

**‘Role of Expatriates: The Case Study of
a Japanese Multinational in Europe’**

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A thesis submitted in partial fulfilment of the requirements of the degree of

PhD

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Abstract

The aim of this thesis is to identify the key roles of expatriates in a major Japanese MNE and factors influencing formation of their roles. It also examines to what extent expatriates have discretion in forming their roles. The thesis uses empirical data from 109 interviews and 5 years of action research (44 advisory board meetings and 144 Human Resource Management (HRM) workshops, 19 research sites in 9 countries and 17 additional meetings on specific topics) that enabled the researcher to carry out insightful and in-depth analysis with cross-national and multi-layer perspectives. The study applies organisational design theory to unveil the mechanisms of role formation, significantly expanding the understanding of these issues in Japanese business and the international business literature.

The findings suggest that the process of role formation of expatriates can be explained by combining contingency theory and strategic choice theory in a framework that argues that the roles of expatriates are the result of a political process of organisational design (Child, 1997). This includes adaptation to the environment (Lawrence and Lorsch, 1967) but also the relationship between organisational agents and the environment in the process of strategic choice (Child, 1997).

The major contribution of this study is to provide evidence that expatriates are not merely agents of HQs in international business as traditionally understood, but that their role is more complex and multifaceted. The study empirically identifies five key roles of expatriates – two more than previously identified in the literature – and unveils six contingency factors and two strategic choice factors influencing role formation. The thesis demonstrates that expatriates strategically select their roles, although internal and external factors can act either as enhancers or obstacles to their making of choices and role formation.

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Abbreviations

A&F	Apparel and Footwear
ASEAN	Association of Southeast Asian Nations
CA	Customer Accounting
CEO	Chief Executive Officer
CS	Customer Service
EEC	European Economic Community
EMEA	Europe, the Middle East and Africa
EU	European Union
FDI	Foreign Direct Investment
GA	General Accounting
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GMG	Global Marketing Group
HQs	Headquarters
HR	Human Resources
HRM	Human Resource Management
I-E	Import-Export

IHQs	International Headquarters
ISO	International Organization for Standardization
IT	Information Technology
JETRO	Japan External Trade Organization
MD	Managing Director
M&E	Machinery and Engineering
MNE(s)	Multinational Enterprise(s)
OECD	Organisation for Economic Co-operation and Development
QC	Quality Control
RHQs	Regional Headquarters
RSU	Rappresentanza Sindacali Unitarie
S&B	Snap and Button
T&D	Textile and Dyeing
UK	United Kingdom
USA	United States of America
YFI	YKK Fasteners Italia
YKK	Yoshida Kôgyô Kabushiki-gaisha [Yoshida Kogyo Co., Ltd] (as of 2009 and previously YKK plc)
YSI	YKK Snap and Button, Italy

Chapter 1 Introduction

International business and expatriates

The more that organisations become globalised, the greater the demand emerges for multinational enterprises (MNEs, hereafter) to use expatriates in their international business (Foster, 2000). They are sent from a home country to a host country to achieve strategically critical objectives, in an increasingly competitive global business environment. Hailey (1999) also claims that there is a growing demand for expatriates by MNEs. Most MNEs expect to employ more expatriates and international executives. This is supported by the evidence of the researcher who surveyed an increasing demand for expatriates with overseas work experience (Torbiorn, 1994). Brewster (1994) argues that although there may be a reduction in the number of expatriates sent abroad by large multinational companies, small and medium sized MNEs are sending an increasing number of expatriates abroad.

The more that organisations globalise, the more of a challenge it is for international human resource management (HRM, hereafter) to use expatriates on international assignments to complete strategically critical tasks. MNEs not only use expatriates for corporate control and expertise in increasing competitive global markets, but also to facilitate the company's entry into new markets and to develop international management competencies (Forster, 2000).

Main objective of the research

In 2003, the researcher was approached by a series of Japanese MNEs who had encountered enormous problems in managing overseas subsidiaries, especially regarding expatriates. In the researcher's role as consultant for one of these MNEs, the fundamental objective was to identify the role of expatriates. This thesis is not only interested in what the key roles of expatriates are, but also the mechanisms for forming and fulfilling these roles. If these factors are understood, MNEs can expect to be able to plan expatriate strategy, thereby predicting and avoiding problems and conflicts related to expatriates.

Literature shows that MNEs are complex organisations with multiple sites and functions, such as sales and production, different kinds of managers and workers, and various management processes. All of these activities need to be coordinated at a global level. Thus, MNEs need to develop appropriate organisational structures to integrate this complex web of operations, in coordination with their strategic objectives and relationships with overseas subsidiaries. Scullion and Linehan (2005) note that using people to hold the organisation together is becoming a common and necessary strategy for MNEs. However, despite the widespread use of expatriates by MNEs, there are surprisingly few in-depth studies on the roles of expatriates.

The aim of this thesis is to identify and examine the key roles of expatriates through a MNE by analysing the expected roles by the headquarters (HQs, hereafter), and performed roles, in different subsidiaries. Research in nine countries enabled us to identify key influencing factors within organisations that the research shows that these are evident in the cross-national business environment, but also as organisation-specific attributes such as relationships

between management expatriates and local staff in particular subsidiaries. This thesis also explores to what extent expatriates have discretion in choosing their roles, analysing the dynamics of the relationship between specific factors such as environmental pressures, political balance and individual capabilities that influence their choice.

Major arguments from expatriate studies

Bartlett and Ghoshal (2000) argue that the increasing demand for expatriates who can initiate MNEs' strategic objectives emerges because firms pursue the increasingly elaborate development of internationally coordinated organisations. Bartlett and Ghoshal highlighted the three major strategic objectives that MNEs pursue as global efficiency, multinational flexibility and global learning.

Scullion and Linehan (2005) suggest that it is increasingly critical for MNEs to manage and identify the role of expatriates as their overseas sites and functions expand. They view expatriates as people sent from the MNEs' home bases to international sites to achieve corporate business objectives. They also note that a firm's expectations of its expatriates vary, depending on the life cycle and strategic aim of its subsidiaries. It is arguable, however, whether the life cycle and strategic aims of subsidiaries are the only determinants of the role of expatriates.

Boyacigiller (1990) sought more extensive factors that determined the role of expatriates; she also considered that expatriates' commitment affects the type of roles they play and their ability to fulfil them. Thomas (1991) focuses on the

network of interrelationships that go beyond simple, conventional relationships such as the international exchange between multiple sites in an international organisation. He argues that the role of expatriates is to develop cross-national and cross-functional exchanges. Harzing (2001) agrees with this to some extent, seeing international transfers as a method of informally coordinating a control strategy by harmonising the subsidiary employees into the MNE's culture and values, and building up communication networks. She identifies the role of expatriates as agents of direct formal control, socialisers and agents of informal communication.

All these are major contributions to theorising the role of expatriates and helping to establish the basis of a theoretical framework to investigate their roles. However, some critical points have been neglected. For instance, Boyacigiller (1990) did not consider which factors affect expatriates in balancing their commitment to the local subsidiary. At the same time, their HQs did not explore the consequences of different patterns of commitment in practice. While Thomas (1991) pointed out how the interrelationships between different expatriates influence the roles of expatriates, he overlooked the influence of the local employees. Harzing (2001) identifies expatriates' roles with the grounding notion that expatriates are the agents of the MNEs. However, MNEs are complex social constructs (Nohria and Ghoshal, 1997; Morgan, 2001), and thus the role of expatriates can be greater than being merely agents of MNEs' HQs.

MNEs are complex in that, firstly, they are differentiated into vertical layers: the international layer, the regional headquarters (RHQs, hereafter) and the subsidiaries. Expatriates are to be found in different management layers in each

site. Secondly, we must consider the impacts on the role of expatriates from different cross-national environments and management practices. Thirdly, with regard to expatriates' networks, we must look not only at their intercountry and interfunction relations but also at their relationships in the subsidiaries. These may significantly influence the extent to which their roles can be taken over by local managers and the roles that are specific exclusively to expatriates. And finally, in relation to expatriates' commitment, it is necessary to investigate where and to which layer or site the commitment is directed.

The research method and specific objectives

This thesis seeks to identify the key roles of expatriates and examine the factors that influence their formation in a case study of an MNE. To examine the influences on their roles, the thesis looks not only at influences generated by contextual factors or the relations between HQs and the expatriates, but also at the dynamics created by relationships between expatriates and the local managers. Another purpose of this thesis is to examine how the roles of expatriates reflect expatriates' own choices. This thesis also addresses the question of the comparative strength of factors formed by different national and organisational contexts, and perceptions of the expatriate–local relationship in the host country.

The thesis's framework is based on two theories developed some time ago but the core concepts of these are still useful in more developed organisational theories. The first is contingency theory (Lawrence and Lorsch, 1967) and the second is

strategic choice theory (Child, 1972). Contingency theory assumes that the role expatriates take depends on their adaptation to their environment. Expatriates are always related to more than two different environments (home and host country). Strategic choice theory focuses on the way that organisations or agents make choices about how to make individual choice in their response to their environment. Thus, responses to the environment are not homogeneous among organisations or individuals because they are mediated by the choices and decisions of individuals. While contingency theory highlights factors emerging from the environment that influence people's decisions, strategic choice theory takes into account elements such as individuals' managerial capabilities and the political processes that influence their decisions.

The methodology used in this thesis is qualitative research with an action research approach. This thesis does not seek to explore the role of expatriates in numerous corporations using a quantitative method to reach generalised conclusions. Rather, it aims for an in-depth consideration of the components and factors that are critically influential in forming their roles.

However, the researcher is aware that there are limitations when only a single case is used: the research may be able to describe very particular phenomena in a specific context, but it may compromise universality. Thus it may limit the possibility of applying the same framework and the research results to other studies. Therefore, a decision was made to avoid limiting the research to just one organisation and to conduct research on organisations at various layers in an MNE –HQs, RHQs and business entities in individual countries – although, technically, they still are one corporate group. To attain horizontal diversity, it

was decided to research several overseas subsidiaries. This expanded the research scope to a reasonable extent, allowing factors originating from different contexts to be considered and compared.

For data collection, there was a risk that if the survey method or closed questions were applied, the research results might not discern the respondents' subjective views and attitudes. The survey method implies that the truth can be ascertained by transforming qualitative information into quantitative data but bias is still possible using this research method, however objective it may seem. Thus, to minimise this risk, the action research method (e.g. attending monthly advisory board meeting and initiating HR workshops) was adapted in addition to semi-structured interviews and observations

The third concern was that, if the interviews were conducted on a one-off basis at HQs, RHQs, and subsidiaries, the researcher's understanding might be fragmentary, the comprehensiveness of her understanding compromised and her objectivity decreased. It was therefore decided to carry out additional interviews that incorporate the action research technique. This was achievable as the researcher maintained a regular relationship with the company as a HR consultant for the RHQs and had frequent opportunities for discussion with the managers of HQs and RHQs, as well as the managers of subsidiaries in the regions.

TABLE 1.1 OUTLINE OF THE RESEARCH METHODS

	Major research components		
Research Phase	Phase 1 Preliminary research	Phase 2 Theoretical framework development	Phase 3 Main Research
	2004	2005	2006-2007
Research method	Semi-structured and unstructured interviews		Semi-structured and unstructured interviews
	Participant observations at Monthly advisory board meetings Weekly HR workshops	Participant observations at Monthly advisory board meetings Weekly HR workshops	Participant observations at Monthly advisory board meetings Weekly HR workshops
	Action research	Action research	Action research
Research sites	RHQs Subsidiaries (UK, Poland, Germany, Italy, Turkey)	IHQs RHQs	IHQs RHQs Subsidiaries (Spain, Italy, France)
Research phase	2004	2005	2006-2007

As in Table 1.1 above, one timeline shows the research conducted by using an action research approach. This involved regular, irregular and continuous participant observation and discussions with the corporate directors and

managers at HQs, as well as occasional meetings and discussions with management from the subsidiaries. This took place in the IHQs and RHQs from 2004 to 2008. The next timeline is the research conducted at the individual subsidiaries. The first phase took place in 2004 as a pilot study in the United Kingdom (UK, hereafter), Germany, Italy, Turkey and Poland. This pilot study helped the researcher to understand the corporate group's business activities and organisational structures comprehensively and in detail. At the same time it revealed a weakness in the initial research design including the language barrier.

As a result, for the main study the researcher collected data and conducted semi-structured interviews with linguistic support from assistants who had sufficient management knowledge. The main research was conducted in Spain, France and Italy. The involvement of an additional researcher who had extensive local knowledge improved the quality and accuracy of the data. This is discussed in Chapter 3 in further detail. Data collected in the semi-structured interviews was transcribed and translated into English if the original text was in Japanese, French, Italian or Spanish. Data analysis started with categorising formatted data according to the theoretical framework developed in this thesis. The

categorised text was then analysed and compared with existing research results and the literature.

The context of the research

Japanese multinationals

The case study MNE is a Japanese business and the research setting was Europe. Japanese MNEs businesses differ greatly from their Western counterparts in terms their history of internationalisation and their particular management style.

Japanese internationalisation started in the 1950s, mainly in order to seek natural resources. In the 1970s the focus changed to further market expansion (Park, 2003). After 1985 the Plaza Agreement was signed, and the Japanese yen changed from having a fixed foreign exchange rate against the US dollar to having a flexible rate connected to the foreign currency exchange market. This made the Japanese currency too vulnerable to rely on export-oriented business alone and it became a driving force to prompt Japanese firms to move onto the next stage of internationalisation – overseas operations (Elger and Smith, 2005).

Japanese MNEs 'management approach differs from European and US practices, particularly in terms of operation systems, ownership structure and HRM. Japanese MNEs value and demand employees' loyalty and commitment to the company. Life-time employment systems compensate for the demands of loyalty and commitment. At the same time, Japanese firms expect their employees to be multi-skilled rather than specialists. In other words, it has traditionally been considered more important to be a multi-skilled employee of a company such as Toyota than to be a highly skilled technology engineer (Kikkawa, 1995).

When operating overseas, Japanese MNEs also have unique characteristics. They have relied heavily on Japanese expatriates in terms of their overseas operations, expecting their Japanese managers to construct a stable international network while showing total loyalty to HQs and a capacity for multi-skilled work. It is often said that the characteristics of Japanese management practices are based on 'life-time employment', 'corporate unions' and 'seniority-based pay' (Fruin, 1992). However, recently other scholars (e.g. Kikkawa, 1995) claim that these practices are changing. For example, the life-time employment system is fading due to the labour market becoming more mobile and companies' changing HR strategy in pursuit of cost efficiency.

However, Kikkawa (1995) argue that the principle and values shared amongst Japanese society, including managers and workers, are strongly embedded. Thus expatriate strategy of Japanese MNEs is designed following the principle of long-term commitment of employees and age still matters.

Dore (1973) claimed that Japanese companies do not exist merely as enterprises, with many groups of different business units and factories. More than that, a community emerges around a Japanese company for their stakeholders and especially for employees. In recognition of these distinctive features of Japanese management systems it is suggested that Japanese MNEs may have a great deal of difficulty in adapting to the Western business context. This raises the question of whether the roles of expatriates in Japanese MNEs have any particularity because of their distinctiveness in business principle.

Case study

This research focuses on particular Japanese MNE, YKK plc. YKK is the largest manufacturer of fastening products in the world and has the second biggest geographical distribution of subsidiaries among all Japanese firms. The main

case study concerns YKK IHQs, RHQs and subsidiaries in France, Spain and Italy. YKK has traditionally relied heavily on using expatriates to manage its overseas business. In Europe the number of its subsidiaries has increased from 30 to 40 and the use of expatriates peaked during the 1980s. These expatriates were used to initiate and develop production and sales in Europe. There were more than 120 expatriates at that time. Nowadays, the number of expatriates has been reduced to around 58 and the company is now strategically committed to minimising its use of expatriates, mainly for cost efficiency purposes.

As a consequence, YKK-Europe presents a unique opportunity to understand how expatriates are used, what their formal and informal roles are and what (if anything) may be lost by replacing expatriates with local staff.

The structure of the thesis

The research objectives and methods have already been introduced in this chapter. The literature review in Chapter 2 examines how existing studies understand the roles of expatriates. It initially describes the key theoretical elements in the international business literature that are relevant to expatriate studies, and then introduces the main arguments about expatriates' roles from

different viewpoints. This is followed by a presentation of contingency theory and strategic choice theory. The application of these theories to studying the role of expatriates provides the conceptual framework adopted throughout this thesis. Next, because the case study company was Japanese, Japanese business practices and firms are briefly reviewed. It assumes that there were differences between Japanese and European business practices that may have imposed challenges on Japanese firms in adapting to the local environment, leaving them with less capacity to make their own strategic choices.

Chapter 3 covers the theoretical framework that enables the empirical data collected during the research to be analysed to find additional implications, gaps in perception, contradictions and inconsistencies with the research results. While the existing literature did not provide a direct answer to the author's research questions, it did help her to understand possible mechanisms for the formation of the role of expatriates in international business and it enabled her to develop the theoretical framework for this study. In the theoretical framework, five roles played by expatriates and eight influencing factors are considered critical. These are examined and analysed in the empirical study. Chapter 3 also explains why the two theories chosen are capable of providing this framework with conceptual

support.

Chapter 4 presents the methodological procedures used in designing the data collection instruments and the analysis of data by applying the action research method. The major research questions are further refined with the development of sub-questions. This thesis adopts a qualitative approach to analysis and some methodological issues are considered next. The data collection strategy developed for this study consists of participant observations and semi-structured interviews supported by secondary data. The interview instruments were modified and interview methods were radically changed as a result of the initial analysis of the pilot research project, while other research components, such as the regular and irregular observations of discussions and meetings, were applied without a break. A detailed textual data analysis procedure was followed.

Chapter 5 focuses on the perceptions of the roles of expatriates at HQs level, especially in the changing localisation strategy of the corporate group under examination. It begins with an overview of the characteristics of the industry and how these industrial attributes may impact on formulating the global strategies of firms in general. The background and philosophy of the case study corporate group is then introduced, as it has a significant influence on the case

study company's initial internationalisation and localisation approaches and on the company's wider ideas about the role of expatriates, which make its business practice unique.

This chapter also explores the consequences and concerns arising from these changes. Alongside this, there is an examination of HQs' perceptions of the business environment and what their expectations are, from the entire group as well as the region where the research was conducted – namely YKK Europe, the Middle East and Africa (EMEA, hereafter). This will enable comparisons of the perceptions and expectations between different groups in this MNE, such as the IHQs and RHQs, expatriates and local managers.

Chapter 6 presents the results and analysis of the study of YKK-France. After outlining the background of YKK-France's business environment and its history, HQs' perceptions, expectations and concerns regarding YKK-France are briefly introduced. The expatriates' own perceptions of their roles are presented, followed by local managers' perceptions of these roles. An analysis of how local managers perceive the role of expatriates then follows. The following section applies the theoretical framework, analysing the influences identified in Chapter 4 on the role of the expatriates in YKK-France. The formation of their role is

considered by examining the data collected from multiple layers and groups within and outside the company. This leads to an analysis of how each role played by the expatriates is critical for YKK-France and how each role is interdependent upon the rest. The chapter also considers the significance of these influences in context. In France, institutional systems and industrial relations significantly influence the operation of a subsidiary. This affects not only the roles that the expatriates could play but it also restricts and influences other factors such as the subsidiary's HR systems and the degree to which it could develop cooperative relations. Furthermore, this analysis leads to an understanding of how the degree of strategic choice initiated by expatriates affects the formation of their role.

Chapter 7 focuses on YKK-Spain and offers an in-depth analysis of the dynamics around the formation of expatriates' roles. More importantly, this chapter clearly shows that the influences identified are interdependent. Influences can thus either complement each other or conflict with each other, affecting expatriates' roles with different degrees of significance and in different ways. This case study shows that each of the five roles identified needed to be formed to avoid catastrophes that can occur if one role is lacking.

Chapter 8 introduces the case of YKK Snap and Button, Italy (YSI, hereafter) as a contrast to the previous two case studies. This chapter strengthens the argument that degrees of strategic choice significantly affect the formation of expatriates' roles. It also demonstrates that influencing factors are not independent of the context but are also influenced by people such as expatriates. Wielding strategic choice not only enables expatriates to form a range of roles but also influences the organisational context.

Finally, Chapter 9 provides a summary of the conclusions drawn from all the previous chapters, followed by comparison of the three case studies and a discussion, including recommendations to scholars and practitioners. The overall research findings are described and the limitations of this study are set out, together with the further research that will follow from it.

Chapter 2 Existing literature on expatriates and theorising the role of expatriates

Introduction

This chapter will examine the existing literature relevant to the roles of expatriates to establish the focus, research methods and theories to be used. This provided significant information and conceptual ideas on the role of expatriates.

Firstly, relevant studies, including those expatriates' roles, are examined. In the subsequent section, theories of expatriates' roles are described. As discussed earlier, these have relied heavily on contingency theory. This thesis demonstrates how the use of this particular theory has resulted in a biased approach to expatriate role formation and then shows that strategic choice theory can be employed to moderate such bias.

Early studies on expatriates largely found their theoretical support in contingency theory and involved very little international business theory. Contingency theory was initially introduced as a counterargument to universalist theories. Internationalisation is formed and developed by a firm's choices and strategies, but according to contingency theory, individuals and organisations need to adapt to their environment. The choices and strategies a firm makes can be different from its choices as a result of adaptation to the environment, and the roles of expatriates are inevitably related to both. Initial studies of expatriates mainly focused on how individuals adapt to their local business environments and rely heavily on contingency theory as a result

(Harzing, 2001).

The topic of expatriates in HRM is still relatively new and the volume of literature dedicated to the study of expatriates is not a central topic in HRM or international business. Discussions on the configuration of international HR have mainly tended to concentrate on the issue of achieving a balance between the number of expatriates and that of local employees, or on the functions required, instead of considering the dynamics of expatriates' role formation and influencing factors (Scullion and Collings, 2006a).

Until now, most studies on the role of expatriates have been based on the assumption that it is something to do with adaptation to the local environment. Thus, expatriates who wished to improve their performance simply seemed to need to adapt more easily to the local business environment. As a result, studies on adapting to local business environments have flourished (Scullion and Paauwe, 2005). However, this does not sufficiently take into account the changing internal business environment to which that expatriates must continue to adapt. It is necessary to take a closer look at how expatriates and locals can/should balance adapting to the local environment and to their MNEs' global environment. These objectives are often interpreted into elements of corporate strategy, such as standardisation for global efficiency and differentiation for local responsiveness.

Thus in the next section, literature on international business will be reviewed in an attempt to consider ideas on the role of expatriates, who are critical to international business. Study on internationalisation of businesses has often used an economic approach. The role of expatriates has thus been largely

overlooked.

The next section aims to make a connection between the existing literature on international business and the role of expatriates. It will proceed with a number of questions; in the early post-trading stages of business internationalisation, what roles were expatriates expected to play and what roles did they actually play? What about in the more developed stages of internationalisation? In the first section of this review the literature on the internationalisation of business and its evolution are examined to discern what factors influenced or shaped their expatriates' roles.

Then theories, contingency and strategic choice theories, to which the thesis looked for support, will be reviewed.

Finally, the issue of numerical balance between expatriates and local employees has been a frequent topic in studies of international business (Scullion and Collings, 2006b). It is said that Japanese MNEs tend to rely more heavily on the use of expatriates than companies in the West (Geppert *et al.*, 2003; Legewie, 2002). Therefore, the final section describes the major Japanese MNEs' attributes, which may impact on the formation of the role of their expatriates.

Literature on expatriates

The author perceives that there are four major strands of expatriates literature – namely, expatriate management, expatriates' adjustment, factors in success and failure and the role of expatriates.

Literature on expatriate management (e.g. Tung, 1987; Mayerhofer *et al.*, 2004;

Huang *et al.*, 2005; Treven, 2006; Tye and Chen, 2005) is still a major contribution to expatriate studies and these scholars investigate and examine the relationship between individual performances and management approaches. In particular, there is a focus on selection processes, competence evaluation and motivation management. Tung (1998) claims that dramatic global business environment changes have impacted upon the demands of international assignment for expatriates, revising her previous theoretical approach to the contingency paradigm.

In this area of study, active debates have continued especially on selection and training (e.g. Brewster, 1994; Tung, 1987). Tung (1987) argued that the training and selection procedure recipe should reflect the demands, not only of jobs to be assigned but also of the local context where expatriates are sent.

This challenge against the 'best practice' model of managing expatriates has been supported by 'contingency theory'. Brewster and Pickard (1994) pointed out that there are geographic limitations to the research evidence to support best practice for expatriate management because the research on expatriates is mainly from US MNEs and there is a scarcity of empirical studies of European MNEs. This implies that it is necessary to consider whether ownership matters in managing expatriates and their activities. Following their claim, in 1998, Tung reassessed the validity of her previous claim on expatriate selection and training with rather convergent perspectives and indicated the necessity of additional dimensions/perspectives to the contingency paradigm of selection and training. From the same position, Scullion and Brewster (2001) contributed by providing substantial research results from Europe and enhanced awareness of

fundamental differences between European and North American approaches to expatriate management. While this research focused on selection and training, particularly drawing upon cultural aspects, scholars paid increasing attention to wider aspects of expatriate management. These approaches consider the burnout problem (Bhanugopan and Fish, 2006) and satisfaction of expatriates on international assignments (Black and Gregersen, 1990) etc. However, some scholars (e.g. Black *et al.*, 1991) argue that adjustment processes for expatriates are only analysed from the viewpoint of critical antecedents of cross-cultural adjustment. They point out that very few studies have attempted to empirically determine factors that affect cross-cultural adjustment, focusing on the relationship between factors and adjustment in a sequence of processes.

Secondly, the literature on adjustment processes of expatriates (e.g. Brewster, 1994; Caligiuri, 2000; Tung, 1998; Osland, 2000; Lee and Liu, 2006; Erbacher *et al.*, 2006; Selmer, 2004) mostly focuses on how expatriates adjust themselves to the local context. Black (1991) indicated the importance of preparatory training by exhibiting evidence of its effects.

Nicholson and Imaizumi (1993) focused on the complex adjustment processes of Japanese expatriates to Western contexts. However, these studies explored expatriates' adjustment within pre-determined roles.

This thesis is interested in both processes and outcomes forming the roles of expatriates. Role planning is a part of expatriate management involving HQs strategic intent and expectation. Role fulfilment requires adjustment to the local context. These groups of literature enabled the researcher to learn many critical issues for expatriates to meet expectations. However, the more complex the

international business becomes, the more diverse its reasons to use expatriates. Next, the analysis of factors in the success and failure of expatriates (e.g. Hays, 1974; Mendenhall and Oddou, 1985; Harzing, 1995; Harrison and Shaffer, 2005) attempts to examine the dynamics around expatriates from a wider perspective. Their literature inspired the researcher to further understand the necessity of paying attention to the influencing factors. However, the researcher is not convinced because definitions of expatriation major successes refer merely to the completion of the expatriation period. Wider elements such as what the expatriates did, and the quality of their contributions, should be studied.

Literature on role of expatriates

According to Riusala and Suutari (2004) the reasons for using expatriates can be grouped into three categories; functional (specific staffing needs to cover a vacancy in a subsidiary), management development (to develop a team of internationally experienced managers) and organisation development (control and coordination, knowledge transfer and embedding the corporate culture in the subsidiaries). This thesis focuses on the latter. Thus, this section will explore studies analysing the roles of expatriates as agents of organisational development.

Within the growing body of literature on expatriation a stream of research emphasises the important link between corporate strategies and expatriates to achieve firms' strategic objectives (e.g. Boyacigiller, 1990; Bonache and Fernández, 1999; Brewster, 1994; Brewster and Scullion, 1997; Harzing 2001).

This literature contributed to building stronger links between HR research and international business research, and its importance is increasing along with greater demand for further development of strategic HRM research.

A key argument of such literature is that expatriates are not only involved in interactions within a local context, but also in the wider dynamics of global and local business contexts and corporate business strategies in multinational organisational networks. (Thompson and Keating, 2004; Fink and Holden, 2005; Loveridge, 2005). This contextual complexity drives expatriates into playing a variety of roles that go beyond simple functional ones (Edstrom and Galbraith, 1977; Bartlett and Ghoshal, 1989; Boyacigiller, 1990; Vora *et al*, 2007).

Boyacigiller recognises the contingent nature of expatriate role formation and considers that the formation of expatriates' roles depends on multiple factors, including various political considerations, the cultural distance between the home and the host country and the interdependence of the forces surrounding their work. This suggests that a single international staffing policy to govern the roles of the expatriates may not work in every circumstance.

A crucial aspect of the dynamics and complexity around expatriates is the dual nature of its responsibility to HQs and to subsidiaries (Bartlett and Ghoshal, 1989; Black and Gregersen, 1992; Vora *et al*, 2007; Evans *et al*, 2002; Boyacigiller, 1990). For this reason, expatriates' roles need to be clearly set out to manage conflicts of interest between the different parties that the expatriates serve, such as HQs and the local units (Boyacigiller, 1990).

Expatriates must balance their commitment to the home country and to the local unit, because a lower commitment to the local unit will prevent them from

completing their local assignments. Furthermore, reduced commitment to the home country's HQs may restrict their transfer of knowledge from the local unit to HQs, which is essential to develop the firm's global capabilities (Boyacigiller, 1990; Novicevic and Harvey, 2005). Boyacigiller (1990) emphasises the role of expatriates as agents of control, agents of coordination and dissemination of HQs practices, and agents of knowledge and culture. However, in accordance with Bartlett and Ghoshal (1998) she also acknowledges the role of expatriates in terms of defending or standing up for their subsidiary – explaining to HQs why certain practices and organisational structures may not work in the host country. Boyacigiller's biggest contribution to this field of study is the recognition that complications arise as a consequence of expatriates' unique responsibility to report to both the local unit and to HQs. These complications drive expatriates into assuming wider roles than those set out for them. However, Thomas (1991) argues that expatriates reporting and networking responsibilities are wider than Boyacigiller suggests. Thomas's (1991) argument is built on Bartlett and Ghoshal's (1989) claim that analysing the management of international operations, in terms of simple inter-unit relationships between a subsidiary and the headquarters is inappropriate. Bartlett and Ghoshal (1989) argue that the worldwide business environment requires MNEs to collaboratively share information and solve problems, cooperatively share resources, and collectively implement business coordination. This is not only between subsidiaries and HQs, but also across subsidiaries and between subsidiaries and local strategic partners, such as suppliers and distributors, consultants, government and academia. In other words, relationships in MNEs are built on the

interdependence between constellations of different units.

Drawing on Bartlett and Ghoshal's (1989) ideas, Thomas (1991) turns his focus to the interrelationships among expatriates who belong to different units in the MNEs' global coordination. He argues that increasing globalisation has formed expatriates' roles that go beyond the merely operational function. Expatriates, he says, have a fundamental role in the creation and development of informal networks promoting coordination and interdependencies between units and organisation members. The network of interrelationships in MNEs can be political or ideological and it goes far beyond conventional, simple relations such as internal business communication. Thomas considers that expatriates should play the role of boundary spanners, to deal with this complexity developing cross-national and cross-functional exchanges.

Since, in his empirical study there was only one network consisting of just HQs and one subsidiary, he could not assess the different impacts multiple subsidiaries might have had on the nature of the network, and the role of expatriates in its development. Further research by Geppert *et al* (2003) compared expatriates' roles in Germany and UK. They found that expatriates have a crucial role in organisational development as proactive network builders. However, the scope and success of the role are influenced by the characteristics of the subsidiary where they are based.

Other scholars (Black *et al.*, 1992; Evans *et al.*, 2002) focus on the level of the individual subsidiary rather than on the relationships and the networks evolving around expatriates. They consider that the factors arising from the subsidiaries have a dominant influence on the different roles of expatriates. For instance,

Evans *et al.* (2002) examined the variations in expatriates' roles in relation to the different stages of the establishment of the subsidiary to which they belong. The authors noted that expatriates' roles varied distinctly along three stages of internationalisation; R&D for new markets, the establishment of the organisation and the expansion and coordination of the local value chain. Technical and managerial knowledge transfer is paramount during the research and development stage. Once a subsidiary has entered a local market, expatriates need to develop and sustain the firm's global network (control and coordination role) and initiate global organisational learning by exporting new practices and ideas to the home country to be shared by all (Evans *et al.*, 2002). They are also expected to develop local capabilities, such as personnel skills and innovation, and to aggregate and export local knowledge and capabilities (Evans *et al.*, 2002).

The role of expatriates as agents of HQs control has been long been acknowledged in literature (Black *et al.*, 1992; Evans *et al.*, 2002; Sparrow *et al.*, 2004; Collings and Scullion, 2006b; Paik and Sohn, 2004). Harzing (2001, p.366) considers that the most distinctive role of expatriates is that of implementers of "an informal coordination and control strategy through socialization and the building of informal communication networks". Harzing draws conceptual support for this role from a growing body of research that emphasises the increasing importance of informal control mechanisms in MNEs (Doz and Prahalad, 1984; Bartlett and Ghoshal, 1989; Martínez and Jarillo, 1989,). In her later study, Harzing (2001) explored the international transfer function in greater detail and expanded her definition to capture more formal mechanisms

of coordination, such as when HQs formally appoint expatriates to build communication networks and delegate autonomy to expatriates to control subsidiaries.

Many MNEs seek to increase local responsiveness by localisation of production and marketing. However Harry and Collings, (2006) contend that MNEs should really increase localisation of labour. They argue that expatriates can play an important role as strong promoters of localisation, although expatriates can also be obstructive as a result of self-interest. Scullion and Collings (2006c) claim that expatriates are better off as supporters rather than 'doers' in this regard. Localisation of labour is defined as 'the extent to which jobs originally filled by expatriates are replaced by local employees who are competent to perform the jobs' (Selmer, 2004). Harry and Collings (2006) emphasise that the role of expatriates as agents of localisation is crucial to success of the globalisation process. If expatriates do not act as mentors, coaching locals by setting examples and passing on attitudes and behaviours, then the simple replacement of expatriates by locals may not lead MNEs to perform as effectively as when using expatriates (Selmer, 2004).

Risusala and Suutari (2004) claim that there is increasing need for international integration and knowledge transfers across borders in the future, and that companies should focus more systematically on identifying their core knowledge and managing transfer across units. The role of expatriates as vehicles of technical knowledge, and perhaps more importantly, as conduits of tacit knowledge, cultural knowledge, attitudes and values between different organisational units is consistently acknowledged by the literature on

expatriates (Ghoshal and Bartlett, 1998; Boyacigiller, 1992; Downes and Thomas, 2000; Evans *et al*, 2002; Riusala and Suutari, 2004; Minbaeva *et al*, 2002). Additionally, Riusala and Suutari (2004) point out that there is much less research upon theorising and testing the mechanisms by which knowledge is transferred by expatriates and influenced by context.

Cerdin (2003) proposed that the role of expatriates in the international diffusion of HR practices can be conceptualised as the result of five organisational and related dimensions; a) International management characteristics, b) HQs managers and HRM, c) subsidiary characteristics, d) characteristics of expatriation (assignment length, role discretion and cultural interaction) and e) locals' cooperation, trust and shared vision. Riusala and Suutari (2004) add wider social and institutional dimensions as key influencing factors. Some related factors found by empirical research include: absorptive capabilities and HRM practices of subsidiaries (Minbaeva *et al*, 2002); the organisational identification of locals with the MNE (Vora *et al*, 2007); rigidity of local institutional systems and poor governance (Riusala and Suutari, 2004); and expatriates' knowledge of local culture (Paik and Sohn, 2004). However, there is still need for more empirical work investigating how knowledge transfer is influenced by the social and organisational context of the interactions between expatriates and locals, and whether contextual influences varied according to the type of knowledge being transferred (Riusala and Suutari, 2004; Vora *et al*, 2007). This need for further research is critical in terms of in-depth understanding of factors influencing the role of expatriates as a mean of tacit knowledge transfer across organisational units (Bartlett *et al*, 2008). The scope

for further research is wider in terms of tacit and cultural knowledge transfer (Vora *et al*, 2007). Sparrow *et al* (2004) remark that despite the breadth of research, there has been little theoretical conceptualisation (a notable exception is the work of Bonache and Brewster (2001) based on knowledge transfer theory) or empirical studies.

The majority of existing literature focusing on roles expatriates' roles consists of case studies, whereas quantitative empirical studies are less frequent. An example of robust empirical study on the subject was the groundbreaking work of Harzing (2001). Harzing used a survey of 287 MNEs' subsidiaries headquartered in 9 countries, which showed statistically that some of these roles were correlated with specific characteristics of the subsidiary.

Harzing's (2001) contribution to the expatriate literature has been to identify new roles played by expatriates and conceptualise these roles. She also distinguishes clearly between each role used to control the subsidiaries, both directly and indirectly, using different mechanisms (such as through direct control and through shared values). She uses three metaphors to describe the different control functions; "[the] 'bear' (formal direct control), [the] 'bumble-bee' (socialisation), and [the] 'spider' (informal communication)". These roles are correlated with the level of expatriates' presence, the age of the subsidiary, local responsiveness, the dependence of HQs on the subsidiary and the entry mode. However, she did not go beyond the traditional assumption that the essential roles of expatriates are to control subsidiaries.

Harzing (2001) observed that higher levels of expatriate presence in a subsidiary are related to the predominance of expatriates taking the role of direct agents of

control (bears) rather than that of socialisers (bumble-bees) or informal communicators (spiders). More significantly, she found that expatriates played different roles in different situations. The roles of socialisers and informal communicators are more likely to be found in older subsidiaries (although the role of socialisers was also important in very young subsidiaries).

These correlations indicate a quantitative link between these factors and roles. However, it is still unclear what the mechanisms and processes are that connect the factors identified and the resulting roles. In addition, her study does not determine which factors are more dominant, as well as how and why their existence results in the specific roles that expatriates have to play.

The literature described in this section shows that the roles of expatriates are not limited to simply serving their designated functions under a set of regional conditions in a foreign company. There is possibility that further study on the process of role formation of expatriates will enable MNEs to better manage the role of expatriates, reflecting causal relations of various factors around the subsidiaries. To this end, the following section will explore how insights from the literature on international business can contribute to in-depth and rational understanding of the factors influencing the process of role formation.

International business and MNEs

For MNEs, globalisation has been a critical driver towards operating on a cross-border basis. MNEs experience various influences associated with particular economic, political, cultural and sociological areas (Sparrow *et al.* 2004). Their

definition of globalisation from an economic perspective includes processes whereby markets and production in different countries become interdependent due to the dynamics of trade; changes in the nature of goods traded, movement of production facilities from one country to another, the integration of financial markets and the creation of the global market.

Expatriates emerged along with the development and expansion of international business. Punnett and Ricks (1997) argue that, while international business is similar to domestic business in terms of management processes and functions, the introduction of interactions and transactions that cross national borders makes them different. International business is affected by differences between countries that occur in laws, culture, languages and business systems. Hence, the internationalisation of business is complex (Punnett and Ricks, 1997).

Contingency theorists suggest that when firms go global, both firms and individuals within it must adapt to the local environment. The aim here is to consider whether such adaptations are universally required and whether the kind of adaptation required depends on the characteristics of the home and the host country (e.g. Ferner and Quintanilla, 1998; Edwards, 1998; Elger and Smith, 2005; Morgan, 2001).

On the other hand, Bartlett and Ghoshal (1989) focused on the different inter-organisational relationships that firms can have and the way these impact on the formation of expatriates' roles. Going beyond the view that MNEs just need to adapt to the local environment, they consider that local units have more varied relations and interfaces than MNEs. The different types of relationships are: 1) a local linkage in each national subsidiary; 2) a linkage between HQs and

the subsidiaries; 3) a linkage between the subsidiaries themselves.

Challenges and nature of MNEs: Globalisation (standardisation), local responsiveness (localisation)

Bartlett and Ghoshal (1989) argue that firms are under pressure to be locally responsive and that they are also required to differentiate their products and to implement different marketing strategies from one country to another to accommodate diverse demands. They thus make a clear distinction between the pressures that MNEs face to improve their global efficiency and the pressure to be locally responsive, and point to related conflicts that may be built into the different roles that expatriates are expected to play. As a result of firms' international operations in different countries, tensions and conflicts arise.

The arguments developed by Nohria and Ghoshal (1997) have led to debates based on three questions. The first covers how subsidiaries operate and work with HQs' strategic goals. The second covers whether subsidiaries simply take on the roles that are allocated to them by HQs. The third covers whether subsidiaries develop their own roles in an entrepreneurial manner, instead of being the passive recipients of HQ's decisions.

The concept of 'global' strategies that MNEs develop and implement can be quite ambiguous (Ghoshal, 1986). Scale, synergy and benefits from them vary from industry to industry. For instance, the aero frames industry requires economies of scale and firms need to be large, which necessitates the global integration of activities. However, in many cases, industries may not initially require global

integration (Ghoshal, 1986). Ghoshal stated that global strategy changed MNEs' management processes as well as their business structure in order to optimise their value chain. It leads to certain simplifications, which created the polar alternatives of centralisation and decentralisation (Ghoshal, 1986).

Edward and Rees (2006) emphasise the importance of the politics of an organisation in developing its strategies. Within an MNE, many different groups with different resources, values and agendas emerge. These politics sometimes result in empire building and create unnecessary tension between managers in the HQS and those in a subsidiary (Edward and Rees, 2006).

Drawing on Ghoshal's model (1986), Harzing (2004) examined three types of MNEs – global companies, multidomestic companies and transnational companies. Global companies standardise their products and services for cost efficiency. Subsidiaries are highly dependent on HQs for their sales and purchases and are not expected to respond actively to local demands such as product adaptation. There are a relatively low percentage of subsidiaries with 'strategic' functions such as R&D. Multidomestic companies work towards differentiation to comply with local demands and policies. Local demand is determined by cultural, social and political characteristics. Transnational companies combine the characteristics of both of these, in a sense, so that the MNE can simultaneously respond to the sometimes conflicting strategic needs of global efficiency and local responsiveness (Harzing, 2004). The third type of MNE seems ideal in terms of optimal business and many seek to apply this model. However, the obstacle for them is that transnational companies are extremely difficult to manage because decision-making centres are usually

irregularly dispersed in strategically optimal locations. The command line and management structures are complex as the decision-making points are located in different places or with different people for strategic reasons.

Morgan (2001) stated that MNEs vary by having different business objectives. The structure and strategies of MNEs are contingent upon the requirements of globalisation (e.g. standardisation, improvement of global efficiency), which in practice can be varied and contradictory. It is also critical for MNEs to cope with different stages of internationalisation through international business coordination, organisational structures and management systems.

The theoretical perspectives underpinning Morgan's (2001) idea are that, firstly, MNEs are not just complex with a number of different business units but together they comprise an international community. Social constructions are built out of specific national institutional contexts that shape how they internationalise. Secondly, multinationals constitute multiple actors who play different roles in different sites. Once firms become international in their scope, they orientate towards the new social actors, namely, their employees in the host country (Birkinshaw and Hood, 1998).

Morgan (2001) also argues that as MNEs conduct business across national borders, it affects how these organisations are structured and act. MNEs constitute complex, contradictory internal processes in possible conflict. For example, when a Japanese company does business in the UK, there may be conflict as to whether it should follow the management practices of the UK or Japan. This illustrates how organising across institutional and national divides can bring challenges to the routines used by the MNE in the home country.

Evans *et al.* (2002) focus on changing the concept of local responsiveness for MNEs. Local responsiveness has emphasised the arrangement of production, products and services, adapting to local requirements such as local customer demand and government requirements. Being close to the market, MNEs can supply required products and services accurately and quickly. However, there is increasing attention paid to localisation of staff. The adjustment of HR practices to local context is becoming a critical issue for MNEs (Evans *et al.*, 2002).

Evans *et al.* (2002) suggest that the ways in which MNEs conduct their international businesses naturally vary according to the characteristics of their home countries, such as their economic power, culture, institutional systems and business customs. They also vary according to their industrial sectors.

MNEs have to cope with different organisational requirements in national working practices plus legal and social restraints. MNEs also need to hold together their complex web of global operations. While the notion that expatriates play the role of agents of socialisation and control was developed by Edstrom and Galbraith (1977), Scullion and Paauwe (2005) argue that using global managers to hold organisations together has recently become a common strategy for the MNEs. These agents of the organisation are their expatriates. The next section gives particular focus to literature relating to the use of expatriates to hold organizations together.

Use of expatriates to hold organisations together

Bartlett and Ghoshal (2000) argue that in order for MNEs to pursue their goals

of international coordination under the three objectives of global efficiency, multinational flexibility and global learning, there is an increasing demand for employees who can attain these objectives. Scullion and Brewster (2001) note that the rapid growth in the internationalisation of firms has resulted in an increased demand for the mobility of expatriates. It is increasingly critical for MNEs to use people to hold their international organisations together. There is a growing volume of research into how firms develop the role of expatriates and allocate them to different parts of global business coordination.

Chester Barnard (1938) outlined the competencies that executives of the future would need in the twentieth century. He foresaw, even then, that all executives would need to go beyond their formal institutional function. The background to this was, firstly, the presence of foreign companies rushing to do business in the USA, which was booming after World War II, and the ensuing emergence of global competition there. Secondly, many companies followed Michael Porter (1980, 1985, and 1986) and other scholars who advocated the importance, for the USA and other companies, of building business value chains outside their home countries to survive this fierce competition. These trends contributed to an increase in the number of corporate managers stationed in foreign countries: the expatriates. If these managers are required to go beyond their formal function, what should that involve?

