perspective, the regions with larger forms of voice are the Americas and South Africa.

Whereas the first two propositions investigate the view of Corporate Headquarters in terms of weight and voice, the next two propositions deal with the differences between emerging and developed markets. When asked to highlight what makes managing subsidiaries in emerging markets different to

managing subsidiaries in developed economies, factors that were stressed include language barriers, cultural barriers, a lack of skills, poor infrastructure, a lack of technology, lacking governance and effective government regulations. Cultural factors are presented under proposition 3, whereas institutional environmental factors are presented under proposition 4.

5.2.3 Proposition 3: The national culture prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

When asked to comment on cultural differences between countries, especially in emerging markets, the following response summarises the general consensus of all three executive respondents: *“Our job is to adapt to cultures, not have cultures adapt to us”*. The corporate headquarters acknowledgement of cultural differences is reflected in the company values: *“We aim for a philosophy that will respect language, religion and diversity as a core - this is our best positive differentiator to crack it in an emerging market”*. It is deemed important to have an operating model that can be tailored to cultures and the nature of the workforce.

Interestingly, the company strengthens its own voice with local stakeholders in the countries in which it is located by *“localising being seen and acting in a way that is totally respectful of local conditions - whether cultural or institutional”*. In interacting with people, it is also important to find out *“what makes that culture tick”*. A specific cultural barrier is the view that *“emerging markets plan for the short-term ... You are more prone to surprises in emerging markets than in*

developed markets”.

5.2.4 Proposition 4: The institutional environment prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

When asked to comment on institutional environmental factors that make emerging markets different, issues that were raised included skills, infrastructure, governance and effective government regulations. Continental Africa was mentioned as being particularly complex to work in: *“One could argue that the problems Continental Africa faces are not dissimilar to the Americas, i.e. the Americas are dealing with four jurisdictions - Columbia, Argentina, Brazil and North America, they are dealing with four different tax authorities and in Brazil they have two mines, so they have the same share of complications, however, these sets of issues do not surface so there is something fundamental that the Americas are doing right and Continental Africa are doing wrong”.* One respondent asserted that Continental Africa has traditionally had a *“lack of managers with experience and exposure”.* Regarding the lack of skills in Continental Africa, a different respondent mentioned that the company needs to adopt a *“more localised understanding of the culture [...] Brazilians lead Brazil, but expats still lead the Continental Africa Region”.*

Regarding governments and legislation, the Corporate Headquarters view is that in emerging markets, laws and controls are found to be *“antiquated and disruptive”.* South Africa and Colombia were mentioned as two countries with antiquated legislation. Legislative frameworks in emerging countries are also

perceived as being less flexible than those in developed markets. Whereas most developed countries keep evolving their frameworks, in some emerging markets *"you get told this the rule of law and this is the way it has to be done."*

In Continental Africa, regional and governmental issues *"take a disproportionate amount of management time"* to deal with. Many more meetings with authorities are required in emerging markets than in developed markets because *"you may be writing or interpreting legislation, or interpreting what they want. You may have to meet every second day – there is often a whole range of consequential issues that do not have a set way of being dealt with within a legislative framework"*. Weak local and national government in Continental Africa compound tough turnarounds and transitions in business, resulting in *"business units want(ing) full credit for that which they are getting right"*.

Overall, Corporate Headquarters believes that from its experience in dealing in complex institutional environments, it is able to leverage best practise in terms of interfacing with communities and tax authorities and obtaining environmental buy-in from non-governmental organisations. The view exists from all three respondents that issues must be solved in a localised way. However, challenging institutional environments do not detract from the strategic significance of a local market: *"You have to go where the gold is. If an emerging country has a [gold] deposit that is exceptional, irrespective of the nature of the host country, then it will get our attention"*.

5.3 Case 2: Brazil

Brazil forms part of the Americas region and has two mining operations and one new exploration project. In total, the Brazilian operations produced 406,000 ounces of gold in 2009, or nine percent of gold produced by subsidiaries of the MNC. At the end of 2009, 4,253 people were employed at Brazil, which equates to seven percent of the total number of employees in the MNC. The capital city of Brazil, Brasilia, is located 7,916.08 kilometres from Johannesburg.

According to the interviewees, South Africa, Colombia and Brazil are viewed as the key regions for the MNC. Brazil's perception is that it gets more positive attention relative to other business units in the Americas except for Colombia, which the Brazilian respondents perceive as being a more strategic country for the MNC *"because of the size of the [exploration] project"*. The reason for Brazil's positive attention is its history of profitability: *"I believe we are receiving a lot of attention and support because [Brazil] is a profitable region"*. In terms of supportive attention, it is perceived that Corporate Headquarters is interested in learning about Brazil and how it operates, but that *"key role players [should be] seconded to Brazil for a six month period to learn about our country, its culture, and build relationships with employees. In this way Corporate Office will have a clear understanding of how we work, can identify our strengths and advise on how we can better conduct business"*. Learning exchange is encouraged. Brazilian technicians are encouraged to go abroad to learn from other operations.

5.3.1 Proposition 1: The weight of an MNC emerging market subsidiary affects

the attention it receives from corporate headquarters.

To recapitulate, weight is determined by the strategic significance of the local market, the presence of other MNCs in that market and subsidiary strength within the MNC network. In terms of the strategic significance of the local market, the Brazilian respondents view their country as having “*low costs and good expectations for new mining*”. Regarding the presence of other MNCs, there are at least nineteen gold mines affiliated to seven companies in Brazil (Mbendi, 2010). In terms of subsidiary strength, Brazil relies less on other areas than what other areas rely on Brazil: “*We offer Colombia a lot of support in Environmental management*”. The respondents do not feel that the business units in the South American region work in isolation: “*activities at our business unit do affect the other business units in America as our operations are linked ... Given our good relationship we have some initiatives with the operation in Argentina. Although we are under different leadership we have some initiatives in common*”.

It therefore appears that Brazil is a strategically significant market and that the subsidiary strength within the Americas region is relative. However, no mention was made of business units in other regions.

