Hochschule für
Wirtschaft und Recht Berlin
Berlin School of Economics and Law

IMB Institute of Management Berlin

Staffing Foreign Subsidiaries with Parent Country Nationals or Host Country Nationals? Insights from European Subsidiaries

Authors: Christoph Dörrenbächer, Jens Gammelgaard, Frank McDonald, Andreas Stephan, Heinz Tüselmann

Working Papers No. 74
09/2013

Editors:
Carsten Baumgarth | Gert Bruche |
Christoph Dörrenbächer | Friedrich Nagel

RESEARCH PAPER

Staffing Foreign Subsidiaries with Parent Country Nationals or Host Country Nationals? Insights from European Subsidiaries

Christoph Dörrenbächer

Jens Gammelgaard

Frank McDonald

Andreas Stephan

Heinz Tüselmann

Paper No. 74, Date: 09/2013

Working Papers of the
Institute of Management Berlin at the
Berlin School of Economics and Law (HWR Berlin)
Badensche Str. 50-51, D-10825 Berlin

ISSN 1869-8115

Biographic note:

Corresponding author

Prof. Dr. **Christoph Dörrenbächer** is a Professor of Organizational Design and Behaviour in International Business at the Berlin School of Economics and Law. Previously he worked as a consultant and research fellow at various organizations in Germany and abroad, including the Social Science Research Centre, Berlin and the University of Groningen, the Netherlands. His current research focus is on power & politics, headquarters-subsidiary relationships and careers in multinational corporations. He has published widely in renowned international academic journals including the Journal of World Business, Management International Review, International Business Review and The British Journal of Management. He is co-editor in chief of 'Critical Perspectives on International Business'. Christoph Dörrenbächer can be contacted at doerrenbaecher@hwr-berlin.de.

Prof. Dr. **Christoph Dörrenbächer** ist Professor für Internationale Unternehmensorganisation an der Hochschule für Wirtschaft und Recht in Berlin. Davor war er u.a. am Wissenschaftszentrum Berlin und der Universität Groningen (Niederlande) tätig. Im Mittelpunkt seiner bisherigen Forschungs-, Beratungs- und Lehrtätigkeit standen und stehen multinationale Unternehmen, unternehmerische Internationalisierungsprozesse und ihre strategischen, organisatorischen, personalwirtschaftlichen und zivilgesellschaftlichen Implikationen. Christoph Dörrenbächer publiziert regelmäßig in führenden internationalen Zeitschriften und ist Co-Herausgeber der Zeitschrift ‚Critical Perspectives on International Business' (CPoIB). Er ist erreichbar unter: doerrenbaecher@hwr-berlin.de.

Other authors

Prof. **Jens Gammelgaard**, PhD, is Professor of International Business at the Copenhagen Business School, Denmark and Head of Department International Economics and Management.

Prof. **Frank McDonald** is Professor of International Business at the Bradford University School of Management, United Kingdom and Director of the Bradford Centre for International Business.

Prof. Dr. **Andreas Stephan** is Professor of Economics and Finance at the Jönköping International Business School, Department of Economics, Finance and Statistics, Jönköping, Sweden.

Prof. **Heinz Tüselmann** is Professor of International Business at the Manchester Metropolitan University, United Kingdom and Director of the Centre for International Business and Innovation.

Abstract:

This paper investigates the relationship between the use of parent company nationals (PCN) and home country nationals (HCN) and various attributes in foreign owned subsidiaries in Denmark, Germany and the UK. The study explores whether the existing literature on international staffing adequately captures the effects of PCN verses HCN managers on key characteristics of subsidiaries. The results of the study indicate that the PCN/HCN dichotomy widely used in the international staffing literature needs to take account of the following issues: First: The study confirms theoretical assumptions based on social capital theory that subsidiaries led by HCNs are more embedded in the host country's external environment (by having more frequent relationships with host country customers, suppliers and competitors). However, the study reveals that the assumed advantages PCN led subsidiaries have with headquarters do not extend to their relationships with competitors in other parts of the MNC. Second: HCN led subsidiaries are more autonomous than PCN led subsidiaries with regard to operational and strategic decisions that relate to the market issues (market areas supplied, product range) and with respect to the local institutional environment (HRM). Our study finds that this is also the case with regard to strategic decisions on financial control as well as on R&D and new product development. Third: On average, HCN led subsidiaries perform significantly better than PCN led subsidiaries with regard to sales growth by value, productivity and innovation. This is in line with the findings of Beechler et al. (2005), the only other study investigating European subsidiaries. It also confirms the study of Konopaske et al. (2002). However, it contradicts the findings of Segiguchi et al. (2011) and Bebenroth and Li (2010) on the same matter.

Zusammenfassung:

Dieser Aufsatz untersucht die Auswirkungen unterschiedlichen Managementbesatzes in ausländischen Tochtergesellschaften in Dänemark, Deutschland und Großbritannien. Im Ergebnis wird gezeigt, dass die in der Literatur vorzufindende Dichotomie zwischen lokalen Managern und Expatriates (Stammhausdelegierte) nur eingeschränkt haltbar ist. So kann u.a. gezeigt werden, dass sich angenommene Fühlungsvorteile von Expatriates nicht auf Schwestergesellschaften beziehen und dass lokale Manager nicht nur hinsichtlich marktrelevanter Entscheidungen, sondern auch bezogen auf die Finanzkontrolle sowie Forschungs- und Entwicklungsaktivitäten eine größere Autonomie besitzen. Auch hinsichtlich verschiedener Leistungskriterien wie wertmäßiges Umsatzwachstum, Produktivität und Innovationsrate schneiden ausländische Tochtergesellschaften, die von lokalen Managern geleitet werden, besser ab als Tochtergesellschaften, die von Expatriates geleitet werden.

Table of contents

1. Introduction

The increase which can be observed in subsidiary related research on the staffing policies of multinational companies (MNCs) resulted in a growing interest, both in academia as well as among practitioners, about the relationship between the nationality of managers and key characteristics of subsidiaries. There is a broad consensus that purposefully staffing foreign subsidiaries with either parent company nationals (PCN), host country nationals (HCN) or third country nationals (TCN) plays an important role in developing and sustaining competitive advantages, both of the subsidiary and the MNC as a whole (Gong, 2003; Tarique et al., 2006; Scullion and Collings, 2006). The basic underlying idea is that there is a differentiated fit PCNs and HCNs have, with regard to factors such as geographical and cultural distance, as well as subsidiary role, size and centrality to MNC strategy (Colakoglu et al., 2009).

What the typical characteristics of nationality-based types of subsidiary managers are, and for what purpose types of subsidiary managers fit best, is a core theme of the international staffing literature. This literature strongly focuses on PCNs, and on the whole assumes that PCNs display striking differences in attitude, behaviour and abilities from HNCs. PCNs and HCNs are often portrayed as antipodes and the use of PNCs is frequently considered to lead to more favourable outcomes for MNCs than the use of HNCs, unless there are strong market reasons, or high levels of institutional/cultural distance, that induces a high usage of HCNs. However, insights about the typical characteristics of PCNs and HCNs are normally derived from theoretical assumptions on individual behavioural rationales, in addition to organizational and institutional impacts, rather than from empirical investigation. A few empirical studies reveal insights which contradict the strong PCN/HCN dichotomy that dominates much of the international staffing literature. A survey based study by Banai and Reisel (1993) found that PCNs and HCNs do not differ from each other with regard to their loyalty to the overall MNC. In the same direction, an in-depth case study by Moore (2006) found that PCNs do not fulfil the role as control agents of the headquarters, as is often assumed in the international staffing literature (e.g. Harzing, 2001).

Based on a comparative empirical study of 528 foreign subsidiaries in Germany, Denmark and the UK, this paper contributes to this discussion by elucidating the impact of differential subsidiary staffing on networking behaviour, subsidiary autonomy, and subsidiary performance. The results cast doubt on some of the commonly held theoretical views on the effects of using PNC and HCN managers.

The remainder of the paper is structured as follows: In the next section, the literature on subsidiary staffing, network relationships, subsidiary autonomy and performance is studied. This is followed by an outline of the methodological approach of the study. Next, the findings are presented. The chapter closes with a short discussion of the findings and their theoretical and practical implications.

2. Literature review

Staffing foreign subsidiaries has emerged as a critical issue in international management. This goes back to a growing awareness that foreign subsidiaries in MNCs are more than executive organs of headquarters, but organizational units that are core to the proliferation of critical resources and firm specific advantages of MNCs (Hedlund, 1986). Staffing and managing foreign subsidiaries is considered difficult for several reasons. Foreign subsidiaries often have or develop their own identities and agendas that might contradict headquarters' intentions (Birkinshaw et al., 2005; Dörrenbächer and Gammelgaard, 2011). Moreover, cross-national staffing issues are considered to be more complex than national staffing issues, leading to increased costs, problematic performance issues and a shortage of qualified personnel (Scullion and Collings, 2006).