Kobrin (1988) stated that MNEs reduced the numbers of expatriates in order to reduce the costs associated with the high failure rates of expatriates. Oppositely, Bonache and Fernández (1999) found an increasing use of expatriates. They were concerned that there were not enough studies on how MNEs could manage

their pool of expatriates or which personnel were best able to take on international assignments. Their concern came about because the MNEs' policies for expatriate selection and management and allocation of the role were not clear in many cases. They argued that various factors influenced MNEs' strategy development and strategies determine expatriates' roles. Consequentially the role of expatriates was designed accordingly, which led MNEs to select appropriate expatriates.

New directions in expatriate studies

The chapter has reviewed the abundance of studies on expatriates and relations between expatriates and MNEs. However, we cannot overlook new directions in expatriate research, such as the changing nature of international assignments, growing attention to the global mindset, and the balance and relationships between expatriates and locals.

Changing nature of international assignment

What is the key for MNEs to be successful? Some say technological innovation, others say strategy and structure. Black *et al.* (1992) argue that the key is people. People invent and utilise technology; people formulate strategy and build organisations. People and their effective movement and management across borders play strategic roles in global competition. There is a growing need for the study of global succession planning as well as information flow and exchange

between the parent and subsidiaries. They argue that, in addition to considering global assignments as more than 'fire-fighting' tools, firms should include both home-country nationals and foreign-country nationals in strategic global assignments. They also pointed out that mere 'fire-fighting' is inefficient because it results in poor design of international assignment. Additionally, expatriates and their management are increasingly important as firms move from export patterns to coordinated patterns of globalisation (Black *et al.*, 1992).

Bird (2001) highlighted the point that, while international assignments could be valuable experience for expatriates that could not be obtained elsewhere, and very often, upon their return, HQs appeared uninterested in what they had learnt or incapable of utilising their experience. This occurs because firms do not understand either the nature of organisational knowledge creation and its processes or the role played by individuals. He put special emphasis on international assignments as a critical part of career development, which linked to the processes of organisational knowledge creation.

Morley *et al.* (2006) pointed out that traditional expatriate research mainly focused on expatriates as individuals instead of "expatriates also linked with international business". They argued that there was a wider range of MNEs than traditional giant MNEs, as international business involved an increasing number of small-to-medium-sized firms as a result of the growth of joint ventures and alliances. Expatriate management was becoming more important as it directly impacts on the success or failure of international business. In addition, along with the increasing importance of human resources in working towards developing global strategy and not just managing overseas subsidiaries,

the importance of expatriates' roles remained significant even after repatriation. Another issue was the diversified types of expatriation. Long-term expatriation was reducing, being replaced by short-term expatriation and business trips along with the development of technology such as video-conferencing and new and faster methods of communication (Morley *et al.* 2006).

According to Stahl and Chua (2006), international business has recently regarded expatriates as a source of global strategy advantage. In this respect, expatriate experience has moved from 'nice but not necessary' to 'must have'. However, it should be noted that for the repatriates, an international assignment can be a double-edged sword. Whilst senior management insist that an international assignment is a positive career move and advantageous for promotion, the new career for repatriates seems less challenging than positions they held abroad. At the same time, MNEs do not take advantage of the skills they learned overseas. As a result, many repatriates often leave their companies. However, what is the motive for managers to accept international assignments? Stahl and Chua (2006) conducted cross-national (German expatriates and Singaporean expatriates) research examining their motives in continuing to accept international assignments, despite uncertainty and negative career prospects. The research implied that compared with twenty years ago, MNEs had made great advances in pre-departure training. However, their research findings revealed that repatriation and long-term career development remained the Achilles' heel. Due to the lack of many companies' international career development practices and repatriation planning, expatriates often perceived a distinction between expatriate experience and their long-term career path.

Despite these shortcomings, managers and professionals continued to accept the offer of international assignments, mainly for two reasons. Firstly, they placed a high intrinsic value on the international business experience; and, secondly, they viewed such an experience as a competitive asset that made them more valuable in the external labour market.

Global mindset

Rhinesmith (1993) argues that firms are moving towards the fundamental challenge of globalisation, which includes not only corporate strategy and structure, but also a global corporate culture and people with global mindsets. He points out that there has been little systematic attempt to define exactly what a global mindset is. From his 25 years' research, he defines a global mindset as a way of being rather than particular skills. With a global mindset, managers can scan the world from a broad perspective, continuously looking for unexpected trends and opportunities to achieve their personal, professional or organisational objectives.

According to Rhinesmith, people with global mindsets tend to approach the world in six specific ways. First, they seek the bigger, broader picture, constantly looking for context. A global mindset is never content with one explanation of an event or satisfied with one project carried out to plan with only one approach. Second, they accept life as a balance of contradictory forces. The demands of many parties in functional, geographical and various business units are often in conflict. People with a global mindset live with conflict rather than resolution

using force. Third, they trust processes rather than structure. They acknowledge that processes, defined as a series of activities that form the physiology for the anatomy of organisation, enable people and organisations to respond rapidly to change in their environment. Fourth, they value diversity and multicultural teamwork and act in order to achieve their professional and organisational objectives. Fifth, they perceive change as opportunity and are comfortable with surprise and ambiguity, which enables them to cope with a world in rapid evolution. Finally, they always seek to be open to themselves and others by rethinking boundaries, funding new meanings, and changing their direction and behaviour. Global mindsets are not exclusive, but inclusive.

Aycan (2001) argues that companies need leaders and managers with a 'global mind-set' who have technical and managerial competencies and can cope with uncertainties, conflicts and integrate multiple perspectives in order to meet the challenging complex nature of global business. He emphasises that expatriation is an important step toward becoming a global leader.

Osland (2001) supports his idea and emphasises how expatriate experience enables them to relinquish:

(1) cultural uncertainty, (2) unquestioned acceptance of basic assumptions, (3) personal frames of reference, (4) the unexamined life, (5) accustomed role and status, (6) knowledge of social reinforcement, (7) accustomed habits and activities, and (8) known routines (p. 148).

Scullion and Collings (2006c) emphasise the growing importance of global

leaders. Since the mid-1990s, international talent management initiatives have been introduced by a growing number of MNEs in response to the growing problem of shortage of international managers, which constrains MNEs in implementing their international business.

Kedia and Mukherji (1999) emphasise the importance of global mindsets for managers, which allow meaningful global strategising to effectively integrate global business, regional/country pressures and worldwide functions. They surmise that a global mindset enables MNEs to build sufficient coordination and specialisation. Responding to the necessity of defining their role, they propose a catalyst within the organisation for cultural diversification.

The introduction of managers with global mindsets has brought a new angle to the debate around the use of expatriates or locals, both of who can be global leaders. However, in a practical sense, the issue for MNEs is how to develop some specific HR schemes to develop and manage this group of managers (Levy, *et al.* 2007).

Expatriates and locals

Why is it not easy to replace expatriates with locals? Who are more suitable to promote localisation?

First, Edstrom and Galbraith (1977) suggest that MNEs require a high level of global integration and coordination. Expatriates with international experience can enlarge their knowledge of multinational networks with multiple contacts, which allow them to act as a linked network of interdependent business units in

the group and learn the impact of their decisions on global strategies.

Also, in some cases firms prefer to have expatriates that they trust and who communicate honestly as well as understand the local market. They acknowledge that locals contribute significantly to support the company and expatriates through local knowledge, culture, and business customs. Locals play the role of localiser in this sense (Boyacigiller, 1990).

However, Bonach *et al* (2001) argue that local responsiveness may be achieved by employing locals, but when uncertainty regarding political risk or cultural distance occurs, expatriates will help their HQs to understand the local conditions in order to control the subsidiaries. They represent the interest of HQs and also act as interpreters. In addition, things that used to be considered local specific are increasingly connected to global elements. Local specific issues can no longer be totally detached from global trend. Due to the high expatriate failure in MNEs, the concept of replacing expatriates with locals is increasing. It might be quite a simplistic idea to increase numbers of locals just to reduce costs without carefully assessing the consequences. However, before we decide whether movement is inappropriate or not, it is necessary to understand the current role of expatriates in depth. This will help to decide which functions can be replaced by locals – and which cannot.

Although there is an increasing awareness that MNEs need to be able to assign appropriate roles to their expatriates, and the existing literature suggests various important factors for MNEs to take into account in doing so, the arguments in the literature are rather fragmented and uncoordinated as yet. These studies are still rather conceptual. Further empirical studies supported by

theories are necessary for consideration of the balance between expatriates and locals. Then, there is the methodological issue to consider. Most existing studies are based on expatriates' accounts. This means that the arguments depend heavily upon the expatriates' perceptions and fail to take into account other views from different angles, such as the perceptions of local managers and managers at HQs.

Contextual factors influencing expatriate's role formation

What are the critical influencing factors within the contexts faced by expatriates during foreign assignments? Although the importance of international managers' global mindset is increasingly recognised, the individual capabilities cannot solely contribute to the fulfilment of the expatriates' role. There has also been significant interest in the differences between market economies and their roots in contrasting institutional arrangements, whether comparing business systems, forms of regulation or varieties of capitalism (Hall and Soskice, 2001).

The next section will review important foundations to help identify possible influencing factors in forming expatriates roles.

The varieties of capitalism and business systems

Each country's business arrangement is the result of long-term strategic or non-strategic choice by the national governments in forming business systems. The business systems have been developed based on different economic policies

influenced by different types of capitalist theory. At the same time, varieties of capitalism have emerged from the accumulated choices on various elements of economic policies chosen (Whitley, 1999).

During the twentieth century, a number of divergent forms of capitalism have been established. Although there are numerous claims of growing convergence driven by globalisation, in terms of managerial structures and strategies, it can be argued that countries with different institutional arrangements continue developing and reproducing varied systems (Whitley, 1999).

Morgan (2001) points out that the last decade saw a considerable resurgence of interest in the differences between market economies and their roots in contrasting institutional arrangements. Amongst studies of business systems, social systems of production, forms of regulation or varieties of capitalism, viability and persistence of distinctive systems of economic coordination and control in developed countries are regarded as having central importance (Morgan, 2001). Morgan pointed out a few key issues; 1) National institutional contexts indicate that these have a higher level of diversity than had been previously supposed, 2) Whatever complementarities and linkages emerge, there are no 'universal' characteristics within any particular context and contexts are historically constituted and variable. In addition, Morgan argues that the degree of 'fit' and complementarity between institutions is variable. This variability is historically constituted and not predetermined; it is interdependent and mutual models of 'divergent capitalisms' are not useful yet. The other important issue is 'threat of globalisation'. The institutional variations across nations form different kinds of capitalism. The varieties of capitalist perspectives include the

modernisation approach, the neo-corporatism approach and a social system of production approach.

Hall and Soskice (2001) argue that systems of labour market regulation, of education and of corporate governance are the most important in institutional systems. They consider the ways in which the behaviour of firms and individuals, such as industrial relations, vocational training and education, corporate governance, inter-firm relations and employees, are affected by “the institutions of the political economy”. The presence of institutional complementarities reinforces the differences between liberal and coordinated market economies.

Hall and Soskice (2001) state that among the large OECD nations, six can be classified as liberal market economies, including the USA and Britain, and another 10 such as Germany and Japan, Switzerland and Denmark. Six, such as France, Italy, Spain and Turkey, are left in more ambiguous positions

Companies in the capitalist system seek profits, and investing in foreign countries can be seen as a more logical way of making more money than staying in one country (Jones, 2005). Jones argues that multinationals played a significant role in the development of global capitalism over the past centuries. Although MNEs encounter a range of costs and challenges arising from political, geographical, economic, and cultural distance between their home country and the countries they invest in, they still have ownership advantages over a local firm. Locational factors in the host country either attract foreign firms or prevent them from operating in the export market, because it may be more efficient to organise international transactions within a firm because of the cost

of opportunism and bounded rationality. Multinational investment may be the most efficient way of transferring the tacit knowledge that is embedded in the routine of individual firms.

Amable (2009) states that countries exhibit significantly different forms of capitalism and its attributes in various areas such as market competition, the wage-labour nexus and labour market institutions, the financial-intermediation sector and corporate governance, social protection and the education systems. In addition, the interconnection between the different institutional forms shows the coherence of the different varieties of capitalism. It means that institutional complementarities determine the different models of capitalism.

Whitley (1999) argues that there are a number of different ways of organising economic activities in a market economy and that no single pattern is clearly superior to all the others. These different patterns of national economic organisation result from particular institutional environments. He points out the importance of understanding how distinctive patterns of economic organisation become established and effective in different societies and how they change in relation to their institutional context. These patterns determine the nature of economic activities that are coordinated through managerial hierarchy, cooperative or competitive. Whitley (1999) argues that business systems are particular arrangements of hierarchy–market relations.

Despite expanding globalisation, differences between national business systems are no more likely to be reduced nor to become convergent, forming a single type of market economy in the 21st century. Different types of capitalism are still competing. The continuing differences in the ways that economic activities are

organised and governed across a country's market economies lead to the variety of today's economic rationalities and performance standards. Whitley's (1999) argument is contrary to economic reasoning that assumes the dominance of a single standard for determining efficient performance throughout all economic market economies.

In 2007, Whitley suggested that the nature of companies was that they were collective economic actors. Therefore, that nature cannot be assumed to be basically the same regardless of its political and social context. In particular, the roles of kinds of authoritatively coordinated groups, such as inter-firm networks, in structuring, decision-making and becoming significant economic actors under particular conditions need to be considered. The importance of these kinds of networks and associations is to suggest that market economies could be usefully compared in terms of basic and independently varying dimensions, according to the degree of ownership integration. They are highly financially integrated but low in organisational integration. It would be then possible for economic activities to be coordinated and directed through non-spot-market exchanges, such as sustained collaboration in inter-firm networks and governmental regulatory control.

Institutions and the National Specificity of Business Systems

Whitley (2007) considers that the governance of leading companies and their strategic goals differ between nationally distinct institutional regimes.

Therefore, different kinds of capitalism have been generated at national level. However, the extent to which national institutional arrangements dominate regional and local systems varies between countries and sectors. In the case of Italy, the limited ability of the state to provide reliable competitive conditions encouraged many firms and socio-economic groups to focus on local communities and agencies, particularly in dealing with uncertainty and risk. As a result, in many parts of Italy, local government has become significant in the development of distinctive patterns of economic organisation.

Furthermore, Whitley (2007) argues that dominant business systems can and do change, as can institutions and that the national variability of dominant institutions forms of authoritative coordination of economic activities and relative success in particular industries have highlighted the role of institutional frameworks.

Business history

Amatori and Jones (2003) express that business history stands at a crossroads. Today, business history is an academic subdiscipline of remarkable potential and diversity. The study of business history has espoused various arguments, in particular about its boundaries, including convergence with other disciplines.

This section will briefly look at 'historical alternatives' (Sabel and Zeitlin, 1985) to industrial history because this concept supports divergent ways of thinking in business history. The emphasis in this approach is on alternative possibilities, contingency, and strategic choice in the development of modern industry over the

past three centuries. The historical alternatives approach allows us to identify the flexibility of specialised forms of production in the industrial past.

The historical alternative approach starts by rejecting the 'narrow track' model of industrialisation and economic development. This concept denies the existence of logic of material progress that must be adopted by all to advance productivity, income and wealth (Sabel and Zeitlin, 1985). The second claim of the historical alternative is that technology and organisation should not be taken as fixed or given parameters to which economic actors must adjust. Instead, they should be taken as objects of strategic reflection and experimentation in their own right.

Sabel and Zeitlin (1985) argue not only within the fields of technology and organisation, but also from a larger theoretical viewpoint, such as regarding mutual constitution of actors and contexts. They acknowledge the existence of self-selective actions. Therefore, the authors do not accept a rigid distinction between maximising agents and constraining contexts. Strategic actions render moot the standard distinction between adaptive and creative responses to existing constraints. It is crucial to this process of strategic reflection for the capacity of economic agent to weigh up alternative courses of actions, connecting the present with both the future and the past.

Their significant contribution is that they pointed out that the 'strategic choice' had always been there. They continued by saying that self-reflective actors continually scanned foreign competitors' practices and debated the merits of alternative models while understanding the relationship between context and strategic choice. They connected contingency and strategic choice in forming the economy.

Sabel and Zeitlin (1985) also argue that without a technological and deterministic model of material progress, contingency and strategic choice become the mainsprings of economic change. It would become the core theme of industrial history. Every single small choice and incremental innovation may cumulatively exert a profound influence on the industrial development of individual firms, regions, and whole national economies.

Culture

Culture is shared by a certain group of people, shaping their particular values. Culture is not genetic inheritance but culture programmes people to adopt certain ways based upon their environment and the kind of society in which they grew up and have lived. Culture is shared social values and obviously individuals have their own personality as well as these shared values hence it is hard to draw a line between culture and personality (Hofstede, 1991).

How does a society's culture influence formation of expatriates' roles? Clearly it is critical for firms to understand the host country's culture in managing local people and dealing with local stakeholders.

Hill (1997) considers globalisation of corporations is in fact increasing connections between countries. However, it does not mean that cultural differences are diminishing. On the contrary, as economic borders come down, cultural barriers go up, thus new challenges and opportunities emerge. One of the most important challenges for MNEs in globalisation is acknowledging these cultural values and practices. Managers need flexibility and willingness to accept

values that may be drastically different from those to which they have become accustomed. Being a global manager is not just about where MNEs do business but it is also about how to do it.

The research reported by House (2004) demonstrates that directness, frankness, and 'being in-your-face' are offensive behaviours in many countries such as Latin America and the Nordic European countries. For example, in a survey of Fortune 500 firms, having competent global leaders was rated as the most important factor for business success – more than 65% of respondents believed that their existing leaders needed additional skills and knowledge before they could meet or exceed the challenge of global leadership.

A groundbreaking research project started in 1966 with an IBM study, on which Gert Hofstede worked on from 1973 to 1978. That report explores the differences in thinking and social action that exist among members of more than 50 modern nations. He argues that everybody carries 'mental programs' and that these mental programmes contain a component of national culture. The data was collected within subsidiaries of IBM in 73 countries. As a result of analysis of this huge amount of data, he categorised the features of cultural characteristics in five dimensions of power distance, uncertainty avoidance, individualism vs. collectivism, masculinity vs. femininity and long-term vs. short term orientation (Hofstede, 2001).

Indeed, many successful companies pride themselves on their cross-national approach and publicise the ways in which the company's operations are rooted in the communities they serve. In addition, the host-context emphasis means that these companies respect target markets, securing good governmental contracts

and solid distribution networks etc. However, successive waves of deregulation, advances in communications technology and competitive pressures to standardise operations mean that it has become increasingly untenable for MNEs to continue the above approach. Local differentiation is now sometimes being seen as an unnecessary cost obstacle due to globalisation pressures. Instead, MNEs are under strong pressure to make seamless integration, and global companies increasingly view their corporate cultures as a primary asset, as the glue to unite dispersed subsidiaries into one MNE. Many MNEs view a strong corporate culture as a factor of resilience (Mead and Andrews, 2001).

Organisation theory and the role of expatriates

The academic literature on the roles of expatriates has frequently sought a theoretical foundation in environmental–organisation theories, particularly contingency theory. The literature initially focused on the operational aspects of these roles, but its focus has since been expanded to include the relationships between expatriates and contingent factors in their internal and external environment. These contingent factors can include the characteristics of the local subsidiaries and the relationships and networks between the subsidiaries and HQs, local business systems, culture, and capitalism. It also can include internal agency relationships in the subsidiary involving expatriates and local employees. Arguments that focus on relations between expatriates and these factors draw their theoretical support from contingency theory (Lawrence and Lorsch, 1967). Prior to the development of contingency theory by Lawrence and Lorsch (1967), a

closed systems theory was predominant, which treats organisations as if their internal operations are the sole concern of management. The closed systems theory considers actors as isolated from their larger environment, but this view does not take into account relationships and the interaction between actors and their environment or the existence of different environments.

In contrast, contingency theory (Lawrence and Lorsch, 1967) assumes that the roles of expatriates are shaped by the ways in which they respond to their environment. Contingency theory explains how expatriates and their activities can influence each other. It is used to explain the role of expatriates in terms of the complexity of their environment, which includes at least two different environments – local and home country factors – and the relationships generated from the interaction of these factors.

More recently, while the importance of the environment is still recognised, the way in which expatriates deal with their environment, rather than whether they orient to it or not, has gained increasing attention. This leads to considering the managerial ability of the expatriates, as this is what promotes or blocks their orientation to the environment (Child, 1972).

Strategic choice theory thus focuses attention on expatriates' managerial capabilities and emphasises that organisations or agents can make independent choices about how to respond to the environment. Strategic choice theory focuses on actors' responses, unlike contingency theory, which focuses the way in which the environment determines the outcome and possibilities of agency. Strategic choice theory thus provides an explanation of why and how actors' responses to the environment are not homogenous among organisations or individuals. It also

highlights other special and critical factors that influence the relationship between the environment and the organisation, such as an actor's managerial capabilities and his political considerations (Child, 1972).

Institutional theory explains the critical influence of the internal and external environments. Whilst strategic choice theory assumes a certain capacity in actors and organisations to make independent choices in deciding how they will relate to the environment, institutional theory considers that some factors in decision-making are beyond their control. These include a fragmented and heterogeneous business environment composed of features such as cultural customs, social norms and geographical conditions, and institutional factors such as legal requirements and government mechanisms. In contrast, actors can decide on such matters as the ways in which they transfer a firm's specific resources and develop trust with their local partners (Yan and Gray, 1995; Child and Yan, 2003; Child *et al.*, 2003).

Contingency theory has been frequently used to study expatriates because the environment can be a major source of pressure on them and they can be exposed to uniquely complex environments. The unique pressures that expatriates can face, which are described by Hatch (1997), include uncertainty about what the environment demands and the dependence of their responses on their experiences and capabilities in coping with their environment. At the same time, these uncertainties and this dependence sometimes explains the particular hierarchy and networks formed in organisational structures, as well as the actions taken in the organisation. Recognising that contingency theory has been at the centre of theoretical studies of expatriates' roles, the following section

reviews contingency theory and also outlines strategic choice theory to see how the latter can be used in studying the role of expatriates.

Contingency theory

Contingency theorists (Burns and Stalker, 1961; Lawrence and Lorsch, 1967) argue that the environment determines not only a company's structure but also its performance, because to succeed the organisation must adapt to its environment. The concept of the environment was introduced into organisational analysis as an extension of system theory. The first period of environmental study in organisation theory provided a framework for thinking about the relationships between organisations and their environment. Lawrence and Lorsch (1967) were the first to explicitly use the term 'contingency theory'. At that time, major researchers were following similar lines of enquiry that were beginning to converge on the notion that there was no one universal best way of managing all contexts.

The idea of contingency became a label for the fit between the internal predisposition of an individual organisation and its external context. Contingency theory is concerned with the fit between environmental conditions and the structures and strategies that firms put in place. According to this theory, environmental conditions determine the nature of the organisational design and responses required for optimal performance, and organisations must therefore adapt to their environment (Lawrence and Lorsch, 1967). Contingency theory highlighted the fact that different environmental conditions called for

different styles of organising and that the most effective way to organise was contingent upon the degree of complexity and change in the environment (Hatch, 1997). Scholars such as Lawrence and Lorsch (1967), Emery and Trist (1965) and Rosenzweig and Singh (1991), note that environments differ and change over time. Thus they can be stable or uncertain, placid or turbulent, simple or complex and static or dynamic. Other contingency theorists, such as Daft (1989), have enumerated the domains of the environment, which include the industry's structure, the technology it uses, government regulations and its organisational culture.

The environment has been an important feature in leading theories that have led to numerous discussions about what the environment means to organisations. Rosenzweig and Singh (1991) identified the international domain as an additional and therefore separate environmental domain, implying that the domains previously considered were essentially national in scope.

Lawrence and Lorsch (1967) also took into account the internal context. To explain this, they used a concept of the organisation as an open system in which the behaviour of the members is interrelated and interdependent with the members' jobs and tasks, their personalities, and the written and unwritten rules in the organisation. In other words, the behaviour of the members of an organisation is not only determined by their own abilities but also by the ways in which they interact with the other members of the firm. This became one of the crucial theoretical foundations for expatriate studies.

Other authors such as Thompson (1967), Hage and Aiken (1970) and the Aston School Group, including Pugh and Hickson (1976) and Pugh and Hinings (1976),

contributed to the development of contingency theory. They claimed that a firm's performance is considerably influenced by the extent to which structure and managerial behaviour fit the degrees of complexity and uncertainty in contingent factors such as technology, market characteristics and the diversification of products. Contingency theory has also been used to support empirical studies of organisations.

Most prominent organisation theories up to the 1970s took the view that organisational characteristics were the result of a history of adaptations by individual organisations (Hannan and Freeman, 1984). Organisational adaptation to the environment did not only lead to differences between them. Failure to adapt to the environment could have serious consequences, and even lead to the death of the organisation. In most organisations there are strong inertial pressures on their structure arising from both internal arrangements (such as their internal politics) and their environment (such as the public legitimacy granted them for their activities). As organisations themselves are relatively inert, these inertial pressures sometimes need to be managed through radical change in their structures and strategies (Hannan and Freeman, 1984).

In other words, organisations often fail to make radical changes in strategies and structures in the face of environmental threat and are inactive risk at their peril. Hannan and Freeman (1984) attempted to clarify the circumstances in which organisational structures remain inert in the face of environmental turbulence and argue that selection pressures in modern societies favour organisations that can be relied on to produce collective action. Selection pressures against organisations do not occur just because they have high levels of inertia, but they

also depend on how strongly organisations can combat pressures.

Hatch (1997) argues that there are limitations to the contingency approach. The author hypothesises a link between contingencies such as technology and the socio-political context, and the organisational structure. Firstly, different contingencies may demand different and conflicting responses from the firm. In such circumstances it is hard to say which contingent factor is dominant. Secondly, as contingencies change over time, firms also need to change by adapting to meet these changes (for example, by changing organisational structures, strategies and business domains). Thirdly, any fit between contingencies and structures always involves choices made by people who are under constraints and the choices made reflect decisions and actions taken at a previous time. In addition, these choices reflect the values and attitudes of the person who made the choice.

More importantly, contingency theory tends towards a deterministic stance, implying that organisations and actors, including their managers, are essentially reactive, while it is also plausible that they can take the initiative to lever their abilities in such a way that the firms are able to co-evolve alongside their environment (Child *et al.*, 2003).

Contingency theory has made a significant contribution to organisation theory in the 'one best way' approach (Hatch, 1997), introducing the notion that an organisation must fit its environment. It also advanced the idea that the interrelationship between an organisation and its environment influences organisational structure and managerial practices. Nowadays, when firms are expanding into international arenas, an awareness of the importance of fitting

into different environments – including national cultures, institutional systems, market characteristics and available technologies – is essential for their survival. This is particularly critical when an international comparative study that involves different sets of variables is conducted.

In addition, contingency theory has contributed the notion of the interaction between an individual's behaviour with the other members of the firm, instead of conceptualising an individual as a totally independent agent. However, in order to fully comprehend the entire process of decisions made by a firm, such as those concerning its structure and management, we need to take into account the fact that in altering its environment a firm's action can make a significant difference to its success. Moreover, the importance of the contingencies that affect such decisions also varies depending on the company and the individual, as do the ways in which they respond to other members' behaviour according to their individual values and capabilities.

To study the role of expatriates we need to understand the special importance of the relationship between an organisation and its environment, as expatriates' work can be influenced by both internal and external environmental factors. However, contingency theory claims that the environment ultimately determines how organisations perform and sometimes even whether they remain in existence. This study examines whether, and to what extent, there is any leeway for expatriates to make their own decisions and choices in dealing with internal and external factors from the environment. If there is, we need to apply another theory, namely strategic choice theory, which takes into account the active choices made by the agents concerned.

Strategic choice theory

One of the definitions of 'strategy' is 'the direction and scope of an organisation over the long term, which achieves advantage in changing environment through its configuration of resources and competences' (Johnson *et al.*, 2007). They also introduce the concept of strategic management, which emphasises the importance of managers with regard to strategy. Strategies do not happen just by themselves. Strategy involves people, particularly the managers who make decisions and implement strategy. 'Strategic choice involves the options for strategy in terms of both the directions in which strategy might move and the methodology by which strategy might be pursued' (Johnson *et al.*, 2007). This thesis takes into account the idea that strategic management is different from operational management because strategic management involves a greater scope than one area of operational management. Strategic management is concerned with complexity. This is a major challenge for managers who are used to dealing with a day-to-day basis of work. However, any management always contains ambiguous and non-routine situations that managers cannot avoid in the real world.

Strategic choice theory was originally introduced to correct the contingency view that the way in which organisations are designed and structured is determined by their operational contingencies. Ansoff's (1965) research made a contribution to this field. To examine relationships between the organisation and the environment, he used a hypothetical model of turbulence based on three

variables: the turbulence level in the firm's environment, the aggressiveness of the firm's strategic behaviour and the responsiveness of the firm's management to changes in the environment. He recognised that one of the three variables for this relationship was the firm's behaviour towards the environment. Not only do the characteristics of the environment determine its relationship with the organisation, but they also determine how aggressively and strategically organisations respond to their environment. This arises from the firm's own choices and decisions.

Thompson (1967) also contributed to the development of strategic choice theory, starting with a criticism of contingency theory. While he acknowledges that one source of variations in an organisation lies in contingencies, he illustrates a range of factors that influence organisational and environmental relationships, including not only different organisational structures but also the strategies that they use in adapting to their environment. Thompson (1967) claims that these various conditions are linked to a number of organisational responses, including attempts to construct bridges linking the organisation to the other players, types of coordination strategies and size of the dominant coalition.

Thompson (1967) argues that the organisation is not a simple product of its environment because business administration in the organisation is as important as its structures and strategies, which change in response to its environment. Administration involves the actors in the organisation completing its central function, which is to form a coalition. At the same time, the organisation is not independent of the environment because it has to comply with environmental demands such as the institutional systems that have been

established in the society in which it finds itself.

Hannan and Freeman (1989) also take into account the actors in organisations and consider that contingency theory pays little attention to how decision makers might endeavour to adapt to the environment. Their arguments support strategic choice theory. They argue that contingency theory is too deterministic and inadequate due to its failure to give attention to the fact that the agents who make choices are not necessarily those with the most power in the organisation.

In the 1970s Child (1972) challenged contingency theorists' environmental determinism, drawing upon Ansoff's (1965) argument to develop strategic choice theory. Revisiting strategic choice theory, Child (1997) drew attention to the active role of leading groups with the power to influence the structures of their organisations through an essentially political process. According to Child, strategic choice is:

[...] the process whereby power-holders within organizations decide upon courses of strategic action. [...] 'Strategic choice' extends to the environment within which the organization is operating, to the standards of performance against which the pressure of economic constraints has to be evaluated, and to the design of the organization's structure itself [...]. Strategic choices were seen to be made through initiatives within the network of internal and external organizational relationships [...]. (Child, 1997, pp.45-46)

Child (1997) also emphasises how effective strategic choice requires the exercise of power and is essentially a political process. Strategic choice theory explains organisational outcomes by focusing on the actions that organisational members

need to take to adapt to the environment. It is based on the ways in which the leaders of organisations are able in practice to influence the structures of their organisation and the organisational form, not simply to adapt to the environment surrounding the organisation but also to suit their preferences. In other words, the actions and choices made by these actors are the outcome of various calculations. It is possible that they are made on the basis of decisions and choices as to what they want to achieve. They may see these as their strategic objectives. They may also be based on their beliefs about the most appropriate way of achieving the firm's organisational strategy. Thus, for the actors in an organisation, if their purposes in making choices and carrying out actions differ (for example in one case to respond to the environment and in another to pursue strategic objectives), it is also possible for them to make different decisions and take different courses of action. These can influence the way in which the organisation behaves.

In addition, Thompson (1967) comments that each member has something to contribute to the coalition and each receives something in exchange. The organisation must conform to the rules of the game; these can emerge as institutional systems within organisation. Thompson (1967) states that perpetuation of alignments in time and space cannot be achieved simply by human individuals; institutionalised actions are also needed. Society-level institutional systems such as legislation and regulations support institutional actions that emerge within the organisation, such as union activities or any activity secured by labour law.

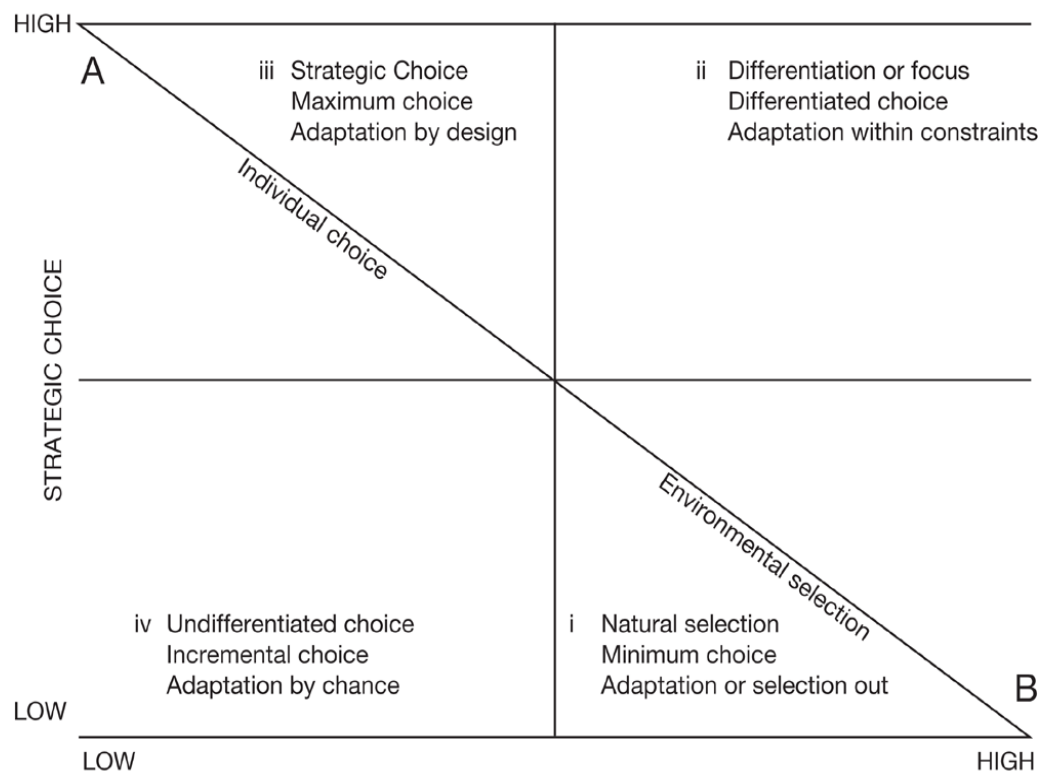
Child (1972) initially challenged contingency theory for its deterministic

elements. While he recognises the environmental influences and their complexity, he insists that not only does the organisation select from the environment but that the environment also selects from the organisation.

According to strategic choice theories, performance results from actions taken by managers. Contingency theories see performance as resulting from the extent to which there is an adaptation to the environment, which is constituted by complex contingent factors. The strategic choice perspective reverses this emphasis by focusing on the roles played by managers to shape conditions and processes both outside and within the firm (Miles and Snow, 1978; Child, 1997; Child *et al.*, 2003). Additionally Weber (1978) stated that it draws upon the social action approach in sociology.

While there is an assumption that “strategic choice and environmental determinism represent mutually exclusive” positions, Hrebiniak and Joyce (1985, p.336) argue, “choice and determinism are independent variables that can be positioned on two separate continua”. They examined the two variables in the interaction of choice and determinism, represented on axes ranging from low to high as shown in Figure 2.1.

FIGURE 2.1 RELATION OF STRATEGIC CHOICES AND ENVIRONMENTAL DETERMINISM IN ORGANISATIONAL ADAPTATION



(Source: Hrebiniak and Joyce, 1985, p.339)

Changes develop from whether the environment selects the organisation or the organisation selects the environment and “result from the interaction between choice and determinism” (Hrebiniak and Joyce, 1985, p.347). This led the authors to consider that both strategic choice and environmental determinism provide the thrust for change. The research implications of Hrebiniak and

Joyce's work (1985) are that choice is characterised by complexity and interdependence, and decision-making processes are both a function of choice and are determined.

An additional contribution was made by Miles and Snow (1978) who identified three key characteristics of the strategic choice perspective. These are: 1) the view of "managerial or strategic choice as [being] the primary link between the organization and its environment"; 2) an emphasis on "management's ability to create, learn about, and manage the organization's environment"; and 3) a methodology that "encompasses the multiple ways that organizations respond to environmental conditions" (Miles and Snow, 1978, p.263).

Judge and Zeithaml (1992) note that from the strategic choice perspective purposeful action abounds in organisations and that organisational members have substantial leeway in shaping their own fate. Strategic choice perspective nevertheless recognises the importance of the external environment effect. Research conducted by Judge and Zeithaml (1992) examined a very specific aspect of strategic management, namely, board involvement in a strategic decision-making process. Their findings encouraged institutional and strategic choice theorists to provide less deterministic explanations for organisational phenomena.

Further development of strategic choice theory

Twenty years after Child initiated the term he revisited strategic choice theory to consider its contemporary contribution to the study of organisations. The

strategic choice perspective had led to a considerable re-orientation of organisational analysis and stimulated debate on the three key issues. These are:

- 1) The role of agency and choice in organisational analysis
- 2) The nature of organisational environment
- 3) The relationship between organisational agents and the environment

(Child, 1997, p.43)

The contemporary contribution of strategic choice analysis lay in its potential to integrate some of the different perspectives in organisation studies. Firstly, strategic choice theory focuses on a political process, which can bring agency and organisational structure into conflict. It also takes into account the relation of agency both to structure and to the environment as being fundamentally dynamic in nature. Thus Child (1997) assumes that the strategic choice approach not only bridges a number of perspectives but also adopts a non-deterministic position.

The earlier formulation of strategic choice was fundamentally concerned with the relationship between agency and environment, and decision makers' (agents') ability to make a choice was seen to depend on how far they could preserve their autonomy in their environment. The term 'strategic' was used to signify the matters that were important to the organisation and was closely related to the idea of attempting to accomplish an objective in interaction with, or against, others. From this point three key issues arose: "(1) the nature of agency and choice, (2) the nature of environment, and (3) the nature of the relationship between organizational agents and the environment" (Child, 1997, pp.48–49).

Agency and choice are related by action determinism, which qualifies the simple assumption that organisational actors can exercise choice once external constraints are removed or when a decision maker selects one kind of action. However, empirical research using strategic choice theory (Abell, 1975; Child, 1997) has shown how decision makers can be flexible through discussions and negotiations with others in the organisation.

Secondly, the concept of the organisational environment as being socially structured helps to clarify long-standing issues as to (1) whether or not the environment is constraining or enabling, and (2) how external the environment actually is.

Thirdly, strategic choice perspective claims that a role for the individual organisational actor will often become collective and treat the cycle of action and response to their environment, thus the role is socially contextualised to some extent.

The strategic choice perspective locates the agency-structure relationship in its environment. It explains how actors in the organisation relate to the environment. The actors evaluate the information from the organisation and the environment. This evaluation leads to the identification of opportunities and problems, which encourages a learning process that proceeds through political process such as debates, negotiations and the exercise of choice. The actions that are taken bring outcomes. Some of them may be internal adjustments such as changes in the organisation's structure. Others may be orientated to the environment, such as product modification and changes in the business domain, or lobbying public bodies (Child, 1997).

The ongoing dynamic process that is being influenced is set out below:

Information \Rightarrow evolution \Rightarrow learning \Rightarrow choice \Rightarrow action \Rightarrow outcome \Rightarrow feedback of information

Information feedback is nowadays regarded as organisational learning. Child (1997) considers that this dynamic organisational process embraces constituent cycles of outer structure within which inner structure is found.

The dynamic process in strategic choice starts when the members of the firm perceive the environment (Child, 1997). This cognitive element was missing in contingency theory, which postulated that the members choose the variables that were critical for their own firm. Then the members consider possible actions to take, select the variables and choose appropriate actions. But none of these choices can be made by individuals, as members of a firm are interdependent and therefore, political process and power struggles occur over which variables and actions should be chosen. Both contingency theory and strategic choice theory have emphasized the importance of adaptation of the firm to the environment, involving changes within the firm in different ways.

Long-standing considerations and the empirical applications of strategic choice analysis have led us to assume that the strategic choice perspective can complement the missing features in contingency theory, such as a theory of agency and the action taken by them in the organisation, and relationships between these agents and their environment.

A later chapter introduces another organisational theory, which integrates these two theories by developing a new theoretical framework to apply to the study of

the relationships surrounding expatriates in a comparative perspective.

Contribution from institutional perspective

The institutional perspective helps to reveal and analyze processes in which actors in an organisation identify environmental demands and decide how the organisation will respond to them. While strategic choice theory attends to this process and highlights its political and decision-making aspects, institutional theory focuses on how the members in the organisation institutionalise activity collectively in response to environmental demands.

Institution theory helps to establish a theoretical link between contingency and strategic choice theories. This link was first proposed by Whitley (1999) in his analysis of Nissan's UK investments. It focuses on collective aspects of decision-making and on actions that have arisen over time as a part of the process of institutionalisation in the firm, and how the institutionalised aspects of organizations influence the direction of the firm.

Child (1972) also recognises the involvement of individual members of the organisation in decisions and focuses upon groups of leaders in the organisation who have a particular influence in decision-making and organisational choice. He pays special attention to leaders whose autonomy is relatively structured and formalised by the organisational systems. Assuming that individuals can be influential in deciding how an organisation behaves, the question arises as to whether this influence is concentrated around dominant leaders or whether it is found throughout the organisation. This question has influenced the design of

the empirical research in this thesis, so that special attention was paid to a wider range of groups located in multiple sites in different organisational layers in the organisation rather than merely the group of leaders at the top.

Morgan (1986) sees the organisation as a political system. An organisation can be autocratic, democratic or anywhere in between, and there are different interests in the different levels and functions, such as departmental interests, management interests, interests of those lower down and personal career interests. The existence of all these different interests means that there is always the potential for conflict. Self-interested actors exploit both legitimate authority (that is, the official position given to them by the organisation) and the power drawn from controlling resources and knowledge. Morgan (1986) suggests that the issue is not merely where the influential members are but the political dynamics in the different parts of the organisation. For this research, this means we need to understand whether expatriates are leaders in influencing their organisations, and the way in which their interests conflict with or are shared with other members of the organisation. By analysing this, it may be possible to deepen our understanding of the role of expatriates in the organisation.

Distinctiveness of Japanese MNEs

Elger and Smith (1994) argue that for Europe and the USA, ownership makes a significant difference to MNEs' practices and international business coordination. Mason and Encarnation (1994) claim that, while the historical evolution of Japanese MNEs might have begun to parallel the USA–EC model,

important differences do remain in both structure and performance. They point out that Japanese MNEs do still sell products to overseas markets through international trade (especially intra-company trading) rather than through local production. Compared to when USA and EU countries started overseas production, they point out that Japanese MNEs are behind by two decades. As the reason for this delay, they look at some peculiarities of Japanese MNEs' widespread international business strategy and their ethno-centric attributes.

The implementation of Japanese institutional systems such as the HR systems in their subsidiaries abroad has been attempted. Understanding their distinctiveness may affect how challenging it is for them to adapt to a Western environment with different institutional systems. As this thesis uses the case study of a Japanese MNE, it seems necessary to explain some basic and common Japanese methods of conducting business and management, whose attributes may affect the research result. It may enable us to see whether any Japanese methods have resulted in distinctive ways of using expatriates or have affected expectations of the role of expatriates and the actual fulfilment of the roles. Two particular aspects of Japanese firms deserve exploration: the way Japanese firms organise networks and their embedded culture and philosophy.

The best-known term for the networks that Japanese companies develop is *Keiretsu* (Kikkawa, 1995). *Keiretsu* is based on interlocked and shared group ownership, which is thought to bring security and allow managers to exercise control over their companies. The development of this type of institutional system implies a Japanese preference for stability and accurate control. *Keiretsu* networks are not applicable to the thesis's case study explicitly. However, its

philosophy that values stable and trustworthy relationships between firms rather than contracts remains a powerful force underpinning Japanese companies' strategic behaviour. It may affect their approach to international business management, including design of the role of expatriates. They sometimes believe that they can control the subsidiaries leveraged by their networks (Kikkawa, 1995).

Conventionally, Japanese managerial systems have been thought to differ from Western management systems in several respects. Japanese management is pervaded by advanced, informal consensus building as well as a practice of group decision-making (Trevor, 1983).

Pascal and Athos (1994) observe that Japanese management appears to depend on informal strategies expressed through corporate ideas, and particular management styles such as personal management, rather than using formal techniques through explicit strategy and structure.

This can affect how expatriates manage subsidiaries or may raise confusion to non-Japanese employees.

Other scholars (Yuzawa, 1994; Kikkawa, 1995; Porter *et al.*, 2000) stress the collective aspect of Japanese management as Japanese managers' determinant criteria.

Henisz and Delios (2001) emphasise the complexity of the role of managers in Japanese firms. Management may be defined as leadership in the informed and purposeful conduct of complex organised activity. In most Japanese firms, managers are expected to be multi-skilled generalists.

Conclusion

This literature review has provided valuable insights to answer the thesis's research question regarding the role of expatriates. It has also raised questions that need to be addressed in this study.