5.3.2 Proposition 2: The voice of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.

Voice consists of initiative taking, profile building and impression management (Bouquet & Birkinshaw, 2008). In terms of initiative taking, Brazil is “*constantly developing new projects, structures and ways of doing things*”. One of the

respondents explained that “*Brazil is [...] very creative as we normally find solutions for all [...] problems*”. This creativity is explained as being a legacy issue from about ten years ago when extremely high inflation rates forced Brazilian managers to think laterally in order to make sound personal and professional financial decisions. Five off-the-cuff examples were provided of current, localised initiatives that have been developed in Brazil and are being implemented at other business units in the Americas and globally. Brazil displays a high degree of initiative taking.

In terms of the profile building aspect of voice, Brazil prides itself on having a track record of not only delivering on commitments, but on exceeding expectations. When asked about Brazil’s track record, one respondent stated “*those ounces of gold targets are achieved and we even produce more than that*”. Furthermore, the respondents view Brazil as having a history of strong, globally-respected leaders and that their management are highly credible. Track record is therefore high. The Brazilian respondents also rate themselves highly in terms of commitment to the parent company.

When asked to comment on commitment to the parent company, the respondents’ answers indicate that commitment is strong. In response to whether or not managers in Brazil care about the fate of the company as a whole, one of the respondents stated that “*they care and want to do their best [for the company]*”. When asked if what the company stands for is important to managers, the answers were also very positive. What came out strongest in terms of commitment to the parent company, however, is managers’ sense of

affiliation with the company as a whole: *“They feel part of the family. They feel part of the company. They feel very important to the company”*.

In order to form a view on impression management, respondents were asked how closely Brazil works with Corporate Headquarters and whether or not they develop connections with authority figures at Corporate Headquarters. They focus the business units’ efforts towards meeting corporate goals and values *“by working as a team”*. Although Corporate Office input is welcomed, *“some guidelines are not pertinent to Brazil, but are pushed on Brazil, [which] creates some inside faction”*. Furthermore, it is felt that *“Corporate Office requires more from Brazil than Brazil from Corporate Office”* and this *“can be interfering”*. However, a great deal of time is spent developing relationships with decision-makers at the corporate office: *“In order for [decision makers] to be aligned [with how our project will add value to the company], we really try to be close to them and show them what we are doing. It makes our lives easy”*.

5.3.3 Proposition 3: The national culture prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

In terms of national culture, the greatest factor affecting dealings with corporate office is the language barrier. The official language of Brazil is Portuguese. This is also the language spoken at the mines. However, communication with Corporate Office, clients and shareholders is English. Communication with the corporate office is challenging. Firstly, *“English is not our mother tongue, so we need to translate everything into Portuguese to understand what is required”*.

Secondly, having a small workforce that can attend to information requests from Corporate Headquarters means that people are “*put [under] pressure to submit the information in the requested time*”. Managers in Brazil do not feel uncomfortable in approaching people from the corporate office (“*especially me because we communicate regularly*”). None of the senior managers are expatriate employees.

The predominant religion in Brazil is Roman Catholicism. When asked whether there is a conflict between what the company expects from employees and what norms dictate from members of Brazilian society, one of the respondents replied that “*Brazilian politicians are driven by money rather than ethics*”. The other respondent, however, stated that the company values “*form part of Brazilian culture*”.

Regarding hierarchy, the view is that “*unfortunately*”, people at a higher level are respected more, which has resulted in inappropriate promotions in the past. The result has been that “*We have lost very good technicians and gained inexperienced managers*”. In order to prevent this from happening, the message that is currently being portrayed by senior management in Brazil is as follows: “*Hierarchy is for organising the company - knowledge doesn't have hierarchy. If you are the expert; you've got the knowledge. People must know that their knowledge and opinions are respected. This is not a company thing – it is something that the top companies in Brazil are working towards*”. People are generally comfortable with challenging peers and supervisors.

Gender egalitarianism is “*also a Brazilian thing*”. Traditionally, men in Brazil have had more opportunities than women. However, Brazilian companies no longer distinguish between jobs for men and jobs for women. The Brazilian operations employ “*women mechanics, truck drivers, managers, supervisors, etc*”.

Reward and acknowledgement are important motivators. “*Self-praise is the first step - pride in [one’s] own work is key*”. Performance appraisals assist in acknowledging and rewarding individuals and teams as required.

Socialising informally after hours with one’s colleagues is integral to the culture. Social activities such as “*barbeques; home parties; playing football; going out for dinner*” are viewed as necessary “*in order to create a better environment*”.

In terms of planning, it was mentioned that Brazilians “*procrastinate a lot*”. The perception exists that they could plan better in order to avoid overtime and risk missing performance targets. From a savings orientation point of view, the results were mixed. Some people “*save money for their old age*”, whereas others don’t. However, “*most people try to find a balance*”.

5.3.4 Proposition 4: The institutional environment prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

Legislation is viewed as “*very strict*” in Brazil, which is “*necessary, given the history of corruption amongst politicians and companies*”. Taxation is also very

high”. As a result of stringent legislation, senior managers interact with authorities to try and influence policy and “*make legislation more executable*”. Authorities that must be met with regularly include mayor; local government representatives and associations such as the Brazilian Institute for Mining. Labour unions are also met with quite frequently.

Brazil is viewed as politically stable. Venezuela and Colombia, however, are viewed as unstable. Chile and Argentina are “less stable than Brazil because of economic and political reasons”.

5.4 Case 3: China

China’s business contribution to the parent company is limited to exploration and marketing activity. The company currently has no active mining operations in China. The Beijing Representative Office, which is the country office, has twenty employees. Beijing, the capital city, is located at a distance of 12,297.29 kilometres from Johannesburg.