MNCs have different options to staff top-management positions of their foreign subsidiaries. Based on the seminal contribution of Perlmutter (1969), they might either follow an ethnocentric, a polycentric or a geocentric staffing approach (Banai and Reisel, 1999; Harzing, 1999; Traique et al., 2006). The ethnocentric staffing policy encompasses the assignment of PCNs to key positions in foreign subsidiaries. The polycentric staffing policy encourages foreign subsidiaries to use HCNs. The geocentric staffing policy encourages staffing of foreign subsidiaries by the most suitable people regardless of their nationality (Banai and Reisel, 1999).

Subsidiary staffing: Organizational identities and behavioural rationales

Irrespective of the MNCs staffing policy, foreign subsidiary managers normally fulfil three different roles: they are detectors and interpreters of local opportunities, builders of local resources, and contributors to and active participants in the global strategy of an MNC (Birkinshaw, 2000). However, following the literature on subsidiary staffing, they do so in different ways. As detailed below PCNs, HCNs and third country nationals (TCNs) are ascribed different orientations according to their nationality and sub-organizational affiliation (Gong, 2003; Dowling et al., 1999; Tarique et al., 2006; Scullion and Collings, 2006):

- PCNs are seen as strong followers of headquarters orientation due to their familiarity with the MNCs overall goals, policies and practices. They are very often regarded as the most efficient means of exercising headquarters control over the subsidiary, and in transferring tacit, firm-specific knowledge to the subsidiary. Following Black and Gregerson (1992) there are four different types of PCNs depending on their allegiance to the parent firm and the subsidiary: PCNs that have left their 'hearts at home' (parent high, subsidiary low), PCNs that are 'going native' (parent low, subsidiary high), PCNs who act as 'free agents' (parent low, subsidiary low) and PCNs who consider themselves as 'dual citizens' (parent high, subsidiary high).
- HCNs in contrast, are seen as basically having a local (subsidiary) orientation due to their socialization in the host country and their familiarity with the social, political and economic environment of the host country (Harvey et al., 1999). Following Reade (2001; 2003), this adds up to a higher level of initiative and effort HCNs show for their local subsidiary compared to the initiative and effort they take for the MNC as a whole.

- TCNs are often ascribed a generically more balanced orientation between the local subsidiary and the headquarters. Harzing (1999) finds that they are very small compared to PCNs and HCNs. For this reason they are excluded in the remainder of this paper.

This taxonomy of different types of subsidiary managers with diverse orientations has been challenged on a conceptual basis (cf. for instance Becker-Ritterspach and Dörrenbächer, 2011 - a study on the impact of subsidiary managers' career orientations). However, the taxonomy dominates textbooks and also informs many of the academic debates on this issue. This is also the case for the debates on the impact of differential subsidiary staffing on networking behaviour, subsidiary autonomy, and subsidiary performance.

Subsidiary staffing and networking behaviour

Ever since Hedlund's (1986) path breaking article on MNCs as heterarchies, the network view has gained a strong foothold in the study of MNCs. In this view, MNCs are conceptualized as networks of intra- and inter-organisational relationships (Ghoshal and Bartlett, 2005). Intra-organizational network relationships refer to relationships between headquarters and subsidiaries as well as to lateral relationships between subsidiaries. Inter-organizational relationships refer to relationships outside the MNC, typically with customers, suppliers, competitors, research institutes etc. Despite the fact that network theory rather early on pointed out that relationships are built up by individual actors (e.g. Wassermann and Faust, 1994), most research on intra- and inter-organizational relationships in MNCs has taken place at the level of subsidiaries.

An example of a subsidiary level study is the study by Giroud and Scott-Kennel (2009), which investigates the impact of the quantity, quality, and scope of relationships on subsidiary evolution. Another example is the study by Gammelgaard et al. (2012) which investigates the impact of increases in subsidiaries' intra- and inter-organizational network relationships on subsidiary performance.

Individual level studies that investigate the network strategies of different types of subsidiary managers have remained either conceptual or based on a few non-representative case studies. Following Colakoglu et al. (2009), subsidiary manager types differ by the internal and external relationships they are engaged in. Various studies theoretically pose that PCNs have advantages in intra-organizational headquarters-subsidiary relationships, having (1) a direct and immediate access to headquarters (Harzing, 2001; Reiche and Harzing, 2011; Scullion and Collings, 2006) and (2) social capital from their previous engagement in the headquarters that they can leverage (Naphiet and Goshal, 1998; Kostova and Roth, 2003). HCNs, on the contrary, are assumed to have better relationships to relevant actors in their local environment (Harzing; 2001; Reiche and Harzing, 2011; Scullion and Collings, 2006) because they are well perceived by local governments and employees.

Whether these assumptions hold true has not been tested by large scale empirical tests. A few available case studies indicate that there might be conflicts between commonly held views on this matter and the practical outcomes in real firms. Dörrenbächer and Geppert (2010) provide a case in which PCN's relationships, along with social capital in the headquarters vanished suddenly when the MNC turned to a strict shareholder value orientation.

Subsidiary staffing and subsidiary autonomy

Subsidiary autonomy is associated with the rights of subsidiaries "to take decisions for themselves" (Brooke, 1984: 9). These rights are granted by the parent company (the headquarters) that has the formal authority on decision-making in MNCs. High subsidiary autonomy arises when more decisions are made by the subsidiary. Low subsidiary autonomy occurs when decision-making largely remains with the parent company.

In many cases, subsidiary autonomy has been found to relate to the subsidiaries' operational functions (Edwards et al., 2002). On a functional level, HRM/IR is considered to be the most local function with a high autonomy of subsidiaries in decision-making (Rosenzweig and Nohira, 1984). Notable functional differences were also reported in a study by Gates and Egelhoff (1986). They found that subsidiary autonomy regarding marketing decisions is highest, followed by decisions regarding manufacturing. Subsidiary autonomy with regard to financial decisions was found to be lowest. This overall trend was corroborated by Edwards et al. (2002), who also found that subsidiary autonomy is rather low with regard to innovation and R&D.

Similar to the discussion in the previous section, little empirical evidence exists on the extent and the direction that differential subsidiary staffing has on subsidiary autonomy. This might be due to the fact that there is a complex relationship between subsidiary staffing and subsidiary autonomy. Following conceptual assumptions by Harzing (2001), it is advantageous to manage foreign subsidiaries by HCNs when the headquarters assume a particular need to align strategy and operations of the subsidiary to local conditions. Here the need for local adaption that goes hand-in-hand with HCN staffing is the trigger for a high subsidiary autonomy. Staffing subsidiaries with PCNs is conceptually associated with the headquarters desire to control subsidiaries in order to safeguard performance and/or a particular behaviour of subsidiaries. A high subsidiary autonomy might be directly facilitated through a high level of control, which a PCN is thought to provide to headquarters (Gong, 2003).

Subsidiary staffing and subsidiary performance

Previous research has revealed numerous factors on the MNC, the industry, the host country, in addition to the subsidiary level that influence subsidiary performance (e.g. Choi and Czechowicz, 1983; Fang et al., 2007; Schmid and Kretschmer, 2010). Factors on the subsidiary level extend to the age and size of a subsidiary (Käppli, 2009), its growth and role (Johnson and Metcof, 2007; Gammelgaard et al., 2012), along with its ability to learn and innovate (Vernaik et al., 2005). Considerable attention has also been placed on the core topic of this paper: the relationship between subsidiary staffing and subsidiary performance (see table 1).

Examining available empirical studies, a mixed picture becomes apparent. Altogether five studies found a negative relationship between subsidiary staffing with PCNs and subsidiary performance. Three of these studies focused on foreign subsidiaries of Japanese MNCs across the world (Gaur et al., 2005; Konopaske et al., 2002; Beechler et al., 2005), one on foreign subsidiaries of US Multinationals across the world (Colakoglu and Caliguri, 2008), and one on Swiss subsidiaries in Japan (Käppli, 2009). Explanations given for a negative relationship between subsidiary staffing with PCNs and subsidiary performance extend to (1) problems of PCNs to cope with cultural distance (e.g. interpersonal frictions due to poor intercultural communication), (2) legitimacy problems ('us vs. them' mentality; lack of promotional opportunities for HCNs), and (3) difficult host country environments (such as e.g. in Japan).

Five other studies found a positive relationship. Again, three studies were on foreign subsidiaries of Japanese MNCs across the world (Gong, 2003; Bebenroth and Li, 2010; Fang et al., 2010). Each one was on foreign subsidiaries in Japan (Segiguchi et al., 2011) and in China (Wang et al., 2008) from multiple home countries. Explanations given for a positive relationship between subsidiary staffing with PCNs and subsidiary performance extend to advantages of PCNs with regard to (1) subsidiary control (PCNs make costly bureaucratic control less necessary), (2) coordinating the subsidiaries' activities in the MNC, and (3) firm-internal transfers of knowledge and skills.