Literature on expatriates provided the author with in-depth insight about their nature, relations to their international business environment and different challenges that they face. In particular, literature on expatriates' roles with multiple views from wide perspectives has enabled her to develop fundamental understanding about the various roles. It is also significantly important to understand various claims about different factors and causal relations with expatriates' roles.

Literature on international business enabled her to develop her understanding of recent trends and pressures within the international business environment and how MNEs attempt to use expatriates to achieve their business objectives. Expatriates are expected to control subsidiaries through implementation of HQs' global strategies in MNEs' structure. Expatriates are increasingly required to improve global efficiency and integration between subsidiaries, HQs and the actors they work with. On the other hand, locally, they are expected to improve local responsiveness and to interpret the needs of the local markets and transfer and share the knowledge within MNEs.

Literature on global mindset helped the researcher to understand expected capabilities of expatriates, which includes capacity to adapt to a constantly changing business environment and initiate the change within their

organisations.

The literature on wider contextual difference from the perspectives of capitalism, business systems and some cultures has provided fundamental and further important understanding about why and how the national contextual difference has occurred and continues to do so.

In searching for a theoretical link between roles and influencing factors, this chapter also reviewed the literature on organisational theories such as contingency theory, strategic choice theory and briefly institutional theories. It aimed to find theoretical and empirical guidelines to identify the environmental and organisational forces that shape the role of expatriates in MNEs, weigh up these factors and understand the causal connections between them. Contingency theory emphasises that, to succeed, MNEs need to develop organisational forms and management styles that can adapt to both local and global environmental pressures. Empirical research, however, shows there are important differences in the organisational structures and management styles that corporations use to respond to these pressures. These differences are not fully explained by contingency theory, and the researcher thus turned to strategic choice theory.

Strategic choice theorists agree that there is more than one way in which organisations can successfully adapt to the environment. Companies can gain competitive advantages by strategically selecting instruments to suit their business strategies and objectives. What is more, agents can actively shape their business environment rather than merely passively adapting to it. Strategic choice theory points to the political processes that come into play when an organisation makes a choice, which leads us to understand organisations as

interactive social communities. In relation to the analysis of the factors that form the roles of expatriates, strategic choice emphasises their autonomy and individual skills, particularly their social networking and coalition-building capabilities. Thus in strategic choice theory, agents are perceived as actively constructing their roles rather than being simply passive recipients.

Institutional theory claims that rules and practices become institutionalised in a corporation and become the accepted guidelines for social behaviour in it as a result of interactions between the members of an organisation. Such practices link the strategic choices expatriates may make to the external forces that contingency theories identify. In particular, the theories emphasise how evolving social norms and shared values form a specific institutional context. This process, referred to as institutional factors, provides the link between the need for adaptation claimed by contingency theory and the role of organisation members' strategic choice.

A group of scholars (e.g. Brewster, 1994; Scullion and Paauwe, 2005) have contributed to literature by exploring the difference between European MNEs and American MNEs in role formation of expatriates. Following their consideration, the final chapter reviewed literature on Japanese MNEs, and in particular, to see whether there are any elements that affect formation of the roles of expatriates when the case study is about a Japanese MNE. From this it was realised that some of their attributes can affect their role formation.

The literature review has provided significantly useful findings and theories but at the same time it has raised a number of questions and found gaps in the knowledge about the role of expatriates. The lack of empirical evidence for these

theoretical claims has helped to structure and focus the study. Consequently, this study is divided into three main areas. The first concerns the question, what is the role of expatriates? This question has been mainly considered in theoretical and normative ways in existing literature and this thesis aims to provide empirical evidence to show that expatriates play a range of roles.

The second issue is what factors influence the formation of these roles and the third is to investigate the extent to which, if at all, individual expatriates have discretion in choosing their roles. In other words, this thesis examines and analyses the extent to which the different roles played by expatriates in one MNE are constrained by managerial and environmental contingencies at a local, regional and international level. It also explores the extent to which expatriates make their own choices. In addition, it considers how cross-national differences such as the managerial styles of the MNE's subsidiaries influence the roles of expatriates.

The literature review has also raised several key questions. The first is whether the roles of expatriates are affected by the age of the subsidiary, drawing upon the idea that expatriates are used in different stages of internationalisation and that HQs determine this stage according to their overall international strategy. It is argued in international business literature that the process and stages of firms' internationalisation directly influence the subsidiaries' tasks.

The second question is: if each MNE sets up different forms of business coordination and strategy depending on their objectives, are the roles of the expatriates affected by these differences? Moreover, if the international business coordination strategy allocates different roles to each subsidiary, to what extent

is the role of the expatriates related to the role of their respective subsidiary?

Thirdly, the academic literature on contingency theory argues that MNEs cannot survive without adapting to the environment. Are the roles of expatriates also formed in attempts to respond to their business environments? The fourth question is whether the roles of expatriates are more than merely functional: do they include other dimensions, such as the development of local social relationships? The author investigates this by drawing on the view that MNEs are not merely complexes of different business units but are also interactive social communities. Fifthly, the previous chapter reviewed arguments that MNEs nowadays have two different objectives, which are to respond to the local environment and to achieve global efficiency. Do expatriates also aim to achieve these different objectives?

The expatriate literature has raised another set of questions. The first is whether expatriates' roles go beyond their formal institutional function and whether the informal roles they play are important to the organisation. The second is whether political and cultural dimensions, corporate objectives and strategies shape their role and what factors affect these roles. The third concerns the expatriates' bi-directional responsibilities: on the one hand, to HQs and on the other, to the local subsidiary. How does this shape their role? The fourth question is, what roles are expatriates expected to play in crafting important informal networks that lie beyond the formal organisational structure of the MNE?

Another group of questions has emerged from this review: how useful is contingency theory to the study of the role of expatriates? While contingency

theory emphasises the need for MNEs to adapt to the environment, some authors in the international business literature, such as Bartlett and Ghoshal (1989), claim that they also need to take into account global efficiency instead of merely increasing their local responsiveness. On the other hand, strategic choice theory claims that organisations develop their strategies and coordination by making various decisions, not only in order to adapt to the environment but also for organisational reasons or even out of individual preferences. The international business literature has provided some evidence that different MNEs act differently in the same environment.

The fourth group of questions arises from the existing literature on Japanese business. While a number of arguments emphasise the distinctiveness of Japanese MNEs, what are the consequences of it in forming expatriates' roles? These detailed questions raised from the literature review will be addressed in the theoretical framework presented in the next chapter and considered as part of three main questions about the role of expatriates, factors influencing the role of expatriates and the discretion that expatriates have in forming their role.

Chapter 3 Theoretical framework: contingency theory and strategic choice theory

Introduction

This chapter presents the framework used to analyse and explain the dynamics that shape the role of expatriates. The theoretical framework is used to address two main questions: what is the role of expatriates in MNEs and what factors influence both the formation of these roles and the discretion that the expatriates have in forming them? Accordingly, the chapter is divided into two parts. The first part identifies five key roles played by expatriates, drawing on role theory and the literature on organisational theory, expatriates and international business that was reviewed in Chapter 2. The second part of the chapter uses contingency theory and strategic choice theory to identify two groups of key factors that affect the formation of expatriates' roles and the degree of decision-making discretion they have. The first group of factors relates to the business and organisational environment in which the expatriate is placed. The second group contains factors that are intrinsic to the expatriates, such as their experience and capabilities and their status in the organisation.

Ansoff (1984) indicates that the result of a strategic response to environmental changes consists of the ultimate match or mismatch of three variables; the level of environmental turbulence, the aggressiveness of the organisation's strategy and the openness to change deriving from the firm's internal capability. By openness to change, Ansoff (1984, p.201) means the degree to which management is able to perceive, accept and process environmental discontinuity. By aggressiveness, Ansoff (1984, pp.201–202) means the degree of discontinuity that a firm introduces into succeeding generations of its products, technologies and marketing concepts. Thus, in certain conditions firms may choose not to adapt to their environment, although they had been doing so before. These notions allow us to explain situations in which firms or individuals would rather make their own strategic choice than follow their past routines.

The roles that expatriates play in a subsidiary

The literature reviewed in Chapter 2 identified the need for further research to address the key questions to be explored in this thesis: what are the critical roles of expatriates in facilitating the MNE's successful operation in an international environment? The previous chapter reviewed arguments that MNEs have two

different objectives nowadays: to respond to the local environment and to achieve global efficiency. Do the expatriates also aim to achieve these objectives?

Formally, their roles tend to be framed by MNEs in terms of functional tasks such as control and knowledge transfer. However, MNEs are not merely complexes of different businesses but are also interactive social communities that are rooted in action and engaged in activities such as the reproduction of interpretive schemes and symbolic attributions (Reus *et al.*, 2009). We can therefore expect the roles of expatriates to be more than merely the sum of their functional roles and to include other dimensions such as symbolic meanings (for example, by embodying HQs' organisational culture) and the development of social networks. Moreover, it is worth considering the extent to which the roles of expatriates are shaped by the bi-directional nature of their responsibilities, to their HQs and to the subsidiaries.

In addressing these issues, the theoretical framework draws on role theory (Thomas and Biddle, 1966a, 1966b). A role is understood as the dynamic aspect of a status in the organisation, "the numerous and subtle ways in which persons may be associated with behaviors" (Thomas and Biddle, 1966a, p.29).

Role theory

This section considers what 'role' means. The term role is a very old French word that is derived from the Latin *rotula* (little wheel). It was originally used to describe theatrical performances in the sixteenth century. The role defined the character of the performer (Thomas and Biddle, 1966b). In 1936 Ralph Linton offered a classic distinction between status (position) and role:

“A role represents the dynamic aspect of a status. The individual is socially assigned to a status and occupies it with relation to other statuses. When he puts the rights and duties which constitute the status into effect, he is performing a role. Role and status are quite inseparable [...] Every individual has a series of roles deriving from the various patterns in which he participates and at the same time a role, [in] general, which represents the sum total of these roles and determines what he does for his society and what he can expect from it”. (Linton, 1936 cited in Thomas and Biddle, 1966b, p.7)

Thus, a role cannot be completely independent from a status (or position), which determines its character to some extent. It has a complex nature. Role theory has been adopted in the modern field of behavioural science. Role analysts have examined patterns resulting from complex real life behaviour, including “the

types and varieties of differentiated aggregates, social positions, specializations, and divisions of labor” (Thomas and Biddle, 1966b, p.3). This thesis accepts the notion that roles are complex and are not limited to functional or official tasks. Instead, they are regarded as having a broader meaning related to status and leading to identifiable kinds of behaviour. As Thomas and Biddle (1966b, p.4) note, “the role perspective assumes [...] that performance results from the social prescriptions and behaviour of others, and that individual variations in performance, to the extent that they do occur, are expressed within the framework created by these factors”.

This thesis thus assumes that the performance of the expatriate managers results in part from organisational prescriptions and is in part influenced by the behaviour of expatriates themselves and the people interacting with them. Therefore, expatriates’ roles are defined as the aggregation of formal and informal tasks, duties, rights, functions and symbolic meanings that convey the position of expatriates as bridges between HQs and subsidiaries and are collectively recognised as being specific to expatriates. This definition implies that three conditions must be fulfilled when identifying expatriates’ roles: 1) there is role exclusivity and no overlap with the roles of local staff; 2) roles have

a relational aspect linking between the subsidiary and HQs and 3) the roles are recognised by both expatriates and locals.

Conceptualising the roles

Initially, roles were categorised into either international or local roles. International roles included international coordinator, agent of control, strategist, agent of change, integration facilitator and organisational learning facilitator, while local roles included operations manager (production), operations manager (sales and marketing), HR manager, strategist and knowledge transferer. These roles arose as a result of the preliminary research and managers of the MNE perceived them as roles of expatriates. However, the researcher considered that a role should be somewhat conceptual, rather than just operational so that the model would have a more academic approach and greater potential use for future research, in particular in comparative perspectives.

It was observed that corporate strategies were being implemented, but that expatriates were developing the regional and local strategy by themselves (minutes from the YKK advisory board meetings, 2004–2005, notes from HR

workshops, 2004–2005 and observation, 2004–2005). However, the aim of this thesis is not to list the activities of expatriates but to identify the key roles that are expected by the IHQs and RHQs and the perceived roles of expatriates at local subsidiaries. Therefore, the roles were amended with a new focus on agent of change, agent of control, localiser, globaliser and agent of knowledge transfer. The following section will explain the concept of each role.

Agent of control

A number of studies (e.g. Adler, 1987; Tung, 1987; Delios, and Björkman, 2000; Black *et al.*, 1991; Harzing, 2001) acknowledge that one important role played by all expatriates is to enable HQs to control the subsidiaries. In general, the primary mission of any corporation is to ensure that its component parts (e.g. its business units or subsidiaries) perform the different roles and responsibilities allocated to them so the corporation functions as a whole. An important focus in any study of international business (Bartlett and Ghoshal, 1989) is how the corporation controls its overseas subsidiaries and maintains and improves the overall integration of the business units into the corporation. Overseas subsidiaries can be controlled in various ways – for example, through the

structure of the organisation or by implementing a global strategy. One dominant approach, however, is to try to control overseas subsidiaries by assigning expatriates to work in them who will implement HQs' policies and strategies. Japanese companies have typically assigned paramount importance to corporate values and a shared vision between HQs and subsidiaries as embedded control mechanisms. They use expatriates on international assignments to forge interpersonal links and supervise organisational cohesion with the corporate values of HQs (Bartlett *et al.*, 2008). Following Ouchi (1993) and Berry *al.*, (2005a), it can be argued that the ultimate aim of control should be to see subsidiaries voluntarily contributing to HQs' strategies and values. Expatriates should not only be committed to these corporate values but also have high levels of cultural knowledge of the host country (Paik and Sohn, 2004). In a study of Japanese multinationals in 4 countries (Taiwan, Singapore, Korea and the USA), Paik and Sohn demonstrated that when expatriates have inadequate cultural knowledge of the host country they are not only less personally effective in controlling the subsidiary but may also have damaging effects on the MNE's control.

Therefore the first role of expatriates identified by this theoretical framework is

that of the agent of control, which is defined as *an individual who ensures that a subsidiary cooperates with HQs by implementing strategies and policies that comply with the corporate values, policies and strategies of HQs or the global group.*

Agent of change

The second expatriate role examined here is that of agent of change. If we assume that, as contingency theory suggests, a corporation cannot survive without adapting to its business environment, then, as the business environment changes, so do the factors to which the corporation must adapt. Thus, if the business environment essentially changes from moment to moment (Pettigrew, 1985), adaption is a constant mission for corporations, whether the changes in the business environment are confined to the area where a subsidiary is located or take place in the business environment at HQs.

Changes to the overall corporate strategy can be considered as changes to the corporate environment from the perspective of the subsidiary, and the subsidiary must adapt to such change. Who should initiate such changes in the subsidiary? If reforms are required by HQs, naturally it is the expatriates, the agents of

control, who are given the responsibility for implementing them. Now, what if reform is not explicitly required by HQs' strategies but there is an implicit understanding that subsidiaries should be able to respond to changes in the local or organisational environment and adapt accordingly? It is easy for expatriates to take the initiative here, since they essentially belong to HQs and can probably expect a different kind of support from HQs than from the local employees. But should effecting change be the role of the local employees, since they are more knowledgeable about the local business environment? There are many factors involved in reforming an organisation. Do the means and methods of making reforms depend on circumstance? Or do the actors involved make the difference? Furthermore, initiating reforms requires sufficient political power (Child, 1974) to coordinate action against resistance. That is, the reformer must solve any conflicts of interest that arise from reform. They must also manage any impacts the reform may have on the employees of the subsidiary, such as mass redundancies. Considering the complexity of this, it is rational to expect expatriates to be given a role in reforming a corporation or a subsidiary. Bartlett *et al.* (2008) argue that Japanese MNEs have an "evolutionary approach to change", in which expatriates play an essential role. In the traditional US model,

changes in the organisational process and management perspectives are forced on a firm by alterations made to the formal structure. In contrast, the first objective for Japanese companies seeking change is to influence the understanding, perception and attitudes of key individuals using persuasion, personal links with expatriates and intensive education programmes. This is followed by a series of changes in interpersonal relationships and processes and finally a change in formal structures, responsibilities and distribution of power.

Bartlett *et al.* comment:

Top management in these [most European and Japanese] companies consciously uses personnel assignments as an important mechanism of organizational change. [...] Japanese companies typically place enormous emphasis on socializing the individual into the organization and shaping his or her attitudes to conform with overall corporate values. (Bartlett *et al.*, 2008, p.347)

In times of crisis, radical restructuring may be necessary to achieve rapid change.

In such cases the expatriates will act as problem-solvers, organising internal realignments and managing impacts in a manner as close to corporate values as the situation permits (Collings and Scullion, 2006a). Therefore the second critical

role of expatriates is that of agent of change, defined as *an individual who steers and manages internal realignments and processes in accordance with the preferred corporate approach to organisational change.*

Localiser

The third role of expatriates is that of localiser. According to contingency theory, for a corporation to survive in the local context it must adapt itself to the business environment. In this study the efforts made by the corporation to achieve this are termed 'localisation'. There are many approaches to localisation whereby expatriates are involved (Evans *et al.*, 2002) but localisation is important for any corporation (Bartlett and Ghoshal, 1989). Evans *et al.* (2002, p.184) define localisation as a "systematic investment in the recruitment, development, and retention of local employees who can take over [from expatriates] the running of local operations". Evans *et al.* (2002) argue that the role of expatriates as localisers is to initiate, sustain and monitor such investments in local empowerment, whereas Bonache and Fernández (2005) suggest that the localiser's role is to ensure that local adaptation is not achieved at the expense of HQs' interests. In many cases expatriates are expected to

acquire an in-depth knowledge and understanding of the host country and the local environment (Parker, 1998). Many Japanese companies have encouraged expatriates to “become local” and embed themselves in the home country culture and way of doing business (Delios and Björkman, 2000). In one way or another, the role of expatriates in localisation is critical. Therefore, it is necessary to examine how expatriates are positioned for achieving localisation and in what capacities they are involved in it. The ‘localiser’ is thus defined as *an individual who catalyses and enhances the firm’s actions to adapt to the local environment.*

Globaliser

The fourth role is that of the globaliser. This role emerges as a result of universal pressures to increase connectivity and efficiency in the global supply chain. Contingency theory argues that firms that successfully respond to this type of pressure use integration strategies that bridge subsidiaries and HQs. Expatriates are effective integrators because they understand, and to some extent share, the perspectives of both HQs and the subsidiary (Bonache and Fernández, 2005; Kühlmann, 2001). They are also perceived to be more skilled than locals regarding the firm’s identity and the need for standardisation and

integration through the MNEs' global operations (Tahvanainen and Suutari, 2005). Therefore, most MNEs rely on expatriates to design and coordinate activities across the whole business (Lomax, 2001). Collings and Scullion (2006a) identify a growing trend for expatriate assignments to 'learn by doing' to develop the managers' global mindsets. They also suggest that the efficiency of expatriates as globalisers is enhanced when the assignment is primarily motivated by a need for control.

In this study universal pressures are conceptualised using globalisation theory (Bartlett and Ghoshal, 1989; Dicken, 2007) – in particular the movements of global standardisation and market integration, which involve constantly changing international coordination in corporate activities. The MNE selects the most appropriate international location ensuring optimal benefits to the entire corporate group. Thus, international business requires the coordination of interdependent subsidiaries through integration, the standardisation of organisational activities and the clarification of the different roles of subsidiaries in various international locations. The goals of globalisation and localisation thus often conflict with each other (Bartlett and Ghoshal, 1989). In this thesis the globaliser role is defined as an *individual who enhances the firm's ability to*

adapt to an international coordination strategy of global standardisation and market integration.

Agent of knowledge transfer

Finally there is the role of transferring knowledge. From Dunning (1985), corporations conduct activities overseas to pursue ownership, locational and internationalisation advantages. According to Dunning's model, corporations enter foreign markets to pursue the benefits of their unique corporate excellence, such as their technological or managerial capabilities, which constitute their proprietary ownership advantages. It is necessary for a corporation to pass on its proprietary knowledge and capabilities to its overseas subsidiaries as it enters a new market or conducts its business.

Likewise, organisational learning is important. Knowledge transfer involves much more than simply transmitting technical skills from the home country to the host country. The ability to transfer tacit, implicit knowledge is more valuable than explicit knowledge for gaining competitive advantage and can be acquired only through practice (Mendenhall, 2001). Nowadays it is considered important and useful for a corporation to take advantage of the experiences and

lessons learnt in each organisation in the group to enable the corporation grows as an entity (Ghoshal and Bartlett, 1997; Bonache and Brewster, 2001; Smale, 2008). This framework builds on this idea, and on arguments discussed in the literature review indicating that tacit knowledge and know-how flow occur during expatriate assignment and subsequent repatriation (Kühlmann, 2001; Oddou *et al.*, 2001; Evans *et al.*, 2002). Therefore, the role of knowledge transferers is defined as the fifth key role of expatriates: an *individual who contributes to enhancement of reciprocal learning, capacity building and integration between the subsidiary and HQs, transferring knowledge, values and know-how to and from HQs but also between subsidiaries.*

Expatriates and locals

In some subsidiaries, expatriates are required to play some roles that locals would not be able to perform effectively. Uncertainty and the best ways to deal with it are the determinants of expatriate usage. Expatriates are more suitable as managers than locals, acting as sources of information (knowledge) and playing an unobtrusive role (personal control). Some authors emphasise the importance of locals in determining expatriates' adaptation to the local context

(Toh and DeNisi, 2003; Toh and DeNisi, 2005).

Boyacigiller (1990) states that expatriates' roles are supposed adapt to local contingent factors. On the other hand, locals are better suited to dealing with uncertainty from local competition. However, the higher the dependency between subsidiaries and HQs, the more it is preferred that expatriates should manage the uncertainty.

Are roles overlapping?

We have identified five roles of expatriates: agent of control, agent of change, localiser, globaliser and knowledge transferer, This thesis draws on the awareness that some roles may overlap and that the boundaries of roles may not be clear cut. However, role theory suggests that roles can overlap. The thesis incorporates the awareness that there is a potential for overlap but that the extent will depend on each case; this is the contingent approach.

At the same time, fuzzy boundaries allow expatriates the flexibility to make the organisation work in reality. In addition, role theory says that roles can be fundamentally discrete (Thomas and Biddle, 1966a). When there are multiple

roles, there is a synergy between them that naturally creates overlap and conflicts.

For example, change can be part of control; however, if change is not emphasised, we may miss the importance of their role in enforcing change. Change is an important aspect of strategy, separate from control. Change can be top-down – control – but also bottom-up, instigated by subsidiaries as a response to environmental challenges. Different types of change develop from the interaction between choice and determinism (Hrebiniak and Joyce, 1985).

These categories were drawn from the existing literature and 9 roles were proposed by the author as a result of discussion of the case study MNE (see Appendix 5), but, in accordance with the results of the pilot research, they were reduced to 5 to minimise overlap and for further rationalisation.

Role theory (Thomas and Biddle, 1966a) says that roles are not just functions but have important meanings, such as symbols and status. During the pilot research with managers and directors of the target company, it was important for them to explicitly include these roles due to their strategic expectations and needs. In addition, sometimes the boundaries of roles are not clear, cut due to the roles' complexity or discrete nature (Thomas and Biddle, 1966a). If multiple roles are

played by one person there may naturally be overlaps and conflicts.

In terms of the role of agent of control, this thesis focuses solely on personal control, rather than action control and other types. Action ensures that core processes are followed by the subsidiaries. Expatriates share the same national culture, language and socialising processes; therefore, they will act more predictably or come to similar decisions. Personal control offers mutual monitoring through the norms and values of the group. These shared values in relation to decision making strengthen the reasons for MNEs to send expatriates to a subsidiary instead of relying on locals.

In some subsidiaries, expatriates are required to play roles that locals would not be able to perform effectively. The source of uncertainty and the best ways to deal with it are a determinant of expatriates' use. Locals are better suited to dealing with uncertainty from local competition, but, on the other hand, the higher the interdependency between subsidiaries and HQs, the more expatriates are used to manage uncertainty (Boyacigiller, 1990).

Summary and discussion

This section has proposed five expatriate roles, which this thesis examines

within an MNE – namely, agents of control, agents of change, globalisers, localisers and agent of knowledge transfer. This thesis not only examines the degree to which each role is formed and enacted, it also seeks to understand, through the application of theory, which factors may have a significant influence on the roles of expatriates. It uses individual case studies in the same MNE to analyse the degree to which each role is fulfilled within the circumstances in which the expatriates find themselves. The framework employed used a simplified model of the circumstances that shape the role of expatriates, focusing on particular configurations of strategic and contingent factors representing the business environment, the organisational context and individual resources. To structure the empirical data in terms of the theoretical framework, it is necessary to classify these factors into mutually exclusive and collectively exhaustive categories (Christensen and Carlile, 2009).

Analysis of aspects of roles

The first group of factors (contingent factors) deals with the business and organisational environment in which the expatriate is placed. Factors in the second group are intrinsic to an individual expatriate, such as experience,

capabilities and status.

Contingent factors

Introduction

Contextual factors are specific to the interaction between the external environment and the organisational context in which the expatriates act.

Contingency theory argues that MNEs cannot survive without adapting to their business environment. Are the roles of expatriates shaped by their responses to their organisation's adaptation strategies? In other words, if each MNE has different adaptation strategies and business coordination systems depending on their own objectives, politics and organisational culture, how do all these factors shape the roles of the expatriates? If international business coordination requires each subsidiary to play a different role, to what extent is the role of expatriates related to the role of their respective subsidiary? The contextual factors influencing expatriates' role choices are conceptualised in this thesis as contingent factors. Contingent factors are the result of the interaction between the business environment, the organisational environment, and the interpretive

schemes used by the organisation to screen the environment and reduce uncertainty and equivocality in decision-making (Reus *et al.*, 2009).

Initially 7 contingent factors and 3 strategic choice factors were identified through literature review, notes from HR workshops, and pilot interviews with RHQs and subsidiaries' managers. The contingent factors were HQs strategy, the significance of Japaneseness, local strategic role, local relations, local HR system, local background (culture and social customs), institutional context (capitalism and management-related legal systems). The strategic factors were autonomy, coalition and individual capability.

However, after a process of deliberation with the MNE managers, a decision was made that the thesis would not explore the wider global and local context, and would instead focus on factors that the MNE perceived as their immediate environment. Therefore, contingent factors were reduced to 6 – HQs intervention, age of establishment, local institutional system (employment related), local HR system, subsidiary core and local cooperation.

Using the preliminary research results, the number of factors was reduced by looking for overlaps and theoretical commonalities. The researcher focused on organisational factors that take into account the influences of the environment,

since our interest is the individual. We argue that individual perception of the external environment is the result of top-down processes of screening and filtering.

Individual expatriates do not assess and react to external pressures directly. Instead, environmental factors are screened by top management, who decide when and what external factors managers need to react to.

Initial research allowed the researcher to suggest possible influencing factors at advisory board meetings and HRM meetings and during further discussion with directors of the case company. As a result, 6 key contingent factors are identified: HQs' intervention, subsidiary core, age of establishment, local institutional systems, local HRM systems and local cooperation. Each of these factors and their relation to the roles of expatriates is discussed below.

HQs' intervention

The first contingent factor is the intervention of HQs. Drawing upon organisational theories, in particular those on control and coordination in the relations between HQs and subsidiaries, we assume that expatriates are affected by how far HQs attempts to intervene in their work. Interventions using

mechanisms of control and coordination have the same basic function supporting to ensure the proper behavior of people in the organisation, In an MNE the intervention of HQs is needed to make subsidiaries act in a way that corresponds to HQs' policies and interests (Harzing, 2001).

MNEs have developed wide and complex organisational forms globally and as a result more subsidiaries with diversified nodes now exist. While each individual subsidiary brings to the whole MNE a unique collection of capabilities, the MNEs corporate strategy reflects HQs' interpretation of the best way to organise the company as a whole to respond to a particular configuration of global, institutional and market pressures. For MNEs to successfully implement corporate strategies and protect their interests they need to efficiently control and coordinate the whole company, including their subsidiaries (Johnston, 2005, p.37).

There are many ways of controlling an organisation. One is through its structure. Structures provide the rules and resources that people use, and it is through this use that structures are maintained and developed (Berry *et al.*, 2005b).

MNEs also attempt to control international operations using strategy. Strategy is often described as the senior management's definition of what an organisation

should be doing. However, a more recent approach in the literature regards strategy and control as something other than a creation of top management (Coad, 2005). Strategy includes a wide gamut of techniques from strategic planning to task control. Berry *et al.* (2005d, p.18) define “strategic planning and control, management control, and task control” as processes of management control.

Thirdly, more subtle controls are exerted by normative mechanisms that bring about a widely shared awareness of the overall culture, values, goals and critical interdependencies in the MNE (Johnston, 2005). The socialisation and informal communication networks of expatriate managers are two elements of these normative, informal control mechanisms (Martínez and Jarillo, 1991; Bartlett and Ghoshal, 1989; Harzing, 2001).

Management control links these two elements and ensures that the strategy of the organisation is reflected in the tasks carried out: “The management control process is the process by which managers at all levels ensure that the people they supervise implement their intended strategies” (Anthony and Govindarajan, 2007, p.4). This means that HQs’ attempts to control via strategy are automatically a concern for expatriates. The issue for management is how to

harmonise different means of control, as it is difficult for them to run an entire organisation based only on traditional processes of management control. Harzing (2001) argues that the dominant approach to control favoured by HQs' influences the expatriate managers' choice, between using direct personal control, socialising their staff into shared values or using informal communication mechanisms.

Johnston (2005) suggests important contributions to managerial control, including a demonstration of how MNEs perceive the changing business environment and how they reflect them in the new corporate strategy and structure with innovation and networks of knowledge resources.

The theoretical framework has been used here to analyse empirical data on the intervention of HQs as a contingent factor, and examine the actual intervention methods used. This may show the different degrees to which they intervene and the extent to which the degree of intervention varies and how that affects the roles and responsibilities of expatriates.

HQs' intervention is the degree of control the HQs exerts over the subsidiary. The subsidiary's policies and strategies are naturally expected to be oriented to those developed by their HQs. While the MNE in this study gives extensive

autonomy to each subsidiary, particular strategic purposes change the relation between the two, which is described here as the HQs' intervention. For instance, to compete with other firms in an international arena, MNEs are under pressure to achieve global efficiency by the configuration or reconfiguration of their global value chain. In other words, to respond to the increasing global integration of their market, HQs expects subsidiaries to cooperate in improving the group's global networks.

Similarly, when a subsidiary is not profitable its HQs may require it to undergo major restructuring. The type of global value chain depends on the industry in which the MNE is active. For example, in a manufacturing industry the global value chain includes buying the raw material, processing it, developing components from it, assembling the components and putting the finished product through sales and marketing distribution channels. Each MNE has to interpret the available information and identify the critical dimensions of these global issues both in detail and in practice. Their interpretation is reflected in their international corporate strategy.

More specifically, a company's international HR strategy determines whether they decide to depend heavily on the use of expatriate managers or move away

from such dependence. Corporate HQs determine the standard length of an expatriate's stay in a subsidiary. This expatriate corporate strategy is part of the intervention by which the HQs attempt to control and influence the role of expatriates. Changes in the expatriation policy, and the question of who promotes and who resists this change, deserve research scrutiny.

The degree of intervention by HQs in their subsidiaries varies depending on their specific strategic focus. For example, to respond to increasing change in the industry's structure and to pursue global efficiency, the HQs requires subsidiaries to cooperate in cross-national collaboration between subsidiaries in the group. The HQs also intervene by modifying their allocation of resources. The way in which the HQs relate to the subsidiary and manage their expatriate strategy will influence the expatriates' role and the degree of discretion they have.

Subsidiary core

The second contingent factor is the subsidiary's core business. We start by asking how subsidiaries came to be developed in the first place. Today, many MNEs have not one, but many business objectives and they have become more

and more diversified and complex. Such contacts produce “common frames of understanding that give people the confidence to allocate large amounts of resources and enable managers of differentiated units to handle differentiated tasks, and the decision-making authority that goes with them” (Berry *et al.*, 2005a, pp.51-52).

‘Vertical coordination’ is one solution for effectively controlling multidimensional organisations (Berry *et al.*, 2005a, p.52). One principal general goal is set up along with sub-goals, so that the organisation develops a functionally bureaucratic character. What arises from this complex organisation is “the principle of subsidiarity; that is, in order to cope with complexity, tasks and decision making should take place as close as possible to the point of enactment” (Berry *et al.*, 2005a, p.52). As the tasks and decision-making authority are divided into sections, subsidiaries naturally start to vary in their organisational structure, objectives, operational approach, management style and strategy¹.

It is the subsidiary’s core business that most affects the degree and the process of discretionary power wielded by expatriate managers. To understand this and the relationship between HQs and subsidiaries, we draw upon considerations of

¹ “The principle of subsidiarity does not imply either a divisional or a unitary form, but consideration of the appropriate location of task and decision-making authority, which [...] leads to the separation of strategy and operational decision making and control in divisionalized companies.” (Broadbent and Cullen, 2005, p.138).

control and autonomy². Johnston (2005) suggests that control and autonomy are clearly, albeit inversely, related and that the autonomy of a subsidiary is the antithesis of its control by HQs. The control mechanisms adapted by an MNE have important effects upon the subsidiary's autonomy. He notes that this autonomy is likely to be primarily associated with its superiority over HQs in terms of its knowledge of the host environment, marketing, procurement, distribution and other issues (Johnston, 2005) and its transformational process. For example, a subsidiary may start as merely a platform for sales, to which business facilities such as warehouses and factories are added.

The relationship between a subsidiary and its HQs is largely affected by the HQs competence. The subsidiary may also have competences such as engineering superiority, advanced marketing know-how and product development capabilities etc. The empirical section of this thesis examines what kinds of subsidiary core business enhance the discretion of expatriates. For example, if a subsidiary in Germany is chosen as an MNE's centre of advanced precision

² The subsidiary's most critical relationship was, and still is, with its corporate HQs (Birkinshaw and Hood, 1998; Johnston, 2005). Johnston (2005) suggests that key issues in the relationship between HQs and the subsidiary are subsidiary autonomy, control mechanisms, the use of knowledge management techniques and the embeddedness of the subsidiary in the innovation networks of the MNE.

production in Europe it will receive sufficient investment from HQs to develop such a system. Its productive capacity becomes its core business and it is then strategically important to the entire MNE. Another example is that if the cost of production in a country is low HQs may set up a subsidiary there. In this case the entire MNE then regards the subsidiary's core business as provision of cheap production. The thesis's empirical section examines and analyses what the subsidiary's core business may be and how significant its role is for the entire MNE group. More specifically, the study considers whether the roles and discretionary power of expatriates vary depending on whether the individual task was initially given to the subsidiary by its HQs or whether it was developed by them. We also examine how important their subsidiary's core business is in terms of the current corporate strategy to give the subsidiary and its expatriates a certain degree of power.

Age of establishment

The third contingent factor, which is age of establishment, concerns the core business of the subsidiary but is separated from this because 1) its length of establishment goes beyond the tasks and autonomy of the subsidiary and affects

the extent to which it is embedded in its specific environment (Evans *et al.*, 2002), and 2) it is also closely related to the formation of relationships in an organisation and has a direct influence on the attitudes of local staff to expatriates. Ansoff (1990) examined resistance to organisational changes and pointed out that the older the organisation, the more likely it was that existing practices had been embedded, and the stronger the resistance to change. Reus *et al.* (2009) argue that organisational practices become tenacious over time and their characteristics become institutionalised through previously invested know-how. Thus, local decision-makers may not see any need to adapt to a change in the firm's environment because they perceive it through the lens of their own historically conditioned interpretive schemes. Even when they recognise the need to change, institutionalised practices may constrain their response.

On the other hand, long-established companies have made it possible for trust to be built up between the local staff and HQs. Trust is the result of repeated positive relationships. In young companies the strategic use of local staff offers higher 'moral hazard' costs due to uncertainty about the local staff's possible opportunistic behaviour. As an MNE gradually acquires experience in the host country and develops trust in the local staff, it reduces the risk of localising by

delegating authority and control to local managers (Bonache and Fernández, 2005). For these reasons we need to consider whether the roles and discretionary power of expatriates are influenced by the age of the company.

Local institutional systems

The fourth contingent factor is its institutional context. To discuss this, this section draws upon institutional theory as discussed in Chapter 2, which suggests that social legitimacy influences the ways in which organisations transform the resources and capacity (i.e. labour, capital and equipment) upon which their future depends (Hatch, 1997). In the external environment that surrounds a corporation, the importance of the political, economic and sociocultural context as well as the local level of technological development has been widely recognised (Capon, 2004). Whatever the overall corporate strategy, the tasks a subsidiary is given, or its capabilities, no organisation or individual can escape local business systems, which become institutionalised over time. For expatriates to operate in a particular society they need to comply with both explicit requirements such as regulations and the law and implicit social norms and business customs. Using an institutional perspective we see the

environment as a context that provides a more-or-less shared view of what organisations should look like and how they should behave in a particular environmental niche (Hatch, 1997). In order to comply with the institutional context, the discretion of expatriates needs to be employed in various areas such as operations, environmental-related activities, HR styles and processes of management and social relationships. The institutional context has a major impact on the shaping and execution of expatriate managers' roles and responsibilities. In examining how the local or regional institutional system affects the formation of the expatriate managers' role, this thesis considers whether, and how, existing formal regulatory systems and informal normative systems affect expatriates' discretion of choice and inform their role.

Local human resource management (HRM) systems

The local HRM system is the fifth contingent factor. It is singled out as deserving particular analysis because the company case study in this thesis is a Japanese MNE. Bird and Beechler (1999) have argued that despite a substantial quantity of empirical work on Japanese HR practices, there is still a need for research. since many of these empirical studies have used an idealised model of Japanese

management that may not actually exist. Elger and Smith (2005) reinforce this critique:

“All Japanese firms purportedly possessed common or stylized qualities that operated in a similar way in different times and places. This meant that considerations of difference (between firms and sectors), evolution and strategic choice were suppressed in favour of an image of a persistent repertoire of techniques”. (Elger and Smith, 2005, p.4)

Elger and Smith (1994) had previously noted that the very character of such embedded and evolving – rather than formalised – practices means that they are never simply reproduced overseas. Each subsidiary creates its own repertoire of practices as the result of a process of adaptation, selection and development carried out by their expatriate and local managers. The outcome of the process is a local HR system that responds to a unique combination of factors, such as the distinctive configurations of suppliers, customers and sister plants, local employment laws, working customs and practices and attitudes to work and authority (Kristensen and Zeitlin, 2005).

The components of a local HR system can be differentiated between environmental concerns (which are outside the control of the subsidiary, such as

the local labour market and law) and subsidiary-specific ones. In particular, aspects of the local HR systems that can be expected to have an influence on expatriates' roles are: 1) the degree to which core Japanese practices have changed under the influence of national agreements or labour unions, 2) the extent to which the HR systems are formal or tacit, and 3) how systematically the individual aspects of the HR system have been identified in mechanisms such as job descriptions, evaluations, compensation and allocation. The research examines how these aspects of local HR shape the role of expatriates and expand or limit their discretion.

Local cooperation

Local cooperation is concerned not only with the relationship between expatriates and local employees but with all the relationships among members of the subsidiary where an expatriate works. This study examines the degree of cooperation resulting from multiple interactions among the members of the subsidiary, with the view that the degree of cooperative relationship that exists affects the activities, roles and responsibilities of the expatriates in the organisation. The impact of these relationships on an individual appears in their

behaviour, attitude, motivation and emotions (Reis *et al*, 2000). As the expatriate managers are working with human beings, cooperative relationships between them help the subsidiary to develop a positive climate in which the expatriate managers can work and perform the roles required of them. On the other hand, if the relationship is damaged they will need to spend time dealing with individual conflict and may find it difficult to work in an environment that is full of negative feelings.

A theoretically dominant conception of a relationship is as a “means for exchanging resources for the purpose of achieving utility of power”; this is known as social exchange theory (Ragins and Dutton, 2007). Positive relationships at work are necessary for developing an overall positive organisational context (Ragins and Dutton, 2007).

It is difficult to separate the notion of identity that explains us to the world and to ourselves (Rodgers, 2007) from the social relationships in which identity is embedded. These relationships provide a context for self-definition as well as direct feedback about our strengths, weakness, similarities and differences. The identity-enhancing and enriching functions of positive relationships often create a mutually reinforcing cycle (Rodgers, 2007). A positive relationship enhances a

person's self-identity. As people feel understood, and thus more secure, they become more likely to build trust in return. When trust exists people are likely to engage in more self-disclosure (Rodgers, 2007). This self-disclosure, in turn, can strengthen the tie between parties by generating even more mutual understanding and calibrating their expectations of each other. For an MNE the development of mutual understanding is also a particularly important outcome of the contribution of positive relationships that enhance trust-building (Aaron, 1999).

Drawing on the idea of Heifetz and Laurie (1997), cooperation does not always result from a positive relationship. Members of organisations cooperate with each other for many reasons. Sometimes the reason can be a strategic one. Therefore, the focus here is on the degree of local cooperation that is directly relevant for expatriates in forming and playing their role, without spelling out what motives are implied. In other words, if the employees in a subsidiary show an insufficient degree of cooperation, this will not only adversely affect daily business operations and the motivation of the employees but conflicts may also arise. Then expatriates may be brought in to solve conflicts. This thesis considers whether the degree of cooperation affects the discretion of expatriate managers.

Strategic choice factors

Introduction

Strategic choice factors are so called because they arise from strategic choice theory, whereby organisations develop their strategies and coordinate tasks by making various decisions, not only to adapt to the environment but also for organisational reasons or individual preference. Strategic choice factors consist of the dynamic capacities of individual expatriates in the organisation and include both their intrinsic personal characteristics and their position in relation to other members of the multinational.

Strategic choice theory agrees with contingency theory that it is necessary for any organisation to adapt to its environment. Agents in an organisation have a choice in how they respond to the environment as well as the strategies they adopt and the individual capabilities they use to do so (Ansoff, 1977). Individual choices form part of a political process. Managers interpret multiple critical

dimensions of their environment and employ their organisational capabilities to formulate the firm's corporate strategy and organisational structure. While it can be argued that the corporate strategy and the design of the organisational structure are independent of each other, Child (1972) suggests that the firm's response to its organisational needs is revealed in its strategy and structure.

In this section, the first question is: what essentially enables a choice to be made or discretion to be exercised? In the theoretical framework it was noted that autonomy and individual capabilities are two of the factors that affect an organisation's capacity for making strategic choices. Strategic choice decisions need to be made when the degree of environmental uncertainty is high, and choices made in this circumstance may be strategically aggressive (Child, 1997), to use Ansoff's term. Child (1972) claims that a strong group of decision-makers who are capable of developing a coalition is necessary for them to exert their autonomy.

What enables managers to make strategic choices? In the existing literature (e.g. Ansoff, 1977; Child, 1997), two strategic choice factors are the autonomy and capabilities of individuals. Among the various elements of individual capabilities, the ability to develop coalitions with members in an organisation is one of the

most important. In this section, the meaning of each of these factors and its critical constitutive elements are considered.

Autonomy

First of all, what is discretion and what does it make possible? Lukes (2005) talks about freedom and states that only people who have freedom can make their own choices according to their preferences.

Lukes (2005) notes that one idea of ultimate freedom is when no-one interferes with the realisation of your preferences. In reality, individual preferences are always influenced by external factors and individual judgments are always the result of certain kinds of influence. In other words, my nature is simply an array of the preferences that are revealed by my choices, and my judgment is whatever I choose to do. Judgments are revealed by preferences and preferences by behaviour in situations of choice. Lukes (2005) supposes that the only way of measuring individual freedom is to consider the extent to which I am in control of my choices.

Many scholars argue that individual power is what makes freedom or discretion possible. Clegg (1989) suggests that power in an organisation arises from the

vertical or horizontal relationships among its members, as defined by their positions in the structure of the organisation. “Legitimate power emerges from actions in the formal, legitimated authority structure of hierarchical power” (Clegg, 1989, p.199). Pfeffer (1992) suggests that the autonomy delegated to managers does not necessarily enable them to execute power, because power is premised on the control of resources. This implies that this study needs to take into account other sources of power that managers need to execute their autonomy. This study draws on Clegg’s (1989) and Pfeffer’s (1992) perspectives and specifies that autonomy comes about when expatriates have legitimate power. The discretion of expatriates also depends on their formal capacity to organise and control human and material resources and territories.

Autonomy is officially delegated to individuals or sub-organisations and it is realised through the organisational structure, especially through the positions that individuals are allocated by the structure, which involve discretion and decision-making capacities (Clegg, 1989). Clegg (1989) furthermore comments that power is rooted in politics. Politics is a natural dynamic in organisations, whether managers choose to engage with it or not. It is the process through which the differences in self-interest and the organisational agenda are played

out. From the perspective of informal coalitions, organisational vitality and success depend on effective political processes (Mintzberg, 1983).

While the concept of autonomy is understood in many different ways, the idea that individuals are “self-determining is shared by very different philosophical positions” (Dworkin, 1988, p.9). There is also an idea that autonomy is a form of independence. According to O’Neill (2002, p.28), “independence is relational”. This idea is interpreted here to mean expatriates are independent to the extent to which they can make their own choices instead of depending on their HQs’ approval and instructions.