5.4.1 Proposition 1: The weight of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.

The Chinese respondents mentioned that the China business receives very little attention relative to other areas: “*the majority of the attention is given to mines and operations in other countries*”. In the respondents’ view, the key area in terms of strategic significance for the MNC is Africa. There are at least 19 gold mines affiliated with 14 companies in China (Mbendi, 2010). Given China’s strategic significance in an emerging markets context, the country does “*get a*

fair amount of individual attention as Excom attend meetings in China". Overall, though, it is felt that Corporate Headquarters is not interested in learning about the Chinese business: *"for specifics, yes, but not in general"*. It therefore appears that China does not hold much weight with Corporate Headquarters.

5.4.2 Proposition 2: The voice of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.

From the responses, initiative taking is found to be very low in China: *"People work hard because they need a job, but they lack passion in trying new ways of doing things."* In terms of profile building, managers in China care about the fate of the company and promote the company in China. However, they do not feel a sense of affiliation with the company as a whole because the company has *"very little knowledge of our business which is partly due to language and [because] we deal in exploration mostly"*. Furthermore, company policies and procedures need to be translated first *"because it is important that employees in China know about key values like safety and people"*.

In terms of impression management, one respondent stated that *"at least 40 percent of my work is related to Corporate Office"* and that a great deal of time is spent developing relationships with people at the corporate office: *"it is important to meet new colleagues and see how they can help you with different things"*.

Goals and values are not always aligned. Although certain company aspects, such as safety, are important to the company and China holds safety

workshops, they *“don’t have any operational mines, therefore safety has less emphasis than it would in countries with mining operations”*. However, China does gain access to resources from Corporate Headquarters if it is requested: *“Sometimes we will have technical issues and they will come over to train employees and give us technical support”*.

Overall, China appears to have more voice than weight when it comes to attention seeking from Corporate Headquarters.

5.4.3 Proposition 3: The national culture prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

Language is viewed as a significant barrier to communication with the head office *“because the majority of employees are unable to speak English – there is just no way we can translate everything ourselves”*. Furthermore, *“when company videos / messages are sent out, most people don’t watch them because there are no Chinese subtitles”*. Despite this, *“all our written communication [with Corporate Office] is in English”*. Because most of the senior employees can speak and read English, communication with the head office is *“not difficult, but it is difficult to find out who to contact”*. Of the six managers in China, two are expatriate employees. One view is that *“expats are in a better position to understand global policies & procedures”*.

A legacy of communism has some interesting results. One is that the majority of people *“are educated, but do not have a religion”*. Gender egalitarianism is

also viewed as fair. Another factor is in terms of the corporate goals: “*people [in China] don’t understand shareholder value and how they [invest in] and get returns on shares*”. Alignment with company policies is also challenging in terms of the corporate gift policy. In China, the exchange of gifts takes place in order to strengthen relationships between parties. The MNC is strict on receiving gifts, which has resulted in Chinese employees having to “*explain to suppliers why we are not allowed to accept gifts ... our policies are strict compared to local practice*”.

Regarding hierarchy, “*employees regard senior positions [as] more important*”, although the Chinese office of the MNC in question is “more westernised”. As a result of traditional hierarchical barriers, employees are uncomfortable challenging their peers and supervisors: “*Employees tend to be more compromising than confrontational, which is part of the Chinese culture, which may sacrifice the benefit for the company*”. Furthermore, individual employees tend to socialise with peers on an informal basis, but are generally uncomfortable to socialise with managers.

From a future orientation, planning is not always viewed as necessary, since “*implementers follow instructions*”. However, planning is viewed as important in the sense that it “*eliminates the need for unexpected tasks*”. From a savings perspective, saving is very important. This is because of a “*lack of social security and discomfort with government*”. Furthermore, young working adults are faced with “*high property prices*” and “*do not have many siblings to help support their parents*”, which necessitates people to save for the future.

5.4.4 Proposition 4: The institutional environment prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

Legislation is viewed as “*restrictive, although it is very open [to trade]*”. This is as a result of China having joined the World Trade Organisation. However, similarly to Korea and Japan, “*the implementation of the law is not there - but [Government] are meeting WTO standards*”. The strictness of legislation is also apparent in the following statement: “*We understand what the boundaries are ... I have strict instructions on how to action certain tasks*”.

Impression management with local authorities is so crucial that the Chinese office has employed a public relations officer. The one party government is considered “*streamlined – they have no opposition – but China is doing well. They set the right objectives and make sure people deliver. They have the power to make people deliver.*”

5.5 Case 4: Guinea

The MNC has one mining operation and one new exploration area in Guinea, which is located in the Continental Africa region. In terms of production, the Guinean operation produced 316,000 ounces of gold in 2009, which equates to seven percent of gold produced overall by the company. At the end of 2009, the mining operation employed 2,973 people, which accounts for five percent of the total number of people employed by the company. The capital city, Conakry, is located a distance of 6,007.93 kilometres from Johannesburg. In the view of

the senior Guinean managers interviewed, the key regions of importance for the MNC are Continental Africa and South Africa.

5.5.1 Proposition 1: The weight of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.

In terms of the strategic significance of the local market, one respondent stated: *“I think we get a fair amount of attention because of the value of the results, the life of mine and the mine’s potential”* and that *“the majority of attention [globally] is spent on us”*. This is also substantiated in that *“this is the first year that the CEO has visited [the mine] in the past ten years”*. Regarding the presence of other gold mines in the country, there are at least six that are affiliated with three companies (Mbendi, 2010). In terms of subsidiary strength within the global MNC network, the perception is held that the Guinean operation is one of the main mines in the Continental Africa, which makes "sister companies" rely on it to “make up for lost performance” at other operations. The consensus is that *“Corporate Office is interested in this mine”* and that *“because of the importance of [Guinea] in the Group, I strongly believe we are supported and [Corporate Office] gives us whatever we need”*. Overall, Guinea therefore appears to have significant weight in the MNC.