Two further studies took a fundamentally different approach. Gong (2006) investigates the heterogeneity of the subsidiaries' top management team (STMT), and finds a positive impact of the STMT heterogeneity on subsidiary performance. Colkoglu et al. (2009) differentiates between subsidiary host market performance (measured e.g. by profitability) and subsidiaries internal performance (measured e.g. by the relative share of resources received). While they propose that PCNs lead to higher internal performance, they see their host market performance dependent on a number of environmental contingencies (such as a psychic distance, type of competition, entry mode).

Table 1: Studies on the relationship between staffing and subsidiary performance

Author/s, underlying theory	Staffing measurement	Performance measure	Empirical data	Main argument / main results with regard to the impact of subsidiary staffing
Colakoglu/ Caliguri (2008) Transaction cost approach	Expatriate staffing: ratio of expatriates (PCNs) in the subsidiary workforce	Subjective assessment of the subs performance against industry norms, 5 point Likert Scale of sales volume, profitability and market share	Undisclosed number of wholly owned subs in the US of 52 MNCs from 18 home countries	Firms rely on a greater number of PCNs in culturally distant subsidiaries A higher ratio of PCNs is related to lower subsidiary performance, particularly in cases of high cultural distance
Gaur et al. (2005) Institutional theory	Expatriate staffing: ratio of expatriates (PCNs) in the subsidiary workforce	Performance is measured as subsidiary labour productivity (sales per employee)	12997 foreign subsidiaries of 2952 Japanese MNCs in 48 countries	Intensity of PCN staffing in foreign subs is positively associated with institutional distances (measured by regulative and normative distance) . PCNs provide performance benefits through improved control and coordination Employing to high proportion of PCNs is negatively related to subsidiary performance as it reduces subsidiary legitimacy (particular in subs situated in institutional distant environments As subsidiaries age, the intensity of PCN staffing and PCN presence in the workforce increase and so does performance. (Potential explanation: over time legitimacy issues decrease in importance.)
Konopaske et al. (2002) Transaction cost theory, agency theory	Expatriate staffing: ratio of expatriates (PCNs) in the subsidiary workforce	Subjective measure of subsidiary performance from secondary data	3835 foreign manufacturing subsidiaries of Japanese MNCs from 48 industries in 31 different countries	- Interaction between entry mode (WOS vs. Joint Venture) and staffing approach significantly predicts subsidiary performance - Clear differences of the impact of the staffing approach according to entry mode ○ A polycentric staffing approach (by HCNs) contributes to a higher levels of performance at joint ventures ○ (Not supported: an ethnocentric staffing approach (by PCNs) contributes to higher levels of performance at WOS!)

Beechler et al. (2005) Functional/ Contingency approach	Expatriate staffing: ratio of expatriates (PCNs) in the subsidiary workforce	Self perceived performance measures: subsidiaries overall level of profitability vis-a-vis the performance of their top competitor	119 Japanese subsidiaries in the US (41) and Europe (78)	- Overall subsidiary performance is negatively related to expatriate staffing (non-significant result!) - In the European subsample an increase in the percentage of expatriates is significantly negatively related to performance
Käppli (2009) Functional approach	Expatriate staffing: ratio of expatriates (PCNs) in comparison to the (Japanese) subsidiary workforce	Self perceived performance measures over 5 years (sales volume increase, market share increase, growth in profit, subs performance vs. performance of main comp.	64 wholly owned Swiss subsidiaries in Japan	- Well performing subsidiaries have less than 15 percent of expatriates and their managers are well in their 50s and have worked in Japan for more than 10 years, with experience in different Japanese companies. - It might also be advantageous to staff with a HCN. - In addition, experienced subsidiary managers need to have high autonomy from the head office in order to make appropriate decision for the Japanese subsidiary.
Gong (2003) Agency theory, resource based view	Expatriate staffing: ratio of expatriates (PCNs) in the subsidiary workforce	Performance is measured as subsidiary labour productivity (sales per employee)	695 subsidiaries of 8 Japanese MNCs in 48 countries/regio ns	Positive effect of staffing subsidiaries with PCNs (at the CEO the TMT and the workforce level) increases with cultural distance but decreases over time
Fang et al (2010) Resource based view	Expatriate staffing: ratio of expatriates (PCNs) in the subsidiary workforce	Subjective measures of subsidiary performance from secondary data (over 15 years)	1660 foreign subsidiaries of Japanese MNCs (50.3% in Asia, 22.4% in North America, 21.9 % in Europe, RoW 5.4 %)	- The ratio of expatriates in a foreign subsidiary positively supports the impact the parent companies' technological knowledge has on the subsidiaries short term performance. - The ratio of expatriates in a foreign subsidiary negatively moderates the relationship between the parent companies level of marketing knowledge and the subsidiaries' long-term performance.
Bebenroth and Li (2010) Functional approach, agency theory	CEO nationality and ratio of expatriates in the board of the subsidiary	Logarithm sales divided with the number of subsidiary employees (labour productivity)	643 foreign subsidiaries in Japan from all over the world mainly from the US, UK, Switzerland, Germany and France	Foreign subsidiaries in Japan perform statistically significantly better - when having a foreign CEO - when having a higher ratio of expatriated managers on the subsidiary board
Segiguchi et al. (2011) Upper echelon theory	Subsidiary CEO nationality (HCN or PCN incl. TCN), Proportion of HCNs and PCNs in the subsidiary Top Management Team	Logarithm sales divided with the number of subsidiary employees (labour productivity)	643 foreign subsidiaries in Japan (215 PCN, 428 HCN; 40,4% PCN in TMT) from 31 countries	- Younger subsidiaries perform better under PCN management. - Larger subsidiaries among the younger ones perform better when the proportion of PCNs in the TMT is rather large than small.
Wang et al. 2008 Resource based view	Subsidiary CEOs subjective measure of Expatriates skills, motivation and adaptability (in technology transfers)	Subjective measure of subsidiary performance using two indicators a) satisfaction of the respondent with subsidiary performance b) average of improvement in 5 areas: management capabilities, technological capabilities, management localization, growth, profitability)	242 subsidiaries in China from MNC located all over the world: Asia (51%), Europe (19%) and US 17%, RoW 13%	- Utilizing expatriates who possess motivation and adaptability for knowledge transfer directly enhanced subsidiary performance (moderated by the specific aspects of the knowledge transfer). - Using expatriates with technical skills only indirectly enhances subsidiary performance via the knowledge transferred to the subsidiary.
Colakoglu/ Tarique/ Caliguri (2009) Resource based view, social capital theory	Ethnocentric (=PCN) staffing, polycentric (=HCN) staffing and geocentric (=mixed PCN, HCN and TCN) staffing	Subsidiaries host market performance typically measured by profitability, return on investment, sales revenues and market share/ Subsidiaries MNC internal performance measured as the relative share of resources received	n.a. (theoretical paper)	First overall proposition that PCN staffing will lead to a higher subsidiary performance *within the MNC* than HCN or TCN staffing as PCNs have more social capital within the MNC. This can be moderated by the subsidiary role Second overall proposition: the relationship between subsidiary staffing and host market performance depends on the environmental contingencies around the subsidiaries - HCNs perform better in cases of high psychic distance - HCNs perform better in case of subs strategy competing on low cost - PCN perform better in WOS, HCN in JV with local partner
Gong (2006) Upper echelon theory	Subsidiary top management team (STMT) composition. Heterogeneity was calculated on the basis of the relative number of PCNs and HCN using Blau's index of heterogeneity	Logarithm of sales per subsidiary employee (labour productivity)	370 STMTs of 28 Japanese MNC throughout the world with a total of 2290 top managers	- STMT nationality heterogeneity has a positive impact on subsidiary performance - Subsidiary age moderates this relationship such that the positive influence is stronger for subsidiaries with more years of operation

Irrespective of the assumed direction of PCN staffing on performance, many studies find support for a moderating role of distance. While Colakoglu and Caliguri (2008) and Gong (2003) stress cultural distance, Gaur et al. (2005) refers to the impact of institutional distance. Similarly, the studies of Gong (2006), Gaur et al. (2005) and Segiguchi (2011) assume a moderating role of subsidiary age.

Research gap and research question

The previous literature review reveals a number of open questions with regard to the impact of differential subsidiary staffing by PCNs and HCNs on networking behaviour, subsidiary autonomy and subsidiary performance.