In addition, Dworkin (1988, p.20) considers that “autonomy is conceived of as a second-order capacity of persons to reflect critically upon their first-order preferences, desires, wishes [...]”. In other words, autonomy is not always a matter of realising one’s preferences: it is a capacity. Wielding autonomy affects the degree to which expatriates can make a choice that reflects their first-order preferences. Autonomy is understood here to mean the wider capacity in which discretion and choice can be employed. With an appropriate degree of autonomy, expatriate managers can play different roles such as mediating or brokering deals, as their autonomy helps them to secure their interests (Greene and Elffers,

1998).

Furthermore, Dworkin (1988) emphasises that there is a link between our autonomy and putting our desires into effect in our actions. Autonomy cannot simply be put into practice just because it has been given to an individual, wielding it is related to the ability of the individual concerned. Individual capabilities for action are required to be able to exercise discretion. This is discussed in the next section.

Power is not constituted only by a single resource but it is interdependent and has relationships to other resources. Furthermore, a power network needs to exist before autonomy can be exerted. The next section describes how power is put into action.

Individual capabilities

Child (1972) notes that a strategic choice is a political process, not merely a one-off action. Most of the time a strategic choice cannot be made by an individual on their own, it requires a dominant group whose members share the same interests or ideas. In addition, making a strategic choice is a process. Whatever autonomy individuals derive from their position and authority is merely a

condition or facilitator for making a choice, although it may help if the individuals making this choice are in a dominant position in the organisation. Thus, making strategic choices requires managers to go through a set of actions that are constituted by their analysis and evaluation of the environment, their choice of goals for the organisation and their development of a strategy to respond or not to respond to the environment.

Thus, drawing on Child's (1972; 1997) claim, expatriate managers need to go through a set of processes to execute their strategic choices. In addition, not all the autonomy that individual expatriates wield is given to them by their organisation, as in some cases it is their own abilities and talents that make their possession of autonomy possible.

Rodgers (2007) notes that an individual's abilities can be a resource, which he calls 'instrumental power'. With this term he refers to an individual's capacity and behaviour that can be directly used to modify and develop the knowledge, attitudes and behaviour of others. The different capabilities of individuals can be categorised. They include individuals' formal position and authority (position power), their control of limited resources and access to information (resource power), their personal knowledge and expertise (expert power), the network of

relationships that they have with other key people (network power), and their ability to establish empathy and rapport when interacting with others (communication power).

Drawing on Rodgers's idea, this thesis defines individual capabilities as 1) an individual's personal knowledge and expertise, 2) the network of relationships that an individual has with other key people, and 3) their ability to establish empathy and rapport when interacting with others. These three elements help expatriates to make strategic choices. Of these three categories, the first capability is embedded in specific individuals and has been developed by them over time. The latter two capabilities are different in that they involve the people around the individual under scrutiny and the interaction between them.

The next section examines the ability to build up a network of relationships with influential people and the ability to establish empathy and rapport when interacting with others. These two elements define an individual's coalition-making capability. When drawing on Child's (1972) claim that strategic choice is a political process, the ability to develop and maintain a coalition can be seen to be very important, because it contributes significantly to the development of a network of power relationships, and because wielding power requires remarkable

relationship and interdependent abilities. In fact, strategic choices are made by a dominant coalition. Without access to such a coalition, an individual's capacity for making strategic choices may be very limited.

Now we touch upon the unique process by which a coalition is developed. Rodgers (2007) contrasts coalitions with autonomy. While autonomy is given to an individual by an organisation or some authority, he suggests that people sign up for coalitions because they want to, not because someone else has told them to do so. Participants in a coalition are driven by an emotional commitment to a particular cause or are attracted to a desired result that they judge will be best served by aligning themselves with others who want the same thing. Rodgers (2007) says that coalitions magnify the ability of those involved to influence organisational outcomes. Individuals and groups hold ideas, values and beliefs that often conflict with those held by others. They nevertheless need to collaborate with each other if an organisation is to succeed, and if their own aspirations are to be satisfied (Rodgers, 2007).

In practical terms for expatriates working in subsidiaries, coalition skills enable them to build a network of relations with key individuals and groups at HQs, the RHQs, sister companies or within their own subsidiaries. As a result, they enable

individuals who have been given autonomy to exercise the power that comes with it. For example, organisational decision-making in an MNE usually involves a number of managers from different levels of the organisation's hierarchy. If your ideas are approved, this is not always because of your position or autonomy, but the result of the consensus or coalitions that you develop with people in the dominant decision-making group. An ability to make coalitions can provide expatriates a significant advantage.

A coalition capability is the individual skill that enables expatriates to build social networks and to secure the emotional commitment of other actors to the particular cause or objective they pursue. It is worth pointing out that the cooperative relationship, which has been identified as a contingent factor, is different from a coalition in that the former emerges from the concept of contingency, not from the skill of an individual, and does not necessarily involve expatriates. A coalition must either be built or subscribed to by the expatriates themselves, and it is developed through a political process using their own networks and personal contacts (Rodgers, 2007).

To study the coalition as an important element of strategic choice requires a focus on methodological issues. Child (1997) claims that the process of making

strategic choices in an organisation's structure is an evolving one and is the result of organisational learning. Therefore, to observe and analyse what coalitions each group or individual develops, the researcher must secure very close and long-term access to the organisation. This is the only way in which the contents of the coalition and its position at different levels of the organisation, as well as in the political process of the organisation, can be understood and analysed. To achieve this level of understanding the researcher must be allowed into the decision-making circle. This consideration led to the choice of action research methodology to accomplish this study, as is discussed in the next chapter in more detail.

Organisational structure

Both contingency theory and strategic choice theory were developed to explain variations in an organisation's performance. Another feature affecting this performance is organisational structure. The structure of a MNE is not only more complex than that of a small firm but it is also constantly increasing in complexity. More MNEs are setting up RHQs so as to be orientated in the most

useful way towards the markets where their subsidiaries or activities are located and at the same time to improve the efficiency of the entire group at the global level (Elger and Smith, 2005).

This means that an action can increasingly involve not only HQs and subsidiaries but also the RHQs. While the focus of this thesis is the expatriates, other members of the organisation, such as the local employees and the executives at HQs, are also relevant. Thus it was necessary to clarify where they are located in the organisational structure and how the different parts of the organisation are related to each other in a conceptual model.

The structure of this MNE organisation consists of its HQs, the RHQs and the subsidiaries, which traditionally form the main hierarchical layers. The RHQs comes under the command of HQs in the home country and performs the function of integrating subsidiaries in their respective regions. The subsidiaries represent individual countries in the region.

The relationships between the organisations in this model are not simply those of top-down control. The separate organisations form bilateral or interdependent relationships that are both official and unofficial in nature. In the relationships centring on HQs, the objective of the downward relationships is for HQs to

entrust to the RHQs the implementation and operation of the company's business philosophy, policies and strategies. The official relationships include periodic or *ad hoc* formal meetings as well as instructions sent from HQs to the RHQs.

The RHQs formally report to HQs to obtain official approval for its activities, for example by submitting the annual plan for the next fiscal year (a business plan covering sales, production and investments, and reconfiguration of R&D locations), and their strategies and plans for the following year as well as for the mid to long term. The need for approval from HQs varies depending on the amount of investment required and both periodic and *ad hoc* meetings are held between HQs and RHQs. In addition, the subsidiaries are obliged to report to the RHQs. This includes giving them *post hoc* reports of small business decisions that do not require advance approvals or referring to them current decisions that do require approval. The work is done via official as well as unofficial channels such as informal meetings or informal communication (Witcher and Butterworth, 2001).

In terms of the RHQs and the countries' subsidiaries, the objective is for the RHQs to integrate and manage activities in those countries. This is

fundamentally different from the relationship between HQs and the RHQs. In the regional–subsidiary relationship the RHQs develops strategies that reflect the intentions and policies of the HQs so that they can be implemented. The strategic plan needs to be approved by the HQs so that the RHQs can then instruct the subsidiaries in their region to execute the strategies. Then, if a subsidiary requires technical, management-related support, this is provided by the RHQs. If what they require exceeds what the RHQs can provide, the latter ask HQs to fulfill the subsidiary’s requirement. The RHQs also manages the entire area, and they try to achieve business objectives by negotiating with, and instructing the subsidiaries in the different countries in their region.

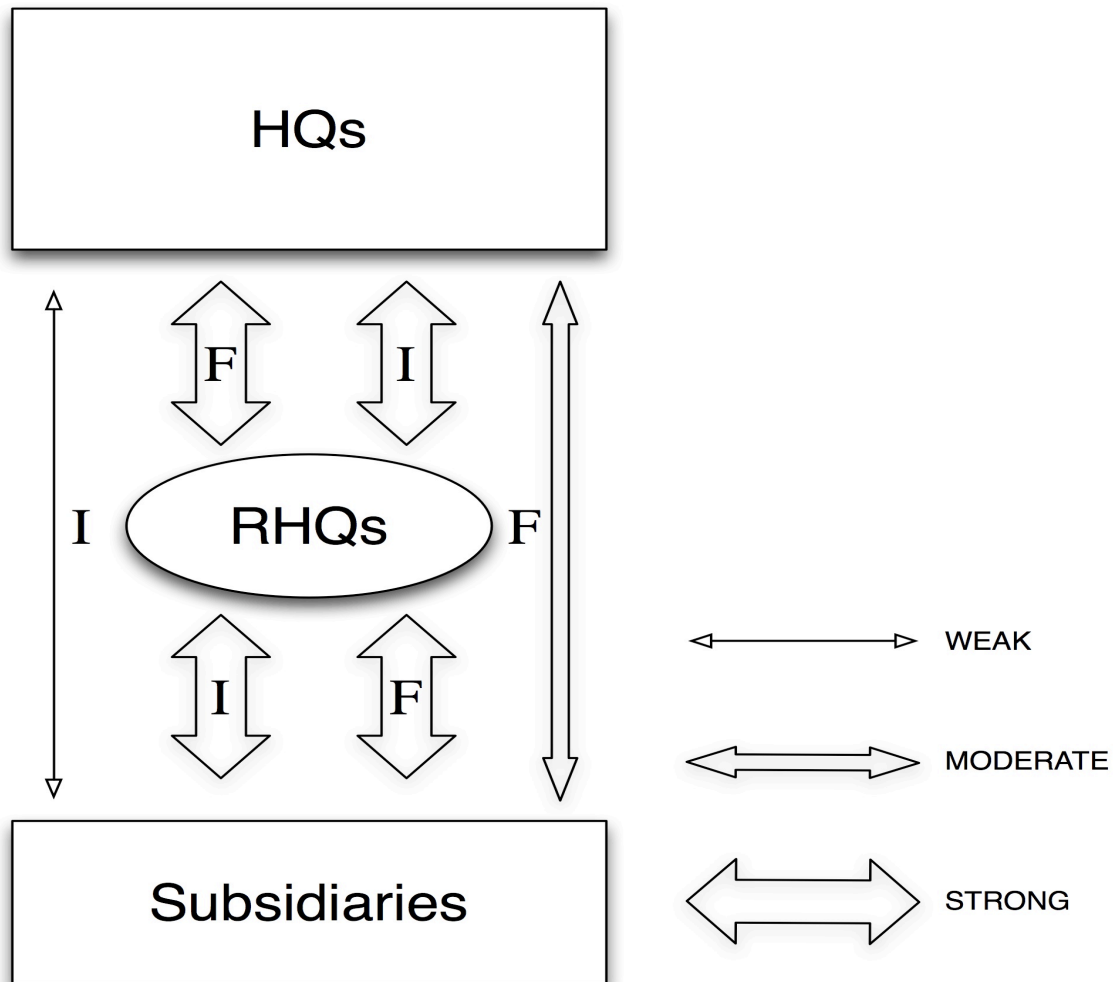
Unofficial communication between these two elements takes place via e-mail or telephone conversations or when socialising. Relationships are stronger between the RHQs and the subsidiaries in their region and involve more relationships at a personal level, partly because they are geographically closer to each other and therefore there are many joint projects between them, and partly because the RHQs is much smaller than the group HQs and therefore it is easier to get to know each person there.

There are also cases when a subsidiary in a country develops a relationship with

the group HQs. This may be for a special project, or it may have been set up by a specific business unit to tackle a certain issue, depending on the business content or the issue. Unofficial communication between HQs and subsidiaries depends upon the expatriates concerned. If an expatriate manager has a good social network with HQs, this gives his subsidiary privileged access to HQs for matters that would be otherwise channeled through the RHQs.

The conceptual model of the MNE's organisational structure includes a RHQs and subsidiaries, as shown in Figure 3.1. The relationships between the organisations in each layer are indicated by the arrows.

FIGURE 3.1 THE ORGANISATIONAL STRUCTURE AND RELATIONSHIPS IN THE MNE



*F: Formal relationships; I: Informal relationships

There are three categories of managers in this study; those at HQs, those at the RHQs and those at the local subsidiaries. The managers at HQs form a single group and those at the RHQs and subsidiaries form two sub-groups, namely

expatriates and local managers. Although this study is primarily interested in the expatriate managers, their roles are affected by other groups of actors, such as the local managers.

The managers at HQs shape the first contingent factor (HQs' intervention) and local managers influence the sixth (cooperative local relationships). The expatriates at the RHQs also influence HQs' interventions and both expatriates and local employees are involved in determining the subsidiary's core business, as a result of the HQs–subsidiary relationship. In addition, expatriates and local managers at the RHQs influence local HRM systems to some extent by directly instructing the subsidiaries as to how much of the group's HRM policies and improvements should be implemented at the subsidiary level. Furthermore, from the viewpoint of strategic choice, the managers at HQs, expatriates and local managers at the RHQs influence the extent to which autonomy is given to individual subsidiaries. Finally, all the actors are involved in the expatriate managers' coalition-building activities to some extent. Chapter 5 will analyse in more detail how HQs influences contingent and strategic factors at the subsidiary.

It is also important to understand the dynamic complexity of the interactions

between all the actors in an MNE located in various parts and layers of the whole organisation. These actors are involved in making decisions as to how to respond to their environment and in making strategic choices as members of a dominant coalition. They may also influence the contingent and strategic factors that surround the decision-making process. Dynamic processes, sometimes evolving simultaneously, take place in many parts of the organisation need to be taken into account as far as this is possible.

Developing a theoretical framework

The literature review in Chapter 2 found that many studies of the role of expatriates did not extend their analysis to multiple perspectives in the multiple organisational layers of an MNE. They have instead centred on HQs' viewpoint and given only limited attention to the influence of relationships between expatriates and the local environment (Thomas, 1991; Harzing 2001).

More recently, authors (e.g. Whitley, 2007; Kristensen and Zeitlin, 2005) have studied the role of expatriates by examining whom they serve, assuming that they are not invariably HQs' agents of control. Drawing on these discussions, this theoretical framework analyses the way in which multidimensional factors

are related to each other in forming the roles of expatriates.

The theoretical framework used here to examine the roles, influences and degree of discretion of expatriates has mainly drawn on contingency theory (Lawrence and Lorsch, 1967), strategic choice theory (Child, 1972) and some concepts from role theory that links these two theories. The thesis assumes that the role of an expatriate is shaped, influenced and directed by both contingencies and strategic choices.

Contingency theory provides conceptual and logical support for identifying the key roles of expatriates and the contextual factors that influence the formation of their roles and to answer the three major research questions raised. To this is added strategic choice theory, which was reviewed in Chapter 2. According to the latter theory, while contingent factors may constrain or promote the activities of an MNE, agents still have room to make their own decisions and choices as to whether or how they respond to the environment (Child, 1974). For instance, expatriates may choose to follow HQs' policy even if doing so means losing the opportunity to respond to the demands of the local environment.

The company's decision-making process takes place at four levels; at the corporate HQs, the RHQs, the local subsidiary and the individual levels. Some

decisions are made in only one of these levels while many are made across two or three levels working together. In the end, it is the level at which decisions are made that determines how, and to what extent, firms develop and initiate strategy to respond to contingent factors.

The theoretical framework outlined above is applied and tested to analyse and examine the role of expatriates. For example, the theoretical framework analyses trends in expatriate strategy and the features that determine their role, looking at the roles expected of them, how long they stay in their post abroad, how frequently they move and where they move to.

The practical relevance of these explorations is that a strategy is needed by the company to determine whether they should continue to depend heavily on the use of expatriates in their subsidiaries or reduce their dependence on them. If the latter option is pursued, what alternatives to reliance on expatriate staff are open to the company? The standard length of stay in an overseas posting may be determined by the corporate HQs. Yet who decides whether the length of the overseas posting should be extended or shortened and what are the main reasons for this decision? Does the corporate HQs assign the destination of expatriation, in other levels of the MNE? If so, why does this happen? Who changes the

expatriation policy and what factors trigger this change? Who promotes this change and who resists it? Such decisions made at different levels in the company are likely to cause a power struggle in an organisation.

In addition, the objective of this thesis is not only to identify and examine the role of expatriates but also to examine how far the individual expatriates' choices and preferences are reflected in forming their roles instead of them merely working as agents of HQs or adapting to given environments. The author is aware that there are quite a few critical contingent factors influencing formation of the roles. However, as the purpose of this thesis is to take account of expatriates' will and choice, the contingent factors examined are those that allow a degree of expatriate choice, rather than those that leave expatriates with no choice (e.g. varieties of capitalism). As mentioned earlier, 8 contingent factors were selected. These factors' relevance was tested in exploratory case studies (Germany, Poland, Turkey, Italy) and a decision was made (jointly with the MNE) to retain only 6 (those that gave expatriates a choice in terms of how the influence of such factors could be managed).

For example, expatriates could choose how much they followed HQ's intervention or whether they tried to influence local cooperation – e.g. using internal

stakeholders' engagement or modifying local HR systems. In dealing with consequences of the age of establishment, they could choose between retaining the subsidiary's specific way of doing business or trying to change. They also could choose to what extent they complied with the local institutional systems, in particular, concerning employment issues, and how they dealt with trade unions.

Chapter 4 Methodology and the research strategy

Introduction

This chapter discusses the research methodology and the strategy adopted to collect and analyse data. The chapter consists of three main parts. Following the introduction of the thesis's major research questions in Chapter 3, the first section refines them using sub-questions. The second introduces the methods adopted for this research and reviews the issues arising from these methods. The third section focuses on the strategy for collecting and analysing the data.

The research questions

The main research question of this study is 'What are the key roles of expatriates in an MNE and what factors influence the formation of these roles?' The perspective in this thesis assumes that the roles of expatriates are not limited to functions assigned by the home country HQs, and that, instead, they are formed as a result of the interaction of different factors and expatriates' choice. While existing studies provide a useful foundation for addressing the research question,

the aim of this study is to give consideration to the role of expatriates as supported by new research data in the developed theoretical framework.

As international business increases, more academic literature has been studying how MNEs can succeed in a complex, cross-national business environment (e.g., Bartlett and Ghoshal, 1989; Parker, 1998; Morgan, 2001). The literature recognises the importance of the roles and responsibilities played by expatriates. For example, Collings and Scullion (2006b) suggest that the way in which MNEs use people to hold organisations together is increasingly critical as they expand numbers of overseas sites and functions, and researchers have been investigating how to define expatriates' roles and responsibilities.

As a result, there has been a range of views on how to understand expatriates in MNEs, how they are required to achieve job goals given by HQs (Sinangil and Ones, 2001) and how their roles and responsibilities vary according to different environmental conditions. Such environmental conditions (factors) include political risks, the cultural distance between the home and the host countries, and different degrees of interdependence (Boyacigiller, 1990), in addition to the different stages of establishment a subsidiary has reached (Evans *et al.*, 2002).

For instance, as reviewed in Chapter 2, the three metaphors (the bear, the

bumble-bee and the spider) introduced by Harzing (2001) to describe the roles of expatriates, have greatly contributed to the understanding that expatriates do have clearly differentiated roles. However, her claim never goes beyond simply limiting the role of expatriates to being HQs' control agents, and her assessment does not include any of the other roles that are created between expatriates, or the factors generated by the host-country context. On the other hand, the study by Black *et al.* (1991), which focused on the relationships between expatriates and the context of the host country and HQs, asserts that the relationship between expatriates and the host country context does affect the roles of expatriates.

The research questions also include how the roles of expatriates are formed, not only as a result of contextual factors in the host country or the expatriates' relations with HQs, but also as a result of the dynamics created between expatriates, local management and local factors. Contingency theory argues that the agents of an MNE do not act as fully independent units and the ultimate results of their influencing each other are what are called corporate behaviour, but this research project further examines the extent to which the roles of expatriates reflect their own selective discretionary judgments. This thesis's

framework is based on the existing literature and the results of pilot research, and the thesis addresses the research questions. A comparison of combinations of the factors and role formation will be also discussed at the end.

The research questions upon which the argument of this thesis is based can be categorised as follows. The first concerns how the roles of expatriates are related to the localisation strategy of the MNE, in particular, different localisation strategies or strategic changes. To do this, the research will examine how the target corporation (of this study) developed and changed their localisation strategy over time alongside the expansion of their international business. The examination will look at the changes in the number of expatriates and the ratio of expatriates to local employees at overseas locations, as a part of their localisation policy.

The second question concerns what roles HQs expect their expatriates to play, how much expatriates agree with these roles and what roles they actually play. This is not an attempt to describe their functional or operational tasks, but to examine more conceptual issues.

The third question is 'which contingent factors associated with the development of the roles of expatriates affect the development of which roles, and to what

extent?' This question addresses not only the factors originating from the host country's environment, but also those originating from the home country or HQs. The fourth question seeks to uncover how much discretion expatriates can exercise in the process of responding to various factors and how much impact this has on the formation of their roles.

Methodological issues

The choice of the most suitable research methods for a particular research project depends on several factors. Methodological choices sometimes involve unavoidable trade-offs. Such trade-offs occur because of the various strengths and weaknesses inherent in different approaches. When the researcher evaluates appropriate methods and the expected outcomes, she has to take into account the organisational context and the substantive problems to be investigated as well as the resources available and any other potential dilemmas. The appropriateness of the method of investigation is the main concern in a research project. Any methodological approach must be controlled by the nature of the research questions and the research environment.

Research design

In designing this research and addressing the research questions, numerous options were available. The first was whether the research should be quantitative or qualitative. It was decided that the thesis would not be an entirely quantitative study of the roles of expatriates but that it would be an in-depth consideration of influential factors, examining how they change according to different situations depending on the relationships between the factors that form the roles of expatriates. A qualitative research method was therefore selected, as it allows us to 1) examine various factors using a method that is thought to be better suited to an in-depth examination; 2) examine qualitatively how each of the factors affects the determination and execution of roles; and 3) permits us to see the big picture in a narrative and dynamic way.

However, it was feared that if the qualitative research method was employed to focus on a single case study of just one MNE, the results of the research might be biased, severely compromising its universality and limiting its chance of being applicable to other cases. Therefore, the decision was made to conduct the research, using as units of analysis, organisations at various levels within a

single multinational corporation (that is, the corporate HQs, the RHQs and subsidiaries in individual countries). In YKK, while HQs and subsidiaries are interdependent and structurally they constitute a single MNE, their vertical diversity, e.g. different roles and responsibilities, distinctive systems and procedure, allowed the researcher to study a wider range of management layers and several case units of analysis and this enabled the study to have horizontal diversity. This expanded the scope and allowed the factors to reflect different contextual environments comparing different set-ups.

The MNE studied has traditionally followed a multi-domestic strategy, where subsidiaries had been given extensive discretion to organise themselves in response to the challenges of their local environment and develop strategies accordingly. Therefore, we find different forms of business coordination and strategies across subsidiaries depending on their particular objectives and responses to diverse environment.

The second decision reached concerned data collection techniques. There were multiple options to choose from, including survey methods, where questionnaires are sent to each organisation in an MNE and responses received for analysis, and the closed question interview method. However, with either of these options

there is a risk that the research results might be unduly affected by the respondents' subjective views and the data collected might lack multifaceted objectivity or suffer from poor balance and quality. Therefore, for this project a more interactive, semi-structured interview method was selected, in which the researchers would brief the research participants to make them understand the purpose of the research and actually interview them one by one using specific interview techniques, thereby getting closer to the heart of the questions.

The third option invoked the concern that, if the interviews were conducted on a one-off basis by visiting each organisation separately (the IHQs, the RHQs and subsidiaries in different countries), the researcher's understanding might be fragmentary and its comprehensiveness compromised, resulting in decreased objectivity. Therefore, it was decided to adopt an action research methodology, in which the researcher would maintain regular relationships with the participants as a consultant from the RHQs and thus have frequent opportunities for discussions with managers in the different organisations in an attempt to understand the managers' ideas and strategies, and their backgrounds and influences, in addition to observing the political processes at work. This was done through regular interactive exchanges with the top management of the RHQs at

monthly advisory board meetings, as well as through weekly worker-level consultation with HR officers and exchanges of opinions with workers in subsidiaries in different countries.

Thus, the research method used in this thesis, multiple case studies of different organisations in one MNE, indicates that the research was not exactly limited to a single unit as it incorporated many other units in different locations. This method aims to achieve in-depth understanding and analyse the social dynamics brought to light to draw out their theoretical conclusions and implications. Extensive access was essential for such in-depth understanding.

The MNE studied was seeking solutions to particular problems and had asked the researcher to organise an advisory board for their RHQs, which covered the EMEA (Europe, Middle-East and Africa) region. In order to take into account the nature of international business, with regards to its geographical dispersion and diversified social settings, it was decided to perform a cross-national comparison as part of the case studies undertaken. The methods used included action research in addition to observations and interviews, depending on the area of business and focusing on a period of change in that RHQs and its subsidiaries. The major three components of the research, listed by setting are

in Table 4.1.

TABLE 4.1 RESEARCH DESIGN WITH COMPONENTS

Component 1	Component 2	Component 3
To understand organisational perception of the environment	To understand HR policies/ practices and relations with their expatriates	To understand the roles of expatriates and locals
Through participant observation of regional strategy development and global strategy implementation and critical issues at subsidiaries (London)	Through workshops on HRM (London, Paris and Barcelona)	Through 123 interviews with 99 interviewees (London, Tokyo, Runcorn, Tortosa, Barcelona, Paris, Lillie, Milan, Ascoli-Piceno, Istanbul, Warsaw, Mainhausen, Wenkbach)
The researcher attended 35 out of 36 <u>monthly advisory board meetings</u> at RHQs	Attended 144 <u>general weekly HRM meetings</u> at RHQs consultations, 14 HRM meetings only for research, 3 European HR managers' round tables for business meetings: To identify critical factors that forms the roles of expatriates and identifies obstacles to achieving their role.	Interviewed IHQs (4) and RHQs (7 Japanese expatriates and 7 non-Japanese): To understand their decision-making processes, expectations and own perceptions about the environment and how to respond to it Subsidiaries (24 Japanese expatriates and 67 locals): To understand the role of expatriates,

		the internal and external factors influencing the formation of the role, role achievement and expatriates' choice
Participants or Respondents	Participants or Respondents	Participants or Respondents
Regional MD, company secretary, HR manager, external advisors, the researcher	Regional MD, company secretary, HR manager, the researcher and other managers according to the issues	Expatriates, key local employees, the researcher

The first was participant observation at 35 monthly RHQs advisory board meetings. As part of this, since 2004, opinions have been exchanged and questions asked on group and regional strategies and issues with critical subsidiaries. The duration of the meetings was 3 hours on average. The attendees of the advisory board meetings from the company were the managing director (MD) of the RHQs, the company secretary and the HR manager for the region. The members from outside the company were a professor of business and the researcher herself. The agenda of the monthly meeting was agreed in advance among the members and she prepared the agenda and produced handouts and presentation material based upon prior research on the specific

themes. At the meeting she also facilitated the discussion and made comments as well as taking the minutes of the meeting to distribute to the members later. Participation on the advisory board also provided her with opportunities to reflect on the result of the research and further clarify other findings. This input was particularly important in developing and amending the thesis's theoretical framework and refining the roles of expatriates and influencing factors assumed initially.

The second major research component was formed by the weekly HR consultations conducted at the RHQs. The objective was to clarify the roles of expatriates based on a comprehensive examination of more HR-relevant, practical and varied factors raised by different countries. These meetings were jointly organised and attended by the RHQs' HR manager and the researcher. They were designed and led by her using an interactive one-day workshop format. The duration of workshops was 9 hours on average. The other attendees of the meetings varied according to the meeting's theme, but could include, for example, the company secretary, manager of legal affairs, MDs of specific subsidiaries, external academics and practitioners. Attempts were made to use this consultation to design and implement the research project to clarify the

roles of expatriates and design career paths for local employees. These workshops were not focused on a particular subsidiary or level of the MNE. Rather, the focus was on various subsidiaries and multiple managerial layers. In total, 160 workshops were organised in three years, 14 of them specifically carried out to design and organise the research fieldwork in collaboration with the MNE. The workshops provided the opportunity to bring additional important insights into the role of expatriates and to contrast and validate the findings obtained through interviews and analysis of the advisory board meetings.

The third major research component was the interviews and observation. The researcher visited 17 sites of 9 subsidiaries, the RHQs and the IHQs. There were 99 interviewees, but in total 109 semi structured interviews were carried out while several participants were interviewed more than once, often in unstructured interviews. For example directors and managers at IHQs (3 additional interviews), RHQs (28) and subsidiaries in Italy (6), Spain (5) and France (6). All interviews were conducted face to face following semi-structured questionnaires and lasted on average 1 hour with the exception of 2 interviews with the CEO of the MNE (40 minutes). All Japanese expatriates at YKK in Europe, the Middle East and Africa participated in the research without

exception. In consultation with advisory board members, 35 key expatriates were selected for face-to-face interviews while the remaining 29 were involved through emails, phone calls, or unstructured interviews. Thus, 100% of expatriates from the region were consulted. Therefore, they constitute the main source of the findings in this thesis. The directors and managers interviewed also included locals. Local key personnel identified during the workshops were also interviewed (e.g. most senior or influential female employees, union representatives, and those with longer service or those who commanded respect for their experience and expertise).

The research at each subsidiary was conducted mainly in 2 stages, a pilot study followed by the main study. Of all the research efforts at the 9 target subsidiaries, only 3 (France, Spain and Italy YSI) are included as in-depth case studies. The reasons for not including the other 6 subsidiaries as case studies are given below.

The UK subsidiary could not be incorporated into the main research data since the subsidiary lost all its expatriates a year after the first pilot research. Secondly, 3 of the 5 other subsidiaries included in the pilot –Poland, Turkey and Italy (Milan and Vercheri) – failed to produce adequate in-depth data due to the

language barrier. Since the interviews were conducted only in Japanese or English, and it was required that the research participants speak either of these two languages, the selection of the participants was severely limited, and even with those who were selected, the language barrier proved to be quite impenetrable. This was a major lesson applied in designing the main research project, and from this time on the researcher was always accompanied by an assistant researcher whose was a native speaker of the local language. These assistant researchers had PhD-level academic knowledge and they received careful instructions beforehand and translated research materials into the local languages. Once the data was collected, they were translated into English.

Thirdly, the German subsidiary case was also excluded from this thesis. This was partly because the German study had been conducted before the interview questions had been amended, and thus they lacked consistency. In addition, the interviewees were unwittingly selected based on their ability to use English rather than being key informants from the organization, despite the fact that language was only a minor barrier. As a result, the German study failed to produce sufficient and consistent data comparable to that of the other main case studies.

Finally, the YKK–Mediterraneo case study in Italy was excluded. Although a native-Italian-speaking assistant accompanied the researcher to do the main research there, the situation at the subsidiary was so similar to that in another case (Spain) that we decided to not use it. We also had another Italian case to include as a case study (Italy YSI).

Qualitative research

Scientific research generally consists of two distinct streams – qualitative and quantitative. The qualitative researcher begins with a question: ‘What do I want to find out from this study?’ This is a critical starting point. But can the researcher’s point of view be objective? The researcher constructs and frames questions for inquiry. After these questions are clarified the most appropriate methodology for the research project is selected. Qualitative researchers often design a study with the intention of living in the participants’ social setting over an extended period of time and they study this social setting in order to understand the meaning of participants’ lives in their own terms (Fine *et al.*, 2003).

This contrasts with the quantitative approach, where the researcher collects and

analyses data from a large number of people. Thus the questions asked by quantitative researchers are very different from those asked by qualitative researchers. Qualitative research design is very much like choreography (Janesick, 2003). A good qualitative research design should include “a set of procedures that are simultaneously open-ended and rigorous and that do justice to the complexity of the social setting under study” (Janesick, 2003, p.46).

Miles and Huberman (1994) elaborated on the recurring features of qualitative research. Firstly, qualitative research is conducted through a deep and/or continuous contact with field life. Secondly, the researcher’s role is to grasp an overview of the underpinning contexts of the study. One major task for the researcher is to explain how people in a particular setting come to comprehend, describe, act and/or manage their everyday life. Lastly, the researcher attempts to collect data on the perceptions of actors “from the inside” through a process of paying continuous, deep attention to demonstrating sympathetic attitudes, “bracketing” her or his own preconceptions about research topics (Miles and Huberman, 1994, p.6).

Schein (2004) says that organisational culture operates at three levels, which consists of the visible symbols of the organisation. The rest consists of the values

espoused by the organisation, such as those found in its mission statement. In order to reveal the third level, it is necessary to understand the culture and comprehend the values and behaviour underlying it. This involves discovering underlying assumptions of which group members are often unaware or aware. Such assumptions usually influence quite strongly how the members of the organisation perceive and feel about issues. They are more likely to be grasped using qualitative rather than quantitative methods.

Case study

The case study is one of the design components of this research. Stake (2003) considers that there are three types of case study: intrinsic, instrumental and collective. The intrinsic case study is useful if the researcher wants to arrive at a better understanding of a particular case. It is not undertaken primarily because this case represents other cases or because it illustrates a particular trait or problem in all its particularity and ordinariness. The purpose of the study is not theory-building; it is undertaken because of an intrinsic interest in it.

Whatever type of case study it is, however, it is essentially a study that examines a particular case in depth. As a consequence, questions can be raised as to the

degree of generalisation that can appropriately be made in developing a unique theory based on a case study, whatever its type. However, exceptional symptoms detected through a case study can be more important than those that lead to generalisation. These discoveries are important because they lead to new arguments and examinations by suggesting different approaches to existing ones or illuminating hitherto unsuspected features of the problem under study. In other words, even if an intrinsic case study merely investigates a single case and does not lead to generalisability, it is still important in that it can be a strong motivation and a warning bell for re-examining established understandings (Stake, 2003).

The thesis's case studies may not be purely categorised as intrinsic since several cross-national organisations are comparatively examined although they belong to one MNE. In addition, the fact that this MNE is Japanese-owned may lead one to expect that it follows the approach to coordination that has been considered as typifying Japanese corporations in the literature. However, results from the pilot study conflicted with this stereotype. The overseas subsidiaries have been given extensive autonomy, even though it is widely believed that Japanese MNEs rely heavily on expatriates for tight control over subsidiaries

abroad.

Stake's (2003) instrumental case study differs from the intrinsic type, because, by focusing on multiple interests rather than just one it is more powerful in supporting, facilitating or rejecting a general understanding of a social system. Therefore, because this thesis's study has multiple interests, it can be said to be instrumental in nature.

This thesis's study investigates several specific cases in depth but, at the same time, attempts to achieve a wider perspective through its wider scope of examination with varieties of participants in different situations, so as to offer unique empirical data and theoretical arguments for future studies.

There has been much discussion regarding the effectiveness of the case study approach compared with quantitative empirical studies. Some claim that the deficiencies of the case study are compensated for by the rich empirical data it provides. For example, according to Macpherson *et al.*:

“In contrast to the numerical data produced by quantitative research, qualitative methods are characterized by ambiguity and subjectivity, and place more emphasis on the localised context. Its research outcomes are essentially expressed in linguistic forms, where the themes arising from the participants’

perceptions of practices and environment are conveyed. Thus, it is regarded as soft and less concrete, and, therefore, is regarded less highly than quantitative projects”. (Macpherson *et al.*, 2000, p.50)

However, they believe that:

“...case study research is capable of creating thick descriptions and rich understandings of social contexts that have relevance and resonance across social sites”. (Macpherson *et al.*, 2000, p.49)

In addition, there is a fundamental difference between the aims and purposes of the two research traditions of quantitative and qualitative research (Denzin and Lincoln, 2003). Primarily, qualitative research tries to interpret social phenomena so as to produce a rich understanding of the complex meaningful structures that social actors construct in their specific social environment.

Therefore, if the goal of this study were to pick out the common features of existing social sites or symptoms it would make sense to adopt quantitative research. However, the objective of this study is to create an empirical case which questions generalisations and improves the understanding of the role of expatriates. The qualitative case study, which takes into account possible conflicting social phenomena, is thought to be an appropriate methodology in

this study since the roles of expatriates can be paradoxical (e.g. globaliser and localiser).

Action research

For this research the case study method was adopted along with an action research approach. The researcher did not only try to collect data unilaterally from the research participants but was also active as a consultant to the target MNE during the research period of about three years. By doing so, the researcher 1) established a relationship of trust with the MNE, 2) was given strong support from the MNE and was able to have wide, far-reaching and close access to them through its many layers, and 3) succeeded in making this empirical study more insightful and data-rich by establishing a bilateral, interactive information flow with them. For example, the research findings were not only reported to the RHQs but also reviewed by them. Ways to respond to the issues found and to achieve business enhancement based on the research results were also discussed with the MNE managers.

Action research can be vital for an in-depth study of social phenomena led by interactive dynamics with actual social players in the research setting. Action

research is different from any other form of research in that it focuses clearly on an action, such as promoting changes in an organisation or a social community (Sekaran, 2003). Action research may address a pre-identified problem or, in some cases, researchers may be acting as consultants, identifying problems and then taking actions to remedy them.

Ever since Lewin first used the term ‘action research’ in 1946³, there has been much discussion of this research method. For example, Saunders *et al.* (2000) believe that different types of action research are suited to different research goals. There are various characteristics of action research: there is a clear target such as organisational reform, and researchers and employees collaborate with each other.

Indeed, the MNE studied had a target of developing their strategy and structure by replacing expatriates with locals, who would then take global roles under a new HR system. In order to shift successfully to the new HRM, it was essential for them to understand the roles of expatriates in order to judge whether the change was feasible and, if so, how.

The questions that the organisation wanted to address happened to significantly

³ Kurt Lewin described action research as a particular kind of research that combined the experimental approach of social science with programmes of social action addressing social problems (Lewin, 1997).

overlap with the researcher's interest, which enabled them to establish a strong collaborative work process.

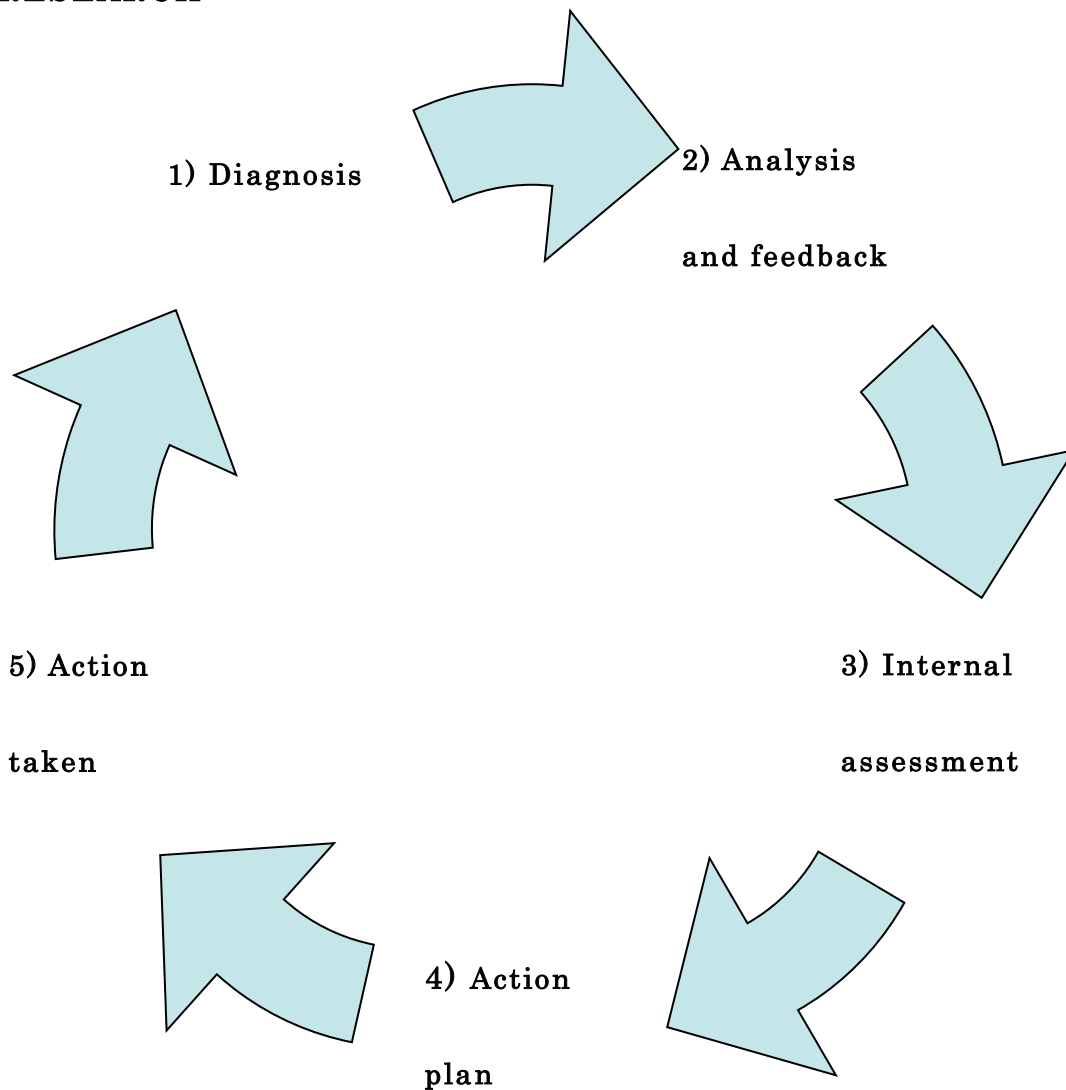
Kemmis and McTaggart (2003) note one characteristic of participatory action research is that the ownership of a research project is shared.

Baskerville and Pries-Heje (1999) described the cycle of action research as consisting of reflective and interactive cycles. In an action research cycle, the researcher and the practitioners work as members of a team in which they jointly: 1) assess and diagnose the empirical situation in which they seek to intervene by action, 2) plan the intervening action, 3) take action, 4) evaluate their understanding of the phenomena by identifying the lessons learned from the experience of what the action achieved, and 6) start this cycle once again with assessment and diagnosis of the empirical situation.

Based on Baskerville and Pries-Heje's description, in the action research employed for this study, a cycle was created in which: 1) the researcher and the practitioners (members of the MNE) plan and conduct a diagnostic research, 2) the researcher analyses the results and gives feedback to the practitioners, 3) the researchers and practitioners discuss and exchange opinions regarding the results and analysis by the researcher, 4) the researcher and/or the practitioners

make an action plan as needed, and 5) the researcher and/or the practitioners take the actions to bring about the required change (see Figure 4.1).

FIGURE 4.1 THE CYCLE MODEL OF THIS TYPE OF ACTION RESEARCH



(Source: developed by the author)

This thesis reflects the research results from cycles one (diagnosis) and two (analysis and feedback). The results were incorporated into the MNE's strategies and practices.

For example, the research in YKK–Spain detected a problem with chemical storage. First, it was found that technicians had made a mistake when mixing two different materials and caused a massive explosion. It was not clear who had been in charge of the chemicals involved. The factory was investigated by the researcher and was found to have a serious functional weakness. The issue was discussed together with the managers and a new procedure was developed and implemented.

As discussed above, although action research yields many advantages and privileged access to data, there also are potential drawbacks. First of all, when a researcher influences an action, the results may differ from situations in which no such intervention takes place. Then the academic validity of research may be compromised.

Also, there is a risk that, when the research is a collaborative project between the company and the researcher, the respondents may still orient themselves to

the top level of management of the company and may give the answers they believe management is seeking.

Furthermore, according to Kemmis and McTaggart (2003), participatory action research lacks scientific rigour, confusing social activism and community development with research. The association of the practice of participatory research with activism occasionally leads to accusations that the researcher is a politically motivated stakeholder who takes the initiative in identifying the problems to be investigated and detected (Kemmis and McTaggart, 2003). Furthermore, David (2002) raises the question of the ownership of the social research project. Detachment in social research is praised as a virtue, but is also viewed as a cause of difficulties, both epistemologically and ethically.

What these scholars argue is that with action research there is a risk that the researcher might turn into a spokesperson or implementer of the political motivations of a social community, by becoming a member of the community to some degree. Or, as long as action research has the character of collaborative research, the ownership of the research is a shared one. In handling research design, the research approach or the outcome, it is not possible to remain completely unaffected by the political intention that the research partner holds

as its objective.

In this study there was a risk that the researcher might be incorporated as one of the stakeholders of the study target as, because she was an advisor to the RHQs, it may have been expected that the outcome of her research would not conflict with the interests of the RHQs. For example, this could have been the case when the research participants were asked to share their opinions on the roles of expatriates. There was a chance that the participants in the interviews might recall their dissatisfaction with the roles played by the expatriates, as well as with HQs and RHQs. If the researcher were concerned only with her political position as a consultant to the RHQs, she would not dare oppose the position maintained by the RHQs by coming up with a result that contradicted it. Or, the researcher might well have been asked to persuade the interviewee to understand and agree with the RHQs' policy. Should this happen, the objectivity of the results of the research in this study would be significantly compromised.