5.5.2 Proposition 2: The voice of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.

When asked to comment on initiatives taken in Guinea over the past five years, one example was given of a process that has subsequently been introduced in Ghana and Tanzania. In terms of profile building one respondent’s concern is

that “*top management credibility in Guinea [is] not perceived as being high enough, due to lack of communication with communities*”. However, the operation has a strong history of delivering on commitments. Furthermore, although what the company stands for is important to managers, it is concerning that “*some individuals don't live the company values*”. Regarding affiliation to the parent company, it is thought that “*some managers feel more aligned to the mine than the company*”. Regardless, managers in Guinea work on creating a favourable impression by working closely with Corporate Headquarters to align goals. One respondent states “*I usually call the Corporate Office to seek their expertise*”. Corporate Office input is generally welcomed and “*rarely viewed as interfering*”. Overall, therefore, voice is relatively high.

5.5.3 Proposition 3: The national culture prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

The official language in Guinea and at mine site is French, although some local languages are spoken informally. However, there are no perceived barriers in communicating with Corporate Headquarters, since managers all speak English. The primary religion is Islam. Christmas day is a public holiday “*but the office doesn't close afterwards like in South Africa*”. The Constitution is not Islamic.

Hierarchy is viewed as very important: “*You must respect a leader and treat him with respect as this is how we have been educated*”. As a result, employees are uncomfortable with challenging an instruction given by a superior – they will rather “*suffer the decision*”. Hierarchy affects recognition and reward structures

too. Acknowledgement is “*not standard*” and there is a “*lack of recognition*” in general. Furthermore, one respondent explained that when acknowledgement takes place, it is mostly team managers that are praised “*but the people that do the work don't feel recognised*”.

Gender roles exist in Guinean society. “*Our culture is that women have their place and it is unusual to find a woman in a public administration [role] with a higher position*”. Another response: “*This is culture of this area [in which the mine is located] - before you get married the man spends a lot of money on buying clothes or building a house or providing whatever the woman needs. Once you have spent all that money on the woman and her family, it is her turn to take care of the family and provide money for the children to go to school...and the man sometimes doesn't do much*”.

70 to 80 percent of management are expatriate employees, “*mostly from South Africa*”. However, succession planning, training and people development initiatives have been put in place to reduce the number of expatriate managers. A lack of understanding of cultural norms, values and behaviours has led to a number of misunderstandings between expatriate employees and Guinean employees. One example is in “*the way people interact: greeting is very important - asking after family; if you slept well ...*”. It is important to be seen as caring about the person one is talking to, and his family. Important events, such as births and deaths, are “*very, very, very sensitive*” issues: “*you speak to people differently – with compassion*” if there's been a birth or death in the family. It is also customary to give money to the person who has had a birth or

death in the family, because that person will have to “*cook food and cover other expenses*”.

In terms of cultural etiquette, many non-Guineans are unaware that “*in the local tradition you are not allowed to point fingers at anyone as people will feel offended*”. Wearing short trousers is also considered disrespectful: “*Your legs and most of your body must be covered. If you are inappropriately dressed, the person you are dealing with is offended and this can impede communication*”.

5.5.4 Proposition 4: The institutional environment prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

Labour legislation makes it difficult to dismiss employees. It is also difficult to change legislation around employee benefits: “*we have to meet with Government and the Union to get their approval*”. Authorities with whom relationships must be managed include local community leaders and local authorities. These are the head of the town; the head of the village area; labour authorities in town and the Manager of Mines in Conakry. Formal monthly meetings are held, otherwise meetings are held daily, if required. A manager is employed who visits and meets with local authorities on a weekly basis to discuss issues relative to their area of concern. The respondents view Guinea as a politically unstable country, as well as Liberia and Sierra Leone. Mali, on the other hand, is viewed as politically stable.

5.6 Case 5: Mali

Mali is part of the Continental Africa region. The company has three operations and one new exploration area in this country. In 2009, Mali accounted for 361,000 ounces, or eight percent, of the company's total gold production. At the end of 2009, it employed 3,388 people, which accounts for five percent of the company's total employees. Mali is located 5,816.81 kilometres from Johannesburg. In the view of the Malian respondents, Guinea and Tanzania are viewed as the strategically important regions for the company. However, it is perceived that Mali receives the same amount of attention as those countries, but less attention than other subsidiaries in the world "*because we are landlocked and other business units are more important in terms of production*".

5.6.1 Proposition 1: The weight of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.

Respondents in Mali do not view the local market to be as strategically significant as those of Guinea and Tanzania. However, the presence of at least 13 gold mines and 37 gold exploration projects (Mbendi, 2010) indicate that Mali does have some weight in the global gold market. In terms of subsidiary strength in the MNC network, it is not thought that Mali has a major influence on other mines in the Continental Africa region. However, Mali is greatly dependent on the effective functioning of other business units in order to allow them to perform their tasks effectively: "*If there is a lack of safety, all operations will collapse*". These findings indicate that Mali displays a low degree of weight.

5.6.2 Proposition 2: The voice of an MNC emerging market subsidiary affects

the attention it receives from corporate headquarters.

Initiative taking is high. Examples of such initiative is the implementation of “a programme to teach school students English even though the country is French”; as well as “a reagent model on how we follow-up in processes”. Initiative taking is also substantiated by numerous successful bids for corporate investment in the last five years.

In terms of profile building, the country is perceived to have a strong record of delivering on commitments; globally respected leaders and a credible management team. However, there is not a strong sense of affiliation with the company as a whole, since two of the operations are joint ventures with IAMGOLD. However, managers claim to care about the fate of the company; and agree that what the company stands for is important.

Impression management is done by working with the corporate office to align goals. Mali also involves the corporate office and values its input, but not much time is spent developing connections with people in positions of authority at corporate. Overall, therefore, the Malian voice is not considered to be very loud.

5.6.3 Proposition 3: The national culture prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

The official language in Mali is French. Bambara, a local language, is widely spoken. However, Mali has many local languages, hence its “*stability and large tolerance for diversity*”. Communication with the corporate office is challenging,

as *“the majority of people don't speak English ... however, at major events, a translator is used”*.