While in general very little empirical evidence exists as to how PCN and HCN led subsidiaries differ with regard to (1) their networking behaviour and (2) the autonomy they possess, there are a number of empirical findings that relate to the differential impact of subsidiary staffing on subsidiary performance. However, with the exception of the study by Beechler et al. (2005), which includes a sub-sample of European subsidiaries of Japanese MNCs, European subsidiaries nor European MNCs have been studied at all. In addition, all previous studies suffer from a rather restricted conceptualization of subsidiary performance, either on labour productivity or on a subjective assessment of financial performance. A more detailed analysis touching upon matters such as customer satisfaction and innovation has not been considered.

This leads to the following overall research question: How do European subsidiaries led by PCNs differ with regard to networking behaviour, autonomy and performance?

3. Data and methodology

To address this research question, our study focuses on foreign-owned subsidiaries located in the UK, Germany and Denmark. In this regard, the study fulfils Tung and Witteloostuijn's recommendation (2008) to investigate international business themes using comparative samples. These countries cover two large and one small economy, an economy with a more market-based approach to capitalism (UK), and two with more regulation of market operations (Denmark and Germany).

The data used in this study was collected in 2007 and 2008 through a self-administered questionnaire. The questionnaire was sent to subsidiary managers in Denmark, Germany, and the UK. The design, administration, and procedures of the mail survey were based on Dillman's (1991) recommendations and included specific steps designed to increase response rates (Harzing and Noorderhaven, 2006). The initial survey was developed based on a literature review of previous surveys within this area. The questionnaire was originally written in English, before being translated into Danish and German by native-speaking members of the research group. The translation process included back-translation, consultation with linguistics specialists, and final adjustments made on the basis of pilot tests in the three countries. The questionnaire was pre-tested in nine subsidiaries (three in Denmark, three in Germany and three in the United Kingdom). Thereafter, it was revised in English, and re-translated into Danish and German. In the first mailing, a cover letter and the four-page questionnaire were sent to the subsidiary managers in Denmark, Germany and the UK. A follow-up package was sent subsequently to initial non-respondents.

The sampling frame was constructed using data gathered from the Commerzbank database, the KOB database, listings of the foreign chambers of commerce, the commercial sections of embassies, Dunn & Bradstreet Lists, and regional authorities. The German and British samples each consisted of a random selection of 3,000 foreign-owned subsidiaries. The Danish sample encompassed 2,996 identified foreign owned firms. After removing holding-type establishments, real estate firms, registered offices, non-active trading addresses, wrong addresses, establishments that had relocated, those with a change in ownership, the effective sample size fell from 8,996 to 5,584.

A total of 528 responses were received, consisting of 249 Danish, 155 British and 124 German replies, yielding an effective response rate of 9.5%. Due to missing values, the number of usable observations was reduced to 493. Overall 91 subsidiaries were led by PCNs (19%), and 402 subsidiaries were led by HCNs (81%). This distribution is on the whole in line with the findings of Harzing (2001: 146) that the use of PCNs is comparatively low in Scandinavian (14,6%) and Western European (33,3%) subsidiaries when compared to the worldwide average (40,8%). Although the response rate is relatively low, it is in line with response rates in other international mail surveys (e.g. Harzing and Nooderhaven, 2006; Dikova and van Witteloostsuijn, 2007; Nooderhaven and Hazing, 2009) and is not unusual for multi-country studies with high-level managers as respondents (Harzing, 1997; Harzing and Noorderhaven 2006; Noorderhaven and Harzing, 2009). The response rates in terms of host country nationality were 15% for Denmark, 10.4% for the United Kingdom, and 5.3% for Germany. Although there are substantial differences in the response behaviours of foreign-owned subsidiaries among the three host countries, previous studies have shown similar patterns (Brewster and Hegewisch, 1994; Harzing, 1997; Pudelko and Harzing, 2007). Moreover, the relatively low response rate for Germany is not significantly different from observed response rates for international business surveys in Germany (Coeuderoy and Murray, 2008; Schwens and Kabst, 2009).

Tests for representativeness in terms of broad industry characteristics indicate no significant differences, within the total sample or among the three host countries. Given the potential for non-coverage error (Dillman, 1991) arising from the well-known comprehensiveness problems of publicly available address databases on foreign-owned firms (Marginson et al., 2010), we compared the respondents' industry profiles with official data on the number of foreign owned firms by industry from the Deutsche Bundesbank, the Office of National Statistics, and European Statistical Data. We found no significant differences for the sample as a whole or on the basis of host country. Detailed controls for such variables as host country, home country, type of industry, size, and entry mode were included in the statistical analysis. We also tested for non-response bias using wave analysis based on the observation that late respondents to mail surveys tend to be similar to non-respondents (Fowler, 1993). The comparison of early respondents (those that returned the questionnaire before the deadline) and late respondents (those that returned the questionnaire after the reminder) did not reveal any significant differences in response behaviour in terms of the following characteristics: broad industry, age, entry mode, and nationality of managing director.

Chang et al. (2010) address the problem of common method variance (CMV), which is universal in self-reported questionnaire surveys where the same respondents provide information for both the dependent and independent variables. In this survey, respondents reported on measures “five years ago” and “currently”. The inclusion of this type of change variable reduces the likelihood of CMV. Furthermore, reporting on discrete events reduces the likelihood of CMV, as suggested by Podsakoff and Organ (1986). Therefore, the questionnaire sought information on the number and frequency of intra-organizational relationships. In addition, the questions related to performance appeared before questions related to relationships and autonomy. The presentation of the questions in this order reduces the likelihood of the respondent estimating, for example, good performance as an outcome of a high density of relationships.

4. Constructs and measurements

Staffing policy

Based on the upper echelon theory (Hambrick and Mason, 1984) and the notion of Colakoglu et al. (2009) that international staffing impact stronger at a general manager level than at the level of technical and functional management staff, staffing policy is conceptualized as staffing of the CEO of a subsidiary by either a PCN or a HCN. A dummy variable assigned a value of 1 for a HCN CEO or 0 for a PCN CEO. This is in line with several studies on international staffing such as Segiguch et al. (2011), Bebenroth and Li (2010) and Wang et al. (2008).

All following constructs are based on levels measured on either a one to five-point Likert scale, or as a percentage of total activity. As all constructs are based on self-reporting and include subjective (non-financial) measures, they may be subject to bias. However, this method is widely used in the literature and there is evidence of its general reliability (Venkatraman and Ramanujam, 1986).

Inter- and Intra-organizational network relationships

Both inter- and intra-organizational relationships were measured as the frequency of relationships with external or internal network partners on a scale ranging from one (low) to five (high). Inter-organizational network partners were: ‘Customers’, ‘Suppliers’, and ‘Competitors’. Intra-organizational network partners were: ‘Internal buyers’, ‘Internal suppliers’, and ‘Internal competitors’.

Autonomy

Following Young and Tavares’s (2004) approach, which distinguishes between strategic decision-making (policy decisions) and operational decision-making (tactical decisions), autonomy is measured on the basis of strategic and operational decision-making processes, which were assessed as decisions made: “exclusively by headquarters” (5), “equally shared” (3) and “exclusively by subsidiary” (1). The items related to strategic decision-making authority were: ‘Market areas supplied’, ‘Product range', 'R&D and new product development', 'Production of goods or services', Financial control', and 'Human resource management'. The items related to operational decision-making authority were: 'Marketing Activities', 'R&D and New Product Development Activities', 'Activities involved in Producing Goods or Services', 'Financial Management Practices' and 'Human Resource Management Practices'.

Subsidiary performance

As indicated above, subsidiary performance is measured by subjective measures. In terms of measuring the performance of MNC operations, problems exist in relation to the multi-faceted nature of performance (Miller et al., 2009). Thus, subsidiary performance is a single measure of overall performance that also provides a rounded view of subsidiary performance. There are also well-documented problems of collecting accurate, valid performance measures using questionnaires (Luo, 2007). However, management is not guided solely by objective performance indicators, but also by strategic thinking and actions. Furthermore, management is likely to act upon its *perception* of facts, rather than the facts themselves (Thompson, 2003). In addition, many objective indicators on the subsidiary level, especially financial indicators, are unreliable because of the reporting arrangements of MNCs (Guest et al., 2003). Given these reservations and corresponding discussions in similar studies, objective measures of performance were not included in the questionnaire (Demirbag et al., 2007). Various studies employing subjective measures of performance ask respondents to assess performance in relation to their competitors (Ellis, 2007). This facilitates the comparison of establishments across size categories and industries.

In line with many other studies a multi-items measurement comprising: 'Sales growth by value', 'Productivity', 'Customer satisfaction', 'Market share' and 'Innovation' was used. Multi-item measurement was frequently and reliably used in previous studies (e.g. Birkinshaw et al., 2005; Käppli, 2009; Colakoglu and Caliguri, 2008)

Controls

Finally, we included a range of control variables. First, we included the age of the subsidiaries measured as the number of years since their establishment. Second, we included the size of the subsidiary measured as the current number of employees. Finally, we included the degree of internationalization measured by the ratio of foreign sales to total sales (Sullivan, 1994).