How is it possible for the action researcher to detach herself from the priorities of the funding agencies when the funding agencies determine the conduct and priorities of the research? The problem can become more pronounced if the distinctiveness of action research involves aiming to find solutions to specific

problems, thus undermining the essential basis of researcher objectivity towards the research topic.

Several steps were taken in order to avoid these negative consequences arising from the action research method. First of all, an agreement was made with the RHQs that established the objectivity of the research and maintained the neutrality of the researcher. For example, David (2002, p.12) emphasises: “A degree of critical distance remains an essential academic principle, at least in the conduct of research”. In this research, while the company was the funding agent, it had a strong desire to find out the truth and the objective facts through academic research. In order to realise the research’s objectivity and the researcher’s neutrality, it was agreed from the start between the researcher and the target corporation that she would not do anything to facilitate any political motivation. Another agreement was made from the start that guaranteed the anonymity of the responses of the research participants, so that they would not be concerned that their responses were being fed to the corporation. There will always be a possibility that the responses are untrue.

The second approach taken pertains to the type of action research adopted for this research. Although this project is a collaborative one it makes a clear

departure from purpose-oriented action research. In other words, in this research project the researcher and her research partners (the company) shared ownership of the research. While a major part of the research was purely for the researcher's academic purposes, some of it was undertaken in the company's interests. The company used the research results to analyse the causes of problems and identify the blocks and enhancers in implementing their new organisational strategies to try to build a future global workforce and clarify the roles and responsibilities of expatriates.

Finally, another precaution was not to make the whole study dependent on the action research method. The researcher tried to maintain objectivity by employing the process of triangulation. In other words, the research incorporated other methods such as interviews and observations. Furthermore, this research was carried out collaboratively and was not purpose-oriented action research, which *must* result in an action. As such, it was ultimately up to the corporation whether or not to take any action based on the reports and advice of the researcher. Therefore, it is believed that the quality of this research with empirical study was sufficiently maintained.

Data collection strategy

Research phases

The research strategy was supported by multidimensional approaches, with three phases in terms of the timeline of the case study. The first phase in 2004 aimed to establish a foundation by developing collaborative and professional relations with the company and obtaining a company overview. This was done through initial meetings with the MNE's managers, and discussing their corporate business strategy, their perception of business context, the changes they experience and their specific concerns around the expatriate strategy. The researcher attended the monthly RHQs' advisory board meetings and conducted weekly HR workshops in London. The researcher also visited the MNE's UK subsidiary and factory in Runcorn and had meetings with the UK's MD and other executive managers.

In addition, time was spent designing the research process and developing interview instruments and the theoretical framework.

The second phase was initial research in order to assess the research design and

test the theoretical framework. Interviews using semi-structured questions (see Appendix 4.1) were carried out at 9 different sites in 5 countries (Poland, the UK, Germany, Italy and Turkey). The purposes of the fieldwork included developing an overview of the local subsidiaries and actors in each study site and understanding the subsidiaries' individual business contexts. Another purpose was to observe the phenomena resulting from different factors (i.e. the age and history of the subsidiaries and the local HRM systems) rooted in the individual contexts of the organisations. Afterwards, interviews were carried out with the MNE's CEO in Tokyo and directors and managers of RHQs. The preliminary findings of the interviews were discussed and contrasted with managers' perceptions about the relevance of the roles and the importance of influencing factors.

These interviews provided an overview of expectations regarding the roles of expatriates and a preliminary assessment of what factors are influencing the formation of the roles from HQs' perspectives. Further analysis of preliminary findings was carried out during the advisory board meetings and weekly HR workshops. It was then possible to refine the model of expatriates' role

formation⁴.

The pilot research had detected problems concerning the original research design, which was then modified in light of the results. First of all, the administration of the interview instruments was improved after finding that respondents were confused by not being briefed in advance. Prior to starting, research briefings were conducted on the main purpose of the research and 30 minutes were set aside for an explanatory and Q&A session for all the participants and related people.

Secondly, a new approach was adopted to establish a rapport with the respondents, as, in the early pilot, research questions were simply repeated from the prepared interview questions, but when this approach was used it was difficult to get any new insights. As a result, the interviews were improved and they started with questions and conversations that were not directly related to the research interests but were important for building a rapport with the respondents. During the interview, the researcher tried to check the respondents'

⁴ For instance, initially, the theoretical framework identified 21 influencing factors from the literature review. Those were reduced to 5 strategic choice factors and 7 contingent factors after the exploratory fieldwork. However, after discussion at the advisory board and workshops with the MNE managers, only 3 strategic choice factors and 5 contingent factors were retained by consensus as the most relevant for the MNEs of the case study (see appendices 5 and 6).

understanding of the questions along the way and to also used flexible wording in the questions.

The third problem was the language barrier. Interviews in the pilot research were conducted in Japanese with Japanese expatriates and in English with local employees. Using English was not a problem in the UK and the respondents could express themselves without any problem. In Germany, too, language gave little cause for concern. However, in Italy the local respondents had difficulty expressing themselves in English and they often became frustrated and gave up or answered only when they knew the answer in English. The researcher then started questioning her original assumption that the interviews could be conducted in English in every country. In Poland and Turkey the target company even appointed key individuals among the local employees to be their local respondents, based on their English-speaking abilities rather than on their ability to influence the organisation, causing bias in the research subjects because of the language issue. Therefore, for the main research the researcher brought along an assistant who spoke the language of the country and who facilitated the interviewing of local employees. This meant that the pre-briefing and all other meetings would be conducted both in English and the local

language, and all documents and materials were also prepared in both languages. While this interview method using the local languages brought about a significant improvement, it needs to be noted that issues of equivalence emerged as a result. The quality of the research data obtained in phases two and three is obviously different due to the different capabilities in communication. Therefore, this thesis does not directly compare the data obtained in these different phases of the research.

Employing the lessons learned in the second phase of research, the third phase, which constituted the main research, was conducted at 8 sites in 5 countries, using the modified research design and following the conceptual (theoretical and empirical) model established. The results from this phase of research were analysed and interpreted in order to answer the research questions. The changes in the research design resulted in smoother administration of the research, and the answers from the subjects were more insightful.

Selection of the subsidiaries and sites for the major fieldwork

As shown in the table 4.2, the field work was conducted between 2004 and 2007 in 18 sites in 9 countries; Japan, UK, Germany, Poland, Italy, France, Spain and Turkey. The functions at these sites include production, sales and marketing and administration as well as regional R&D.

TABLE 4.2 THE RESEARCH FIELD WORK

	Locations with site number						
Pilot research		UK 2 Office (RHQs)	UK 3 Factory 4 Office (Subsidiary)	Germany 5 Factory 6 Office	Turkey 7 Factory 8 Office	Poland 9 Factory and Office	Italy A 10 Factory and Office
Main research 1 (2006)	Japan 1* Office (HQs)	UK 2 Office (RHQs)					
Main research 2 (2006-2007)	Japan 1* Office (HQs)	UK Office (RHQS)) 11 R&D	UK 11 R&D (RHQs)	France 12 Factory 13 Office	Spain 15 Factory 16 Office	Italy B 17 Factory and Office	Italy C 18 Factory and Office

		(RHQs)					
--	--	--------	--	--	--	--	--

* site number

The structure of the MNE consisted of 6 organisational sub-groups: North America, East Asia, the Association of Southeast Asian Nations (ASEAN, hereafter) and Oceania, South America, Japan and Europe. The research was conducted in the corporate HQs and the RHQs in EMEA. The jurisdictional areas comprised 34 countries between 2004 and 2008. The MNE considered that the UK, Germany, France, Spain and Italy were the 5 major countries for its corporate strategy and Turkey was seen as an important emerging country. As the research started, Poland was considered a new emerging country of importance. The subsidiaries in emerging countries were notably different from those in the other 23 countries, particularly with regard to autonomy given by the national state and degree of regulation of development.

Since the focus of this study is on the roles of expatriates and their level of choice, it was essential to select subsidiaries in which a degree of choice was permitted to expatriates. As a result, 7 subsidiaries were selected. Each of them had a different organisational structure according to their functions (e.g. factories, sales and marketing offices). Some subsidiaries even had different sites for

different functions in the country. Each was formally or informally independent. In order to get a full picture of each subsidiary, fieldwork was done at two or more sites in each country.

Data collection methods

Four methods were initially employed to collect data: in-depth semi-structured interviews, workshops and questionnaires, observations and secondary data. Unstructured interviews were later added to discuss the validity of analysis of the research results.

Interviews

Purpose of interviews

There were four major objectives in the interviews. The first was to understand the environments in which the expatriates work in each setting by asking them and the key members of each subsidiary how they perceived their situations. The second was to understand what expatriates did and how the locals perceived and assessed what they did. The third was to examine how organisational factors influenced the roles of expatriates. The fourth was to investigate how far the

expatriates' own choices affected their role formation.

Respondents

At each site, semi-structured interviews were conducted. The interviewees were Japanese expatriates, local managers, supervisors, key local personnel plus local Japanese managers. The local managers were locally hired. Some of them used to be expatriates and chose to remain in the host country. Even when they did not always belong to the expatriates group, they clearly belonged to Japanese society since they deeply understood Japanese values and culture, but at the same time had a strong global mindset. This is a rather unique category of employees but their contribution to tasks such as maintaining balance between HQs, locals and expatriates was significant.

The interview respondents were, firstly, expatriates, secondly, local Japanese employees and, thirdly, locals. All the respondents selected were key informants who had company-specific knowledge and understood their industry, corporate values and business processes and systems of the MNE. The informants were selected in collaboration with the RHQs through the periodic HR consultation meetings, as explained earlier.

Table 4.3 shows profiles of the Japanese expatriates and HQs' managers who were formally interviewed. The research results from the observations were combined with the interview results and sometimes interviewees were revisited for further understanding and the researcher's analysis was discussed.

The data obtained from HQs in Japan was used to understand expatriates' roles as expected by HQs and to understand HQs' strategies.

The list of respondents below does not include interviewees who were informally consulted.

The respondents were given identification codes as follows: Japanese expatriates (JE), Japanese from HQs (JH), Japanese local managers (JL), managers (M), HQs (H), the RHQs (RH), Poland (P), Turkey (T), Germany (G), UK (U), Italy A (IA), France (F), Spain (S), Mediterraneo (IB) and Snap and Button, Italy (IC)

TABLE 4.3 PROFILES OF RESPONDENTS: JAPANESE EXPATRIATES AND MANAGERS AT THE GROUP HQS RHQS AND SUBSIDIARIES

1	JHMH1	HQs Tokyo	Chief executive officer (CEO)
2	JHMH2		HQS'S HR manager

3	JHMH3		Head of HR development
4	JHMH4		Head of corporate planning
5	JEMRH1	The RHQs of EMEA UK	Managing director 1 (2003–2007)
6	JEMRH2		Managing director 2 (2007–2008)
7	JEMRH3		Company secretary
8	JEMRH4		HR manager
9	JEMRH5		R&D director (to 2006)
10	JEMRH6		R&D director (to 2007)
11	JEMRH7		R&D manager
12	JEMP1	YKK–Poland	Managing director
13	JEMP1		Factory director
14	JEMT1	YKK–Turkey	Factory director
15	JEMT2		Manager
16	JEMG1	YKK–Germany	Managing director
17	JEMG2		Factory manager
18	JEMG3		Engineer
19	JEMU1	YKK–UK	Factory manager
20	JEMIA1	YKK–Italy (A)	Managing director
21	JEMIA2		General manager
22	JEMF1	YKK–France	Managing director 1 (to 2005)
23	JEMF2		Managing director 2 (to 2007)
24	JEMF3		Factory director
25	JEMS1	YKK–Spain	Managing director
26	JEMS2		Factory director
27	JEMS3		Commercial

			manager
28	JEMS4		Technical engineer 1
29	JEMS5		Technical engineer 2
30	JEMIB1	YKK– Mediterraneo	Managing director
31	JEMIB2		Factory manager
32	JEMIB3		Technical engineer 1
33	JEMIB4		Technical engineer 2
34	JEMIC1	YKK Snap and Button, Italy	Managing director
35	JEMIC2		Customer service manager
	Total number		35

Questions were focused upon understanding understand HQS'S expectations and expatriates' perceptions and opinions about the roles. Table 4.4 shows the list of non-Japanese respondents at subsidiaries and RHQs. The respondents were given identification codes based on the following rules (in addition to the ones used in Table 4.3): non-Japanese at HQs (NJ), local manager (LM), the RHQs of the EMEA in the UK-London (A), the RHQs in Germany (B), the RHQs in the UK-Runcorn (C), and the RHQs in Italy (D).

TABLE 4.4 PROFILES OF RESPONDENTS: LOCAL EMPLOYEES OF THE SUBSIDIARIES

	Category Code	Workplace	Position(s)
The HQS			
	NJH	The group HQs	There were no non-Japanese respondents
Subtotal 0			
1	LMRHA1	The EMEA RHQs in the UK (London)	Legal manager
2	LMRHB1	The RHQs in Germany	Business development manager
3-6	LMRHC1 LMRHC2 LMRHC3 LMRHC4	The RHQs in the UK (Runcorn)	R&D managers and engineers
7	LMRHD1	The RHQs in Italy	R&D manager
Subtotal 7			
8	LMP1	YKK–Poland	Company secretary
9	LMP2		Factory manager
10	LMP3		Factory engineer
11	LMP4		Sales manager
12–13	LMP5 LMP6		Sales executives
Subtotal 6			
14	LMU1	YKK–UK	Managing director
15	LMU2		Factory director
16	LMU3		HR manager
Subtotal 3			
17	LMIA1	YKK–Italy	HR manager
18	LMIA2		Factory manager
19	LMIA3		Factory engineer
20	LMIA4		Sales manager
21	LMIA5		Marketing manager

Subtotal 5			
22	LMT1	YKK–Turkey	HR manager
23	LMT2		Factory manager
24	LMT3		Factory engineer
25	LMT4		Sales manager
26	LMT5		Accounting manager
27	LMT6		Others
Subtotal 6			
28	LMG1	YKK–Germany	Company secretary
29	LMG2		Marketing manager
30	LMG3		Sales manager
31	LMG4		HR manager
32	LMG5		Factory manager
33	LMG6		Factory engineer
34	LMG7		Production supervisor
Subtotal 7			
35	LMS1	YKK–Spain	IT manager
36	LMS2		Production planning head
37	LMS3		Factory manager (Deputy factory director)
38	LMS4		Production manager
39	LMS5		Factory head
40	LMS6		Textile and dyeing section head
41	LMS7		Quality control supervisor
42	LMS8		Financial manager
43	LMS9		Snap & Button manager
44	LMS10		Marketing supervisor
45	LMS11		Import–export section head
46	LMS12		Commercial manager
47	LMS13		Customer service head
48	LMS14		Customer accounting head

49	LMS15		General accounting head
Subtotal		15	
50	LMF1	YKK–France	Commercial director
51	LMF2		Company secretary 1
52	LMF3		Marketing manager
53	LMF4		Company secretary 2 (accounting and HR)
54	LMF5		Cost manager
55	LMF6		Auditor
56	LMF7		M&E and R&D leader
57	LMF8		Production manager
58	LMF9		Customer service manager
59	LMF10		Quality control manager
60	LMF11		IT manager
Subtotal		11	
61	LMIB1	YKK–Mediterraneo (Italy)	Technical manager
62	LMIB2		HR manager
63	LMIB3		Technical engineer
64	LMIB4		Quality control manager
65- 67	LMIB5 LMIB6 LMIB7		Others
Subtotal		7	
68	LMIC1	YKK Snap and Button (Italy)	Accounting and finance manager
69	LMIC2		Customer service manager
70	LMIC3		Product development

			technician
71	LMIC4		Quality manager
72	LMIC5		Safety and environment manager
73	LMIC6		Head of R&D
74	LMIC7		Assistant head of R&D
Subtotal		7	
Total number of non-Japanese respondents			74

Interview instruments

The interview instruments began with general descriptive questions about respondents, including their career history, their history in the company and their position and jobs. To obtain further information, prompts that enabled the participants to reveal more detail were given, such as extension questions, comments of encouragement or example questions.

Twenty-seven questions were prepared on different subjects (see Appendix 4.1). Then specific questions were categorised into several areas of management practices and policies to identify the key issues as well as to understand the interaction and dynamics in the organisation. The interviews collected information about the expatriates' activities and their expected and actual roles. The contextual factors were also investigated.

Expatriates, by definition, always work in the local business context and the research assessed the degree of coalition and conflict as these factors are found to affect their performance significantly. We attempted to explore this dimension and always re-examine the validity of identified roles and factors.

Administration of the interviews

Before the interview, the researcher introduced herself, and explained her role and the purpose and process of the research to all the interviewees together in a meeting room, this was followed by Q&A session. She first explained that the research was being conducted for her own academic purposes; that is, it designed to examine and consider the role of expatriates and how it was formed. Secondly, as a consultant to the YKK RHQs, she explained her task to improve organisational practice and procedure by implementing strategies accordingly.

At the same time, she explained about researchers' ethics obligation, data confidentiality and, in particular, privacy, that personal data would not even be disclosed to the MNE, and that the research would comply with this principle strictly throughout.

In addition, as discussed earlier, in the pilot research language barriers presented a major problem. Therefore, in the main research, we gave the respondents the choice of using the language with which they feel most comfortable. In non-English and non-Japanese interviews, interviews were facilitated by native language speaking assistants.

The assistants contributed to the research throughout the entire process of the interview, from translating the interview instruments, support in briefing the subsidiaries about the research and transcribing and translating the interview results. Their contribution significantly reduced the language and even cultural problems (e.g. the way of behaviour) and allowed the researcher to obtain further in-depth data.

On average, each interview session lasted 70–90 minutes. Each respondent was interviewed once, but some were interviewed on several occasions. Some respondents were asked additional questions or were interviewed more than once. There were three main reasons for this. First, some respondents worked at HQs and had significant influence over the determination of expatriates' roles as well as on international business operations. A typical example of this was the chief executive officer (CEO, hereafter) of YKK, who was interviewed once a year,

on a total of 3 occasions, on his views on the group's overall mid-term to long-term strategies, particularly on what he expected from business and expatriates and locals in the EMEA region. The interviews with the MDs of the RHQS were similar, and covered such issues as what they thought were the regional strategic objectives and managerial targets; their views on corporate resources including market-environment-related resources (e.g. information and networks) and HRM expectations from expatriates and locals.

In addition, for those respondents who worked at HQs or the RHQs, an open-ended question form of interview was adopted, and the respondents were revisited if required (e.g. double-checking the corporate policy change and its scope). Out of 109 interviewees, 11 were revisited.

The second reason why some respondents were asked additional questions was because they had extensive authority in corporate decision making and/or comprehensive and in-depth knowledge and understanding of the region in general or of the regional subsidiary. There were 4 such respondents out of a total of the 109 respondents of semi-structured interviews. These revisiting interviews deepened understanding of their perceptions on the roles of expatriates in their international business.

Finally, when respondents were not available on the days of interviews at the designated site, or if some interviews ran longer than the allocated period of time, separate interviews were arranged later. Of all the respondents, 2 fitted into this category.

The researcher recorded the interviews when the respondents agreed to this, and took field notes. When respondents didn't agree to recording, the researcher concentrated on taking field notes. The recorded interviews were transcribed.

When the interviews were not conducted in English or Japanese (Spanish, Italian or French), the transcripts were translated.

Action research: Advisory board meetings, HR workshops and additional consultation mechanisms

Action research in the advisory board meetings consisted of participative observation more than 7 times a month over three years. The researcher prepared the agenda, gave an initial presentation on topics identified in the previous meetings and prepared minutes summarising the themes discussed.

These topics were not always related to the research subject but there was always the opportunity to raise questions and further discuss research-related

issues.

To increase the validity of the interview findings, all 66 expatriates (37 interviewed and 29 not formally interviewed) were involved through consultation on specific topics, annual meetings, and participation in two different types of workshop organised by the researcher and HR manager, including 9 two-day seminars (Think Tank) in London, and 3 one-day seminars in subsidiary sites in Spain, UK and France. The result of these consultations and engagement mechanisms together with other findings from interviews and observation was discussed and analysed in weekly workshops organised by the researcher and the HR manager. These workshops were a methodological tool to create consensus around the model being developed, the validity of the findings, the patterns discovered and practical policy implications. As a result, the research finding application was the outcome of collaborative processes involving all expatriates and key locals. At the end of each workshop, the researcher produced a report summarising outcomes and suggestions.

Observation

The research also used the observation method. This research method is considered a part of multiple methods and used to increase and secure the validity and reliability of research, instead of depending on a single research method.

The observation method is to be used if there is agreement between those who are to be observed and the researcher. Their willingness to be included in the study developed their role into that of 'members' of the project. It should also be recognised that the study is neither feasible nor possible without some element of consent between the observer and the insider (Angrosino and Mays de Pérez, 2003). Observation is collaborative research; we first expected that the observation results would provide appropriately neutral ground through the interaction between the researcher and the insider research partners. This interaction is expected to reduce the impact of the researcher's subjective view of what was observed and to bring it closer to the facts, which can be hidden from the observer's gaze in specific instances. In other words, the results of

observations can be meaningful from the many different angles that are available to the researcher who interacts with various groups of stakeholders.

In this research, observation also took place at various sites – that is, in different structural layers as well as at horizontally different organisational sites, not only in the local subsidiaries but also at HQs and RHQs – through the eyes of the researcher, who was an advisory board member and a HR consultant there. These opportunities not only made it possible to observe what took place at these sites, but also helped the researcher gather more in-depth understanding of what took place at the MNE, giving opportunities to develop rich and immediate background knowledge of the MNE.

Secondary data

Secondary data was collected, with the aim of understanding corporate history, values and strategies and included the corporate history, the corporate annual report, the corporate social responsibility report, the strategy plan report and the minutes from various meetings for different purposes (such as HR managers' regional meetings and marketing committee and advisory board meetings). The

second group of secondary data focused on HRM practices in different layers, from HQs and the RHQs to the subsidiaries. Relevant information, including national employment contracts, was also collected.

This data set helped to establish an understanding of the organisational context from the inside to the outside of the organisation. It was essential to have, in particular, an in-depth understanding of the expatriates' corporate visions and strategies to analyse the role of expatriates and the actual activities in relation to corporate strategic aims.

Issues on international data collection

When research takes place in diverse geographical settings, the interviews are often conducted in local languages. Language is often one of the biggest barriers in international research projects, but many researchers simply depend on the use of translators. However, many of the subtleties of the answers get lost because some translators lack academic or contextual understanding. In addition, this also can interfere with the natural flow of the conversation. This research therefore used native-language speakers who had academic research skills in order to maintain the natural rhythm of the conversation and ensure accuracy.

As a result, not only did they advance the research quality, they succeeded in generating a more relaxing but efficient atmosphere in which respondents could spell out information about their situation and their perceptions in cultural mutuality.

Data analysis methods

This section describes the way in which we analysed the qualitative data. Miles and Huberman (1994, p.7) consider that a main task for naturalistic studies is to explain “the ways people in particular settings come to understand, account for, take action, and otherwise manage their day-to-day situations”. This research adopts these policy and methods.

There are two kinds of written texts in the sociological tradition: (a) words or phrases generated by techniques for systematic elicitation, and (b) free-flowing text, such as narratives, discourse and responses to open-ended questions. Ryan and Bernard (2003) note that most qualitative data come in the form of free-flowing text rather than words and phrases generated by techniques for elicitation.

In all data collection using multiple methods in diversified settings, according to

Miles and Huberman (1994), an analysis activity comprises three concurrent elements: 'data reduction', 'data display' and 'conclusion drawing/verification'. By data reduction, Miles and Huberman (1994, p.10) mean "the process of selecting, focusing, simplifying, abstracting, and transforming the data" which was obtained from the researcher's field notes or transcriptions. Through such activities, researchers condense and organise data so that they can draw and verify 'final' conclusions (Miles and Huberman, 1994).

In preparation for this study, the categories into which data would be sorted were defined in advance. The data was originally chunks of text and so it was necessary to start by categorising them, following the theoretical framework developed. Throughout this process the data became useful as evidence to support the argument of the study. The categories were the critical phenomena identified in the theoretical framework for analysis (e.g. the local HRM systems, the subsidiary core, attitudes and understanding towards expatriates and conflicts within the organisations).

Observational data was mostly produced from the field notes and minutes. Relevant data was selected from the entire data set and categorised into the different factors identified and developed in the theoretical framework of this

study. At the same time, the meaning of each text was carefully considered or revisited and the observational data interpreted and analysed.

In analysing data from interviews, which describes the relevant factors and roles identifies in the theoretical framework in each case subsidiary and HQs/RHQs, although the researcher provided supplemental comments and explanations, the interview data was based on the interviewees' words as far as possible. All the data was categorised into 21 subjects shown in Appendix 7, the respondents were divided into separated columns with rows consisting of factors and roles. Relevant comments were added to each box and key words highlighted. The matrix chart was used as a foundation to assess the fulfilment of expected roles and whether the role was fulfilled or not. This was then discussed with higher management to reach a final assessment.

At the same time, critical factors perceived by respondents were highlighted and categorised into negative/positive and low-medium-high importance. The conjunction of this analysis of the three countries is explained as follows.

Data analysis method for comparison

In order to compare the results, the results of the interviews were categorised by themes. Each theme represents the influence of a factor in the formation of a role (see Appendix 7). The unit of analysis was based on the researcher's interpretation of quotes. She then identified meaningful comments about the formation of roles and influencing factors and classified them as positive or negative.

TABLE 4.5 PROCESS OF MEASUREMENT OF INFLUENCING FACTORS

<i>Comments</i>	Low degree of influence	Medium degree of influence	Significant degree of influence
Positive influence	+	++	+++
Negative influence	-	--	---

Afterwards, each person's perception was aggregated as a sum of positive comments minus negative ones. For example, if one person perceives HQs

intervention as positive-medium (++) for fulfilment of one role, but another person perceives it as negative-low (-), the final degree and type of influence will be positive-low (+).

This range of low, medium and significant influence of negative and positive factors was already being used by YKK in their internal evaluation and reward systems; thus it seemed reasonable to apply the same method of ranking to facilitate further discussion of the results of the analysis with YKK.

As a second step, indicators by case study were formed. Each of these measured the type and degree of influence of one factor in a role by aggregating the results of all the interviews in a case study. To obtain the final indicator, the individual scores by interview were aggregated.

The third step was interpretive analysis and consultations with key expatriates in EMEA such as MD of RHQs, HR manager, company secretary and MDs of targeted subsidiaries. The objective of this step was to make sure that quantitative results were consensual and consistent with fine grained qualitative analysis.

The following is an example of how coding and measurement of comments was executed:

“I decide on a worker performance on the basis of an HR report that provides all necessary supporting evidence (R1C4+++) [...]”

If the worker does not agree with the report, he can go to the Union or the committee and they can meet me and ask me for explanations. But usually this never happens; I don't have any trouble on the matter actually (R1C5-).”

These comments are categorised as R1C4 +++, and R1C5-. The HR report helps expatriates to decide on a worker's performance but if it is his decision, then is a significant positive influence on his role as agent of control. On the other hand, the institutional systems allow workers to challenge the expatriates' decisions (thus having a negative influence), but in practice workers do not complain to unions and therefore the degree of influence is low. The researcher originally classified this comment as NC (non-conclusive) but discussion with YKK highlighted that the comment should be interpreted as negative-low, as expatriates felt they have to be cautious in their decisions to preserve the current non-conflicting relations with unions: if they go too far in their agent of control role, the mechanisms exist for workers to complain to the union and ask them for explanations.

Conclusion

This chapter explained the methods and techniques used to collect and analyse the research data. Methodological issues, namely the case study and action research as a form of qualitative research, were briefly reviewed. Finally, the chapter described the quali-quantitative indicators measuring the influence of factors in the formation of roles. The ethical issues and principles we followed throughout the research phases were introduced. As for our data collection strategy, methods such as the combination of the interviews, participant observation and secondary data, conducted in multiple layers both vertically and horizontally, were explained. The separation of the data thus obtained into previously identified categories that were based on the thesis's theoretical framework was explained.

While action research was used as a general research project philosophy, this thesis specifically focused on the stages of diagnosis and analysis involved in the action research circle (see Figure 4.1). The role of expatriates was diagnosed and analysed through the case studies of HQs (Chapter 5), France (Chapter 6) Spain (Chapter 7) and Italy (Chapter 8).

Data was collected by observation, semi-structured interviews and unstructured interviews. Data analysis included categorisation and qualitative content

analysis. Findings obtained from content analysis were triangulated with findings from observation and secondary data analysis. Gaps and inconsistencies were further explored through follow-up discussions with practitioners and research team members and some of the interviewees were revisited. The final results map key issues and coalitions and identify conceptual and attitudinal gaps across actors.

This methodology was developed to assess the roles of expatriates in terms of HQs' and RHQs' expectations, expatriates' perceptions and actual fulfillment assessed by multiple aspects including other expatriates, locals and researchers. Secondly, relationship between identified influencing factors and the role of expatriates was addressed. These two areas will be written about in Chapters 5 to 8. Thirdly, comparisons of factor-role relations were explored in three subsidiary case studies and the analysis results are shown in Chapter 9.

Chapter 5 Localisation and international business

“Become a local”. The company’s changing localisation strategy; drivers and direction

Introduction

“Become a local”. This slogan, introduced by the founder of YKK, has been central to the company’s expatriate strategy and is held up as a guiding principle. Japanese expatriates are expected to work like a local employee, speak the local language and integrate with local culture and society. This chapter discusses localisation in conducting international business, using YKK’s approach as an example.

Mead and Andrews (2001) noted that traditional expatriate assignments tended to be long term. In Anglo-American MNEs, this pattern has changed and long-term postings are no longer typical. However, Japanese and East Asian MNEs still maintain relatively longer expatriate postings.

The structure of this chapter is as follows. Firstly, the industry’s characteristics are outlined, describing the business environment in which YKK, the case-study MNE, operates. YKK’s background is then described, including its foundation

half a century ago and the founder's management and social philosophy. The international expansion of YKK follows, after which the characteristics of their localisation approach are set out. The next section describes how the localisation strategy started. The company has faced a number of challenges due to recent developments in international business in two opposing directions: the pressure of globalisation and the need to increase local responsiveness. Finally, recent perceptions of the company's HQs managers of the changing global environment and what they expect from the company employees are presented, especially in relation to the EMEA regions, where the case-study subsidiaries operate.

The sources of the evidence used in this chapter were 3 interviews with an MNE CEO, 5 with managers at IHQs and RHQs, minutes from the advisory board meetings, reports of HR workshops and secondary data such as company history books, financial statements (consolidated and EMEA's break down) and annual reports.

Ultimately, this chapter aims to reveal the dynamics of localisation and the company's strategy. These dynamics influence the role of expatriates, together with the industry's characteristics, the company's corporate background, its changing localisation policies and practices, its perceptions of global and regional

business environments and its expectations of employees in general and in the EMEA regions in particular.

Characteristics of the apparel industry

Buyer-driven value chains

The apparel industry is characterised by a buyer-driven commodity chain. Gereffi (1994) notes that the development pattern of this type of value chain contrasts with that of producer-driven commodity chains. In the latter, large integrated industrial enterprises play a central role in controlling the production system (including backward and forward linkages). This is the main characteristic of capital-intensive and technology-intensive industries. The geographical spread of these industries is transnational but the number of countries in the commodity chain and their levels of development vary. Buyer-driven commodity chains consist of industries in which large retailers, brand-named merchandise and trading companies play a pivotal role in setting up decentralized production networks. This pattern of trade-led industrialisation

has become common in labour-intensive consumer-goods industries.

In general the number of subsidiaries in a region depends on market conditions and the company's strategy. The establishment of local production and sales facilities in different countries was originally aimed at supplying local customers. Most subsidiaries are independent legal entities and generally follow their own local strategies.

In addition, a number of subsidiaries also exist to enhance inter-organisational competition in the belief that this will strengthen the capability of all subsidiaries concerned. However, as we see in Gereffi's (1994) description, buyer-driven industries are at the same time continuously seeking to maximise their global sourcing capabilities. The locations where customers trade are constantly moving around and the speed of change is now increasing with globalisation, bringing lower barriers encouraging reconfiguration of their maximised supply chain.

Standardised and fashion-oriented segments in the apparel industry

The apparel industry is regarded as the first stage of industrialisation in most countries and is typical of a buyer-driven commodity chain industry. There are two major segments in the apparel industry; mass production and high fashion. Companies that make standardised clothing include giants MNEs like Levi Strauss & Co., Gap, Adidas and Benetton. The fashion-oriented segment encompasses products that change according to the retail buying season and fashion trends. Major brands here include Gucci, Yves Saint Laurent and Ralph Lauren. These companies encounter far greater demand for variation in styling and materials than the mass-production market and they utilise numerous overseas factories or contractors to reduce costs and maintain flexibility. The MNE in this research operates in both of these two major industry segments. It applies different strategies to each segment in order to adapt to the different characteristics, pressures and changing demands.

Geographical spread of apparel industry

Gereffi (1994) analysed the locational pattern of this type of industry, and showed in simplified form a geographical spread centring on countries in which high fashion segments are concentrated, such as Italy and France, using a ring

with five layers.⁵ The first and second rings are the main global sources for fashion-oriented business and the second, third and fourth rings are the areas where goods for department stores, speciality stores and brand-name companies are sourced. The fifth ring is the regional sources for discount chains. Moving from the inner to the outer rings, the following changes in supplier are apparent: the cost of production decreases, manufacturing sophistication decreases and the lead-time needed for deliveries increases.

Taplin notes:

“The enhanced integration of production across geopolitical boundaries since the 1970s highlights the restructuring endemic to many industries in high-wage economies of the West. Repeatedly, many firms have developed flexible production systems that provide speedier product delivery and permit economies of scope to be realized for small-batch product lines”. (Taplin, 1994, p. 205)

The major motivations that drove YKK to expand overseas conform to Taplin’s (1994) analysis. YKK sought flexible production to meet various customers’

⁵The first ring includes Italy, France, the UK and Japan. The second ring includes Hong Kong, Taiwan, South Korea and Singapore; the third Indonesia, the Philippines, China, India, Turkey, Egypt, Brazil, Mexico, Thailand and Malaysia. The fourth ring includes Morocco, rural parts of China, Bangladesh, Sri Lanka and so on.

demands with speedy product delivery by being located close to their customers. Taplin further points out: "...decisions regarding the location of manufacture are shaped by various factors that include the nature of the product, institutional regulation of labour markets [...], changes in the regulation and management of international trade, secular shifts in consumer demand, and supplier-vendor pressures. While labour costs remain important their salience is mediated by these other constraining factors". (Taplin, 1994, p. 211)

He notes that since the late 1960s new marketing strategies and products for different lifestyles and values have been developed by manufacturing and design firms. Instead of marketing products that factories could produce best, the apparel industry now places more emphasis on producing what the market demands.

The company

Background and history

The YKK group produces close to half of all zips in the world, with 132 subsidiaries in 60 countries. In the fiscal year of 2005 sales were ¥795.55 billion

(approx. US\$6.7 billion) (Toyo Keizai, 2006). The Y in YKK stands for the name of the founder, Tadao Yoshida, whose son, Tadahiro Yoshida, has run the company since 1993. Born in 1908 in Toyama prefecture, Tadao Yoshida started his career as a young apprentice.

The company that he worked for got into trouble during the Manchurian Incident⁶ in 1931. When the company went bankrupt in 1934 the owner sold him the remains of the business, including a small subsidiary that produced handmade zips. He then established SSS Trading in Tokyo when he was 25. Japan was experiencing a boom at that time and Yoshida considered going into international trading, having already sent zip samples to overseas suppliers in 1935. Then he attempted to modernise the factory's manufacturing methods. However, the machine tool manufacturers were not interested in his design for a custom-made zip machine so in the end he made his own. The company went through a very turbulent period during World War II, including the loss of their first factory in an air raid in 1945 (YKK, 1984).

After World War II Yoshida decided that for Japanese business to survive it

⁶ “The bombardment of Mukden by Japanese forces on September 18, 1931, followed by the occupation of a large part of the three eastern provinces of China, i.e., Manchuria, by the Japanese, followed by the expulsion of the Chinese authorities, has brought to a head the long-standing disagreement between China and Japan in regard to their respective rights and policies in that territory, [...]” (Wright, 1932, p.45)

must actively export manufactured products, as Japan had reached a state of poverty. A zip shown to him by a US buyer when he started his exporting business in 1947, surprised him because of its superior quality and low price. The USA zip industry was almost totally monopolised by Talon, whose patents were due to expire in the 1950s. Talon was keen on further mechanisation and rationalisation, which motivated Yoshida to make radical improvements in efficiency and productivity in zip manufacturing. From 1947 to 1949 he made changes to the co-ordination of shared capital, organisation structuring and the development of machinery and engineering (M&E, hereafter) management, finally creating an integrated production system in 1950. By 1960 YKK had gained 95 per cent of the Japanese zip business (YKK, 1984).

Manufacturing zips can be relatively simple as long as materials and equipment are purchased from outside sources. However, after experiencing supply chain instability when starting out, YKK decided to buy in the raw material, spin their own yarn and weaving and dying tapes to develop a stable in-house supply chain. YKK now purchases nylon and polyester chips from which it makes the monofilament for plastic zips. Metals such as aluminium and copper ingots are purchased and the necessary alloys are then prepared by them to manufacture

metal zips (Strange, 1993). Stopper and slider parts are produced in-house and traded within the group. Machinery is also designed, developed and manufactured by them. They complete the whole supply chain by having their own sales and marketing offices, which are located close to their customers to provide them with efficient and committed service (YKK, 1984).

Corporate philosophy

The company's founder Yoshida vowed that YKK would never go public and instead shared ownership with employees and key business partners, rather than with investors who did not share the same affinity with the company (Fulford, 2003).

Trevor (1983) chose the "cycle of goodness" (see Appendix 5.1) written by Yoshida to explain a representative Japanese notion of how his private company operated at ideological and social action levels. According to Trevor (1983) the "cycle of goodness" principle shows that the company tries to encourage employees to invest in the firm from their monthly wages, which can be regarded as a particular form of management control. However, Yoshida emphasised other

fundamental values in the “cycle of goodness”:

An enterprise is an important member of society, and as such it must coexist with the other elements of society. Its value will be recognised by the benefits it shares with society. This need for mutual prosperity is the business endeavour. Contributions to society could best be achieved by the continual creation of value through innovative ideas and inventions. The resulting business expansion would bring prosperity to consumers and trading partners, thus benefiting all society. (Company CEO, 2006)

Yoshida commented on the relationship with shareholders and management, as follows:

Today, a joint-stock company means that shareholders and capitalists are the owners and power holders. Thus in general those people share the profit from the company and there is only little merit for those who really work in the firm with the sweat of their brow. I believe that “capital” has the same meaning as “loan”, where debtors have to pay the interest while shareholders are paid it under the name of dividend. Capital should not control management or have power over it. In this meaning, the president, directors and employees should be in an equal position and should be able to participate in management and share it. So to speak, “capital is loan”. (Company CEO, 2006)

Shareholder value orientation is widely recognised as the management policy of many firms. In this light, the general management value and philosophy of this MNE stands out. In fact, not many Japanese MNEs employ a shareholder value orientation. YKK emphasises the importance of wealth distribution in three major areas; employees, society and investment for the future of the company itself.

Ownership characteristics

There are two significant features of the ownership of this company. The first is the Japanese nationality of the company's owner. There is a difference between MNEs owned by British and US natives and those owned by Japanese with regard to the patterns and motivation of their internationalisation and the relationships between their HQs and subsidiaries. Morgan (2001) observes that a MNE's strategy is influenced by the competences that are derived from its home base and the expectations of its key stakeholders. Thus, MNEs tend to have features similar to other firms originating from their own local context. Japanese

firms in general are regarded as the least diversified and as concentrating on a particular range of skills and competences around specific technologies and markets (Whitley, 2007; Kristensen and Zeitlin, 2001; Morgan, 2001).

With regard to the pattern of MNEs' international structuring, Morgan observes this difference between Japanese MNEs and British and US MNEs: "As multinationals, Japanese firms tend to build on their existing expertise and transfer its main elements to overseas contexts with limited adaptation. Their organizational structure is built on high levels of integration between the Japanese head office and the subsidiaries [...] The contrast with British and American multinationals concerns the nature of the integration between the parts of the organization". (Morgan, 2001, p.17)

The motivation for British and American MNEs tends to be to build more integrated international layout, because they are under more pressure from their investors to focus on improving business efficiency than Japanese MNEs. In addition, Japanese MNEs integration is more oriented towards technological competence rather than operational efficiency, as in the case of British and American MNEs, which are more based on their shareholders' value orientation

(Morgan, 2001). The existence of powerful shareholders of British and American MNEs may put strong pressure upon MNEs for better profitability, which affects their business operation greatly. It can also work as an external controller of corporate governance practice.

In the case of YKK, the company was not established or expanded by external investors, and instead grew organically through more simple profit from business practice. This has enabled YKK to maintain their corporate philosophy and policy as they want. However, this independence contains dangers that may isolate them and cause other kind of problems. For example, they may be discouraged to change and end up with their business management practices being out-dated, even if they can maintain capital stability.

YKK's overseas expansion started in the 1960s, seeking new markets employing the same ownership competence and relying mainly on its technological innovations and its management skill in coordinating its subsidiaries. In YKK group, each subsidiary was highly independent both financially and operationally. They also benefited from well-coordinated internalisation maintaining the stability of their international supply chain and cost efficiency (YKK, 1984).

The other attribute of the MNE is that it is a privately owned enterprise and not a listed company. As a result there are no pressures on the company from shareholders that might affect the internationalisation measures they take, including their choice of locations for their subsidiaries. This absence of pressure from external shareholders, together with the extended, almost life-long tenure of a single CEO, the founder, followed by his son, has enabled the company to pursue their long-term strategic intent unimpeded. These characteristics are reflected in many aspects of the company's structure and strategy. For example, it has been able to make location choices in line with its corporate philosophy, which is to contribute to the local community through economic growth and people's well-being (YKK, 1984). Thus even in the region where this thesis's research was conducted, the factories and offices were chosen because they contributed to the local economy and society rather than exploiting the local advantages (interview with CEO and YSI's MD, 2006). The choice of location was not always driven solely by strategic rationality, in terms of utilising the local infrastructure and logistics to mesh with and benefit the supply chain. In addition, their management principles have been reflected in their long-term strategic planning and their HRM practices, until they came under pressure to

change this policy.

International expansion of YKK

Initial internationalisation

As of 2007 YKK had 132 overseas subsidiaries in 60 countries, the second largest number of subsidiaries of all Japanese MNEs (see Tables 5.1 and Appendices 5.2 and 5.3).

TABLE 5.1 HISTORY OF YKK'S OVERSEAS EXPANSION (EXCEPTING JOINT VENTURES) UP TO 31 DECEMBER 2001

Period	Country	Number
1959–1965	New Zealand, the USA, Thailand, Malaysia, Costa Rica, the Netherlands, Trinidad and Tobago	7
1966–1970	Taiwan, UK, Australia, Germany, France, Italy, Canada, Singapore, El Salvador, Spain, Belgium, Hong Kong	12
1971–1975	Lebanon, Indonesia, Switzerland, Brazil, Honduras, Austria	6
1976–1980	Swaziland, Republic of Korea, the Philippines, Norway, Egypt, Finland, Sweden	7
1981–1989	Argentina, Portugal, Denmark, Ireland, Sri Lanka, Greece	6
1990–1992	Bangladesh, Chile, South Africa, Turkey, China, Mexico	5
1993–1999	Fiji, Poland, India, Vietnam, Myanmar, Tunisia, Russia, United Arab Emirates, Romania, Pakistan, Morocco, Guatemala, the Czech Republic, Mauritius	14
2000–	Cambodia	1

(Source: YKK, 2001, p.347; researcher's field notes, 2004–2007)

Although this company is extensively dispersed, there was hardly any significant distinction between the various subsidiaries in terms of their role and function. Instead, most of them had a very similar business structure and package of production and sales and marketing facilities (interviews with RHQs' company secretary and HR manager and observation, 2004–2007). Within YKK's field, it is a characteristic that manufacturers tend to move close to their customers.

YKK's interest in international business was initially realised in the form of exports. In 1947 the sales turnover from exports in the Japanese zip industry

was only 14 per cent, but this had increased to 44.4 per cent by 1949, and 85 per cent of this increase was due to the activities of YKK. In 1955 the industry's export destinations were Asia (88.7 per cent), Europe (1.4 per cent) and the USA (5.8 per cent). However, before World War II, in the 1930s, 65 per cent of exports were directed to the USA. When Talon, who held a monopolistic position in the US market, lost its patent in the 1950s, the USA introduced a high tariff of around 63–66 per cent although the Japanese tariff for US goods was retained at 20 per cent. The US tariff rate for Japanese goods was reduced to 50 per cent in 1965, 35 per cent in 1971 and 27.5 per cent in 1984 as a result of continuous negotiations between the two governments. In 1956 the USA agreed to an incremental reduction of the tariff at a General Agreement on Tariffs and Trade (GATT) meeting in Geneva. YKK struggled from these trade barriers and learned the significance of the influence of such external forces (YKK, 2001).

These events were one of the drivers for YKK to start production overseas to avoid being directly vulnerable to external pressure. In 1959 YKK established their first overseas factory in India in a technical partnership with an Indian company. In the USA, YKK opened a fully independent production factory in New York in 1964 (YKK, 2001).