The dominant religion in Mali is Islam. About 90 percent of Malians are Islamic and about five to seven percent are Christian. Although it is stated that *“Corporate Office ... respect(s) people’s beliefs”*, minor differences of opinion have occurred at mine level *“where expats don’t understand the various religions”*. The number of expatriate employees in managerial positions in Mali has declined and is currently between 25 and 30 percent.

Hierarchy is important. *“There is a lot more respect for senior managers, which is based on Islamic principles ... even if your manager is younger than you...”*. Challenging peers and supervisors is common in Mali. Gender roles were traditionally influenced by Islam, but now people are treated equally. In terms of saving for the future, the view is that most employees live on a day-to-day basis, meaning that *“they will enjoy (their paycheque) today”*.

5.6.4 Proposition 4: The institutional environment prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

Regulation is viewed as a contributing factor towards the company’s success in Mali: *“there is a tendency to change the regulations in order to attract investment”*. Government owns 18 to 20 percent of shares in two of the Malian operations, which has created an open channel for discussion: *“regulations can be easily amended ... Government has been flexible”*.

Other than Government, Malian management need to maintain close relationships with two key authorities. The first is the “*sousprefet*”, the local administrative governor of Kayes who acts as the link between the mines and local communities, and the second is the mayor. Authorities are met regularly, “*if and when needed*”. A Public and Social Development Officer has been employed in Mali in order to coordinate activities between top management and the local authorities.

Mali is viewed as a politically stable country: “*I believe it is one of the most stable countries in West Africa*”. Neighbouring countries that are also considered stable are Mauritania, Senegal and Burkina Faso, while Guinea, the Ivory Coast, Niger and Algeria “*have had some issues*” in the past.

5.7 Case 6: South Africa

In 2009, South Africa had eight operations that accounted for the production of 1.797 million ounces of gold. This accounted for 39 percent of global gold produced by the company. By the end of that year, exactly half of the company’s employees, equalling 31,591 people, were employed at the eight South African mining operations. The Corporate Headquarters is also located in South Africa.

In the view of the South Africa respondents, the geographic region perceived as being strategic in the eyes of the company is Continental Africa. It is acknowledged that South Africa used to be key, but it is no longer. Australasia

and Colombia are also perceived as important, but not as important as Continental Africa. In terms of the perceived amount of attention South Africa is getting relative to other areas, one respondent explains: “[South Africa] is currently declining but that is not to say that we are not getting the same amount of attention as the Continental Africa mines ..., we receive a lot of attention, maybe even more now than two or three quarters ago ... Continental Africa should be receiving more attention, given that is [where] the future of the company is based”.

5.7.1 Proposition 1: The weight of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.

The strategic significance of the local market is perceived to be decreasing: “*the gold market is shrinking ... and access to it is becoming more difficult*”. However, “*South Africa still produces the most gold*” for the company, which boosts the country’s strategic significance in the short term. However, the presence of at least 72 gold mines and 27 gold projects that are affiliated with 117 companies (Mbendi, 2010) puts South Africa first in terms of the presence of other gold mining companies being present in the local market, and increases South Africa’s weight significantly.

South Africa’s strength in the total MNC network is high. As the company’s largest gold producer, “*other regions rely on South Africa to deliver*”. Adding to the country’s strength is its deep level mining knowledge. All business units in South Africa are interdependent. For example, recent mining closure at one business unit resulted in a loss of R745 million, putting the other business units

under pressure to try and meet commitments.

Overall, South Africa's weight is viewed as large.

5.7.2 Proposition 2: The voice of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.

The respondents do not rate South Africa highly in terms of initiative taking. Although new processes have been developed in South Africa and implemented in other regions, South African bids for corporate investment have not recently been as successful as they have been in the past. A reason for the failure of one of the bids is *"from a global point of view ... other projects have a better net present value and internal rate of return than our project had"*.

In terms of profile building, the respondents viewed South Africa's track record of delivering on commitments as variable: *"Sometimes it happens and sometimes it doesn't"*. Another respondent stated that *"some [business units] are better [at delivering on commitments] than others"*. However, the respondents strongly agree that South Africa has a history of globally-respected leaders and that the credibility of top management is high.

Regarding commitment to the parent company, it is clear that managers in South Africa feel a strong sense of affiliation with the company as a whole, because *"if they didn't, they wouldn't be in the company – [this company's] managers are highly skilled and sought after in the market place"*. In terms of caring about the fate of the company as a whole, *"you know you are not going*

to be [employed at] one specific business unit [the whole time]. So if the global company is in a stable state, it is to the benefit of everybody”.

The South African business units work hard at creating a favourable impression with Corporate Headquarters. Managers in South Africa work closely with corporate managers in order to focus business units’ efforts towards meeting corporate goals and values. They also involve the corporate office in their business and welcome their input, although “*at times [corporate input] is asked for and at times, instructed*”. However, “*senior managers at the mines realise and understand why we would need input from Corporate Office*”.

Social connections with corporate are important “*in terms of how your BU is perceived, and for career development*”. The role of individuals in managing Corporate Office perceptions of business units is very important: “*the moment you are out of the limelight you are forgotten as well as the task*”.

Overall, South Africa’s voice is considered loud.

5.7.3 Proposition 3: The national culture prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

South Africa has eleven official languages, but the business language is English. Communication with Corporate Headquarters is therefore easy. Amongst managers at the business units, Afrikaans is commonly spoken. The underground workforce speaks a language of instruction called Fanagolo, which

the mines are actively trying to put an end to. However, this is viewed as “a *generational thing – so as younger, English-speaking workers join, this is bound to change*”.

In terms of religion, the respondents praise the company for valuing diversity. At mine site, however, management are mostly Christian. As a result, weekly management communication meetings are often opened with prayer. However, this is done “*in such a spirit that the people who are not Christian do not feel that Christianity is being forced upon them*”.