5. Findings

To investigate the impact of differential subsidiary staffing, we consider whether there are differences in characteristics, network relationships, autonomy, and performance of foreign owned subsidiaries in Europe (Germany, Denmark, UK) depending on whether these are managed by HCNs or by PCNs. This is done by a T-Test procedure comparing means, where the impact of standard deviation is taken into consideration. The results, displayed in Table 2, are derived from these tests.

Table 2: Empirical results

Factor	**Mean Host Country Manager (HCN)**	**Mean Parent Country Manager (PCN)**	**T-Value**
CHARACTERISTICS			
Age	19.15	21.09	-0.95
Size	146	146	0.21
Internationalization degree	0.23	0.33	-2.50**
INTRA-ORGANIZATIONAL NETWORK RELATIONSHIPS			
Internal customers	2.75	2.62	0.77
Internal suppliers	3.08	2.81	1.56
Internal competitors	2.81	2.38	2.40**
INTER-ORGANIZATIONAL NETWORKS RELATIONSHIPS			
External customers	4.53	4.29	2.07**
External suppliers	3.59	3.11	2.22**
External competitors	2.27	1.96	2.46**
OPERATIONAL AUTONOMY			
Market area supplied	3.91	3.53	2.63***
R&D and new product development	2.84	2.29	3.32***
Producing goods and services	3.16	3.01	0.87
Financial controls	3.13	2.95	1.11
Human Res. Mgmt.	3.80	3.63	1.18
STRATEGIC AUTONOMY			
Market area supplied	3.16	2.74	2.59***
Product range	2.97	2.50	2.93***
R&D and new product development	2.51	2.03	2.91***
Producing goods and services	2.89	2.69	1.10
Financial controls	2.90	2.62	1.88*
Human Res. Mgmt.	3.73	3.40	2.18**
PERFORMANCE			
Sales growth by value	3.72	3.44	2.21**
Productivity	3.61	3.12	2.20**
Customer satisfaction	3.70	3.52	1.09
Market share	3.85	3.81	0.44
Innovation	3.53	3.07	3.34***

*= P<0.1; **=p<0.05; ***=p<0.01 n=493 (91 PCN, 402 HCN)
Age = number of years since establishment;
Size = current number of employees;
Internationalization degree = foreign sales to total sales;
Inter-organizational relationships = frequency of relationships;
Strategic autonomy = degree to which decision are made in subsidiary;
Performance = subsidiary performance compared to market competitors

Comparing *subsidiary characteristics,* there are no differences in factors such as age and size between PCN vs. HCN managed subsidiaries. Some other factors, such as the skill level of the subsidiary and the type of activity the subsidiary is engaged in, also did not lead to any noteworthy differences. However, the degree of internationalization (measured as the ratio of foreign sales to total sales) is strikingly different. Subsidiaries managed by PCNs are significantly more international than subsidiaries managed by HCNs.

An interesting finding regarding *intra-organizational networking behaviour* refers to PCNs. While it might be the case that PCNs have stronger ties with the headquarters due to better access (Harzing, 2001; Reiche and Harzing, 2011; Scullion and Collings, 2006) and accumulated social capital (Naphiet and Goshal, 1998; Kostova and Roth, 2003), these advantages evidently do not extend to their relationships with internal competitors. The fact that HCN led subsidiaries have a significantly higher frequency of relationships with competing units in the MNC than PCN led subsidiaries might be an outflow of collusion strategies in cases of headquarters infused competition. Here trust is low with PCNs that are considered as headquarters representatives (Becker-Ritterspach and Dörrenbächer, 2011).

The findings on *inter-organizational network relationships* reveal that HCN led subsidiaries show a higher frequency of relationships with external customers, suppliers and competitors. Given the lower degree of internationalization of HCN led subsidiaries, this might overall be a natural result of the better embedment of HCNs in their local external environment.

Our findings with regard to operational and strategic autonomy show HCN led subsidiaries to have more *autonomy.* While this is not surprising with regard to 'market areas supplied', 'product range', 'new product development', and 'HRM' where local adaptation is often crucial, it is surprising with regard to strategic decisions on financial controls. An explanation might refer again to the low internationalization degree of our HCN led subsidiaries. Obviously in such a configuration, headquarters' desire for financial control does not necessitate to staff subsidiaries with PCNs. There might be functional equivalents to safeguard financial control if the subsidiary is led by a HCN (which is a less costly staffing option).

Finally, we found evidence that HCN led subsidiaries show better *performance* than PCN led subsidiaries in the case of 'Sales growth by value' and 'Productivity', and highly significant for 'Innovation'. This corroborates the findings from a number a similar studies. For instance, our results confirm the findings of Konopaske et al. (2002), which states that polycentric subsidiary staffing by HCNs contributes to a higher level of performance at subsidiaries. Our results are also in line with the only study that examined foreign subsidiaries in Europe (i.e. Beechler et al., 2005 - however, this study operates with a different measurement of staffing). Since the study by Beechler et al. (2005) is only providing an aggregated performance measurement (overall level of profitability), our study adds by showing in greater detail as to what triggers performance, in particular the fact that HCN led subsidiaries perform better in terms of innovation merits consideration. This finding largely supports case based evidence that innovation processes and initiative taking in subsidiaries are largely dependent on the subsidiary CEOs ability to mobilize internal and external resources. Following Dörrenbächer and Geppert (2009), this ability depends on the individual socio-political and biographical background of the subsidiary CEO, with nationality being an important background.

As the state of the art on the relationship between subsidiary staffing and performance was inconclusive (see above) our findings also contradict some studies in the field, i.e. those studies that assume that PCN staffing leads to a higher subsidiary performance. Considering the study that shows the best fit with our study in terms of staffing and performance measurement, i.e. Bebenroth and Li (2010), differences with regard to psychic, cultural, and institutional distance might be an explanation as to why our findings contradict the findings of Bebenroth and Li, who primarily studied Japanese subsidiaries of US, and European multinationals.

6. Discussion and conclusion

An overall insight that emanates from these findings is that – looking at foreign subsidiaries in Europe - the strong differences made in the international staffing literature between PCNs and HCNs seem obsolete. Our study provides evidence that in countries like UK, Denmark and Germany staffing foreign subsidiaries with HCNs is a functional equivalent to staffing them with PCNs. It seems even to be advantageous to staff subsidiaries in these countries with HCNs as our study provides evidence that HCN led subsidiaries show better performance than PCN led subsidiaries in the case of 'Sales growth by value' and 'Productivity', and highly significant for 'Innovation'. Given the technological potential of Denmark, Germany and the UK, the better innovation performance should be a strong reason to staff foreign subsidiaries in these countries with a HCN

There are two potential explanations for the overall findings that HCNs can be seen as functional equivalents or even outperformers of PCNs. First: Subsidiaries of our sample are mostly owned by parent firms from other European countries. Thus distance (be it psychic, cultural, or institutional), which is discussed as one of the most important independent variable in staffing decisions, is rather low. Most studies assume e.g. that the greater the psychic distance the more MNCs rely on PCN staffing, and some assume that this has positive performance effects (e.g. Gong, 2003 and Gaur et al., 2005). Our study contributes by indicating in some detail where and to what extent – in low distance settings – HCN staffing is a functional equivalent in terms of fulfilling or even outperforming PCN staffing purposes. Second: The institutional environments of western developed countries like Germany, Demark and the UK is breeding highly skilled local management personnel, that are able to take on qualifications, skills, and organizational allegiances usually ascribed to PCNs, while not losing its advantages such as closeness to the local market and a high proficiency in handling the local institutional environment. Both explanations need to be substantiated in detail by further research.

Practical implications from these findings are evident. If subsidiary performance is the ultimate goal of staffing, staffing European subsidiaries with HCNs seem to be simultaneously the more effective and less costly option, especially in cases of low cultural, psychic, or institutional distance between the host and home country. Further in-depth research is needed to find what type of distance matters, and to what extent. In addition, it might be worthwhile to examine the issue from a more dynamic, resource creating perspective. The use of PCNs often serves ‘management developing’ purposes aiming at the formation of core international managers that have the capability to serve in headquarters or in important projects. Further research could aim to uncover whether the obvious cost savings and performance advantages of HCNs can overcompensate these longer term resource, creating advantages.

Theoretical implications of our findings relate to the interrelationship between subsidiary networking behaviour, subsidiary autonomy, and subsidiary performance in HCN led and PCN led subsidiaries. Further research needs to find rationale and uncover whether (to what extent) the more frequent inter- and intra-organizational network relationships HCN led subsidiaries are engaged in explaining their superior performance (or aspects thereof). Similarly, the impact of the higher strategic autonomy of HNC led subsidiaries on their performance needs to be studied.

References

Banai, M. and Reisel, W.D. (1993): “Expatriate managers' loyalty to the MNC: myth or reality? An exploratory study”, *Journal of International Business Studies*, 24(2), 233-248.