The initial European strategic aim, which changed later, was to establish a production facility, namely in the Netherlands, from which to serve the European market. In 1964 a factory was built and operations started in Sneek in the Netherlands. This was the result of the prediction by YKK that exports to Europe would become more challenging once the European Community Treaty, due to be signed in 1964, came into being. The strategy was thus to manufacture and export products within the European region. The reason for this choice of location included existing trading relations between YKK and its customers in the Netherlands, a good port at Rotterdam and the interest of the Dutch government in this factory in order to reinforce its position as a major international trading nation (YKK, 2001). Sneek is 120km from Amsterdam and the municipality was keen to rejuvenate a local economy that was struggling with depopulation. Learning that there are congested industrial areas and depopulated areas even in developed countries, Yoshida clarified his principles in choosing this location as follows:

When YKK establishes an overseas factory, my principle is to choose an industrial development area for its location. The reason for this comes from my philosophy of the cycle

of goodness, which seeks to share prosperity with the other members of society, which is the local community in this case. When we build a factory, it is the same factory wherever we do it; we would like to do so in a place where we are more appreciated, respecting the locals' wish to have us. (Company CEO, 2006)

This comment may sound like managerial rhetoric, but the company has actually implemented this philosophy throughout, from its decision-making strategies to its daily operations, which is discussed further in the chapters on the different case studies.

While it had been planned that this factory in the Netherlands would cover the European market, the business value chain in Europe did not function as planned. In the European region, YKK's strategic purpose for local operation was not only to avoid quotas on exports from Japan but also to be nearer to their customers to improve their responsiveness to their customers' requirements in terms of speed and variety of request, both of which are critical to their customers. Zips are a small part of a finished article of clothing, but are required in a variety of sizes, colours, materials and functions. Due to the nature of the apparel industry, speed and the capability to respond to seasonal or new requirements are essential. YKK knew that its existing Dutch customers would

not be satisfied with a three to four months delay in delivery from Japan. Even today, the company is still eager to increase its speed in making alterations to the product and its delivery times. As of 2007, the aim was for goods to be delivered within a week from the day of the order, in various colours, materials, lengths and sizes (YKK, 2001, interview with EMEA MD1, 2007).

During 1966 and 1967 YKK established local operations in four major European countries, namely the UK, West Germany, France and Italy. The UK factory was the first manufacturing facility to be set up by a Japanese company in that country. Other European affiliates have since been developed as their national markets have developed. By 1991 YKK had manufacturing operations in 13 countries in Europe and in over 40 countries worldwide. YKK tried to keep complete ownership if possible, but nevertheless many of these subsidiaries were joint ventures, as a result of the host government's insistence (Strange, 1993; Appendices 5.2 and 5.3).

Runcorn was the location chosen for the first factory in the UK because of its history as a centre of technology and machinery and its proximity to the large industrial cities of Manchester and Liverpool. At the same time, its economy was declining because many manufacturers were moving out of the area for various

reasons such as conflicts with the trade unions. YKK decided to invest their capital in this area to help redevelop the local economy. Similar considerations influenced the choice of locations in Germany, France and Italy. (YKK, 2001, interview with EMEA company secretary, 2005–2006).

Localisation strategy

Theorising the localisation of MNEs

For YKK, the main drivers to start overseas operations were avoidance of the high regional tariffs imposed on exported goods and motivation to operate close to their customers in order to respond promptly to their demands. National preferences were more compartmentalised in an era when communication and transport were restricted. At that time, logistical barriers meant that the cost and delays in shipping products internationally offset the economies of global mass production for all but a limited range of products. Furthermore, in order to compete with local manufacturing companies, it was thought to be more effective to set up a fully integrated operational capacity that could respond rapidly to customer's needs: "Sensitivity to local conditions has important advantages

associated with better market acceptance. By providing a local face, behaving like domestic firms, and adjusting products to local tastes, the foreign entrant is likely to have wider customer appeal or to compete more effectively in local labor markets". (Evans *et al.*, 2002, p.160)

Localisation brings not only commercial advantages to firms but also political and social advantages. Increased localisation can enhance the foreign entrant's acceptability by the local authorities and the community.

The apparel industry in which YKK operates deals with standardised products and fashion-oriented products. To address these two segments they need to have two different approaches. A standardisation strategy needs effective global integration that is developed and modified constantly in the search for further economies of scale and the optimisation of the value chain. The fashion-oriented products require higher flexibility and responsiveness to local or specific customer needs. While the apparel industry experienced internationalisation earlier than other industries, firms in this industry had to increase their local responsiveness through localisation.

There are several ways of understanding localisation approaches, such as the conceptualisation of Prahalad and Doz (1987) that includes industry

characteristics, customer needs, local substitutes, markets and distribution and relations with the host government. Luo (2001) investigated the three structural determinants of local responsiveness of environmental, industrial and organisational factors. His research shows that firstly, production differentiation for customers in a highly competitive local market and market adaptation contribute to local responsiveness.

Secondly, demand heterogeneity in a host market escalates local responsiveness, this in turn creates a complex, diverse market demand environment and increases the competitive threat from the heightened bargaining power of buyers. Lastly, business networking is a strong determinant of local responsiveness (Bartlett and Ghoshal, 1989). The personal ties established between managers of local businesses and the host government facilitate local responsiveness. Evans *et al.* (2002) argue that alongside the business arena for local responsiveness, the localisation of managers becomes necessary.

In the early modern era after World War II, foreign businesses were usually run by the firm's international division, which supervised and coordinated exports, licensing and subsidiaries. The role of the corporate HRM division supported the activities of the international division. In the case of YKK, HQs' HR facilitated

the selection of staff for foreign positions for the overseas subsidiaries by finding employees with the required abilities as well as being amenable to the constraints of working abroad. The expatriates' direct operations supervised the transfer of know-how and communicated corporate policies and strategies to the subsidiaries. Traditionally, policies and practices around the international assignment have been built around several assumptions, including the one that expatriate assignments would be temporary (three to four years in duration) and seldom occurred more than once during a career (Evans *et al.*, 2002). The following paragraphs describe how YKK pursued their own localisation, making some comparisons between this strategy and their general motivations for localisation.

The initial localisation of YKK

The founder of YKK, Tadao Yoshida had always encouraged expatriates to integrate with the local population as much as possible. The slogan "Become a local" has always been at the centre of their international business philosophy. This principle has been strongly embedded in the company as the principle of their localisation until today, although there have been strong external

pressures for them to reconsider it.

To “become a local”, YKK introduced a much longer time span for working as an expatriate in their company. In the past YKK set the duration of an expatriate contract at a minimum of five years, although this period is becoming shorter nowadays. Since the YKK overseas operation started, it has not been unusual for expatriates to be in one country for from ten to 15 years (interviews with RHQs company secretary, MD1, 2006). This extensive duration of an expatriate contract was one of the factors behind the success of their localisation strategy. It was also very common for YKK expatriates to be sent to multiple locations. For example, the former MD of YKK-Europe, their RHQs, worked in Germany between 1975 and 1983 then moved to Taiwan from 1991 to 2001, and then to the UK where he lived from 2002 to 2007. Mr. Nomura, the MD of YKK-Europe, worked in YKK-Spain from 1984 to 1992 and again from 2000 to 2005. Later, he became MD of YKK-France from 2005 to 2006 and then MD of YKK-Europe in 2007. He has worked overseas for a total of 15 years. The company secretary to YKK-Europe worked in the USA from 1990 to 1994, then in Canada from 1994 to 1998, and at the RHQs in the UK from 2003 to 2008. The HR manager of YKK-Europe was stationed in Turkey from 1999 to 2003 then continued working

overseas in the UK till 2008. (Interview with EMEA MD1 and company secretary, 2005-08).

It was observed that because of this long duration of the expatriate's contract, the subsidiaries managed to establish a solid local business base, including strong local internal and external relations as well as business penetration of the local market. At the same time, the heavy use of Japanese expatriates enabled them to maintain strong links and active communication with HQs.

On the other hand, local employees, regardless of their nationalities, are rarely promoted to run subsidiaries, just because they cannot communicate in Japanese with HQs and with some of the local Japanese management due partly to the language barrier, regardless of their long years working in the company. This became a serious problem for the company recently, as explained later in this chapter and in the case study chapters.

Although there have been various barriers to localisation, it was essential for the company to promote their localisation policy. This was partly to avoid protectionist pressures so that, for example, all inputs, except for YKK's special manufacturing equipment, are bought locally (Fulford, 2003). Later in this section, the transitions over recent decades in the company's localisation policy

and strategies will be described.

By becoming a local insider, the company is more likely to be privy to valuable information and to have more business opportunities in local deals. It is in general considered that Japanese MNEs rely heavily on expatriates as agents of HQs.

YKK, like many other MNEs, has employed local talent, especially in areas such as HRM, sales and marketing. One distinguishing factor about YKK is that it has encouraged the expatriates to work like locals. It is widely acknowledged (e.g., Evans *et al.*, 2002) that the localisation progress of MNEs can be measured by the fewer numbers of expatriates in the company's foreign subsidiaries and the increased autonomy given to the local subsidiary (empowerment). However, the research suggested that there are several other ways to measure localisation. In YKK's subsidiaries, the major decision-making positions were in general occupied by both Japanese expatriates and local managers. In addition, the Japanese expatriates, following the corporate principle "Become a local", have been expected to act and think in terms of the local interest rather than merely as the agent of HQs. YKK subsidiaries also have had strong independence with extensive decision-making autonomy given to the subsidiaries.

To achieve successful local responsiveness using this approach, the company must impose two conditions; the extensive duration of expatriation in one country, preferably in conjunction with other foreign assignment experiences and the autonomy of subsidiaries. With strong local autonomy, subsidiaries can not only implement HQs' strategy, but also develop their own strategy and make extensive strategic decisions about their business and investment portfolio, reconfiguring their business value chain and their own HRM strategies.

This way of conducting their overseas business has achieved remarkable success in 60 locations for more than half a century. However, this localisation policy is now facing problems. These problems are elaborated on in the next section.

Changing the localisation strategy: Globalisation and local responsiveness of MNEs

According to Bartlett and Ghoshal (1989), global firms can be winners in international business only when they are transnational firms, which can simultaneously integrate their global operations and respond to local conditions, balancing the complementary and contradictory imperatives of organisational

integration and differentiation. Beechler *et al.* (2005) note that most observers agree that Japanese multinational companies have had a particularly difficult time in making the transition from multiple domestic status to transnational status. Their success is mostly associated with exporting Japanese management techniques, such as quality control, training and development and closer industrial as well as social relationships with local employees (Beechler *et al.*, 2005). However, they have faced difficulties in behaving in a locally responsive way. This is often thought to be because they are unwilling or unable to recruit, retain and motivate capable local managers who have the experience to adapt affiliate operations to the host country.

YKK's conventional localisation strategy involving long expatriation duration under the slogan "Become a local" with ethnocentric policy is becoming unworkable. The company is under various and new emerging pressures and there are increasing demands for empowerment from locals and decreasing candidates for expatriation from the home country. Their current localisation approach, which has depended heavily on expatriates, will thus need to change from working with local employees under Japanese supervision but with extensive local autonomy, to increasing the numbers of the locals in top

management by finding developing and managing local talent to avoid the challenges facing other Japanese firms.

The localisation of products, profit, production and people are different. Localisation of people requires a systematic investment in the recruitment, development and retention of local employees who can take over the running of local operations. This notion focuses on the degree of responsibility for decision-making between locals and expatriates rather than the ratio of expatriates to local employees in the subsidiary. It requires that decisions are taken by locals, after consultation with other subsidiaries and the regional or worldwide HQs, and local managers are given substantial foreign experience as part of their own development. A high degree of localisation implies that the subsidiary is responsible for its own decision-making and lives with the consequences of its own actions (Evans *et al.*, 2002).

YKK's subsidiaries have accomplished an extensive degree of localisation in terms of the subsidiaries' strong autonomy, local market penetration and relationships with various local stakeholders. In the YKK subsidiaries, the ratio of expatriates to local employees remained rather high until recently but now it is decreasing. The degree of autonomy delegated to local managers is also

increasing along with an increase in the number of local senior executives. It is apparent that the localisation approach is changing from the “become a local” approach to replacing expatriates with locals. For example, among the 30 MDs of YKK-EMEA, there are already three locals, a number that is expected to increase significantly (observation of researcher, interview with RHQs HR manager, 2007)

The changing home country capacity

Japanese responses to globalisation have two key directions, namely internal and external globalisation. Internal globalisation involves domestic structural reforms, whereas the goal of external globalisation is to enhance global business coordination (Hasegawa and Hook, 2006). Nakamura and Horiuchi (2004) note that the changes that have taken place from the 1990s to the early 2000s have implications for the globalisation of Japanese society. Among these are pressures on Japanese business practices to change and become more compatible with the US and western European models. It is clear that since the early 2000s the decade-long recession since the bursting of the bubble has forced many Japanese economic and business practices to change.

These changing social contexts in Japan have impacted significantly on YKK's localisation strategy. Japanese employment systems used to be represented by life-long employment. This is changing now and the Japanese economic system is being transformed to respond to global competition and capitalist market principles, which have forced the Japanese government and firms to change their employment policies. Stable and life-long employment can no longer be guaranteed, even if one works for a big firm. Employment has become the individual's responsibility rather than that of the government and the firm, ever since the government adopted more flexible employment systems that enable firms to have a more efficient workforce depending on their needs. Such changes have in turn forced Japanese people to have lower expectations of their employers and government (Nakamura and Horiuchi, 2004).

Moreover, the changing values and lifestyles of Japanese employees, especially the younger generation, also present a new challenge to YKK. All this means that the conditions YKK requires to follow their conventional localisation strategy using expatriates on long and multiple foreign assignments are falling away. Furthermore, more spouses of Japanese expatriates have their own careers and are not prepared to follow them at any time and to any country, as

they did in the past. The education of children is another problem as they face problems in adapting when they return to Japan due to the more relaxed educational system overseas compared with Japan. Overall the Japanese population is decreasing, which means there are fewer potential candidates for expatriates among the younger generation (Nakamura and Horiuchi, 2004).

YKK's new localisation strategy and challenges

These contextual factors have impacted on YKK's HR planning and allocation. More employees are keen to make their own life plans instead of being at the mercy of the company's decisions. In addition, a more fluid labour market enables employees to leave YKK more easily and work for a different company in the event that YKK cannot offer them a satisfactory career path any more (researcher's field notes, 2005–2007).

Because of this, YKK is under pressure to offer shorter foreign assignments with a more clearly planned period of expatriation. At the same time, their localisation strategy now must involve greater use of local talent to replace positions traditionally filled by Japanese expatriates. Just as other Japanese

companies are struggling to achieve this, this new approach for YKK is proving difficult for them as well.

It is widely recognised that it is difficult but necessary for MNEs to establish the right balance of global standardisation and local responsiveness, employing local managers who know the market and the stakeholders and social networks would appear to be a straightforward solution. But there are difficulties in this approach.

The advantage of reducing the number of expatriates and increasing the number of local managers is that it improves the local employees' motivation and thus achieves further local responsiveness. From a HR perspective, it is considered an effective means of enabling the subsidiaries to achieve higher retention rates of local employees. The table 5.2 shows YKK's overseas HR plan to reduce the number of Japanese expatriates and increase the number of highly skilled locals.

**TABLE 5.2 OVERSEAS HR PLANNING IN YKK-EMEA AS AT 2007
(NUMBER OF EMPLOYEES)**

	2004	2005	2006	2007	2008 (plan- ned)	Change from 2004 to 2008
Japanese expatriates	109	108	94	88	84	-25
Local employees (managerial)	305	328	343	374	389	+84
Local employees (Operation and administration)	2654	2580	2533	2551	2562	-92
Total local	2959	2908	2876	2925	2951	-8
Grand total	3068	3016	2970	3013	3035	-33
Japanese expatriates as a percentage of all employees	3.6	3.6	3.2	2.9	2.8	-0.8

(Source: YKK-EMEA, 2007a)

One result of globalising the company is that expatriates have led global integration by their stations abroad, thus enhancing cross-national networks (Bartlett and Ghoshal, 1989). Literature on global mindset emphasises the increasing necessity of experience of international assignment. Without this experience, it is not certain whether locals can replace the roles of expatriates. Another concern is that if there are too few expatriates in subsidiaries abroad,

there will be a dearth of employees who understand HQs' intentions in their written strategic plans and unwritten strategic intent and work political balancing. This limitation makes it difficult for HQs to implement its global strategy effectively.

One way for MNEs to tackle this problem is to establish a truly international cadre of managers in order to create a multinational network of global leaders across the firm. However, in most Japanese firms today it is still primarily Japanese expatriates who make up this international cadre of mobile managers, due to various barriers such as language, business customs, culture and relations with Japanese government.

In 2003 YKK-HQs adopted a new international HR strategy to establish an international manager cadre to respond to the decreasing number of expatriates and shorter periods of expatriation. An example of this is YKK-EMEA region's initiative to decrease the numbers of expatriates, replacing them with local managers, as shown in Tables 5.2 and 5.3. It is designed to decrease the number of Japanese expatriates by 25 from 109 in 2004 to 84 in 2008 and to increase the number of local managerial employees by 84 from 305 in 2004 to 389 in 2008.

TABLE 5.3 YKK-EMEA LOCALISATION PLAN OF MANAGERIAL POSITIONS

	2005	2006	2007	2008 (planned)	Changes from 2005 to 2008
Japanese expatriates	71	66	61	58	-13
Local employees	61	75	80	84	+23
Total	132	141	141	142	+10
Localisation (%)	46	53	57	59	13

(Source: YKK-EMEA, 2007b)

Furthermore, YKK aimed to increase the percentage of managerial positions filled by local employees from 46 per cent in 2005 to 59 per cent in 2008. However, while achieving these numerical objectives is straightforward, it does not seem realistic and quite a few directors and managers of YKK as well as the researcher considered that purely numerical replacement would not bring about people localisation and sustain subsidiaries' operation as it had been.

Firstly, the MNE seemed to need a new HR system for the local managers to replace the expatriates, in terms of evaluation, training and allocation. As these were previously decided on the basis of individual negotiations, it seemed that clear HR systems would help new local managers (notes from HR workshops and

HR round table, 2006, interview with RHQs' HR manager and YKK-Spain's MD, 2006).

In addition, in the EMEA region the researcher found that only approximately 10 per cent of local managers showed a willingness to participate in the international manager cadre, which requires them to be internationally mobile.

This means there are far too few potential international managers to replace the expatriates and thus one of the important expatriate roles, the enhancement of global integration, would be difficult to achieve only with new recruitment policy.

Thus, clarifying and identifying the role of expatriates has become more critical.

They need to be categorised into the roles that require international mobility and those that do not.

For further consideration about the change in the localisation policy, it is necessary to understand what roles HQs expect the subsidiaries, expatriates and local managers to play. Hence the next section starts by analysing the perceptions and expectations of HQs senior management of the global business.

What IHQs and RHQs expect from the overseas subsidiaries

The global influence of the MNE group

This section examines YKK's senior management perceptions and responses to the external and the internal environment. In the 1980s the major MNEs that were YKK clients (e.g., Adidas, Nike and Gap), started trying to optimise their global value chains by moving their manufacturing bases from their native countries to developing countries to take advantages of cheaper production costs. The YKK subsidiaries in the developed countries lost many clients in this way. YKK-France was no exception, losing many customers because of this outward flow of the manufacturing bases (interviews with EMEA-RHQs Japanese company secretary, 2004–2005).

The second global development in the industry was the improvement of production technologies in newly emerging countries. The MNEs that had been YKKs clients were starting production in these newly developing countries where they could obtain sufficiently good and reliable products on the spot to develop their local supply chains (interviews with EMEA-RHQs Japanese company secretary, 2004–2005). This posed a threat to YKK's technological advantages. Previously the technologies in these countries were not able to manufacture enough high quality products. All this changed when more

developing countries acquired technological capabilities and know-how. As a result, quite a large part of YKK's sales were lost to these emerging countries.

The third global pressure in the industry was the changing nature of competition in the developed countries. This gave rise to increased competition for the YKK subsidiaries themselves, from both local companies and exporters. In addition, due to an increase in the number of international alliances, some of their competitors were alliances of local companies and importers or new competitors in totally different alliances. The types of competitors in the market have changed and become more complex and more threatening for the MNE (interview with EMEA-RHQs Japanese MD1, 2006).

The company attempted to respond to these global changes by re-examining and reforming their overall local business operation in foreign countries. Strategic response to the new global trend was critical for YKK because of its considerable involvement in international business. By 2007 the percentage of overseas production of the whole group output was 90 per cent (interview with EMEA-RHQs Japanese company secretary, 2004, YKK-EMEA, 2007a).

This shift in approach took place not only in response to external environmental changes but also to internal environmental changes. These included the shortage

of potential candidates in the home country to work as expatriates. Furthermore, the company's strategic effort needed to reduce overall operation cost whilst maintaining the quality of products. Thus, it had become necessary for the company to recruit more local professionals who could cope effectively in a fragile business environment, which demanded more rapid changes in production and services at lower cost. When this happens, expatriates are not always in the best position to exert and initiate corporate strategy. Thus HQs have started reducing the number of expatriates and shortening the duration of expatriation by redeveloping new HR and localization strategy (interview with EMEA-RHQs Japanese HR manager, 2005).

YKK has also made some attempt to maintain and promote its internal integration at corporate level through the promotion of the company's corporate philosophy globally:

This is not just about EMEA, but this is the theme for the whole world. We would be very happy if we could all understand the company's philosophy and put into practice the company's core values. YKK's cooperate philosophy is the "cycle of goodness". In the words of the founder, Mr. Tadao Yoshida, "No one prospers unless they help to bring prosperity to others". This means considering and thinking about others. In practice this means providing

products or services that make customers happy. And that is good business. (Company CEO, 2006)

The company has also worked to reform its organisational structure, operational coordination and HRM strategies. It has maintained and tried to spread a corporate philosophy that has been passed on to each area since the 1940s. In the research the “cycle of goodness” philosophy was often quoted by both Japanese and locals during the interviews (researcher’s field notes, 2004–2006).

In the meantime HQs have started to develop and implement a new HR system with two target objectives: to rebuild the HR evaluation system and to implement a company-wide job grading system. The new HR evaluation system has been designed to help the company move away from its traditional promotion system based on the typical, seniority-based Japanese principle with personal negotiations. HQs added clearer evaluation criteria, such as the achievement of targets. The new systems were applied to all the Japanese employees but its implementation to their subsidiaries in different countries with differing institutional employment systems and local HRM systems faced severe difficulties.

HQs attempted to implement the new grading system to make more active use of

non-Japanese employees. This is a modified version of what had already been implemented in Japan. Its objective is to assign a job grade to each position according to set criteria and develop a pool of core employees along with a special database so that the company can identify and select candidates for any vacant positions. It was expected that, to support the new localisation approach, this system would be implemented globally to allow the company to clearly compare particular positions that have traditionally been mainly occupied by Japanese expatriates. The system was also expected to enable the company to allocate suitable people to specific positions regardless of their nationality (interview with EMEA-RHQs Japanese HR manager, 2006; researcher's field notes, 2004–2006). However, the job grading system was strongly opposed by many local employees, especially by those at YKK France, even though it was still at the negotiation stage. This problem will be elaborated in the next chapter.

Regarding the implementation of this new grading system, the HR manager at the IHQs stated:

We are not forcing the implementation of this grading system. We know that we need to rely on the decisions of the top (Japanese) manager in each region or country to some extent. We don't believe that we can manage human resources in each country from Tokyo. Also, we are

spending such an enormous amount of time on the reform of our domestic HR system that, honestly speaking, there are only a limited number of people to deal with human resources overseas. There are no dedicated staff. We, a team of less than ten, are doing everything.

(IHQs Japanese HR manager, 2005)

The global system had developed quickly through the use of external consulting firms, but when it came to implementing it, there was not much progress to be observed even in 2007, four years after the start of the plan. However, the number of expatriates at the foreign subsidiaries steadily decreased under the new corporate policy. In this way, moving the positions previously held mostly by expatriates to local employees did not come about through a system-based procedure, but instead reflected personal and subjective ideas and decisions (observation by researcher and notes from HR round table, 2007).

On the other hand, in some management areas such as HR, there was a clear intervention by HQs in asking for the system to be implemented in quite considerable detail (researcher's field notes, 2004–2006). Japanese managers had difficulty in striking a balance between following HQs intentions and acceding to local wishes, as the following extract shows:

It was difficult to implement the job grading system in Europe. Not that I don't think it is necessary. I so wish we could compare our employees at the global level and move them around to different positions. HQs in Japan does not fully understand that each European country has a unique HR system of its own. But HQs insist on having a new job grading system implemented. I hope to come up with a good compromise plan. (EMEA-RHQ Japanese HR manager, 2004)

The degree of control that HQs wanted to assert over business operations overseas varied significantly depending on the area of management. The implementation of the Tokyo HQs' intentions, along with developing the strategies to support them, was basically handed over to the EMEA RHQs and subsidiaries. It cannot thus be said that HQs have had particularly rigid control over subsidiaries. Apart from the implementation of the new HR system, HQs wanted to integrate their diversified and dispersed organisation. The director of HQs said:

The most important job I have done so far has probably been the development and implementation of the matrix management system. We developed a matrix management system with the horizontal axis representing six regions and the vertical axis indicating the different functional departments. This system allowed for the clear identification of

responsibilities and delegation of work, preventing gaps in management. As a result of that, I believe, you can now see YKK as one company. (IHQs Japanese head of corporate planning, 2008)

Another company-wide request from HQs to the subsidiaries was to share its corporate philosophy to enhance the company's global integration:

The most important task I currently have is to document our corporate values. We created a new corporate value manual based on the original one as well as the results of a company-wide survey conducted in 2006, and distributed it at the end of 2007. It has been translated into four or five languages by now. (IHQs Japanese head of corporate planning, 2008)

HQs' and RHQs' perceptions and expectations of the EMEA region

This section describes how HQs and RHQs understand the environment in the EMEA region and what they perceive the roles of the region and expatriates there to be. The section will first consider HQs' perceptions of the business environment in the region and then explain how they tried to respond to these environmental changes.

First of all, the CEO of the MNE considers Europe as the fashion leader in the apparel industry, although he perceives that clients have also been leaving the EMEA region to locations that have production cost advantages:

I think Europe is still creative in the apparel fields...it has constant leadership in fashion creation. As we supply a part of the components of fashion, we hope that Europe can maintain this position. Of course, some people would like to shift to Asia looking for cheap items and low cost – we cannot stop this shift. (Company CEO, 2006)

Therefore, what is expected of this region is to take the initiative to develop and produce creative products as the fashion leader:

However, there are a variety of ways in which we can respond depending on which part of EMEA one is located. Moreover, we must maintain our position of fashion leadership. We will carry on supplying creative fasteners, or new value-added fasteners. In this way, EMEA is special in the YKK group. I hope EMEA understands this special position and role in the YKK group and makes the most of it in their activities. (Company CEO, 2006)

The senior management of the RHQs notes two things in the region's business environment: pressure from globalisation and global and EU's regional integration with an increase in cross-border business: *Another big change is the progress of globalisation within the EMEA. As globalisation has progressed worldwide, and*

also within Europe, cross-border activities have increased. (EMEA-RHQs Japanese MD1, 2006)

They expect that, in response to this kind of environment, the core strengths of each subsidiary should be re-examined and expatriates should act as agents of change: *Since the market has changed, YKK has to change, too. The impact is big. If globalisation continues, YKK must respond as a whole EMEA, not individually as separate sister companies. And so we are creating cross-border divisions in a different way between each country as YKK becomes one unit. (EMEA-RHQs Japanese MD1, 2006)*

Regarding the characteristics of the region's market, including the nature of competition, the top management of the RHQs draws a comparison between EMEA and another region (Taiwan): *The first thing I felt when I moved to Taiwan from Germany was the obvious difference between a consuming country and a manufacturing country. We did the same amount of business with buyers and vendors in each. However, in Taiwan, we could not see the buyers' face; we could only see the manufacturers' face there. They had a very one-sided, in other words, biased, form of business. (EMEA-RHQs Japanese MD1, 2006)*

Then he indicates another difference between Taiwan and Europe as a market: *Another thing was that the European market focuses on quality, but the Asian market,*

including Taiwan, seeks quantity (EMEA-RHQs Japanese MD1, 2006).

He describes how the European competitors had changed over the decades:

What I felt were two things. One of them was the big change in our European competitors.

When I was in Germany in 1990s our rivals were major European companies such as OPTI and RIRI ... but when I went back to Europe, their position had become vulnerable and these big companies were conducting their business in alliances and relationships with Chinese companies. In other words, the competition has become YKK versus major European companies in alliances with other companies, while it used to be YKK versus the major European companies on their own. (EMEA-RHQs Japanese MD1, 2006)

He also indicates how the European market has changed:

The problems that we are facing, caused by the changing EMEA market in recent years, are that the character of the market has changed. It has become much more of a market for consumption than one for production. This means that there is much more imported clothing from China and Southeast Asia. (EMEA-RHQs Japanese MD1, 2006)

In summary, as far as production and sales in the business in the region, top management states that regions such as Taiwan used to focus on mass production while the European region emphasised quality. However, the nature

of such business competition has now changed. For example, firms in China and the other regions used to offer only lower-priced production with lower quality goods compared to Europe. These days they are forming alliances with their European competitors to overcome the disadvantage of their product quality. This has resulted in more exports from their region to Europe, making competition in this region more complex and harsh. Also, while HQs hope that this region will be a fashion leader, the RHQs perceive that the market is shrinking in the apparel industry and they are considering moving production facilities to different areas, rather than reinforcing their capabilities in the region:

As a whole, for the EMEA, overall demand is greatly reduced. YKK needs to think what to do about this shrinking apparel market and need to create new demands in it but at the same time, increase demand for our products in non-apparel markets. (EMEA-RHQs Japanese MD1, 2006)

This section has so far explained how the IHQs and RHQs perceive their market. The next section shows how they were trying to respond to changes in the business environment.

The regional strategy in the EMEA

With regard to the EMEA-level business strategy to respond the changes, the RHQs' MD said:

We need appropriate strategies to respond to changes in the EMEA market. As an EMEA group, we have adopted two main strategies since 2004: the whole strategy and the regional or local strategy. Firstly, we had developed a strategy that enabled us to be seen by our customers as “one YKK” in EMEA, because YKK needed to be further integrated to respond to so-called globalisation, so our cross-border activities and business coordination increased. We promote this as our “whole strategy”. Secondly, there are different types of countries and regions within EMEA. As EMEA countries are becoming divided into consuming and manufacturing countries, we need a regional strategy suitable for each area. Thus we need to have two different strategies. Creating new demands in a shrinking market and selling value-added items are our two main strategies. (EMEA-RHQs Japanese MD1, 2006)

That is to say, the changes in the regional organisation structure have been initiated and accelerated by the RHQs since 2004. In 2004, at the YKK's EMEA-RHQs in London, the reconfiguration of the production facilities in the region was discussed at the special monthly advisory board meeting and was presented

to the EMEA meeting of the regional board members. As a result of a review of their operational efficiency they decided to take an incremental approach to reconfiguration instead of a drastic one. Another decision made there was to further differentiate the subsidiaries' tasks, instead of appointing similar tasks to all the subsidiaries. The new plan was to give each subsidiary a specific strategic role. Earlier talks centred on giving the subsidiaries more discretion and allocating functions to subsidiaries with factories (minutes from advisory board meetings, 2004).

The regional HR practice and policies

The researcher has so far explained the expectations for the overall region. This section describes the perceptions and expectations held by the IHQs and RHQs for HRM in the region:

We need appropriate talent for the area we are in. However, there are about 30 sister companies in 30 widely spread countries in EMEA. Therefore, we need people who can bind these 30 countries together and bridge those 30 companies. At the same time, we need specialists with specialised knowledge in each field... we also need people with the ability to

manage their own subsidiary but who can do so in a manner which is beneficial for the group.

(Company CEO, 2006)

As such, human resources with special knowledge to reflect diversity of the markets and high management skill are wanted by HQs. However, how they achieve this objective is dependent on the RHQs and subsidiaries in the region.

In addition, the CEO indicates that he expects the employees in the EMEA region to develop a close relationship through efficient multilateral communication:

In addition to develop better vertical communication I would also like to see much more cooperative horizontal relationships. I would like many more bridges between all kinds of relationships. This should happen not only between Japanese staff, but also amongst everyone with different backgrounds in EMEA. (Company CEO, 2006)

HQs expected the employees to build active networks through better communication and cooperative relations in multiple directions for further regional and global integration. Responding to this, in 2004 RHQs together with the researcher as a consultant, started a training meeting (called a think tank) to develop cross-border networks and cooperative relations in order to reinforce

their capabilities of management with latest business knowledge. The regional

MD describes their efforts in this regard as follows:

It has been more than two years since we started the HR development sessions for both Japanese and European managers by inviting external lecturers, called the “think tank day”.

It seems that the positive effect from this project has started to be visible. At the think tank we have top class people from EMEA attending. Our first goal was for these people to start thinking globally and this is becoming true. Judging from what top management says, I feel strongly that there are now talking about their countries using a global point of view. I think that the role played by think tank for upgrading YKK’s overall level is remarkable. I hope we can carry on the same development. And I hope that the people who attended the think tanks will go back to their country to educate their staff. I also want them to think about a whole strategy towards one target, which is their task as EMEA’s top management. (EMEA-RHQs Japanese MD1, 2006)

Finally, the findings from the research with layer of management; the HQs and the RHQs are shown in Table 5.4, which categorizes the results.

TABLE 5.4 ENVIRONMENTAL FACTORS PERCEIVED OR EXPECTED BY HQS AND RHQS

	Contingent factors	Characteristics
1	HQs' intervention	HQs and RHQs recognise the increasing globalisation of the business environment. They also place significance on the regional business restructuring that is going on in the industry. They rely on the RHQs to incorporate these perceptions in their strategies. HQs have a leadership role in developing and bedding-down the global organisational structure and corporate values as well as managing HR.
2	Subsidiary core	The task of the region in general had changed from a traditional, quality-oriented one. With the change of the demographics and nature of competition, different task have become expected of the subsidiaries. The company is considering expanding its business domain from the single domain of apparel industry into multiple domains.
3	Age of establishment	They are fully aware of the long histories of European subsidiaries.
4	Local institutional systems	HQs recognises that the RHQs are trying to incorporate global business environmental changes into their institutional set-up, e.g., though further integration in the EU. They also see that the diversity of HR in the region complicates this regional integration.
5	Local HRM systems	HQs have developed a global HR system and are now implementing it into their local HR systems, but doing this has

		proved to be difficult. There have also been independent activities to develop desired HR, e.g., training at the regional level, which are supported by the IHQs.
6	Local cooperation	The HQs and RHQs expect better communication and relationships across national boundaries.
	Strategic choice factors	
1	Autonomy	The RHQs perform global management under a matrix-type structure with six regions, and have delegated extensive autonomy to each region to develop its own strategy rather than merely implementing the strategy developed by the HQs.
2	Individual capabilities (expectation)	They expect HR with specialised knowledge and skills to respond to varieties of markets.

Chapter 4 analysed the research results from HQs' and RHQs' levels of expectation regarding expatriates' roles. It revealed that they only consider wider perspectives such as what they expect from an entire region. It shows the HQs' function in interpreting business environment and reflecting it in their business strategy and policy development. They set objectives and expect RHQs and subsidiaries to implement them. Although HQs does not directly express their expectation regarding expatriates' roles, this chapter provided us with the

foundation to examine and analyse expatriate role formation.

Table 5.5 shows how the IHQs and RHQs expect each role to be performed by the region and its subsidiaries.

TABLE 5.5 EXPECTATIONS OF THE EMEA REGION BY THE HQS AND RHQS

	Role	Example
1	Agent of control	The HQs exercised its control over the region through organisational structuring and the promotion of corporate value. The RHQs expect all subsidiaries in the region to implement the strategies developed by HQs.
2	Agent of change	HQs perceived remarkable changes in the market and their business competition and expects the region to review and develop new business strategies and update their HR practices and policies.
3	Localiser	After decades of running a business in over 30 countries, HQs and RHQs have a good understanding of the regional characteristics and diversity. However, because they now place importance on changes in the market, they intend to promote centralization rather than localisation in the way they have previously done. Also, while HQs is critical of competition among

		subsidiaries, such competition still remains strong.
4	Globaliser	HQs perceives strong pressure from worldwide globalisation. The nature of the competition has changed from a country-based or region-based one to one that traverses national boundaries. HQs thus are enhancing regional integration.
5	Knowledge transferer	They no longer regard this region as one with technological advantages to be transferred to home country as they did in the 1980s yet they see the region as a fashion leader and expect it to contribute to the entire group on the basis of its advantage as a fashion leader.

Conclusion

This chapter aimed to examine the formation of YKK's localisation policies and practices as part of the company's internationalisation effort and described how they have incorporated the industry's characteristics. The chapter also introduced results and analysis at HQs level in terms of their expectation of the case study region and its subsidiaries.

It outlined how the specific characteristics of the apparel industry prompted the company to seek a particular way of internationalisation. YKK expanded its international operation in an effort to meet the demands of different markets

and promoted localisation accordingly. Their internationalisation and localisation approach is rooted in the founder's business philosophy of the "cycle of goodness" which emphasises the importance of the corporate contribution to the local society.

This chapter also explained the unique character of the company's localisation approach. MNEs usually localise their overseas operation by delegating executive autonomy to their local subsidiaries and decreasing the number of expatriates. YKK, however, has relied heavily on a number of Japanese expatriates. The company's policy encouraged each expatriate to think and act like a local by speaking the local language, avoiding the local Japanese society and even altering their eating habits to that of a local.

YKK's HQs perceived changes in the global business environment and has adjusted its expectations of their subsidiaries and members of the company accordingly. This perception, in conjunction with the contextual changes in Japan, including a decrease in the number of candidates to take on the role of expatriates, has significantly influenced the company's localisation policies and practices. It has also influenced the company's overall and regional strategies and its HR policies and practices.

The EMEA region, where this research was conducted, has also undergone both global and local changes in its business environment. The research uncovered the environmental and organisational factors perceived by both the IHQs and RHQs and the roles that HQs expect the EMEA region to play in responding to them.

In Chapters 6 to 8 the roles of both local employees and expatriates in the cases studies of subsidiaries in France, Spain and Italy are discussed.

Chapter 6 Restructuring and resistance: YKK-France

Introduction

The chapter examines and analyses the roles of expatriates and the factors that limit or enhance their fulfillment of them. Primarily, HQs and RHQs seem to expect the expatriates to serve the interests of HQs, which can involve restructuring and mass redundancy, rather than those of the subsidiary. In part, as a result of a mission given to YKK-France by HQs, the expatriates met with serious resistance from the locals. YKK-France lost effective control over the subsidiary resulting in fraud and serious industrial conflicts. The business was also seriously affected by organisational problems. When expatriates lose the balance between serving HQs and the subsidiary various problems occur.

At YKK-France a decline in business intensified from 2000 onwards due to sluggish business growth in the French market. Subsequently the subsidiary performed a major restructuring. Out of all YKK subsidiaries, YKK-France has a particularly long history of operating in Europe, given the role of fashion leader that France plays in the apparel industry. French corporations and the market were seen as strategically important. However, French corporations were not

exempt from the movement of business globalisation; for example, many corporate French clients were moving their manufacturing bases to lower-cost locations. This shift affected their conventional business and caused it to struggle more and more.

The sources of the evidence used in this chapter were 14 one hour long face-to-face semi-structured interviews with 3 Japanese expatriates (2 in Paris and 1 in Lille, 1 was revisited), 11 local managers and key employees (6 in Paris and 5 in Lille) and 1 hour-long unstructured interview with 1 expatriate. The chapter also draws upon input obtained in 3 interviews with the RHQs' MD and 4 with the RHQs' company secretary where YKK-France's situation was discussed. All these interviews were recorded, transcribed and translated. Additional sources included notes from observation, notes from 5 two-hour meetings specifically arranged to discuss YKK-France's situation with the YKK-France MD, notes from 3 three-hour meetings with the French HR manager plus notes from his presentation at the HR European roundtable, reports from HR workshops and secondary data such as company history books, financial statements (consolidated and EMEA's break down) and annual reports. The result of the research and analysis was discussed with managers at RHQs and directors of

YKK-France, and interviews were repeated when necessary.

In Chapter 3, drawing on contingency theory, six factors were identified as contingent. In addition, three strategic choice factors have been identified. Although the author is aware that there are many more contingent factors to take into account, this thesis focuses on factors which expatriates should be able to influence. This is supported by strategic choice theory. This theory argues that an organisation and its members have a degree of discretion in making choices for their specific purposes instead of merely adapting or not adapting to the environment. The thesis attempts to examine this dimension of the dynamics in each case.

In this chapter, the degree of fulfillment of their roles by expatriates and the influencing factors are assessed and the results presented and discussed here. The chapter is structured as follows. The first section examines the context specific to this subsidiary. The national level – comprising the remarkable features of the business context – is first considered, together with the contingent and strategic choice factors that are specific to YKK-France. In the second section, the perceptions and the expectations of the IHQs and EMEA-RHQs concerning the subsidiary at the global and regional level are discussed.

The third section examines how the expatriates themselves understand their critical environmental factors and perceive their roles. The following section examines how the locals perceive the local environment and their own roles. The next section focuses on the locals' perceptions of the roles of expatriates. The last section attempts to analyse the dynamics, drawing upon theories concerning the formation of the roles, of the expatriates at this subsidiary as a result of synchronising the critical contextual factors of the subsidiary. This analysis is based upon the data derived from interviews and participant observation, and the cross-checked data obtained from different organisational members.

Specific context of the subsidiary: local contingencies of YKK-France

Context of the country: France

While France is the eighth-largest economy in the world with a GDP of US\$ 2,078 billion in 2007, since 2001 its GDP growth has been low (OECD, 2009a; 2009b). In 2005 it was 1.9 per cent, down from 2.5 per cent in 2004 (OECD, 2009b). Government economic policy aims to promote investment and domestic growth. Creating jobs and reducing high unemployment rates through

policies supporting recovery has been the nation's top priority. The French unemployment rate dropped from a high of 11.6 per cent in 1994 to 8.3 per cent in 2001, and remained between 8.3 and 9.3 per cent during the 2000s (OECD, 2009c). Despite significant reform and privatisation over the past 15 years, the government continues to control a large share of the nation's economic activity: with an overall general government expenditure of 52.4 per cent of GDP in 2007, among the highest in the G-7 countries (OECD, 2008). Regulation of labour and production is pervasive. The government continues to own shares of corporations in a wide range of sectors.

Many researchers have claimed that originally the main motive of Japanese companies for entering the European market was to overcome import restrictions, non-tariff barriers and closed markets, rather than with a strategic intent (Beechler *et al.*, 2005). Taking into account the significant diversification of individual countries with different languages, tastes and politics, Europe is not the most suitable place for locating manufacturing bases in order to leverage economies of scale. France in particular, with its significant state intervention in the MNEs' business operations, presents various challenges to MNEs (notes from meetings with France's HR manager, RHQs' company secretary, 2004–2006).

France is considered as a challenging location by many Japanese companies (Cho and Oh, 2004). However, YKK's main purpose in setting up a subsidiary there was not to avoid trade friction but for strategic reasons. The YKK group recognised that there was a need to locate their production facilities close to their French customers (notes from meetings with RHQs' MD and company secretary, 2004).

In France the class system has remained in a much more rigid form than in other European countries (Cho and Oh, 2004). The challenges in operating in France for any foreign MNEs include their industrial relations practices, which are strongly regulated by the government (LMF2, 2005). A number of competing trade union federations exist that are organised along political and religious lines (LMF2, 2005 and notes from HR round table 2006). The state has often given preferential treatment to industries and regions that do not practice collective trade union bargaining. Hence for non-unionised firms the incentive to join a union is reduced. Despite low levels of union membership, the level of conflict has been relatively high (Cho and Oh, 2004).

Other representative bodies at the enterprise level are health and safety committees and a system of work delegates who mediate between employees and

employers on individual and collective grievances (LMF2, 2005 and notes from HR round table 2006).

The French state still plays a dominant role in industrial relations, intervening directly in collective bargaining and supplementing these interventions with legal regulations. In addition, the exceptional size of the public sector in the French economy has forced the state, as an employer, to introduce exemplary practices and agreements. Moreover, the state's legal definition of the *salaire minimum interprofessionnel de croissance* – the minimum wage – also represents a significant intervention in the bargaining process. (LMF2, 2005 and notes from HR round table 2006). All the above views are in accordance with early observations by Lane (1995) who pointed out that the rigidity of the systems of payment and of employment regulation had been a great concern for MNEs⁷, as had the high social costs of establishing themselves there, exceeding those of all other European countries (Lane, 1995).

⁷ Lane (1995) also highlighted the lack of institutionalisation at the enterprise level as an important challenge for MNEs. However, this concern did not arise during the data collection for this research.

Historical background

Initial business of YKK in France

This section sets out the context of YKK's current operation in France by providing a brief history of their business there.

In 1966 the YKK group started market research and other preparations for setting up their operation in France. At that time YKK had begun to achieve brand recognition in Europe. For instance, articles about YKK-Netherlands started to appear in industry magazines, which led to applications from local firms to become its agents. As a result of this, YKK-Netherlands began researching the market as well as visiting companies wishing to become sales agents. In 1967 a local subsidiary sales and marketing office, dedicated to local customers, was established in Paris with a capital outlay of 50 million francs provided by YKK-Netherlands. Initially, YKK-France depended on YKK-Netherlands for its sale services. This initial sales strategy divided France into seven geographical sales segments with representatives in each region. This was followed by the establishment of a sales depot in Paris in 1968, in Lille in 1971,

in Lyons in 1972 and in Rouen in 1973. YKK-France increased the number of these sales depots by almost one per year (YKK, 2001).