Hierarchy is regarded as a personal perception: “*There are still people caught up in the whole ‘Meneer (Sir) syndrome’ ...but our company has changed significantly over the last ten years, so you can feel free to go into the Managing Director’s office ... regardless of who you are – you can bridge that gap yourself*”. Challenging supervisors is a factor of who the supervisor or manager is. “*The majority of managers encourage people to disagree and be open and frank in discussions, but some managers don't appreciate being challenged*”. Generally, lower level employees are not comfortable with challenging their supervisors “*because what the Meneer asks, needs to be done*”.

Acknowledgement of good performance happens on an individual and team basis, depending on who needs to be acknowledged. Acknowledgement does not happen through incentives, but rather in the form of unexpected recognitions: “*Credibility is more important than incentives in a hierarchy organisation. Mining is a tough game, so that's why acknowledgement doesn't*

happen often”.

The respondents’ consensus view of gender egalitarianism is that men and women are believed to be equal, but *“in a mining environment, some roles are not suitable for women to fill”.*

5.7.4 Proposition 4: The institutional environment prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

In South Africa, legislation is viewed as important to have, *“but the way it is applied or enforced can be restrictive - not all business units are treated equally”.* Labour legislation makes it challenging to *“hire and fire people”*, which is why it is *“important to hire the right person, especially given the lack of specialised field workers in SA ... it is difficult to find artisans or fitters that have been trained correctly”.* Skills development is an issue.

Key authorities that must be dealt with include the Department of Minerals & Resources (DMR) & Organised Labour. Meetings with authorities occur about quarterly from a regional point of view; weekly from a BU point of view & daily with organised labour. Regular meetings with the National Union of Mineworkers are held. Community leaders are met with regarding community issues, for example the renovation of a local school as part of the South African region’s *“Proudly South African”* campaign.

South Africa is viewed as a fairly stable country politically. Neighbouring

countries include politically unstable Zimbabwe, from where refugees flee to South Africa, regarding in respondents voicing concern about xenophobic violence. Countries like Mozambique, Namibia and Lesotho are viewed as stable.

Given the presentation of the six cases, the research findings are discussed in terms of the research propositions in chapter 6. More specifically, attention is paid to whether or not the propositions are supported by the theory base explored in chapter 2.

Chapter 6: Discussion of Results

The findings presented as case studies in the previous chapter have been collated for comparative purposes according to the research propositions identified in chapter 3. In order to analyse the data, the findings relevant to each country case are compared per research proposition, and these are discussed in terms of the literature review in chapter 2 to determine whether or not the propositions hold true within the context of this research.

6.1 Proposition 1: The weight of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.

Three factors influence weight: the strategic significance of the local market in which a subsidiary operates; the presence of other MNCs in that market, and the strength of a subsidiary relative to other subsidiaries in the MNC network (Bouquet & Birkinshaw, 2008). Strategically significant markets are viewed by all respondents as countries where long-term value drivers exist, such as the Continental Africa (mentioned in all the cases except for Brazil); the Americas (mentioned by Corporate Headquarters, Brazil and South Africa); South Africa (the perceptions of Brazil, China and Guinea) and the Middle East (the view of Corporate Headquarters). Continental Africa is therefore viewed in the most cases as being strategically significant, giving it the highest weight in terms of strategic significance of the local market.

In terms of the presence of other gold mining companies in the local markets, South Africa has the most (117). It's followers are China (14 companies), Mali

(13 companies), Brazil (7 companies) and Guinea (3 companies). In terms of this aspect of weight, South Africa clearly has the most weight.

When looking at responses regarding subsidiary strength in the MNC network, China and Mali were clear that they tend to work in isolation, which reduces their overall weight. Brazil and Guinea view themselves as being relied upon by other business units in their regions. South Africa's business units, however, are stated as being interdependent on one another and Continental Africa. In the Corporate Headquarters view, the Continental Africa region is viewed as strong, given that its results have a large impact on the results of the Group. Corporate Headquarters views South Africa as *"the big swinger of the needle, so when it is going well they receive zero attention, but if it goes badly everything turns on them simply because it is such a mover and shaker in our lives"*. From a subsidiary strength point of view, therefore, Continental Africa appears to have the most weight, followed by South Africa.

Considering all three factors of weight, Continental Africa holds the most weight among subsidiary regions, with South Africa coming in second. When asked which region receives the most attention, Corporate Headquarters asserted that Continental Africa *"receives [a] disproportionate [amount of] attention"*. Therefore, it can be concluded that proposition one holds true.

A key finding, however, is that Continental Africa does not get only positive attention. Problems make some business units receive more attention than others. One of the Corporate Headquarters respondents explains that the

amount of attention given to operations in Continental Africa “*is a function of the problems we have; a function of the expertise issues and is the function of the complexity. It is like a household, the problem child always gets more attention. It does not mean they are more or less important it is just the reality of life*”. This implies that expertise issues and complexity, both inherent factors to emerging markets, affect weight, and therefore, attention.

6.2 Proposition 2: The voice of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters.

The voice of a subsidiary is determined by the amount of initiative it takes and the profile it builds for itself (Bouquet & Birkinshaw, 2008). Regarding initiative taking, China was found to take the least initiative, as explained by one of the Chinese respondents when he stated that in China, “*people work hard because they need a job but they lack passion in trying new ways of doing things*”. Of all the respondents, Brazil was able to give the most examples of initiatives they had recently taken. Brazil is also described as inherently creative, as discussed in the previous chapter. Furthermore, Corporate Headquarters view that “*the Americas do a lot of innovative leadership*” strengthens Brazil’s case. In terms of initiative taking, therefore, Brazil has the loudest voice.

Profile building is the other aspect of voice and consists of a track record of delivering against commitments; commitment to the parent company, and impression management. Regarding a track record of consistent delivery against commitments, Brazil and Mali singled themselves out in terms of not only meeting targets but exceeding expectations, and the regions in which they

operate were mentioned by Corporate Headquarters as having good track records.