Banai, M. and Reisel, W.D. (1999): “Would you trust your foreign manager? An empirical investigation”, *Journal of International Human Resource Management*, 10(3), 477-487.

Bebenroth, R. and Li, D.: “Expatriation and Performance”. In: Bebenroth, R. / Kanai, T. (ed.): *Challenges of Human Resource Management in Japan,* London: Routledge, 61-78.

Becker-Ritterspach, F./ Dörrenbächer C. (2011): An Organizational Politics Perspective on Intra-firm Competition in Multinational Corporations, *Management International Review,* 51(4), 533-559.

Beechler, S. Pucik, V., Stephan, J. and Campbell, N. (2005): The Transnational Challenge: Performance and Expatriate Presence in The Overseas Affiliates Of Japanese MNCs. In: T. Roehl & A. Bird (eds.): *Advances in International Management: Japanese Firms in Transition: Responding to the Globalization Challenge,* 17, Amsterdam: Elsevier, 215-242.

Birkinshaw, J. (2000): *Entrepreneurship in the global firm*, London/New Dehli: Sage.

Birkinshaw, J., Hood, N., and Young, S. (2005): “Subsidiary Entrepreneurship, Internal and External Competitive Forces, and Subsidiary Performance”, *International Business Review*, 14, 227–248.

Black, J.S., and Gregersen, H.B. (1992): "Serving two masters: managing the dual allegiance of expatriate employees”, *Sloan Management Review*, 33(4), 61-71.

Brewster, C. and Hegewisch, A. (1994): *Policy and Practice in European Human Resource Management,* London: Routledge.

Brooke, M. Z.. (1984): *Centralization and Autonomy. A Study in Organization Behaviour,* London/ New York: Holt, Rinehart and Winston Brown.

Chang, S-J., Witteloostuijn, A. van and Eden, L. (2010): “From the Editors: Common method variance in international business research”, *Journal of International Business Studies, 41*, 178-184.

Choi, F and J. Czechowicz (1983): “Assessing Foreign Subsidiary Performance: A Multinational Comparison”, *Management International Review*, 23(4), 14-25.

Coeurderoy, R., and Murray, G. (2008): “Regulatory environments and the location decision: Evidence from the early foreign market entries of new-technology-based firms”, *Journal of International Business Studies, 39*(4), 670–687.

Colakoglu, S. Tarique, I. and P. Caligiuri (2009): “Towards a conceptual framework for the relationship between subsidiary staffing strategy and subsidiary performance”, *The International Journal of Human Resource Management*, 20(6), June 2009, 1291–1308.

Colakoglu, S., and Caligiuri, P.M. (2008): “Cultural Distance, Expatriate Staffing, and Subsidiary Performance: The Case of US Subsidiaries of Multinational Corporations”, *International Journal of Human Resource Management,* 19, 223–239.

Demirbag, M., Tatoglu, E. and Glaiser, K. (2007): ”Factors influencing the perceptive performance: The case of Western FDI in an emerging market”, *International Business Review, 16*, 310-36.

Dieckhoff, M. (2008): “Skills and occupational attainment: A comparative study of Germany, Denmark and the UK”, *Work, Employment & Society,* 22(1), 89-108.

Dikova, Desislava and Witteloostuijn, Arjen van (2007): ”Foreign direct investment mode choice: Entry and establishment modes in transition economies”, *Journal of International Business Studies 38*(6): 1013-1033.

Dillman, D.A. (1991): “Design and administration of mail surveys”, *Annual Review of Sociology,* 15, 225-249.

Dörrenbächer, C. and Geppert, M. (2011) (eds.): *Politics and Power in the Multinational Corporation. The role of Interests, Identities and Institutions,* Cambridge: Cambridge University Press.

Dörrenbächer, C. and Gammelgaard, J. (2011): “Subsidiary power in the Multinational Corporation: On the subtle role of micro-political bargaining power”, *Critical Perspectives on International Business*, 7(1), 30-47.

Dörrenbächer, C. and Geppert, M. (2009): “A micro-political perspective on subsidiary initiative-taking: Evidence from German-owned subsidiaries in France”, *European Management Journal,* 27(2), 100-112.

Dörrenbächer, C. and Geppert, M. (2010): “Subsidiary staffing and initiative-taking in multinational corporations: A socio-political perspective”, *Personnel Review,* 39(5), 600-621.

Dowling, P., Welch, D. and Schuler, R. (1999): *International Human Resource Management. Managing People in an International Context,* (3rd ed.), South West, Cincinnati, OH.

Edwards, R., Ahmad, A. and Moss, S. (2002): “Subsidiary autonomy: the case of multinational subsidiaries in Malaysia”, *Journal of International Business Studies*, 33(1), 183-191.

Ellis, P. (2007): “Distance, dependence and diversity of markets: Effects on market orientation”, *Journal of International Business Studies,* 38(3), 374-386.

Fang, Y, Guo-Liang, F.J., Makino, S. and Beamish, P.W. (2011): “Multinational Firm Knowledge, Use of Expatriates, and Foreign Subsidiary Performance”, *Journal of Management Studies* 47(1), January 2010, 27-54.

Fang, Y., Wade, M., Delios, A. and Beamish, P. W. (2007): “International diversification, subsidiary performance, and the mobility of knowledge resources”, *Strategic Management Journal*, 28, 1053–64.

Fowler, Jr. F.J. (1993): *Survey research methods*, Newbury Park, CA: Sage.

Gammelgaard, J, McDonald, F., Stephan, A., Tüselmann*,* H.J and Dörrenbächer*,* C. (2012, in print): “The impact of increases in subsidiary autonomy and network relationships on performance", *International Business Review.*

Gates, S. and Egelhoff, W. (1986): “Centralization in headquarters-subsidiary relations”, *Journal of International Business Studies*, 17(2) 71-92.

Gaur, A. S., Delios, A. and Singh, K. (2007): “Institutional Environments, Staffing Strategies, and Subsidiary Performance”, *Journal of Management,* 33(4), 611-636.

Ghoshal, S. and Bartlett, C. A. (2005): “The multinational corporation as an inter-organizational network”. In: S. Ghoshal, S. and D. E. Westney, (eds.): *Organization theory and the multinational corporation,* Houndmills, Basingstoke: Palgrave MacMillan, 68-92.

Giroud, A. and Scott-Kennel, J. (2009): “MNE Linkages in International Business: A Framework for Analysis”, *International Business Review,* 18, 555-566.

Gong, Y. (2003): “Subsidiary staffing in multinational enterprises: agency, resources, and performance,” *Academy of Management Review*, 46(6), 728–739.

Gong, Y. (2006): “The Impact of Subsidiary Top Management Team Nationality Diversity on Subsidiary Performance: Knowledge and Legitimacy Perspectives”, *Management International Review*, 46, 771–789.

Guest, D. E., Michie, J., Conway, N., and Sheehan, M. (2003): “Human resource management and corporate performance in the UK”, *British Journal of Industrial Relations,* 41(2), 291-314.

Hambrick, D. C. and Mason, P. A. (1984): “Upper echelons: The organization as a reflection of its top managers”, *Academy of Management Review,* 9, 193-206.

Harvey, M.G., Novicevic, M.M. and Speier, C. (1999): “Inpatriate managers: how to increase the probability of success”, *Human Resource Management Review*, 9(1), 151-181.

Harzing, A. W. (1997): “Response rates in international mail surveys: Results of a 22-country study”, *International Business Review,* 6(6), 641-665.

Harzing, A.W. & Noorderhaven, N.G. (2006): “Knowledge flows in MNCs: An empirical test and extension of Gupta & Govindarajan's typology of subsidiary roles”, *International Business Review*, 15(3), 195-214.

Harzing, A.-W. (1999): *Managing the Multinationals. An International Study of Control Mechanisms*, Cheltenham/Northampton: Edward Elgar.

Harzing, A-W. (2001): “Who’s in Charge? An Empirical Study of Executive Staffing Practices in Foreign Subsidiaries”. *Human Resource Management,* 40(2), 139-158.

Hedlund, G. (1986), “The hypermodern MNC – a heterarchy?”, *Human Resource Management*, 25(1), 9-35.

Kaeppli, R. (2009): “The effect of specific organizational and managerial factors on the performance of foreign subsidiaries in Japan”, *Asian Business and Management*, 8(1), 103-123.

Konopaske, R., Werner, S., and Neupert, K.E. (2002): “Entry Mode Strategy and Performance: The Role of FDI Staffing”, *Journal of Business Research*, 55, 759–770.

Kostova, T., and Roth, K. (2003): “Social Capital in Multinational Corporations and a Micro-macro Model of Its Formation”, *Academy of Management Review,* 28, 297–317.