In 1970, in order to improve the speed of their delivery system, YKK-France opened up a partial production process, from processing the raw material to the assembly line, and built a factory in an industrial area in Lille. This location was chosen because Lille was the third-largest city in France, and YKK expected to have access to skilled labour and advanced technology there. The other locational advantages of Lille were that it was convenient to YKK, being near the border with Belgium and connected by motorway to YKK-Netherlands and Paris, where they already had factories and sales offices (YKK, 2001).

Growth of the subsidiary

From the very beginning of establishing this subsidiary, YKK-France experienced disputes with local competitors over patents. In the 1970s YKK-France experienced further fierce disputes. Although, until then, YKK had won all their court cases in Europe, for the first time they lost one in France. Consequently, their business was seriously damaged. Worst of all, YKK-France was forced to cease coil fastener production due to the sales restrictions resulting

from the court case. This experience drove the subsidiary to develop new types of coil fasteners and upgrade their existing products. The company also changed their sales strategy to focus on other types of products. For instance, Byslon fasteners gained a good reputation in Paris due to their brightness and variation in colour. This product development was a turning point, with increased investment in the new market segment of high fashion (YKK, 2001).

Soon the Byslon fastener became popular, contributing to the growth of YKK-France. As its first overseas subsidiary, the Lille factory developed the Byslon ejection casting process in order to meet detailed customer requirements with satisfactory speed. In 1972 a new type of coil fastener was introduced to the market and this was again regarded as a violation of other companies' patents. These patent disputes were all with OPTI, YKK's largest competitor. OPTI's patent dispute strategy was to bring the case to an EC committee, insisting that YKK's coil fastener products were contrary to European competition law. Intensified negotiations continued between the EC regulatory committee, OPTI and YKK for some time. Eventually, in 1978, the European Supreme Court mediated a mutually agreed settlement. This settlement removed YKK-France's barriers to producing coil fasteners and, as a result, YKK-France showed

remarkable growth, with turnover rising from 90.7 million francs in 1978 to 138 million francs in 1979 (YKK, 2001).

In 1983 YKK-France started to produce a wider range of goods locally, including manufacturing zip tapes, and also improved its logistics system. At that time, production demand was shrinking because of increasing imports of cheaper products and clothes from Asia and clothing manufacturers started to shift the location of their production facilities from local areas to overseas.

This caused a structural change in the country's industry. Major manufacturers lost their domestic customers unless they could develop alternative ways of supplying customers who had moved overseas. Responding to this structural change, YKK-France developed a new strategy by introducing additional product ranges and a new type of fastening product, Quicklon, to increase overall profitability. At the same time, the market's needs were becoming more complex, calling for speedier delivery and a greater variety of product colours, material, finishing tones and order units (YKK, 2001).

In the 1990s YKK-France was seriously affected by the Gulf War, which caused a recession. At that time, the company introduced further differentiated products, trying to stop the overall fall in zip prices. By this time the zip market had

become significantly polarised between high-end products with better services and low-end products with fierce price competition (YKK, 2001).

In 1992 France was hit hard by the global recession, experiencing a GDP growth of minus 0.8 per cent and 12 per cent unemployment. The mid-1990s saw a slight economic recovery, but total economic recovery was a remote prospect, so the company conducted drastic restructuring to maintain its profitability. Because of this restructuring and the consequent spread of differentiated new products in the high-end market, attracting new customers such as Louis Vuitton and Chanel, in 1998 YKK recorded its highest ever profit in France thus far. In 2000, the apparel and textile industry restructuring was accelerated with more mergers and acquisitions, business concentration and diversification. YKK-France also enjoyed an increase in sales of their products and stable profit (YKK, 2001).

Drastic restructuring

As the restructuring of the apparel and textile industry made further progress, French companies reorganised their supply chain by moving their production facilities out of France (YKK, 2001).

YKK-France started to lose customers in France, especially those who were involved in the middle range and commodity product segments.⁸ While manufacturing for high-end customers remained in France, their middle-range and standardised customers rapidly moved their production facilities overseas (JEMRH1, 2005). The profitability of YKK-France was seriously damaged. For example, in 2003, the before-tax profit of YKK-Germany was €4,216,000, while that of YKK-France was only €404,000 (Financial statement, 2006). From 2004 to 2006, YKK-France fell increasingly into debt and the firm was forced to start drastic restructuring (JEMRH3, 2006).

YKK-France had never established a specific corporate management system, this meant that the firm could not fully control its strategic planning or costs (notes from the meetings with RHQs' company secretary and HR manager, 2004). This was partially because of the rigid French national legal framework. Companies there have to deal with a number of restrictions. The first consists of the social laws determined by the French parliament, the trade unions and the employers'

⁸ The YKK group categorises products into three levels: high-end, middle-range and low-end commodities. Commodities are products in the cheapest price range and are widely distributed and manufactured using mass production systems. Middle-range products are more varied and customised and are aimed at a more expensive price range, while high-end products are more expensive still and are made for specific customers according to dedicated and detailed product specification (researcher's field notes, 2004).

associations. The second is the National Collective Agreement, managed by the national employers' association and the national trade union. The last is the Company Agreement that obliges a firm to deal with the company trade union and to submit to monitoring and control by work inspectors (YKK-France, 2005). In this context YKK-France faced challenges in re-establishing the subsidiary's own business strategy (notes from the meetings with RHQs' MD and company secretary, 2005).

In spring 2003, in the YKK-Europe office in London, the company secretary asked the researcher for support in reviewing French legal requirements in order to help restructure YKK-France. The company faced a serious situation when attempting to implement mass redundancy because of the complicated procedures required by the government. However, in 2003 the French company secretary and an expert in industrial relations started to implement drastic restructuring, including reducing the number of employees from 262 in 2003 to 195 in 2007. The restructuring made some progress in providing social plans and support for redundant employees in finding new jobs and training, but the reorganisation affected the strategy implementation and employees' motivation. Over this restructuring period the number of Japanese expatriates also

decreased from 12 in 2003 to 4 in 2007 (notes from the meetings with RHQs' company secretary and YKK-France company secretary, 2004-2007).

This section reviewed YKK-France's context and showed that contingent factors had adversely affected the range of the role of expatriates. The following section examines what IHQs and RHQs perceived and expected from YKK-France and considers to what extent the expatriates could utilise choice in their actions.

What HQs expected from YKK-France

One of the expectations of HQs was that YKK-France would take advantage of the location being at the centre of fashion trends. The subsidiary was expected to attract a range of customers from low to high ends. It is the role of the localiser to be close to the specific customer base and rapidly produce tailored products specified by the customer as well as maintaining a good local network and relationships.

As a result of developing HQs' new localisation approach, the number of expatriates declined and the length of their overseas assignment was reduced. Consequently, HQs' new localisation strategy – to make better use of local employees and transfer authority to them – seems successful only in quantitative

terms. In reality, the benefits of this strategy were questionable. YKK-France no longer had sufficient ability to obtain resources from HQs because of the very limited numbers of expatriates, who would otherwise have initiated negotiations with HQs. The communication channel that YKK-France used to have within the group organisation was badly damaged because of drastic reduction in the number of expatriates. In addition, the expatriates were too busy working on local organisational restructuring and changes to reinforce YKK-France's position within the group (notes from the meetings with RHQs' company secretary, MD and YKK-France company secretary, 2004–2007).

Expatriates are also expected to be globalisers and provide standardised products for customers who move their production base.

In terms of control, although HQs recognised the historical difficulty of managing a company in France, expatriates were expected to control the subsidiary efficiently. Drastic reduction from 12 to 4 expatriates in a few years resulted in extreme difficulties for expatriates; sales turnover decreased and annual profits were quite frequently in the red.

Globalisation

Recent publications upon the subject have highlighted the fact that localisation and globalisation must coexist (Bartlett and Ghoshal, 1989). The necessity of globalising this MNE was frequently mentioned at IHQs and RHQs by senior management. In practice, the group established the Global Marketing Group (GMG, hereafter) to attend to their global account and establish their global value chain. As this moves around the world depending on various factors, the GMG is expected to maintain and retain a relationship with major customers such as Nike and Adidas, no matter where they choose to procure their processed material. In addition, YKK-EMEA established various committees where appropriate experts from various countries gather for regular meetings. The aim of the committee is not only to discuss designated technical issues but also to enhance the integration of each country's managers (minutes from the advisory board meetings, 2004–2006).

Alongside HQs' aim of globalisation, YKK-France was expected to start their global-orientated approach and the company's expatriates were naturally expected to take the initiative in doing so. For example, around 2003, following evaluation, the remuneration of expatriates at the top level of management was

changed so that 50 per cent of their salary was based on the subsidiary's performance and the other 50 per cent on the performance of the entire region (JEMRH4, 2005). However, in reality, it was still a new challenge for each subsidiary to progress from focusing mostly on the pursuit of profit to understanding the importance of overall global optimisation and actually implementing it (minutes from the advisory board meetings, 2004–2006).

Region-wide restructuring

Another change was that the R&D function was removed from YKK-France; they were also pressured by HQs to become more sales and marketing-orientated. This meant that managing customers for high-end products became more important and more challenging (JEMRH4, 2004–2006). The MD of EMEA-RHQs noted: *R&D in EMEA was consolidated at Runcorn in England several years ago, but considering that it a centre of high-end fashion.... we also have an outpost in Italy, and it is going relatively well.* (JEMRH1, 2006)

France was never mentioned in this respect. This implies that there were reduced expectations of YKK-France to contribute to R&D.

Expatriates' perceptions of YKK-France

The researcher interviewed 3 Japanese expatriates in YKK-France: the MD up to 2005 (JEMF1 or Japanese MD1, hereafter) and the MD from 2005 to May 2007 (JEMF2 or Japanese MD2, hereafter). The third was a factory director (JEMF3 or Japanese factory director, hereafter). An unstructured interview was later conducted with one remaining expatriate.

A combat zone

YKK-France has a long history. Established in 1967, it has been operating in Europe for over 40 years. This history has contributed to its brand recognition among European customers (YKK, 2001) and its solid business foundation. Due to the French legal framework that protects workers' rights, the subsidiary was more embedded than other YKK subsidiaries in the local institutional system, instead of using their the normal YKK approach (JEMRH3 and LMF2, 2004). The power of the trade unions particularly protected long-service employees, so YKK-France had to make tremendous efforts over trade union issues. These included factory labour disputes plus frequent negotiations with the trade union

representatives and the local government social auditor (notes from the meeting with RHQs company secretary and France company secretary, 2004–2006).

JEMF1 said: *The French (Lille) factory has got much better now (2007). It was almost a combat zone before. Almost nothing worked normally. There were constant strikes and negotiations.* (YKK-France Japanese ex-MD1, 2007)

This view, expressed by most of the expatriates, was that the French institutional context is particularly rigid. For example, JEMRH2 compares France with the UK thus: *England also has a pretty clear class society, but it's nothing compared to France.... For example, Mr. X considers himself as an elite of elites, from a different class. He wouldn't care to converse with employees from other social classes, and that is normal in France. Class is what determines relationships in a company.* (EMEA-RHQs' Japanese MD2, who was the former MD of YKK-France, 2008)

He remarked that the social class system was even more strongly embedded in France than in the UK. The researcher's observation suggests it is also notable that the class system affected the relationships in the firm.

Power struggle

Management in France is regarded as a challenge by expatriates because of the

industrial and organisational relationships discussed earlier, which arise from the rigid French institutional system, but the balance of power and managerial control also need to be taken into account. The researcher's observation and analysis suggest that the power balance between expatriates and locals favours the local managers. To manage in France, enormous knowledge of French customs, formalised in its institutional system, is naturally required. On the other hand, expatriates in general have extensive cross-border networks (especially within the group), good connections with HQs, YKK-specific technological or managerial knowledge and experience of working abroad. However, such knowledge, although it could provide a power base, can be rendered insignificant by the labour and industrial dynamics. Due to the long history of the subsidiary, it is thought that the accumulated experiences may have enabled locals to obtain the knowledge and capabilities that HQs and expatriates have, but by giving extensive power to locals, the power balance can be made unfavourable to expatriates: *It is a lot of work to manage the French subsidiary. But I am not budging.* (YKK-France Japanese MD2, 2006)

Because of this disproportional balance of power the MNE could lose

management control over a subsidiary. For instance, a Japanese manager⁹ stated: *Once, a sales manager started his own company, and it was discovered much later that he had been doing stuff for that company during his working hours here. He was doing this in company hours while he was getting paid by us! It's astonishing. So, quite naturally I tried to fire him. Then he not only asked for his retirement money but also for compensation. What a nerve. We took the case to court, and of course we won, but we wasted time and money on that.* (YKK-France Japanese manager, 2007)

This implies some control problems. The possibility of such moral problems was predicted by a local manager: [In YKK] if you want to do something, you can. This is positive but also this can be negative, because it depends on the people. (YKK-France French commercial director, 2006)

The reduction in the number of expatriates and the long history of YKK-France could have allowed several employees of YKK-France to behave more opportunistically, given their considerable degree of independent power.

Expatriates' perceptions of their roles

⁹ The job title has been withheld because of the sensitivity of this issue.

Controlling and changing the organisation

At YKK-France the most important role given to expatriates by HQs and RHQs was restructuring. However, even in the same context, ways of responding to the local environment and the requests of HQs varied from one expatriate to another, revealing their different management styles. The Japanese MD2 took a relatively indirect approach by only giving his subordinates targets to be achieved without detailed instructions about how to do it:

I only have moved to France last year (2005) after a long stint in Germany – 15 years. My management approach? I first give them a target. What I want to have done by when. Then I shut my mouth. I let them do their job. That is what I have done in the past, and I believe that is how to do it now, too. (YKK-France Japanese MD2, 2006)

On the other hand, another Japanese MD took a more direct and quick approach:

I take quick action once I have made a decision. My motto is to do what I must do, immediately. (YKK-France Japanese ex-MD1, 2008)

This person actually responded rapidly to the bad performance of YKK-France by initiating radical restructuring. Looking back to when he was in charge in France from 2002, he remarked:*It took restructuring of that magnitude for things to be returned to normal. Labour costs are still ridiculously high, so, seriously, it makes less and*

less sense to keep a factory there. (YKK-France Japanese ex-MD1, 2008)

Mass redundancy in France must follow the complex procedure required by the government, so the subsidiary hired a new company secretary from outside. The company had to prove that they had been in the red for consecutive years and were required to seek out suitable job vacancies for employees on the redundancy list, not only in Europe but in the rest of the group around the world. In addition, they were required to prove that redundancy was their only option and to create a specific social plan giving full support to the employees.

We must carry out major restructuring in France. But the laws are SO complex. We HAVE hired professionals in industrial relations and lawyers, but please, can you also investigate mass redundancy in France, just to check and double check? This country really calls for extreme prudence. (EMEA-RHQs Japanese company secretary, 2005)

YKK-France faced difficulties in enhancing its competitive edge as a fashion trendsetter through drastic restructuring. This is because of the considerably demanding national legal obligations (researcher's field notes, 2005–2008). At the Lille factory, where there were more than 150 employees, the expatriates also attempted to cope with this new policy. However, another expatriate, JEMF3, who is in charge of the Lille factory, was more reluctant over drastic

redundancies. His interest was YKK-France, rather than following HQs' directives, and initiated improvement in its organisational capabilities by offering many training opportunities and career progression paths and improving internal communication across the embedded local political group boundaries (interview with YKK-France Japanese factory director, 2006).

Expatriates' dilemma over the new localisation strategy

The head of the Lille factory, a Japanese expatriate, is a strong believer in supporting local employees: *I consider that my job is to support local employees. I don't intend to treat them any differently from the Japanese because they are locals. I hate being discriminated against, and I won't discriminate myself.* (YKK-France Japanese factory director, 2006)

In the Lille factory the expatriates were working closely with the locals. Their localisation approach was a continuation of YKK's traditional approach developed over half a century, as discussed in Chapter 5. Being two hours' distance by train from Paris, JEMF3 was able to take his own initiative in Lille, and he thus chose to become extensively integrated with and to develop a strong

coalition and rapport with the local employees. This approach differed from the new localisation strategy, which merely reduced the number of expatriates and attempted to replace their positions with local managers. It was thought that, in this way, YKK would give locals better career progression. But in reality, what happened at first was a disconnection between the expatriates and locals, rather than motivating the latter with the chance of better career progression. The problem with the new localisation strategy was that it was not clear which roles were to be replaced by locals and which were not and to what extent should autonomy be delegated to local managers.

In the event, however, with just 3 expatriates, their capacity was seriously limited. The local independence of YKK-France became vulnerable and management control was being lost with a subsequent loss of morale.

Local resistance versus the expatriates' global network

JEMF2, who was the company president for the latter half of the research period, had established network-wide coalitions in Europe from the times when he worked at YKK-Germany and RHQs. He also took advantage of this network in

carrying out his strategies after he became the MD of YKK-France. Even when he was still new at YKK-France and had not established extensive relations in the company, JEMF2 successfully leveraged his coalitions outside the organisation to push forward the organisational restructuring being pushed.

For example, when he was finalising the mass redundancy plan, the RHQs cooperated by providing the necessary financial resources and information, such as the official legal procedures. Also, when he had to reduce the French production output, he did so efficiently by swiftly moving the superfluous production machinery to Germany. At the same time, he had only limited coalitions with the local employees at YKK-France (interviews with Japanese MD2, 2005–2006). This was because the long-serving local employees were opposed to the radical restructuring push by the expatriates and he had limited local cooperation.

On the other hand, JEMF3, who was younger and worked in middle management, quickly built cooperative relationships with local employees. He and locals also established strong coalitions with other expatriates in Europe – for example, by attending pan-European meetings (including meetings of the EMEA marketing committees of YKK and EMEA, and marketing and production

planning committees). Moreover, they used this access to other subsidiaries and cooperative relationships with other subsidiaries to get technical support on production and inventory. However, no matter how many coalitions they established, with the limited autonomy that was given to them, the middle management and locals could only effect change at the operational level. For example, JEMF3 could neither oppose HQs' policy of radical redundancy nor influence the new localisation strategy (interview with YKK-France Japanese factory director, 2006).

Role of local managers

This section considers the role of the local managers. This study revealed differences between the roles of local managers and expatriates. The local respondents included 11 French managers, supervisors and their equivalents. These were the commercial director (LMF1 or French commercial director, hereafter,) the company secretary (LMF2 or French company secretary 1, hereafter), the marketing manager (LMF3 or French marketing manager, hereafter) and a company secretary who also deals with accounting and HR (LMF4 or French company secretary 2, hereafter). There were also a cost

calculation manager (LMF5 or French cost manager, hereafter), an auditor (LMF6 or French auditor, hereafter), a person in charge of M&E and R&D (LMF7 or French R&D leader, hereafter), a production manager (LMF8 or French production manager, hereafter) and a customer service manager (LMF9 or French CS manager, hereafter), a quality control manager (LMF10 or French QC manager, hereafter) and an information technology manager (LMF11 or French IT manager, hereafter).

The autonomy of the local employees

The policy to extensively delegate autonomy to locals was a result of the previous localisation approach of YKK (researchers' field notes, 2005–2008; interviews with local managers in Germany, 2004; UK, 2004; and Italy, 2004). Many respondents in the initial research fieldwork even showed satisfaction with the levels of autonomy and freedom of choice given to them. LMF1 felt the same, saying that greater autonomy even compensated for the resulting negative aspects. He explained: *... in YKK always everything is possible. That is the first impression I had when I started working with YKK... I always thought I had an excellent opportunity to get on [in YKK]. Something can be done and we can innovate and we can do*

something new, no problem. I just have to say 'OK, I am doing this, this, this, are you OK with that?' 'Yes, I am, go ahead'. (French commercial director, 2006)

Many responses indicate the widely shared view that autonomy had been extensively delegated to the local managers: *We have a lot of freedom, we can manage a lot of things and it's very, very positive because we are not directed to do something that we've got to do and this is an attractive opportunity. When I moved into Lille, I took on a lot of responsibility straight away, and that was also a very good thing.* (French CS manager, 2006)

The research showed that YKK-France enjoys extensive autonomy and independence in local operations but it did not indicate that they have much influence on group-level operations and strategies.

Working with expatriates

Carrying out massive restructuring in this environment required high capability.

To get it done, YKK-France hired LMF2, an industrial relations expert, to work with expatriates. LMF2 took the initiative on a wide range of issues, from negotiation with multiple labour unions to the creation of the social plans, to seeking the authorisation of the appropriate French authority, and finally

completed the restructuring. He worked on a closed-term contract and without extensive autonomy and support given by expatriates, it could not have happened. Expatriates' capability for managing this well-regarded industrial expert should also be valued (interview with the French company secretary 1, Paris, 2006).

The corporate principle of long-term-view orientation and life-time employment policy alongside the long history of establishment led to an increase in the number of local employees who had worked for the MNE for many years. It also assisted in developing solid local relationships by offering them continuity of work and benefits in return for their loyalty. However, this also affected the subsidiary negatively. LMF1 said: *Before I joined YKK in 1993 I used to work for a marketing company, which meant dealing with objectives, research, strategy, everything. It's strategy in action. So I found that YKK was very conservative and very set in its ways. People stayed there for a very long time and they're always doing the same thing. I was shocked. My first impression was that it couldn't be real: that no-one was doing any work. People only want to remain in the company because of the security, because there are no changes. This is a negative point. Very negative – no motivation, no challenge.* (French commercial director, Paris, 2006)

He made many proposals for improvement, which expatriates took into account. In 2008 this manager was working on the global integration of YKK-France and having various important missions and projects delegated to him, achieving outstanding business performance in the process.

At the Lille factory, where there were more than 100 employees working in various capacities from operators to top management, things were slightly different from the situation in Paris, where the restructuring was near completion. In Lille both expatriates and locals had serious concerns about their future without a clear subsidiary core being identified by HQs plus solid strategies. This caused frustration and uncertainty: *I want to ask: what is the company's direction? Where do you want to go? Let me know the direction and we can do it. We can definitely do anything by ourselves.* (French company secretary 2, Lille, 2006)

The research both in Paris and Lille revealed that while the locals were satisfied with the discretion given, they were frustrated due to lack of clarification of the company's strategy and subsidiaries' roles in the MNE.

Recognising the lack of motivation of the local employees, some expatriates and local managers made plans for motivating them – for instance, by giving them wider international career opportunities. LMF1 explained: *...one very negative*

aspect of YKK is that there is no motivation, no challenge, although it was quite easy for me to see what needed to be done. People were doing nothing, not innovating ... in this context saying we can do what we want means nothing. I had to give them a push... we have to exert a certain pressure on staff because they cannot go on like this. (French commercial director, 2006)

Other managers supported his opinion and pointed to unclear direction given to locals: *Before we can reach [the target], we need to know what the objectives are... we have not really got a target, because we only have to keep up our turnover or the amount of sales is not an [objective] ... I think that is the problem. If we have objectives, such as a production objective etc., it is not the same [as a] commercial target. [Without objectives] it is difficult for us all to go in the same direction. (French production manager, Lille, 2006)*

In this way the managers were trying to find ways to improve the locals' work motivation, including setting up and offering them wider career opportunities and clarifying the company's business objectives by involving the locals in regular internal meetings.

Influencing factors of the roles of expatriates

This section examines the factors influencing formation of the roles of

expatriates. Six contingent factors have been identified in Chapter 3. In addition, three strategic choice factors have been identified that allow expatriates to make their own choices. Chapter 5 presented perceptions of the roles of expatriates through the views of this MNE's key actors in different layers of HQs and RHQs. This section aims to help link various perceptions of the roles of expatriates in this context, by considering how each contingent or strategic factor affects the roles of expatriates.

Of the five key roles of expatriates that have been identified, the agent of change has received much attention. Much evidence supports the view that expatriates at YKK-France achieved organisational change quite well, and this fact was recognised almost universally by HQs, the expatriates and the local managers. However, one can also observe that the quality of organisation was being compromised due to a failure to recognise expatriates as agents of control.

The evidence that expatriates were working as localisers was more limited; although some expatriates were indeed trying to improve local capabilities and enhance communication, this was not well recognised by the locals. What local managers perceived was merely the decreased number of expatriates and total employees.

In terms of globalisation, while there was a certain degree of recognition of significant changes in the market due to globalisation, even those at the top level of local management were frustrated by a lack of information about the company's global-level strategies, or at least about their European strategies. This was where they want the expatriates to act: as agents of knowledge transfer. After a couple of years from the onset of restructuring, YKK-France finally became profitable in 2008 and managed to move out of debt. But the reality is that YKK-France simply downsized by firing employees. It now has an empty factory with much less machinery and a much smaller office in Paris. The subsidiary was not empowered for further localisation or attempts to integrate them into the global group (researcher's field notes, 2007). The following section will consider why they failed to recognise or fulfill the identified five roles of expatriates.

Contingent factors

HQs' Intervention

Like most MNEs, the global strategic changes planned by HQs were allocated to

the expatriates to initiate. A recent strategic shift determined by HQs included their new approach to localisation. This started from the MNE's recognition that their international business coordination should be developed with a global perspective, not country by country. HQs were not enhancing localisation with their traditional methods. In order to succeed in this transition, HQs strongly expected expatriates to initiate this mission. Thus, HQs were keen to identify the roles of expatriates as promoters of fulfillment. Although HQs expected locals to fill the newly available positions, from thousands of miles away, it seemed a great challenge for them to make their plan work in terms of which roles should be replaced by the locals, how and by whom.

Because by 2007 the percentage of overseas to Japanese production in the whole group was 90 per cent, HQs valued their overseas operations, including their profit structure. This fact led HQs to delegate further autonomy to the overseas subsidiaries, especially to senior expatriate managers such as the MDs and factory directors.

This change of localisation approach was due to many factors, including the declining number of Japanese expatriate candidates and the increasing necessity for local professionals who can effectively cope with the vulnerable business

environment by providing speedy responses to the customers in order to play this role. Most YKK employees believe that the successful development of their international business in the past was due to their unique method of localisation under the slogan 'Become a local'. This contributed to improving local knowledge and strong local networks and formed one of their competitive advantages.

This change in localisation strategy determined by HQs affected the strategies, operations process and structure of the subsidiary's business at multiple levels. By reducing the number of expatriates and decreasing the duration of their assignments, HQs did not leave much decision-making leeway to the subsidiaries; instead subsidiaries had to adapt themselves to this new situation.

At the same time, changes to the regional organisation structure were initiated by RHQs with the support of HQs. In 2004, in the YKK's EMEA-RHQs in London, the reconfiguration of production facilities in the region was proposed by an external adviser and discussed at the special monthly advisory board meeting and the discussion was carried to the wider EMEA meeting, which consists of the regional board members. As a result of reviewing their operational efficiency, YKK chose to reconfigure organisations incrementally rather than drastically. First, the R&D director of RHQs initiated centralisation of the European R&D

functions by aggregating those geographically dispersed in the UK, Italy, and Germany.

The second step was to attempt to differentiate subsidiaries' cores. Rather than simply differentiating by their size, RHQs attempted to give them specific strategic roles. As a result, YKK-France totally lost the R&D function that they had, though it had been small and with limited process.

Subsidiary core

Strategically, YKK-France had two responsibilities; gathering information on trends in the apparel industry, and initiating sales and marketing and client services. Value was placed on the ability to maintain and develop existing relationships with French companies, especially with high-fashion brand firms. They were not expected to transmit any manufacturing techniques to the rest of the group. Regarding the second responsibility, the ability was expected to provide them with the product strictly specified in detail by its local clientele, closely and promptly through the Lille factory. YKK-France tried to respond to clients' detailed requirements by carrying out manufacturing geographically closer to them, but it became difficult because of the high cost of manufacturing.

The varieties of scales and scope of clients' requirements was then so high that requirements could not be fully supported by the small factory with only 100 workers. Therefore, the Lille factory had become less capable in terms of its strategic core (interview with RHQs MD, RHQs and French company secretary, 2005–2006).

Age of establishment

In general, long established companies can promote the development of solid local relationships by offering employees stability of employment. YKK-France had benefited from a high level of loyalty from its employees. However, this was not always the case: *When I joined YKK, it seemed a very strange company to me. I used to work for a company with objectives and strategy... I found in YKK people were so conservative but looked very steady. I found many people had worked there [for] a very long time but they're always repeating the same things. I was shocked, this is not how people should work. They seemed to want to just remain like this because of security. I could see no motivation, no challenge. However, there are very strict political groups and they do not talk to each other. Some did not even listen to managers or expatriates.* (French commercial director, Paris, 2006)

This long history of operations seems to have contributed to the employees' feeling that although they did not need to change their working practices and could stick to their own way instead of listening to the newcomers. Over the decades, demoted employees spread the rumour that the top management had little to do, so even sabotage could be justified.

Local institutional systems

The considerable constraints to restructuring were as described below:

With trade unions, legally we have to negotiate every year on the overall increase in salaries... Generally, we never agree... but the negotiations have to be successful. If they aren't, he (the trade union official) won't sign anything until the company does what he wants. Of course there is a risk of strikes and so on, but we have to negotiate... We have to inform the work council of any change in the organisation. If it is not a collective organisational [change], we do not have to inform the work council. But if we decide to make collective changes, we first have to inform them and ask for their opinion. Their opinion may be no, but this is not important, we do what we want. But of course it's better to try to find a kind of middle agreement. (French company secretary 1, Paris, 2006)

Most managers at YKK-France as well as the RHQs are also fully aware that

the institutional systems in France with regard to the regulations of industrial relations are highly rigid and do not necessarily accommodate their business interests.

Local HRM systems

The local HRM policy/practices have been developed by local managers. LMF2 argues that YKK-France's HR system was inadequate and needed to be improved with greater transparency: *What we need to improve is the management objectives. A HRM system somehow exists, but it is not working... managers must discuss the company objectives with staff at the beginning of the year. We have had a lot of difficulties doing this because managers in YKK-France are not accustomed to this kind of discussion ... A lot of people do not know the objectives. This is very bad. The road to improvement is training the managers. It is very hard for many of our managers, because it is very hard to find new objectives each year. The main progress that YKK-France needs is to start from a system with perhaps 15 different bonuses. A very complicated pay slip so that nobody understood why they were receiving a bonus or why they were not. It's not clear or transparent and everybody is lost.* (French company secretary 1, Paris, 2006)

He emphasised the necessity of further HRM systems, especially training for

managers to learn how to set up objectives and improve discussion methods.

Not only did they decrease the numbers of employees, but also reformed organisational restructuring and the management system: *There was a problem.*

The economic situation was not so good and a decision had been taken to close some depots to concentrate the business in one place; in order to organise this, we hired new people. I know that this was the first service in which we spelt out very clearly each person's tasks and job description. (French CS manager, Lille, 2006)

The same person then went on to say: *I think that YKK-France has a HRM system. When I started in 1999, it was worse... then many people came in to help us out with this problem and a lot of improvements have been made ... so with employees we provide a job description and job evaluations, setting out what they need to do, and corresponding to our legal requirements. So everybody knows what their opportunities are if they get more work or more responsibility. I think it's very clear.* (French CS manager, Lille, 2006)

The research has shown improvement in their local HRM systems from an intuitive one to a more systematic one. However, there also need to be more improvements such as management training.

Local cooperation

Organisational reform and resistance

In 2000, YKK-France's profitability seriously declined. The reconfiguration of regional production affected the subsidiary core when it lost its R&D capabilities. By 2004 it was carrying a debt of approximately €2,000,000. At that time the subsidiary had 258 employees. In 2007, the deficit turned into a profit of €912,000, but the number of employees was reduced to 187 (YKK Financial statement, 2007). The company was able to conform to French law and the restructuring was carried out quite successfully without massive or numerous labour disputes, although, as one individual ambivalently remarked: *It was not a success because we have dismissed half our staff, there were 311 five years ago (2001). Now (2006) there are 194; but everybody is happy, no strikes.* (French company secretary 1, Paris, 2006)

In Paris, as the research was conducted after the company had already made a great degree of progress in their restructuring, it was not clear whether there had been more resistance against the company or expatriates. On the other hand, at the company's Lille factory, where more than 100 worked in various capacities from operators to top management, the progress of restructuring lagged far

behind that of the Paris office, and the restructuring effort was met with a great deal of resistance. Having made half of all their employees redundant, the remaining employees felt unable to voice their opinions to the company; it seemed that YKK-France had not yet established a new relationship between expatriates and the locals. Thus, the result of this research into the degree of cooperation between expatriates and locals was inconclusive.

Problem: intra-organisational communication

Lack of recognition of the corporate strategy and objectives have already been pointed out, but LMF2 revealed a more general communication command flow problem due to complex management lines: *There are always [communication] problems between the production and commercial sections. I suppose it's not a YKK problem but a YKK-France problem. I think the production staff are managed by the production organisation team in YKK-Europe or Japan. The commercial staff are managed by YKK-France and a division of HQs. For instance, it is clear to me that Mr. K (YKK-France MD, an expatriate) has special objectives coming from the [HQs] organisation. But this doesn't suit the objectives of YKK-France.* (French company secretary 1, Paris, 2006)

In addition, LMF10 indicated a lack of feedback: *Nobody will ask you to do*

something, nobody will comment on the result of your directives. (French QC manager, Lille, 2006)

The data indicates various communication and management line problems vertically and horizontally. This led to considerable frustrations among locals.

Role of expatriates as perceived by locals

Expectations of expatriates: transferring information

LMF2 suggested that the main issue was not the degree of autonomy given to expatriates or local managers but the need for expatriates in the different sections to maintain bilateral networks and knowledge transfer with Japanese HQs. He suggested that the expatriates were not disseminating the corporate strategy sufficiently, which was very important and, because of this failure, locals suffer greatly and a negative impact could be felt on any of their projects including restructuring:

It is not a problem of delegation. We actually need at least two expatriates: one in marketing and a technician in production because a lot of relationships [must be maintained] with HQs' machinery division for machine parts, working with machines, technical problems. We need a Japanese expatriate inside the factory. We also need a Japanese expatriate here [in Paris]

because [otherwise] we have no relationship with Japan. In Japan, they don't speak English... the local staff suffer from lack of information about global strategy. Not YKK-France strategy. We need managers especially but also workers, all need to be informed about the YKK strategy in Europe. Or we are completely unable to explain to the work council of YKK-France what the strategy is... Perhaps the Japanese expatriates know them but we don't. This has been a very big problem, for instance, for the restructuring plan. Normally when you present a restructuring plan in France you have not only to present the situation but also the industrial projections, what you are planning to do from an industrial point of view during the next few years. I am unable to say a single word about this. People were asking me, 'What is your strategy?' It was serious that I did not know the company strategy of YKK-France and Europe...people did not believe that the top management of YKK-France could not explain our strategy. And then they think we are not telling them the truth. (French company secretary 1, Paris, 2006)

This shows severe problems caused by expatriates' failure in knowledge sharing while expatriates are physically there.

The other local manager commented: *I don't know our strategy and objectives. It's not so transparent. We have seen some of it but we don't have the final information. We have confidential [information], but we don't know. So if we don't know, what are we working*

towards? (French company secretary 2, Lille, 2006)

Local employees perceived that expatriates had stronger connections with HQs and better access to important information than locals, both of which are critical when subsidiaries develop their future strategies together with locals and expatriates. The locals expected expatriates to perform the function of facilitating both knowledge transfer and relationships between HQs and the subsidiary.

Expatriates perceived by locals

While YKK-France went through the restructuring, some coalitions between their local employees and expatriates were strengthened after the company had alleviated the strong sense of distrust that many local employees had harboured towards the expatriates. They did this by making management more transparent and clarifying the roles and responsibilities of the expatriates.

Regarding relationships between expatriates and local employees, LMF2 pointed to the recent sharp decrease in the number of expatriates. He remembered each Japanese person by name and talked about his varying views on each:

Do you want the true answer? First of all, the situation is quite different now than it was five

years ago (2001) because there were around ten expatriates in YKK-France. It was like a little company. Now there are only five. It's a big change... There is a global problem of communication between local staff and managers and expatriates... Five years ago, there were a lot of Japanese staff but local staff did not know what exactly they were doing. They were very well paid, but what were they doing? Now everybody knows who is doing what. There is a good professional relationship. Now, now yes. Mr M (an expatriate) is a very good manager. Mr K also, Mr Y also, everybody understands why they [are] working for YKK-France and appreciates their work. (French company secretary 1, Paris, 2006)

When JEMF1 was MD at YKK-France, during the first half of the research period, the implementation of his strategy was greatly supported by the coalition of HQs and RHQs and other subsidiaries. These networks developed as a result of his work in YKK-Spain and other subsidiaries and he had also once been at the core of HQs.

Capacity for strategic choice

Autonomy

At YKK-France, expatriates were given a specific mission to carry out the restructuring, and given greater autonomy to support it. This helped YKK-

France to semi-successfully restructure itself with support from RHQs and HQs. They also provided YKK-France with extensive autonomy and let them take the overall initiative in implementing HQs' restructuring strategy – in particular, negotiations with the local trade unions and social council. It was left to the expatriates to determine the scale of the change as well as to select the individuals to be made redundant. It can be supposed that the extensive autonomy given to expatriates must have helped in managing the subsidiary to complete the specific mission. The next section will consider individual capability, as merely providing autonomy does not achieve anything in and of itself.

Individual capabilities

There were 4 expatriates in YKK-France. While Japanese management styles can be different from those of the French, as explained earlier, they all have substantial management skills, especially in terms of their experience of working in Europe. JEMF1, who used to be in senior management at YKK-France, had worked at HQs and also had more than 20 years' experience at subsidiaries, particularly in Germany and Spain. He had extensive knowledge of YKK's markets, clients, products and strategies. He also spoke perfect Spanish and

English as well as some French, in addition to his native tongue of Japanese, and is now MD of the RHQs. At the monthly advisory board meetings, which the researcher also attended, he was very decisive and took quick and direct action on many matters. When he was at YKK-France, because of his strong initiatives to streamline the French companies, he sometimes met with opposition from the local employees, but he never compromised his pursuit of the targets set by HQs and himself just for the sake of avoiding confrontation. However, he was also a good negotiator and made various projects successful with cooperation with locals in the end (interview and observation with YKK-France Japanese MD2, 2006).

JEMF2, who succeeded JEMF1 as the top manager, also has more than 20 years' experience in foreign subsidiaries as well as much know-how in strategy building and impressive language skills. He is the kind of manager who assigns tasks to his subordinates, watches them work on the tasks and only intervenes in the final stage, but some local employees had failed to realise that he intentionally did this to promote the independence of his subordinates (interview with YKK-France Japanese MD2, 2006; researcher's field notes, 2006).

While JEMF3 is much younger than these two and had less experience in

working overseas, his background helped him to cope with different people as he used to work on huge ships working with people of diverse ethnic groupings. He also has a good command of French that enabled him to communicate fluently with the locals and his coalition skill was remarkable (observation and interview with the Japanese factory director, 2006).

It has already been pointed out that coalition building is one of the desired capabilities of expatriates. If relationships with locals are conflicting, it detracts from employees' motivation and will affect role fulfillment as agents of control.

One of the constraints that made it difficult for expatriates to establish local coalitions was the existence of established political groupings among the locals in YKK-France, especially at the production site in Lille, as JEMF3 indicated:

Sometimes people, in different groups do not even talk to each other. [This barrier] is very strictly maintained. As I said, I always want to be of help to everybody here, but I definitely have to avoid making people think that I am in favour of specific people though not everyone may agree with me. (Japanese factory director, 2006)

Strategic choice theory emphasises the importance of coalitions in enabling managers to exercise their discretion. The research indicates that the existence of different coalitions with varying interests can also create tension in the

organisation as the political balance can be affected.

Role of expatriates at YKK-France

Chapter 5, the research outcomes, including those from YKK's CEO and directors of HQs and RHQs, explained the key expected roles of expatriates of YKK-France. The research and discussion at YKK-France showed that only the role of agents of change was fulfilled, with the support of local expertise, HQs and RHQs. But the author believes that this implies a measure of success by expatriates in managing people and performing roles of control. Table 6.1 shows the fulfilment of the identified roles of expatriates on a three-part scale of significance comprising low, idle and significant.

TABLE 6.1 THE ROLES OF EXPATRIATES FORMED AT YKK-FRANCE

Role of expatriates	Significance	Example
Agent of control	Low–middle	Despite disclosing fraud and continuing resistance, expatriates generally managed to achieve the corporate objective and there were more positive aspects than negative ones.
Agent of change	Significant	Success of mass redundancy, organisational restructuring, maintaining reasonable relations with those leaving.

Globaliser	Low	Local employees' confusion about the group strategy.
Localiser	Middle	Quality of relations between locals and expatriates maintained. Local employees felt they are given strong autonomy.
Knowledge transfer	Low–middle	Limited new technology transferred from HQs to France. Some production system upgrading supported by HQs.

Agent of control

This thesis defines the agent of control as an individual who ensures that a subsidiary develops and implements strategies and activities that comply with the policies and strategies of HQs or the global group. It was difficult to carry out such roles at YKK-France and therefore this role was limited. As shown above, the rights and bargaining power of workers in France are institutionally strongly supported by the government. The company must conform to the state's principles of labour management and the opinions of their employees – both as groups and individuals.

Given this background, it has never been easy for the MNE to adopt strategies that place more importance on the entire region's profits than on those of its

subsidiaries, and the restructuring that started in 2003 was met with conflicts and severe resistance. The resistance came in different forms such as disputes and strikes. There were only 4 expatriates at YKK-France. The degree of fulfilment of the role of agent of control by expatriates would be, it's fair to say, low to middling. The production and operation of sales and marketing were well controlled. However, they overlooked a serious fraud that involved a court case and they failed in negotiations with pressure groups and labour disputes followed. They also failed to improve overall capabilities such as motivation and innovation. Additionally, the opportunistic behaviour of local employees was far more notable there than in other countries covered by this research.

Agent of change

YKK-France was given the role of leading the restructuring. Carrying out massive restructuring in this environment required high capability. Change was led by a French industrial relations expertise (LMF2) but enabled by the expatriates' support, coalition building skills and choice of expert. LMF2's vision, knowledge, instinct, experience and ability to develop targets, milestones and timelines, were exceptional (observation by the researcher, 2004–2006; interview

with JEMF1 and JEMF2).

Localiser

The term *localisation* in this thesis refers to: adaptation to the local environment, the establishment of a cooperative organisation with local employees, and sufficient delegation of autonomy from expatriates to locals. YKK has made it a company motto to ‘contribute to the local economy and society’, considering it the primary reason for the company’s existence (YKK, 1984). In other words, their close relationship with the local community has become a core competence of the company. For YKK, what mattered was not merely expanding their international business in quantitative terms by transferring authority from HQs through expatriates to local employees but also promoting the subsidiary’s independence. However, as stated, because HQs have changed their traditional localisation approach, expatriates are no longer expected to ‘be a local’ and instead, expatriates and RHQs need to examine and identify what can be delegated and how. In that sense, it becomes more important to know the role of expatriates. Without it, it is impossible to allocate any role or task. At the same time, the MNE needs to analyse what enables expatriates to fulfil the role successfully or

what obstacle makes them fail.

Globaliser

Many authors (e.g., Evans, *et al.*, 2002; Morgan, 2001) argue that local independence requires a wealth of local resources. Local business performance is a matter of crucial importance. However, with French corporate customers expanding overseas, YKK-France has had to move from a business model focused on the domestic market to a more internationally oriented one. As a result, today, YKK's subsidiaries frequently compete head-to-head over French and other markets. This has confused their business partners. As global business coordination has become one of the company's major priorities, YKK-France is also expected to contribute to global coordination and operation.

In the corporate strategy of HQs, YKK-France was making efforts to establish sufficient production and supply systems for the global movement of its clients. International business literature emphasises the importance of localisation and globalisation coexisting, with neither being dispensable. However, in reality, it is still a new challenge for any subsidiary to proceed from focusing on the pursuit of profit to understanding the importance of global 'overall optimisation' and

actually implementing it.

This research examined whether the expatriates were proactively contributing to the company's globalisation. It found that they recognised the importance of globalisation. However, owing to a shortage of HR resources, it is taking time to achieve global integration and structural change.

In addition, factors such as the rigid local institutional system, almost non-negotiable established local HRM systems, the age of the subsidiary and the weakened subsidiary core seemed to work as constraints on expatriates performing the role of globaliser.

Agent of knowledge transfer

The research found that new technological knowledge was expected to be transferred from HQs to YKK-France through short-term assigned expertise from HQs. The expatriates role as agent of technological knowledge transfer at YKK-France was very limited.

At the same time, although HQs expected YKK-France to transfer knowledge as a fashion trend centre, progressive movement of clients out of the country made this role harder to fulfil. The research also found that HQs required expatriates

to transfer corporate cultural knowledge to YKK-France.

Theoretical implications

In YKK-France, expatriates played a more HQs-oriented part in streamlining the organisation, and as a result could not fully satisfy their other roles. Contingency theory argues that 'a corporation cannot survive without adapting itself to its environment', but in this case the expatriates did not just fail to adapt themselves to the local environment (Lawrence and Lorsch, 1967) but even tried to push forward HQs-led streamlining.

However, it is not entirely true to say that YKK-France did not adapt at all to the local environment. It is more accurate to say that there were stronger attempts to adapt to the global business environment than to the local one, even though it had already largely adapted itself to the local environment, given that the subsidiary had been operating in France for more than 40 years. In any case, it is certain that streamlining the subsidiary distracted from its adaptation to the environment. Therefore, it is possible that contingency theory, which emphasises the need for adaptation to the business environment, needs to take into account the growing complexity of the business environment.