Strong commitment to the parent company is displayed by Brazil, China, Mali and South Africa firmly believing that their countries have a history of strong, globally-respected leaders and that their top management is highly credible. However, the effect of some of this commitment is lessened at China and Mali, since it is perceived that managers in those countries do not feel a strong sense of affiliation with the company as a whole. The highest commitment is therefore displayed by Brazil and South Africa, although Brazil is singled out by Corporate Headquarters as being “*seamlessly aligned*” with the parent company. The same respondent from Headquarters perceived that this alignment is “*a cultural thing in Brazil.*” This means that in the case of Brazil, culture has an effect on commitment, and therefore on voice. Indirectly, therefore, culture can affect the amount of attention a subsidiary country receives.

The role of individuals in taking the initiative to manage the impression that Corporate Headquarters has of subsidiaries is critical. This is substantiated by the following statements:

- “*the moment you are out of the limelight you are forgotten, as well as the task*” (South Africa);
- “*I contact Corporate Office directly for input*” (Guinea); and
- “*I contact corporate office because it is important for me to meet new colleagues and see how they can help [me] with different things*” (China).

Furthermore, Corporate Headquarters state that the regions that are best at

selling themselves are led by charismatic individuals who take it upon themselves to communicate with stakeholders at the corporate office. Overall, the region that is viewed by Corporate Headquarters as best in terms of impression management is the Americas, followed by South Africa.

In terms of profile building, Brazil and Mali have the best track records of delivery; Brazil demonstrates the most commitment to the parent company, and the Americas is viewed as the region that is best at impression management. Brazil, therefore, has built the best profile and takes the most initiative, clearly giving it the loudest voice.

In terms of the amount of attention sought from Corporate Headquarters, the Americas seeks the most attention, whereas Continental Africa is given the most attention. Bouquet and Birkinshaw (2008) state that voice has a greater impact than weight in terms of attention seeking. Since Brazil is the sample that represents the Americas region, it can therefore be concluded that proposition two holds true and that voice affects attention in emerging markets.

6.3 Proposition 3: The national culture prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

In the literature review it was noted that MNCs are often faced with simultaneously having to deal with global consistency and local responsiveness (Cohen, 2010; Levy, Beechler, Taylor & Boyacigiller, 2007). Not taking note of differences in national culture between MNC parent companies and their

subsidiary host countries is a key reason for the failure of MNCs in emerging markets (Li & Scullion, 2010; Pillania, 2009; Chen, 2008; Harvey, et al., 2002). The Corporate Office recognises this risk of failure by acknowledging that *“Our job is to adapt to cultures; not have cultures adapt to us”*.

Regardless, a number of cultural aspects must be taken into account when dealing in emerging markets (Peterson and Smith, 1997). From the research findings, language differences are especially challenging. The following statements are provided as substantiation:

- *“The majority of employees are unable to speak English. There is just no way we can translate everything ourselves.”* (China)
- *“English is not our mother language so we need to translate everything into Portuguese in order to understand what is required.”* (Brazil)
- *“Our workforce is small so when information is requested it does not get done immediately as the information needs to be translated and only then can we action it. This puts pressure on us to submit the information in the requested time.”* (Brazil)

From these statements, it is clear that not being able to communicate with corporate office affects voice in terms of profile building. From the Brazil statements, it can be seen that the extra time required to translate information puts the business unit at risk of not meeting deadlines, which will in turn affect their track record of delivering on commitments. From the China statement, the sense of the impossible is evident. This affects commitment to the parent company and the overall sense of affiliation with the parent company as a whole.

In short, language affects voice.

Societal values, norms and behaviours that may or may not have their roots in religious beliefs are also factors that can impede voice. This is evident in the following statements:

- *“The temperature can be hot, hot, hot to work in ... [but even then] shorts [should not be] worn as ... your legs and most of your body should be covered.”* (Guinea)
- *“In the local tradition you are not allowed to point fingers at anyone as people feel offended [by it].”* (Guinea)
- *“In China [gifts are exchanged] to strengthen a relationship and we have had to explain to suppliers why we are not allowed to accept gifts.”* (China)

In all three examples, a lack of knowledge of these societal or cultural norms has the potential to offend members of those cultures. When such offense is caused by representatives of the company, whether they are expatriate employees or visitors from Corporate Headquarters, the profile building aspect of voice is affected in terms of feeling less affiliated with the company as a whole.

In the discussion around this proposition, evidence is presented to show that aspects of national culture affect voice. Proposition three, therefore, partially holds true, since no clear evidence is presented that shows how national cultural aspects affect weight.

6.4 Proposition 4: The institutional environment prevalent in the country in which an MNC subsidiary operates affects the attention it receives from corporate headquarters.

Corporate Headquarters confirm the view of Wright, *et al.* (2005) that institutional environments in developing economies are affected by a lack of economic and political stability and market-based management skills. This is validated by the following statements:

- *“The difference between developed and developing markets is available skills, infrastructure, governance and effective government regulations”;*
and
- An emerging market has *“a different level of complexity because of its weak infrastructure, systems and governance”*.

From the literature review in Chapter 2, it was seen that failing to understand the political stability of and the maintenance of good relations with host country governments is an important reason for MNC failure in emerging markets (Pillania, 2009; Chen, 2008; Wells, 1998). Respondents were therefore questioned around the political stability of their countries, as well as the maintenance of good relations with host country authorities.

Of the sample countries, the most politically unstable country is viewed as Guinea, whereas the rest of the sample countries view themselves as stable. All the business units in the sample maintain good relationships with company authorities through policy networks, as recommended by Rizopoulos & Sergakis (2010). The importance of having good relationships is evident in the following

statements:

- *“We have good relationships with environmental authorities, the municipality, the state government and all authorities that influence our areas. This is because we have strong values and we practice them.”*
(Brazil);
- *“Our Managing Director and senior management meet regularly with a group of community leaders ... in order to avoid disruption. They also meet with the local authorities to update and share these discussions with them so that everyone knows what is going and has the same understanding”.* (Guinea)

Furthermore, China, Guinea and Mali have employed people to manage the relationships between local authorities and the business. In Mali, policy networks are facilitated by having the Malian government on the Board of Directors of two of the country’s operations.