Luo, Y. (2007): “An integrated anti-opportunism system in international exchange”, *Journal of International Business Studies, 38*, 855-877.

Marginson, P., Edwards, P., Edwards, T., Ferner, A. and Tregaskis, O. (2010): “Employee Representation and Consultative Voice in Multinational Companies Operating in Britain”, *British Journal of Industrial Relations*, 48, 151–180.

Miller D., Lee. I., Chang, S. and Le Betron-Miller, I. (2009): “Filling the institutional void: The social behaviour and performance of family vs. non-family technology firms in emerging markets”, *Journal of International Business Studies,* 40, 802-817.

Moore, F. (2006): “Strategy, power and negotiation: social control and expatriate managers in a German multinational corporation”, *The International Journal of Human Resource Management*, 17(3) 399-413.

Nahapiet, J., and Ghoshal, S. (1998): “Social Capital, Intellectual Capital, and the Organizational Advantage”, *Academy of Management Review,* 23, 242–266.

Noorderhaven, N., & Harzing, A-W. (2009): “Knowledge-sharing and social interaction within MNEs”, *Journal of International Business Studies*, 40(5), 719-771.

Perlmutter, H. V. (1969): “The tortuous evolution of the multinational corporation", *Columbia Journal of World Business*, 4, 9-18.

Peterson, R. B., Napier, N. and Shim, W.S. (2000): “Expatriate management: A comparison of MNCs across four parent countries”, *Thunderbird International Business Review*, 42, 145-166.

Podsakoff, P. M., and Organ, D. W. (1986): “Self-reports in organizational research: Problems and perspectives”, *Journal of Management,* 12(4), 531-544.

Pudelko, M.; Harzing, A.W. (2007): “How European is Management in Europe? An Analysis of Past, Present and Future Management Practices in Europe”, *European Journal of International Management,* 1(3), 206-224.

Reade, C. (2001): “Dual identification in multinational corporations: local managers and their psychological attachment to the subsidiary versus the global organization”, *The International Journal of Human Resource Management*, 12(3), 405 - 424.

Reade, C. (2003): “Going the extra mile: Local managers and global effort”, *The Journal of Managerial Psychology*, special issue on „The Management of Expatriates: Contemporary developments and future challenges“, 18(3), 208-228.

Reiche, S. and Harzing, A.W. (2011): “International Assignments”. In: Karzing, A.W. and Pinnington, A.H. (eds.) *International Human Resource Manangement*, London: Sage, 185-226.

Rosenzweig, P.M., and Nohria, N. (1994): “Influences on Human Resource Management Practices in Multinational Corporations”, *Journal of International Business Studies*, 25, 229–251.

Schmid, S. and Kretschmer, K (2010): “Performance Evaluation of Foreign Subsidiaries - A Review of the Literature and a Contingency Framework”, *International Journal of Management Reviews*, 12, 219-258.

Schwens, C. and Kabst R (2009): “How early opposed to late internationalizers learn: experience of others and paradigms of interpretation”, *Journal of International Business Studies*, 40(3), 509–522.

Scullion, H. and Collings, DG (2006): *Global Staffing*, London: Routledge.

Sekiguchi, T., Bebenroth, R. and Li, D. (2011): “Nationality background of MNC affiliates’ top management and affiliate performance in Japan: knowledge-based and upper echelons perspectives”, *The International Journal of Human Resource Management*, 22(5), 999–1016.

Tarique, I., Schuler, R., and Gong, Y. (2006): “A model of subsidiary staffing composition”, *International Journal of Human Resource Management*, 17(2) 207-224.

Thompson E. (2003): “A grounded approach to identifying national competitive advantage: a preliminary exploration”, *Environment and Planning A,* 35, 631-657.

Tung, R. L. and Witteloostuijn, A. van (2008): “From the Editors: What makes a study sufficiently international?” *Journal of International Business Studies,* 39(2) 180-183.

Venkatraman, N., and Ramanujam, V. (1986): “Measurement of business performance in strategy research: a comparison of approaches”, *Academy of Management Review,* 11(4), 801-814.

Vernaik, Sunil, Midgley, David F. and Devinney, Timothy M. (2005): “Dual paths to performance: the impact of global pressures on MNC subsidiary conduct and performance”, *Journal of International Business Studies,* 36, 655-675.

Wang, S., Tong, T.W., Chen, G. and Kim, H. (2009): "Expatriate Utilization and Foreign Direct Investment Performance: The Mediating Role of Knowledge Transfer", *Journal of Management,* 35(5), 1181-1206.

Wasserman, Stanley and Faust, Katherine (1994): "Social Network Analysis in the Social and Behavioral Sciences", *Social Network Analysis: Methods and Applications*, Cambridge University Press, 1–27.

List of tables

Working Papers des Institute of Management Berlin an der Hochschule für Wirtschaft und Recht Berlin

1 Bruche, Gert/Pfeiffer, Bernd: Herlitz (A) – Vom Großhändler zum PBS-Konzern – Fallstudie, Oktober 1998.
2 Löser, Jens: Das globale Geschäftsfeld „Elektrische Haushaltsgroßgeräte“ Ende der 90er Jahre – Fallstudie, Oktober 1998.
3 Lehmann, Lutz Lars: Deregulation and Human Resource Management in Britain and Germany – Illustrated with Coca-Cola Bottling Companies in Both Countries, March 1999.
4 Bruche, Gert: Herlitz (B) - Strategische Neuorientierung in der Krise - Fallstudie, April 1999.
5 Herr, Hansjörg/Tober, Silke: Pathways to Capitalism - Explaining the Difference in the Economic Development of the Visegrad States, the States of the Former Soviet Union and China, October 1999.
6 Bruche, Gert: Strategic Thinking and Strategy Analysis in Business - A Survey on the Major Lines of Thought and on the State of the Art, October 1999, 28 pages.
7 Sommer, Albrecht: Die internationale Rolle des Euro, Dezember 1999, 31 pages.
8 Haller, Sabine: Entwicklung von Dienstleistungen - Service Engineering und Service Design, Januar 2000.
9 Stock, Detlev: Eignet sich das Kurs-Gewinn-Verhältnis als Indikator für zukünftige Aktienkursveränderungen?, März 2000.
10 Lau, Raymond W.K.: China’s Privatization, June 2000.
11 Breslin, Shaun: Growth at the Expense of Development? Chinese Trade and Export-Led Growth Reconsidered, July 2000, 30 pages.
12 Michel, Andreas Dirk: Market Conditions for Electronic Commerce in the People’s Republic of China and Implications for Foreign Investment, July 2000, 39 pages.
13 Bruche, Gert: Corporate Strategy, Relatedness and Diversification, September 2000, 34 pages.
14 Cao Tingui: The People's Bank of China and its Monetary Policy, October 2001, 21 pages.
15 Herr, Hansjörg: Wages, Employment and Prices. An Analysis of the Relationship Between Wage Level, Wage Structure, Minimum Wages and Employment and Prices, June 2002, 60 pages.
16 Herr, Hansjörg/Priewe, Jan (eds.): Current Issues of China’s Economic Policies and Related International Experiences – The Wuhan Conference 2002 - , February 2003, 180 pages.
17 Herr, Hansjörg/Priewe, Jan: The Macroeconomic Framework of Poverty Reduction An Assessment of the IMF/World Bank Strategy, February 2003, 69 pages.
18 Wenhao, Li: Currency Competition between EURO and US-Dollar, June 2004, 18 pages.
19 Kramarek, Maciej: Spezifische Funktionen des Leasings in der Transformationsperiode, Juni 2004, 32 pages.
20 Godefroid, Peter: Analyse von Multimedia-Lern/Lehrumgebungen im Fach Marketing im englischsprachigen Bereich – inhaltlicher Vergleich und Prüfung der Einsatzfähigkeit an deutschen Hochschulen, September 2004, 48 pages.
21 Kramarek, Maciej: Die Attraktivität des Leasings am Beispiel polnischer Regelungen der Transformationsperiode, April 2005, 33 pages.
22 Pan, Liu/Tao, Xie: The Monetary Policy Transmission in China – „Credit Channel” and its Limitations.
23 Hongjiang, Zhao/Wenxu, Wu/Xuehua, Chen: What Factors Affect Small and Medium-sized Enterprise’s Ability to Borrow from Bank: Evidence from Chengdu City, Capital of South-western China’s Sichuan Province, May 2005, 23 pages.
24 Fritsche, Ulrich: Ergebnisse der ökonometrischen Untersuchung zum Forschungsprojekt Wirtschaftspolitische Regime westlicher Industrienationen, March 2006, 210 pages.
25 Körner, Marita: Constitutional and Legal Framework of Gender Justice in Germany, November 2006, 14 pages.
26 Tomfort, André: The Role of the European Union for the Financial Integration of Eastern Europe, December 2006, 20 pages.
27 Gash, Vanessa/Mertens, Antje/Gordo, Laura Romeu: Are Fixed-Term Job Bad for Your Health? A Comparison between Western Germany and Spain, March 2007, 29 pages.
28 Kamp, Vanessa/Niemeier, Hans-Martin/Müller, Jürgen: Can we Learn From Benchmarking Studies of Airports and Where do we Want to go From Here? April 2007, 43 pages.
29 Brand, Frank: Ökonomische Fragestellungen mit vielen Einflussgrößen als Netzwerke. April 2007, 28 pages.
30 Venohr, Bernd/Klaus E. Meyer: The German Miracle Keeps Running: How Germany’s Hidden Champions Stay Ahead in the Global Economy. May 2007, 31 pages.
31 Tomenendal, Matthias: The Consultant-Client Interface - A Theoretical Introduction to the Hot Spot of Management Consulting. August 2007, 17 pages.
32 Zenglein, Max J.: US Wage Determination System. September 2007, 30 pages.
33 Figeac, Alexis: Socially Responsible Investment und umweltorientiertes Venture Capital. December 2007, 45 pages.
34 Gleißner, Harald A.: Post-Merger Integration in der Logistik - Vom Erfolg und Misserfolg bei der Zusammenführung von Logistikeinheiten in der Praxis. March 2008, 27 pages.
35 Bürkner, Fatiah: Effektivitätssteigerung im gemeinnützigen Sektor am Beispiel einer regionalen ‚Allianz für Tanz in Schulen’. April 2008, 29 pages.