Institutional environmental factors affect subsidiary weight. This is evident in Continental Africa, which has the most weight in the company. *“Each mine you are dealing with has a different revenue authority, a different government, and different set of policies and procedures which is simply too difficult to handle ... The Continental Africa region takes a disproportionate amount of management time which is directed positively, but to address negative issues”.*

From the research findings, evidence is also given that institutional environments affect voice, in terms of impression management – however, the

impression management referred to is that of the MNC and its subsidiaries in the eyes of local authority stakeholders rather than the subsidiary's voice with the parent company. This is evident in the following statement from Corporate Headquarters: *“our strength is our ability to actually localise being seen [to be] acting in a way that is totally respectful of what we are dealing with on the ground ..., as well as all the aspects that go along with it, i.e. the governmental issues, the laws and how we navigate through these very different regimes”*.

Therefore, proposition four holds true in part, as the institutional environment in which an emerging subsidiary operates definitely affects attention in terms of weight, but no evidence can be found to confirm that it affects its voice with Headquarters.

6.5 Weight and voice in an emerging markets context

From Chapter 1, the research problem is to investigate if, and how, Birkinshaw and Bouquet's model of subsidiary attention seeking needs to be modified for subsidiaries operating in emerging markets. Evidence from the research justifies that proposition one (the weight of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters) and proposition two (the voice of an MNC emerging market subsidiary affects the attention it receives from corporate headquarters) both hold true, indicating that the model holds in an emerging markets context.

However, the literature study in Chapter 2 revealed that national culture and institutional environments differentiate developed markets, wherein the model

was originally developed, from emerging markets. Proposition 3 partly holds true as the research results indicate that in an emerging markets context, national culture is a moderator of subsidiary voice. Proposition 4 also partly holds true as the research results indicate that in an emerging markets context, the institutional environment in which a subsidiary operates is a moderator of subsidiary weight. The research problem has therefore been satisfactorily addressed.

Chapter 7: Conclusion

The overall conclusion of this research is that Bouquet and Birkinshaw's 2008 model of how foreign subsidiaries gain attention from corporate headquarters through weight and voice needs to be modified for the model's application in an emerging markets context. This is because the model was developed for application in developed markets. However, emerging markets are very different from developed markets. The literature review in Chapter 2 identified two overarching groups of differences between developed and emerging markets. These are national culture and institutional environments.

7.1 Main findings

From the research results, five main findings are noteworthy. Each one is briefly highlighted.

7.1.1 In emerging markets, weight is moderated by institutional environments.

Evidence is presented in the research results to justify that dealing with different revenue authorities, governments, policies and procedures demands a large amount of time.

7.1.2 In emerging markets, voice is moderated by national culture.

Evidence is presented in the research results to justify that language and societal and cultural norms affect subsidiary voice in terms of profile building.

7.1.3 Attention gained through weight is allocated, whereas attention gained by

means of voice is sought.

The research found that the region with the most weight is also viewed as the “problem child” of the company. The attention it gains from Corporate Office is, therefore, mostly negative rather than positive. The region with the loudest voice, however, used that voice to seek attention from Corporate Headquarters.

7.1.4 Subsidiary impressions are managed by individuals rather than teams.

Evidence from the research findings highlights that individuals at business units form relationships with key decision-makers at Corporate Headquarters. The resultant impression management by an individual on behalf of his subsidiary is therefore dependent on the maintenance of the relationship between the individual at the subsidiary and the decision-maker.

7.1.5 Localising company values is not enough to increase subsidiary commitment.

Corporate Headquarters need to understand underlying cultural and societal norms in order to prevent their employees from unknowingly offending colleagues in other subsidiaries. Evidence from the research indicates that offense negatively affects the affiliation that subsidiaries have with the company as a whole.

7.2 Recommendations to stakeholders

Managers in emerging market subsidiaries can increase the attention gained by their subsidiaries in two distinct ways.

7.2.1 Gain more attention by creating more weight for the subsidiary

Managers can increase their subsidiaries' weight profiles by forming relationships with colleagues at other subsidiaries. By nurturing these relationships, best practise can be shared between subsidiaries and their relative strength within the global MNC network will increase. Increased subsidiary strength means that the subsidiary has more weight. As a result, it will gain more attention from Corporate Headquarters.

7.2.2 Gain more attention by creating more voice for the subsidiary

As impression management has been found to rely on individuals, managers can take the initiative to form and maintain relationships with key decision-makers in their departments at Corporate Headquarters, thereby not having to rely on top management to manage the impression that Corporate Headquarters has of the subsidiary. Improved impression management increases the profile and the voice of the subsidiary. As a result, it will gain more attention from Corporate Headquarters.

The third recommendation applies to managers at Corporate Headquarters.

7.2.3 Increase subsidiary affiliation and commitment to the parent company by understanding host country conditions.

When issuing requests for information, managers located at the corporate office need to take time required for translation into account if the information request is going to a subsidiary where the official language is different to the business language on the MNC. By allowing for extended timelines, subsidiary

managers should feel less pressurised to rush the work, and will not be at risk of missing deadlines.

Furthermore, corporate office visitors to subsidiary host countries must find out as much as they can about societal and cultural norms before they visit the foreign country in order to prevent hosts from being embarrassed by unconscious offensive behaviour on behalf of the visitor.

7.3 Recommendations for future research

An unexpected finding of this research is that two of the interview respondents had previously been employed as expatriates at foreign subsidiaries. As a result, they came across as more confident in terms of communicating with Corporate Headquarters (a voice aspect) and also indicated a greater willingness to network with colleagues in other subsidiaries (a weight aspect). The role of expatriate employees in affecting weight and voice falls well beyond the scope of this research report and it is therefore recommended that future research is conducted on if and how the presence of expatriate employees shapes the amount of attention gained by subsidiaries for Corporate Headquarters.

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