36 Körner, Marita: Grenzüberschreitende Arbeitsverhätnisse - Grundlinien des deutschen Internationalen Privatrechts für Arbeitsverträge. April 2008, 22 pages.
37 Pan, Liu/Junbo, Zhu: The Management of China's Huge Foreign Reserve and ist Currency Composition. April 2008, 22 pages.
38 Rogall, Holger: Essentiales für eine nachhaltige Energie- und Klimaschutzpolitik. May 2008, 46 pages.
39 Maeser, Paul P.: Mikrofinanzierungen - Chancen für die Entwicklungspolitik und Rahmenbedingungen für einen effizienten Einsatz. May 2008, 33 pages.
40 Pohland, Sven/Hüther, Frank/Badde, Joachim: Flexibilisierung von Geschäftsprozessen in der Praxis: Case Study „Westfleisch eG - Einführung einer Service-orientierten Architektur (SOA). June 2008, 33 pages.
41 Rüggeberg, Harald/Burmeister, Kjell: Innovationsprozesse in kleinen und mittleren Unternehmen. June 2008, 37 pages.
42 Domke, Nicole/Stehr, Melanie: Ignorieren oder vorbereiten? Schutz vor Antitrust Verstößen durch Compliance"-Programme. June 2008, 25 pages.
43 Ripsas, Sven/Zumholz, Holger/Kolata, Christian: Der Businessplan als Instrument der Gründungsplanung - Möglichkeiten und Grenzen. December 2008, 34 pages.
44 Jarosch, Helmut: Optimierung des Zusammenwirkens maschineller und intellektueller Spezialisten. January 2009, 35 pages.
45 Kreutzer, Ralf T./Salomon, Stefanie: Internal Branding: Mitarbeiter zu Markenbotschaftern machen – dargestellt am Beispiel von DHL. February 2009, 54 pages.
46 Gawron, Thomas: Formen der überörtlichen Kooperation zur Steuerung der Ansiedlung und Erweiterung von großflächigen Einzelhandelsvorhaben. April 2009, 43 pages.
47 Schuchert-Güler, Pakize: Aufgaben und Anforderungen im persönlichen Verkauf: Ergebnisse einer Stellenanzeigenanalyse. April 2009, 33 pages.
48 Felden, Birgit/Zumholz, Holger: Managementlehre für Familienunternehmen – Bestandsaufnahme der Forschungs- und Lehraktivitäten im deutschsprachigen Raum. July 2009, 23 pages.
49 Meyer, Susanne: Online-Auktionen und Verbraucherschutzrecht – ein Rechtsgebiet in Bewegung. Zugleich ein Beitrag zu Voraussetzungen und Rechtsfolgen des Widerrufsrechts bei Internetauktionen. December 2009, 29 pages.
50 Kreutzer, Ralf T.: Konzepte und Instrumente des B-to-B-Dialog-Marketings. December 2009, 40 pages.
51 Rüggeberg, Harald: Innovationswiderstände bei der Akzeptanz hochgradiger Innovationen aus kleinen und mittleren Unternehmen. December 2009, 31 pages.
52 Kreutzer, Ralf T.: Aufbau einer kundenorientierten Unternehmenskultur. December 2009, 59 pages.
53 Rogall, Holger/Oebels, Kerstin: Von der Traditionellen zur Nachhaltigen Ökonomie, June 2010, 28 pages.
54 Weimann, Andrea: Nutzung von Mitarbeiterpotenzialen durch Arbeitszeitflexibilisierung – Entwicklung eines optimierten Arbeitszeitmodells für eine Abteilung im Einzelhandel, June 2010, 35 pages.
55 Bruche, Gert: Tata Motor's Transformational Resource Acquisition Path – A Case Study of Latecomer Catch-up in a Business Group Context, October 2010, 28 pages.
56 Frintrop, Philipp/Gruber, Thomas: Working Capital Management in der wertorientierten Unternehmenssteuerung bei Siemens Transformers, November 2010, 35 pages.
57 Tolksdorf, Michael: Weltfinanzkrise: Zur Rolle der Banken, Notenbanken und „innovativer Finanzprodukte", November 2010, 20 pages.
58 Kreutzer, Ralf T./Hinz ,Jule: Möglichkeiten und Grenzen von Social Media Marketing, December 2010, 44 pages.
59 Weyer,Birgit: Perspectives on Optimism within the Context of Project Management: A Call for Multilevel Research, January 2011, 30 pages.
60 Bustamante, Silke: Localization vs. Standardization: Global approaches to CSR Management in multinational companies, March 2011, 29 pages.
61 Faltin, Günter/Ripsas, Sven: Das Gestalten von Geschäftsmodellen als Kern des Entrepreneurship, April 2010, 22 pages.
62 Baumgarth, Carsten/Binckebanck, Lars: CSR-Markenmanagement – Markenmodell und Best-Practice-Fälle am Beispiel der Bau- und Immobilienwirtschaft, September 2011, 46 pages
63 Lemke, Claudia: Entwurf eines Modells zur serviceorientierten Gestaltung von kleinen IT-Organisationen in Forschungseinrichtungen Theoretische Überlegungen und methodische Konzeption als erste Ergebnisse eines Forschungsprojektes an der HWR Berlin, October 2011, 43 pages
64 Greiwe, Joris/Schönbohm, Avo: A KPI based study on the scope and quality of sustainability reporting by the DAX 30 companies, November 2011, 31 pages
65 Lemke, Claudia: Auszug aus der Modellierung des IT-Dienstleistungsmodells „proITS" am Beispiel der Struktur von Forschungseinrichtungen und deren IT-Service – Erkenntnisse aus einem Forschungsprojekt an der HWR Berlin, February 2012, 46 pages.
66 Grothe, Anja/Marke, Nico: Nachhaltiges Wirtschaften in Berliner Betrieben – Neue Formen des Wissenstransfers zwischen Hochschule und Unternehmen, March 2012, 40 pages.
67 Meyer, Susanne/Fredrich, Jan: Rechtsgrundlagen einer Pflicht zur Einrichtung einer Complance-Organisation, May 2012, 19 pages.
68 Schönbohm, Avo/Hofmann, Ulrike: Comprehensive Sustainability Reporting – A long road to go for German TecDax 30 companies, June 2012, 23 pages.
69 Baumgarth, Carsten/Kastner, Olga Louisa: Pop-up-Stores im Modebereich: Erfolgsfaktoren einer vergänglichen Form der Kundeninspiration, July 2012, 33 pages.

70 Bowen, Harry P./Pédussel Wu, Jennifer: Immigrant Specificity and the Relationship between Trade and Immigration: Theory and Evidence, October 2012, 32 pages.
71 Tomenendal, Matthias: Theorien der Beratung – Grundlegende Ansätze zur Bewertung von Unternehmensberatungsleistungen, December 2012, 35 pages.
72 Schönbohm, Avo: Performance Measurement and Management with Financial Ratios – the BASF SE Case, March 2013, 26 pages.
73 Olischer, Florian/ Dörrenbächer, Christoph: Concession Bargaining in the Airline Industry: Ryanair's Policy of Route Relocation and Withdrawal, April 2013, 26 pages.

Special Edition:
Ben Hur, Shlomo: A Call to Responsible Leadership. Keynote Speech at the FHW Berlin MBA Graduation Ceremony 2006. November 24th, 2006, Berlin City Hall, April 2007, 13 pages.