Whilst strategic choice theory recognises the importance of supporting the corporation's environment, it argues that a corporation can in fact decide not to adapt and has the capacity to do so. At YKK-France, even under the company's policy, management focused on adaptation to the local and organisational environment. In other words, the middle-management expatriates had the capacity to make effective and proactive use of their local employees, train staff, and provide career paths for them and so on. Their decisions played a significant part in saving the subsidiary from total collapse and maintaining the motivation of local employees.

Contingency theory stresses the importance of adapting to the environment of local and global contexts plus contexts developed by HQs. In fact, the YKK-France case study supports the arguments of both contingency and strategic choice theory, on which this thesis's framework is based. YKK-France's research described that, following contingency theory, the firm had been strongly incorporated in the local business context, which is represented by the six contingent factors. The case shows that the contingent factors examined, which are HQs' intervention, the age of the subsidiary, the subsidiary core, local institutional systems, the local HRM systems and local cooperation, have

influenced the formation of the roles of expatriates and sometimes pulled them in two different directions: the local and the global. The research revealed the MNE's adaption to the changing global and local business environment in order to survive.

In terms of strategic choice theory, the research found that expatriates were given extensive autonomy and had high standards of individual capabilities, which included the ability to develop coalition skills with the locals and Japanese subordinates, skills in building coalitions with RHQs, HQs and other key organisations, experience of working abroad, language skills, and networking and communication skills. However, these factors did not seem to have much to do with the extent to which they performed the roles assumed in the thesis's framework. These factors contributed in various contexts especially managing their methods of organisational change.

Amongst the local factors, local institutional systems relating to employment were particularly rigid and had to deal with more than one negotiation channel. Although those with local expertise initiated changes, they were given extensive autonomy by expatriates and supported in many ways through their capabilities.

In that process, it was observed that expatriates chose to prioritise the role of

change and the way to do it. This is an example of a successful application of strategic choice theory.

Reflection and Conclusion

This chapter revealed that only the role of agent of change was successfully fulfilled and the other roles saw a much lower degrees of success. Fulfilment of the other expatriates' roles was sacrificed to prioritise completion of organisational change amidst adversarial circumstances.

At the same time, the research revealed that the same factors could work either negatively or positively. In addition, different individuals focused upon different roles.

The expatriates seemed to focus significantly upon one role – agent of change – and they met with many problems as a result. Thus, it may be fair to say the importance of balanced fulfilment of the roles was identified.

The project tried to identify to what extent each role was recognised both by locals and expatriates, and which were fulfilled by expatriates. The results showed that the six contingent factors greatly influenced the formation of the roles of the expatriates. The substantial intervention from HQs to downsize

drove the expatriates to concentrate on being agents of change. The age of the company led to internal political issues and in some respects gave the local managers enormous power. This made it a challenge for expatriates to manage the subsidiary. The decrease of subsidiary powers not only reduced the attention and support extended to expatriates from HQs, but YKK-France also lost sufficient support and resources to allocate them to the locals, including resources to be used to motivate the locals, hire new talent and invests in improving their production and other operation facilities. The powerful French institutional system, in particular its national employment policy, deeply influenced the activities of expatriates and consumed massive resources (including time and cost). The level of local cooperation was a legal obligation. The researcher witnessed insufficient trust and frustration from the expatriates. The locals' anxiety and frustration worked as constraints for expatriates upon their ability to perform various roles and remained mainly as the agents of change.

The contingent factors drove them to spend more time solving conflicts and problems. On the other hand, the established local HR system helped expatriates by making it unnecessary to deal with local HR micro-management, with which

they were not always very familiar.

However, one expatriate was more successful in establishing a coalition using his own approach. Individual capabilities gave them leeway to recognise and fulfil wide-ranging roles. For instance, JEMF3 was able to work towards improving the organisation, managing people in the factory and implementing HQs' strategy as well as developing the subsidiary's own strategy and reinforcing and empowering the local capabilities and employees. Therefore, it is fair to conclude that the identified factors are indeed an influence on the formation of expatriates' roles, but interactively rather than imposingly.

This chapter has examined and analysed the roles of expatriates at YKK-France and the influencing factors that formed them. It also considered how the outcome from each factor was related to forming these different roles. The research has shown that the contingent and strategic factors identified certainly influenced the formation of their roles while the degree of influence from each factor varied.

In the next chapter, attention will be given to the case of YKK-Spain, describing the dynamics that pit limited enhancers against constraints and will consider how this shapes the roles of expatriates. At the same time, we consider the effect on the roles of the expatriates when there is a huge gap between expatriates and

local managers in the perception of their roles.

Chapter 7 Expatriates tied down: YKK–Spain

Introduction

This chapter examines and analyses the case of YKK–Spain. The research found that there was no fulfilment of any of the five identified roles of expatriates. It was discovered during the first phase of research that all these roles were expected by HQs and also recognised by expatriates.

However, in this case the role formation of the expatriates was negatively influenced by contingent factors, while some strategic choice factors made the situation even worse, resulting in a negative economic performance and a considerable degree of tension and conflict within the subsidiary. These conflicts even resulted in the removal of one of the expatriates from this subsidiary.

The sources of the evidence used in this chapter were 6 hour-long face-to-face semi-structured interviews with 5 Japanese expatriates including the MD in Barcelona, a director in Tortosa plus 15 local managers and key employees in Barcelona and in Tortosa. There were 5 additional unstructured interviews with 2 of the interviewees. The chapter also draws upon views and concepts obtained in 2 interviews with the RHQs' MD and 2 with the company secretary when the

expatriate issues in this subsidiary were discussed alongside other topics. All these interviews were recorded, transcribed and translated. Two additional interviews were also carried out with an expatriate who was not on site when the author visited, these took place later in the UK as he participated in advisory board meetings 3 times and his views were collected in the minutes. Additional sources included notes from observation, notes from 3 three-hour meetings specifically arranged to discuss the issues with the MD of YKK–Spain, notes from the Spanish managers’ presentation at the HR European roundtable, reports from HR workshops and secondary data such as company history books, financial statements (consolidated and EMEA’s breakdown), and annual reports. This chapter first outlines the major contextual characteristics of Spain as a business environment, followed by an overview of YKK–Spain and its history. Next, HQs’ expectations of YKK–Spain and the expatriates there are analysed. Then the expatriates’ recognition of their role is examined. Next, the chapter analyses the roles of locals. After this, there is an assessment and analysis of the contingent and strategic choice factors. Following that, the formation of the roles of expatriates is analysed, drawing on the perceptions of the various stakeholders, and the ways in which influencing factors worked on the role

formation of the expatriates is analysed. Finally, analysis is undertaken of the extent to which the expatriates exerted their choice in terms of how they relate to influencing factors and to what extent they exercised discretion in forming their roles.

The specific context of the subsidiary

The country context: Spain

Itagaki (2004) states that, while Italy, Spain and Portugal do not account for a significant share of Japanese investment in Europe, Japanese companies have a major presence in European manufacturing industries. According to the figures for cumulative Japanese investment in 1990–1999, Spain accounted for only 2.4 per cent of the total Japanese investment in Europe, whereas their share of manufacturing was 4.3 per cent (Japanese Ministry of Finance, 2010). In Spain the socio-economic environment varies from region to region. YKK–Spain is located in Catalonia, the region surrounding Barcelona in the north of the country. Catalonia receives the largest share of European and American investment in Spain (about a quarter of all total direct investment) and 40 per cent of all manufacturing investment (Itagaki, 2004). Its major attractions are

the availability of skilled labour, a highly educated workforce and the fact that suppliers' prices are lower there than in the rest of Europe. There is a strong sense of regionalism among the people, as illustrated by the use of the Catalan language in schools (Itagaki, 2004). Itagaki (2004) notes that there are few Japanese plants in Catalonia due to the view among Japanese companies that labour relations in the region are challenging. However, in this research, most of the Japanese expatriate respondents who were working or have worked at YKK–Spain indicated that they had been impressed by the Catalan people's diligent working attitude, the effectiveness of their work and their strong loyalty to the company (interviews with the Japanese MD, sales director and technical engineers in Spain, 2006).

In Spain the liberal economic reforms of 1959 assigned foreign capital several roles to play. Spain needed hard currency and rapid technology transfer (Guillén, 2005). The reforms also introduced changes into what had been a protectionist regime and the very steep tariff barriers to trade were removed. The punitive taxation of imported industrial and consumer goods in a domestic market of significant growth potential attracted inward FDI during 1959–1973, while the world economic crisis of 1973 and the Spanish transition to democracy after 1975

slowed investment down. The years 1986–1992 saw economic liberalisation as a result of Spain’s membership of the EU, leading to rapid economic growth. By 1992 Spain’s per capita income was 80 per cent of that of the UK (Itagaki, 2004). Private enterprises in both manufacturing and services had expanded and a huge inflow of FDI had taken place, peaking at 4.2 per cent of GDP in 1991 (Guillén, 2005). In the late 1990s Spain experienced significant financial improvement and its economic foundation stabilised with increased and stable imports and the growth of its GDP. By 2000 Spain had started enjoying an economic recovery both in domestic demand and exports, with a real GDP growth of 5 per cent (OECD, 2009b). In recent years, Spain has suffered a high rate of unemployment. At the beginning of the 2000s this rose to over 10 per cent (OECD, 2009c). At the time of writing, it is again increasing rapidly after a gradual decline in the mid-2000s (OECD, 2009d).

Historical background

Initial business

It can be argued that the punitive import tax in the past could have pressured MNEs, including YKK, to establish local manufacturing. The newly established

YKK subsidiary could then grow their business using FDI, and expand their domestic market alongside Spain's economic growth (YKK, 2001).

YKK–Spain was established in October 1970 in Barcelona, which was the centre of the sewing industry in Spain. It was a joint corporation with one million pesetas of capital raised from YKK–Netherlands, the Union Industrial Bank and Botonera Medetareno Ltd. The business started with the transfer of Japanese expatriates from YKK–Netherlands in 1971. At that time the Spanish government still severely restricted the import of fasteners by imposing a 60 per cent tariff on them, which made it extremely difficult for YKK to import products from Japan. However, due to the Special Trade Agreement between Spain and the European Economic Community (EEC, hereafter), imports from within the region were taxed at no more than 15 per cent (YKK, 2001).

YKK–Spain attempted market entry by concentrating on selling high-quality nylon fasteners imported from YKK–Netherlands. However, together with an increase in import duty, they were subject to an official complaint by the local authority. Their initial sales strategy had been to engage teams of Japanese expatriates and local sales representatives in direct sales to local clothing manufacturers. The sales targeted the area around Barcelona and were

expanded by the establishment of a depot in Alicante in 1973. The same year also saw the establishment of an assembling facility in Barcelona, which enhanced services by providing a wider range of products in terms of colour and size and with shorter lead times. As a result of this, sales turnover increased dramatically from 14.2 million pesetas in 1971 to 110 million pesetas in 1973 and 140 million pesetas in 1974 (YKK, 2001, p.159).

Local production and local regulation

A YKK factory was established in 1976 in Tortosa near Barcelona, which was the area with the largest consumption of zips in the world. YKK–Spain imported raw materials and components mainly from Japan, but the local authority had placed a condition on their approval for a 100 per cent, fully foreign-owned enterprise and the building of a factory. This limited the company's imports to 35 per cent and required it to export more than 40 per cent of its annual sales turnover. This was to be achieved by 1980. The Tortosa factory started by producing components including sliders and monofilaments (YKK, 2001).

The establishment of this factory enabled YKK–Spain to increase their sales from 170 million pesetas in 1975 to 1,300 million pesetas in 1980. YKK–Spain

had achieved a domestic market share of 40 per cent by 1980, up from 18 per cent in 1975. Yet they still needed to overcome export duty by introducing competitive prices, this put pressure on their profitability. By 1978 they had achieved the level of export duty agreed with the Spanish government. In the early 1980s, YKK–Spain expanded their sales to northern Africa. Through this effort, the company achieved an export rate of 30 per cent. Later in the 1980s the Spanish economy was in recession and business for YKK–Spain became more challenging. Export duty was decreased to 15 per cent in 1985 and just before Spain joined the EC in 1986 it was repealed completely (YKK, 2001).

Business strategy

Joining the EEC was an epoch-making event for Spain's economy, opening up and reviving its market. Nevertheless, the fastener market was facing increasing imports from other regions supplying cheaper products, such as Taiwan. In addition, the European market was becoming more demanding in terms of product range, decreasing sizes of minimum orders, a greater variety of colours and harsher price competition. On the other hand, exports to Morocco and other northern African countries increased (interviews with RHQs' MD, 2004–2006).

In the 1990s, YKK applied a differentiation sales strategy with market re-segmentation by introducing high-value-added products such as concealed fasteners. This production strategy changed the business of the Tortosa factory from mass production to manufacturing multiple products in flexible quantities. The other elements of the new strategy were to reduce labour costs, depreciate fixed costs, improve logistics, enhance flexible production, train local engineers and operators, save more energy and make improvements in production efficiency (interview with Japanese MD of Spain, 2005).

After five years of development YKK–Spain introduced further innovative products using the concept of ‘thin, soft and smooth’ (interview with Japanese MD in Spain, 2006). By employing their resources and know-how, YKK–Spain developed and implemented an innovative strategy to supply targeted markets such as the UK and Germany, and made further efforts to improve their productivity (interview with Spanish company secretary, 2006).

Over the three decades since the 1970s, until the expansion of YKK–Turkey in 2000, YKK–Spain prided itself on having the largest production of the six major countries in YKK–Europe, both by manufacturing volume and range of products. In 2003 the subsidiary still made more than €40 million in sales, with profit

margins of nearly 15 per cent (YKK financial statement, 2007). The factory was the only one in the region that covered all production process, including the upstream part such as weaving and dyeing textiles. Prior to the emergence of the MNE, YKK–Spain did not have large domestic companies amongst their clientele in the same the way as its German or French counterparts did. Instead, its sister companies in the region were its reliable, in-house customers, to whom it sold its product parts, and thus it held a long-term, advantageous and stable position strategically (notes from meetings with MD of YKK–Spain, 2005).

HQs’ expectations of the role of expatriates in YKK–Spain

In the early 2000s, YKK–Spain started to encounter various problems and lose their strategic advantages, this affected their subsidiary core. Interviews at HQs and RHQs highlighted their expectation that the expatriates should 1) as agents of change, improve their performance 2) as agents of control, solve internal problems 3) as globalisers, attempt to re-establish their strategic core and structure them into their global business 4) as localisers, review and understand what is going on in the subsidiary and amongst locals and respond to it or solve the problem 5) as agents of knowledge transfer, review their technological

modernity with the help of HQs if necessary.

This section describes the nature of their problems with a detailed description of YKK–Spain to spell out the origins of the above expectations.

The recent business

From its establishment until recently, the role expected of YKK–Spain had clearly been the mass production for distribution primarily to the EMEA region, and this role, their strategic core, has been an important site of production for the EMEA region. In addition, YKK–Spain had established strong cooperative relationships with the key local stakeholders and with its sister companies over the course of 30 years, while maintaining strong links with HQs (notes from the meetings with YKK–Spain’s MD, 2005–2007). HQs gave the Spanish subsidiary extensive autonomy, support for the installation of new machinery, which often required massive financial and technical investment, and also provided HR support through sending necessary experts, such as technical engineers, from Japan (interview with RHQs company secretary, 2005).

In 1970, YKK chose Tortosa as their factory location, not necessarily as a result of assessment of optimal advantages, but to help local economic recovery and

growth, because at that time the area needed investment and employment. The location choice reflects the company's management philosophy of the 'cycle of goodness' (notes from the meetings with YKK's CEO, 2005).

In the late 1990s the business environment surrounding YKK–Spain changed rapidly. The Spanish economy experienced remarkable growth after joining the EEC. A growing number of local companies that had been YKK–Spain's customers gradually and proactively started moving outside the country, emerging as Spanish-owned MNEs. However, unlike its counterparts in the UK, Germany or France, YKK–Spain had never depended solely on doing business with local corporations and therefore it suffered much less damage from the exodus of local companies than its counterparts did. However, as their sister companies were also its internal clients, when they lost customers this naturally translated into a blow to YKK–Spain's business. Also, the rapid growth of the Spanish economy, affected the Spanish subsidiary by pushing labour costs upwards and making the labour market more mobile. All of this endangered YKK–Spain's position as a major production base in EMEA (minutes from the advisory board meetings, notes from the meetings with RHQs MD and company secretary, YKK–Spain MD, 2004–2006).

More threats came when central and eastern European nations joined the EU, together with the deregulation and revitalisation of the Turkish economy and an increasing number of instances in which Spain was replaced by these emerging economies as a mass-production base with cost advantage. YKK–Spain was also threatened by low-cost imports and the improved quality of Chinese products (minutes from the advisory board meetings, notes from the meetings with RHQs MD and company secretary, YKK–Spain MD, 2004–2006).

For more than 30 years YKK–Spain had held a solid position in Europe along with the UK, France, Germany and Italy. As such, at HQs there were many among the top management who had worked at YKK–Spain and still had strong ties with the subsidiary and gave it good support. On the other hand, the YKK group was promoting global efficiency and had doubts about YKK–Spain being the central production base in Europe, due to the company's labour and distribution costs, stagnant productivity and the changing nature of competition. Doubts about the Tortosa factory were also voiced, since the location was not initially selected because of its geographical advantage but because it reflected the management principles. There were increasing arguments that they should move the European production base from Tortosa to a more cost-competitive base

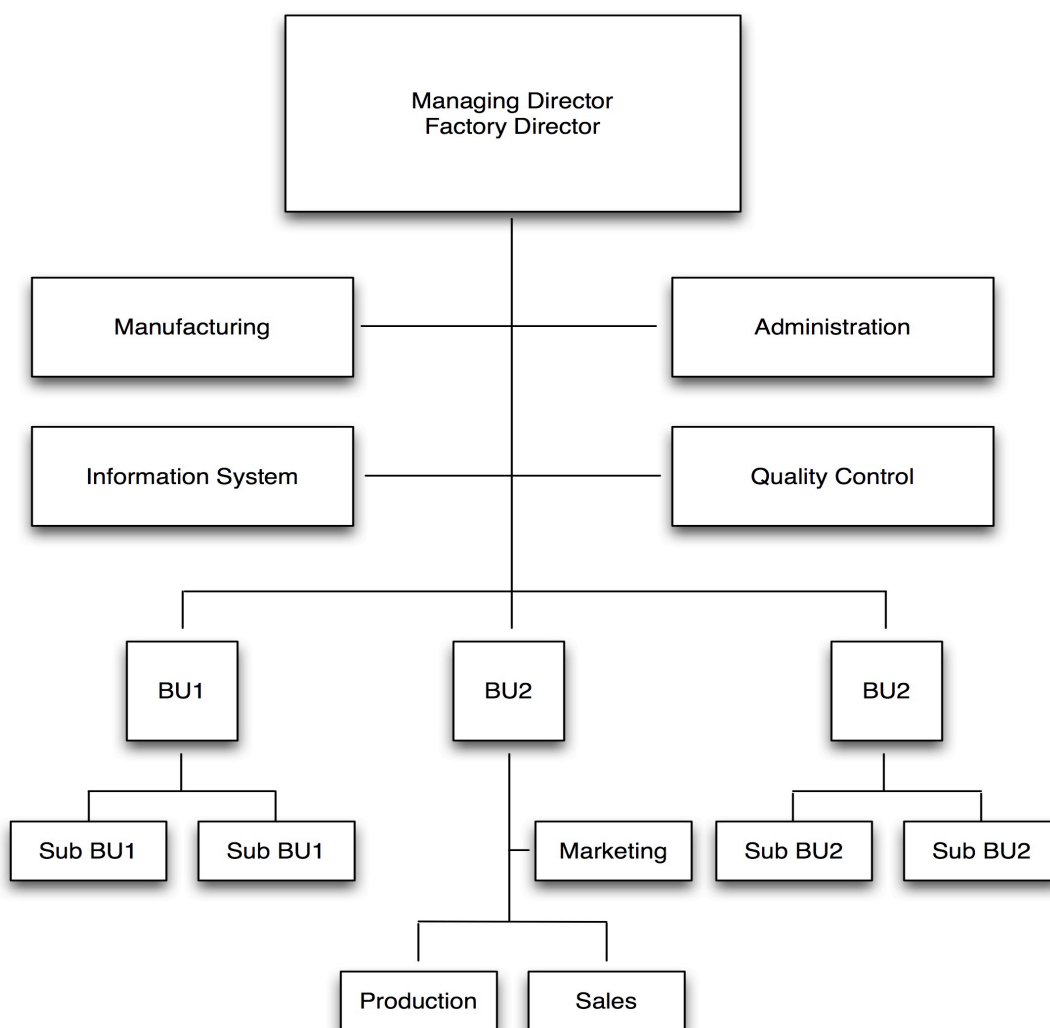
like Turkey or even outside the EMEA (notes from meetings with YKK–Spain’s MD, 2005).

The changes in business environment also resulted in HQs starting to stress that expatriates should play the role of globaliser. In addition, the RHQs were aware of the serious problems of YKK–Spain, including fierce internal politics. There was increasing conflict at the Tortosa factory between Japanese expatriates and locals, which affected its smooth operation. Thus, HQs expected expatriates to act as agents of control and solve these managerial problems (interviews with YKK–Spain’s MD and factory director, 2005–2006).

The researcher analysed what kind of control problems occurred in order to examine how the identified factors influenced the expatriates’ roles. It was discovered that major problems included Spain’s relatively loose institutional employment systems, individual capabilities and the organisational structure. The next section analyses this structural problem and the way in which it influenced the role of expatriates. In 2004 the company was operating under the organisational structure illustrated in Figure 7.1. This shows the complexity of the command system and the way in which some of the organisational components were unbalanced. For example, their manufacturing and quality

control departments were completely separate from the production department with other small business units being dispersed. The structure was neither centred on its business units nor on the geography and therefore lacked logic.

FIGURE 7.1 ORGANISATIONAL CHART OF YKK–SPAIN IN 2004



BU: business unit

(Source: conceptual model drawn by the author from the internal meeting at RHQs, 2008)

A then senior manager at RHQs explained the thinking behind this structure:

This seems to have been the only way to do it, if you wanted to achieve a long-standing political balance at the Spanish subsidiary... One manager in particular at the Tortosa factory seems to be getting strong support from employees inside, but it is not clear that this is beneficial to the company as a whole. Either way, the subsidiary must start off by reviewing its internal controls [for change] (EMEA-RHQs senior manager (later, the Japanese MD in Spain), 2004)

In 2005, RHQs asked the researcher and HR manager to investigate the details of the current problems and their causes plus any future problems that they could foresee.

Expatriates' perception of their own roles

There were 5 expatriates in YKK–Spain: the managing director (JEMS1 or Japanese MD, hereafter), the factory director (JEMS2 or Japanese factory director, hereafter) and the commercial manager who was appointed as an advisor to the senior management of YKK–Spain (JEMS3, Japanese commercial manager or Mr Suzuki, hereafter). The fourth was the technical engineer (JEMS4 or Japanese engineer 1, hereafter) who was well integrated with the

locals. He had a Spanish nickname and was fast improving his Spanish language skills. The fifth was another engineer (JEMS5 or Japanese engineer 2, hereafter).

Expatriates' perceptions and organisational change

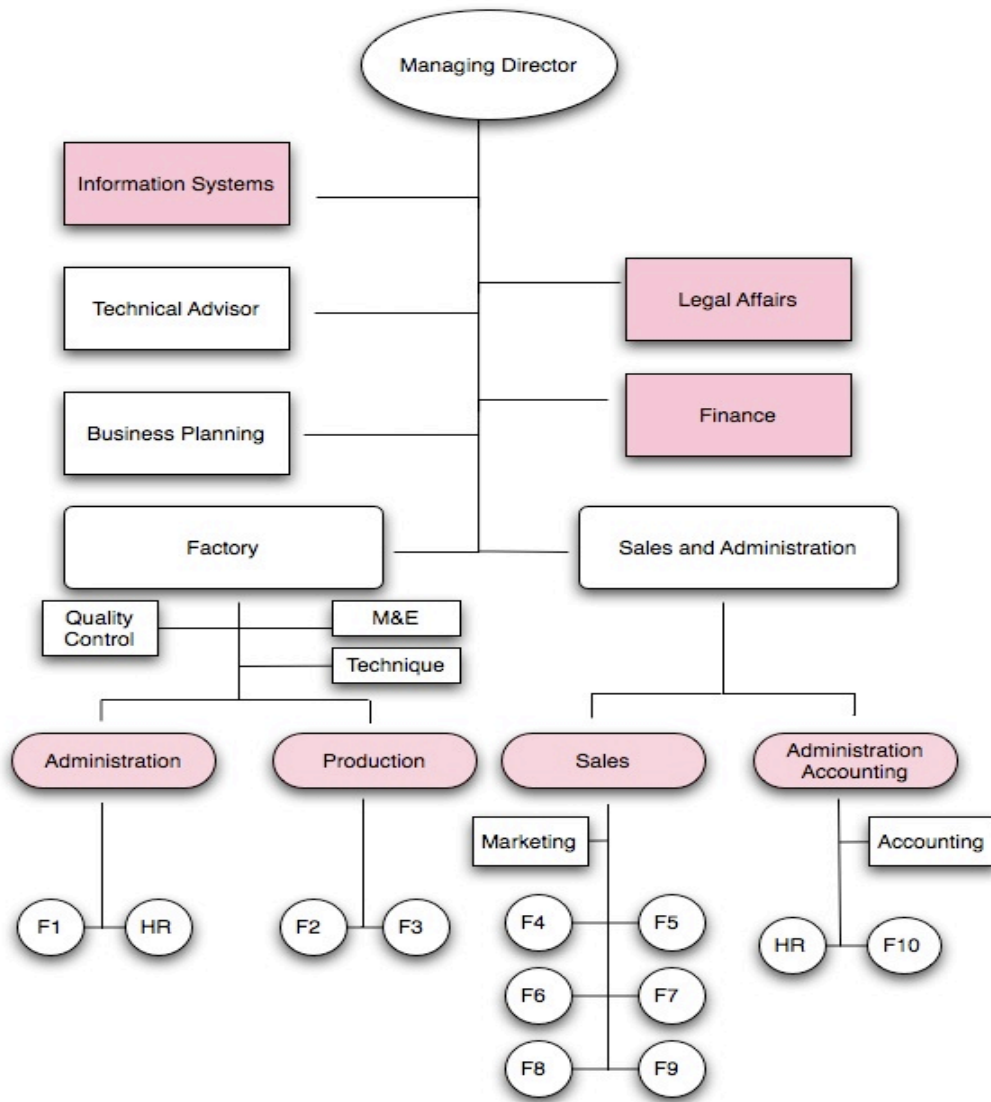
Immediately after the manager of the EMEA-RHQs became MD of YKK–Spain in 2005, he and the researcher developed the organisational restructuring plan shown in Figure 7.2 , next page, in order to tackle the problems.

Describing the new organisation chart, the Japanese MD explained:

We tried to make the command line of the organisation as clear as possible. The hard part was allocation of the locals, who had been around for a long time and held power and reasonable positions, to share their responsibilities with the others... I hear that some local employees are so powerful that no matter how they act, the employees still rely on them.

(YKK–Spain, Japanese MD, 2006)

FIGURE 7.2 ORGANISATIONAL CHART OF YKK–SPAIN IN 2006



F: function; HR: human resources; M&E: machinery and engineering

(Source: conceptual model by the author developed from researcher's field notes, 2008)

Compared to the systems created in 2004, this system has a logical flow and a function-based structure. Recognising the problems caused by loose and politically oriented local HR systems, the directors and the researcher also initiated internal training programmes, emphasising the existence of the

available career path in order to motivate locals. Additionally, we organised marketing trainings in Barcelona in 2006 (meeting with YKK-Spain MD and notes from HR workshops, 2006).

Additionally, between 2006 and 2007, the MD asked a local consultancy firm to help them to improve their HR systems, but the project suffered from the limited skills of external consultants and their lack of industry and company-specific knowledge (notes from observation at YKK-Spain and HR workshops, 2006-7).

The father of the MD used to work side by side with the former president Mr Yoshida at a time when YKK was expanding its business. He spent much of his childhood following his father to the various foreign subsidiaries of YKK. He thus not only enjoyed strong links with the Japanese HQs and subsidiaries, but also had the capabilities required to adapt well to local contexts and societies. Therefore, although he was newly appointed, he gained the trust of locals and experienced good local cooperation and had the ability to deal with HQs' intervention in his choices allied to a depth of knowledge and the capabilities to learn quickly and share his learning. He endeavoured to improve the situation and performance of YKK-Spain as an agent of control and change, a localiser and, to some extent, a globaliser and agent of knowledge transfer. However, his initiatives did not fully lead to as great improvements as had been expected

because of considerable obstacles and strong influencing factors working negatively (researcher's observation and notes from HR workshops, 2005–2006).

There was also a problem in terms of internal relationships. There was conflict between the MD and one expatriate (JEMS2). They seemed to have different motivations. For example, JEMS2 strongly focused on achieving the targets that he believed in, such as improvements in efficiency and productivity. The MD had a consensus-oriented management approach, involving interaction with local managers and listening to them carefully, then decisively drawing his own conclusions. On the other hand, JEMS2 was more domineering with little interest in establishing cooperative relations with locals and expatriates (notes from additional advisory board meeting and observations 2006).

JEMS2 stated:

The bottom line is that there is just too much waste in EMEA. Remember that the operations management expert¹⁰ that you invited said the same.... The number of factories required in a region could be determined by the equilibrium point between the economy of scale and the effectiveness of individual roles. That was why we quantified the productivity of each factory in the area. The answer is clear, if you just look at [the numbers]. (YKK–Spain Japanese factory director, 2006)

¹⁰ JEMS2 refers here to Professor Nigel Slack from Warwick Business School, who was invited for an exchange of opinions to the advisory board in 2005, with the involvement of the researcher and JEMS2.

Improvement of region-wide productivity was one of the critical goals set out by the RHQs. In that sense, JEMS2 certainly tried to act as an agent of change on behalf of HQs. He spent most of the time on HQs-oriented projects and committees. However, while the intervention of HQs were dominant, local contextual factors were equally powerful. As a result, he caused serious conflicts with the locals and aroused locals' hostility. JEMS2 had enough autonomy, but he had particularly limited capabilities for developing, for example, local cooperation.

Perceptions of expatriates' roles

JEMS3 felt that working in a coalition with his team and with support from his boss was important:

When I make a strategic decision that I believe in, the most important factor is the opinions of my team and bosses, and then of course mine. (YKK–Spain Japanese commercial manager, 2006)

He noted that the autonomy given to him by HQs helped him to make his own decisions: *In most cases, the environment allows me to make decisions easily. The biggest reason is that HQs have given me a lot of autonomy. When I make decisions, the Japanese HQs are not an opposing wind. The RHQs and YKK–Spain sometimes are. On the other hand,*

while the Japanese HQs rarely serve as a tail wind for me, I receive quite strong support from the RHQs and YKK–Spain. (YKK–Spain Japanese commercial manager, 2006)

He recognised the importance of expatriates working as agents of HQs by implementing their strategy and policies but saw that at the same time they needed to implement local strategy. In addition, he emphasised the importance of coordination with sister companies and RHQs. He valued integration with the locals and the local society as a way to gather critical local business information. However, he believed that motivating locals was critical (YKK–Spain Japanese commercial manager, 2006).

The research shows that the expatriates' own role perceptions and formation vary from one individual to another. For example, the MD not only perceived his role as being to act as an agent of change and control; his approach was oriented towards consensus with locals and expatriates.

He was also active in terms of local empowerment by introducing them to new managerial know-how from a global perspective. On the other hand, JEMS2 seemed to perceive himself as the agent of HQs and paid limited attention to the related local roles.

Role of local managers

The aim of examining the role of local managers was to contribute to clarification of the role of the expatriates, examining the differences between them. In addition, this section points out that lack of understanding of the locals' roles can result in a disastrous situation for the MNE.

Due to the various and serious problems of YKK–Spain, this situation had reached a critical level, which raised the question as to whether the expatriates could keep working there at all, or whether the company could continue to function, not only was this situation the result of more than just contingent factors, but also problems caused when some expatriates could not perform adequately.

Profiles of local managers

There were 15 Spanish respondents. The interview was conducted at the sales, marketing and administration office in Barcelona and at the factory in Tortosa. In Tortosa the respondents were the IT development manager (LMS1, or Spanish IT manager, hereafter), the head of the production planning section (LMS2 or Spanish production planning head, hereafter), and a factory manager (LMS3 or Spanish factory manager, hereafter), who was demoted from deputy

factory director to factory manager.¹¹ There was also a production manager (LMS4 or Spanish production manager, hereafter), a factory section head (LMS5 or Spanish factory section head, hereafter), a textile and dyeing section head (LMS6 or Spanish T&D head, hereafter) and a quality control supervisor (LMS7 or Spanish QC supervisor, hereafter).

In Barcelona the first respondent was a financial manager (LMS8 or Spanish financial manager, hereafter) who, having worked for YKK for more than 30 years, knew very well how to cope with Japanese expatriates and who had been relied on by many Japanese expatriates over the years. He also played a role equivalent to that of the company secretary. The second was the Snap and Button manager (LMS9 or Spanish S&B manager, hereafter) and the third was a marketing supervisor (LMS10 or Spanish marketing supervisor, hereafter).

While this person was younger than the other respondents in Spain, he became the head of various projects later on and was selected to be a member of the regional-level committee. The fourth respondent was an import-export section head (LMS11 or Spanish I-E head, hereafter) and was the only female respondent in Spain. The fifth was a commercial manager (LMS12 or Spanish commercial manager, hereafter) who was in a dominant position at the top of the

¹¹ After the research, in 2007 he was promoted to deputy factory director once again.

sales and marketing division and competed with LMS8, who held most of the power. However, due to his charismatic personality and presence he was in a strong position. The remaining respondents were a customer service section head (LMS13 or Spanish CS head, hereafter), a customer accounting section head (LMS14 or Spanish CA head, hereafter) and a general accounting section head (LMS15 or Spanish GA head, hereafter). However, when the quotations are sensitive, the person is described merely as Spanish anonymous.

The locals' autonomy: given and taken back

This section describes locals' experiences with autonomy. The degree of autonomy given within YKK-Spain to an individual differed. While the degree of autonomy delegated to the local managers in France was perceived to be relatively high, it was perceived to be lower and more varied in YKK-Spain.

For instance, one of the expatriates suddenly removed autonomy from one local director by demoting him significantly without any explanation or due procedure. As this local had a great deal of power in the factory, this action produced considerable negative consequences.

The episode started when a decision to institute significant change was made by the new expatriates, but the senior local manager who was in charge of the section was not informed. He said:

Are we consulted when there is organisational change [especially the change by the new Japanese director]? No, at the Japanese level, we don't know about anything. For example, now I am processing a foreigner authorisation file, because the new Japanese factory sub-director is coming, who theoretically is my boss. The excuse is that while the director is responsible for this, he travels too much to do it. (Anonymous Spanish manager, 2006)

The above statement also brings up the issue of role boundaries between expatriates and locals. The same person noted that expatriates and local managers used to have clearer boundaries to their roles in the past. Recently, as more complex tasks, responsibility and duplicated tasks have been allocated to the expatriates, the locals have frequently had to play the roles assigned to the expatriates and so their role boundaries have become less clear:

It was the same with my former director [a Japanese expatriate]. He was also responsible for all the European factories' administrative processes but I was doing it all. (Anonymous Spanish manager, 2006)

Some locals felt that their roles had been always interfered with by the expatriates. Another local manager showed his frustration with the limited autonomy given to him:

You can keep on just talking with these people, but you only lose authority because things never change. I think that the staff in the lowest level of the hierarchy know that decision-

making power regarding sanctions lies above us managers, that we are caught in the middle, so we don't have any authority. (Spanish T&D head, 2006)

However, even at the local operational level, the autonomy given to them is quite limited. LMS15 said: *I am customer service personnel for different activities but lately it's been up to me to take most important decisions: for example, how to adapt production to maintain stock levels, or how to deal with customers to give them a 15 per cent discount.* (Spanish GA head, 2006)

Nevertheless, there are other locals who feel that they have been given a good deal of autonomy. Comparing their autonomy with that of their colleagues in another company, one commented:

I feel good with the autonomy I have here. I used to work for other companies before YKK, and one of the most positive things I found here is the possibility to create. We created an accounting system, and a customer accounts system beginning with a standard package that was adapted to our particular needs. That was a very good experience. (Spanish CA head, 2006)

LMS15 explained how he managed the delegation of autonomy to local employees: *My subordinates have autonomy, unless I see they are going off on a tangent; but they always have clearly stated parameters, very clear bases, and that way they can have autonomy.* (Spanish GA head, 2006)

In addition, LMS15 said: *We would be better off if I and the other intermediate managers were given more autonomy. I mean, not the autonomy to do whatever we want, but to manage more responsibly, once the company's goals are clear.* (Spanish GA head, 2006)

Autonomy as required is given to local managers to enable them to fulfil their positions. However, in YKK-Spain's case, the autonomy was skewed as a result of political interference. This research also shows how massive the negative consequences are when the management of autonomy has failed to control the roles and performance of locals. More problematically, it is the expatriates' more-or-less personal choice and decision in terms of who to delegate to and what to delegate. Further research may explore the management of autonomy.

Multi-skilled workers in vulnerable positions

Most locals said that the expatriates were not directly involved in operational management. Instead, this was delegated to the locals. This may imply the roles of locals were orientated to operational management. The locals conducted operational and micro-scale management, including disseminating information through regular meetings and giving the local employees the opportunity to bring up the issues that they wanted to discuss.

In addition, the roles of expatriates were perceived by locals as sometimes very chaotic as their roles changed along with the turnover of expatriates. This made it harder for locals to distinguish their roles from those of the expatriates. It implies that roles of the locals are affected by the roles of expatriates. The locals' roles can be destabilised or rendered vulnerable by decisions made by the expatriates.

The locals also work in a wide range of tasks to fill task gaps in different areas:

You are supposed to have a quality assurance manual, according to ISO¹², setting forth all responsibilities and functions, but in reality the functions do not match those in the manual.

There are gaps between the manual and the reality. (Spanish factory head, 2006)

This respondent had to fill the gap between the company's practical needs and tasks laid out in the manual. LMS15 reported that his tasks covered a wide range of functions, from disseminating information to being a consultant for the local employees: *I act like an information channel. But sometimes, because of my experience, I'm consulted in an unofficial way by people from the commercial area. They do so because of my experience; most of them are here in Barcelona, where there are two people with just about two years in the company, and there's another one with three or four years,*

¹² ISO 9002 is the standard revised by the International Organization for Standardization (ISO) in 1994, which is a model for quality assurance in production, installation and servicing, not including the design process (<http://www.iso.org/iso/home.htm>, accessed 15/10/2006).

so they rely on my experience to solve a situation. (Spanish GA head, 2006)

He did not state any particular dissatisfaction with his role having multiple tasks, but he regarded dealing with these matters as one of the abilities that the senior managers highly valued in him. The higher valuation of being multi-skilled can be considered one aspect of Japanese management style and implies that some Japanese HRM principle had been transferred and shared locally.

The same person emphasised that his role included enhancing internal and cross-functional communication:

I act like a nexus between the factory, the customer, the commercial management and different departments inside the company... I have no conflict at all with the factory. If any issue comes up I consider it as an exchange of ideas, because I have my point of view and they have theirs. (Spanish GA head, 2006)

The role of the locals fluctuates due to the expatriates' constant changes or their frequent rotation. This confusion affected all the layers of employees by lowering their motivation and damaging the quality of the organisation:

It is not a recognition issue that decreases employees' motivation, but it is more about help. Because I used to help them more, constantly, always, I helped them every time they had a problem, they know they can still come to me and I will be there for them. But of course they are affected because I used to take care of things that nobody else did, such as filling the

[task] gaps now and again, and making organisational changes. Now different people have to do different things. I know this is good when it is done well – to be multi-skilled – but when it is done badly, [it is] not good. (Anonymous Spanish manager, 2006)

This comment points out the possible pitfall of expecting employees to be multi-skilled without providing them with enough support. In addition, he stressed the importance of the existence of an intermediary.

Then problems became even more critical. An accident happened involving an explosion. Fortunately, this did not involve any fatalities but there were some injuries. Also, there was substantial damage to the infrastructure and a major part of the factory roof was blown off. Due to the long-standing good relationships with the local community that YKK–Spain had built up over the previous 40 years they were not involved in a legal case over this. However, no matter what the consequences, it is a problem that this kind of serious accident happened at all. Soon after this accident, the expatriate who was in charge of the factory was removed from YKK–Spain by the decision of the MD and HQs.

In addition, LMS15 explained his management principles, commenting on the importance of the locals' and the expatriates' ability to understand all the employees well: *We always try to make everyone accomplish their tasks and give 100 per cent of what they've got, but not every person is the same, especially when most of them are*

women, who besides their work carry the burden of their homes, their children, etc. So you should listen to them: you shouldn't harass them. (Spanish GA head, 2006)

His comments show that the locals had been establishing cooperative relations in the firm. This is part of the conventional YKK localisation approach, where expatriates are expected to be integrated into the local subsidiary and community. Recently HQs' policy on this matter had changed and this approach is no longer central to their philosophy, but the research found that the locals still feel that building up cooperative relations is important – not if it is done mechanically, but by getting to know one another well. One Spanish manager describes a communication channel that he had constructed previously and emphasised how important it was:

I used to have annual meetings with all the employees to inform them of the company's performance, I used to meet them in groups and we spent days and hours discussing with the managers what was going on. But I always think that we need to give people the chance to speak out and bring up issues they want to discuss and make claims... I used to do this with workers and managers at every level. (Anonymous Spanish manager, 2006)

Then he explained how the change had happened and explained the role of meetings involving people from different organisational layers. In order to learn from mistakes and failures in the past, he stressed the importance of having

committed members of staff:

The situation has changed a lot because of the faster personnel rotation, while I still have a monthly meeting at management level. Before there was such a fast degree of rotation we, the permanent staff, knew each other and I could talk about goals and the future and ask people to make an effort... Anyway, in the meetings I always explained the mistakes we had made and said we have to learn from mistakes and make an effort to improve every day, because, we, the managers, should [act] as a mirror for people [a role model to the employees].

(Anonymous Spanish manager, 2006)

The comments also reveal the vulnerability of the locals. Their roles were destabilised because expatriates changed the levels of autonomy delegated to the locals but also because of the expatriates' short cycles of rotation.

In 2006, following his demotion, the senior local director's autonomy was dramatically reduced. For instance, he was not even informed by his Japanese boss about a drastic change planned solely by the expatriates:

There was a change of director. I had a discussion with the new one regarding my responsibilities, because I have to do everything here from HR to deputy director, and I wanted some support. He told me he would think about what I said to him. Then after some time, what was the answer? This was the answer: Mr X, you are no longer a deputy-director.

(Anonymous Spanish manager, 2006)

This action resulted in considerable conflict, not only between the expatriate and this local manager but also between the expatriate and most of the local employees. This made the factory unmanageable. The demoted Spanish manager was the key person in the local factory, having worked there for more than 30 years and possessing a wide range of technological and managerial skills, as well as people skills. When any trouble occurred, it was him that the locals went to see first. He was the person who was always making sure that task gaps were filled, from the operational level to the managerial level. He did this on a voluntary basis. When the new Japanese director demoted him he was no longer allowed to act as he believed he should. The accident occurred soon after he was demoted, when two chemical operators put two dangerous containers beside each other. The chemicals were spilt, which caused a massive explosion resulting in extensive damage. The expatriate was removed following this accidental chemical explosion at the factory, which brought production to an end and forced the evacuation of the local community.

The research at YKK–Spain shows that the role of locals can be negatively influenced, in this case by one expatriate’s decision and approach. This implies that when an expatriate fails local management by not developing cooperative

relations with them and listening to and communicating with them, but instead arouses their hostility, the formation of the role of locals is disrupted. Indeed, the locals had established specific roles that required specific local knowledge and long-established relations within and outside the organisation. The company policy was to delegate the operational level of management and give the managers the autonomy necessary to do their job, but the roles of the locals in YKK–Spain became vulnerable because of the inconsistent delegation of autonomy to them.

Roles of expatriates perceived by the locals

This section analyses the roles of expatriates perceived by locals. It does not merely list their perceptions, but describes the dynamics of these roles, shaped by particular organisational features such as individual interactions, conflicts and problems around the expatriates.

The researcher observed that all the expatriates recognised the importance of the five identified roles agreed by HQs. They also fully understood globalisation pressures as a result of HQs' strategy and they were aware that they had to implement it with locals. Expatriates perceived their role as being to manage the subsidiary as a controller, which was complex, such as when they were

motivated to work to overcome various problems faced by the subsidiary.

In terms of knowledge transfer, some expatriates were keen to introduce HQs' culture and management know-how. However, they did not really know how the knowledge accumulated in the subsidiary could be relayed back to HQs.

The *Kaizen* (continual improvement) culture, introduced by expatriates, was accepted favourably by locals and provided them with job stability, training opportunities, a good degree of autonomy and a good working environment. In that sense, expatriates could have been perceived by locals to be playing something of a localiser role. However, locals were not convinced that the localiser role was being satisfactorily carried out by expatriates in terms of provision of an objective evaluation procedure, improved career opportunities, better communication and more feedback and recognition.

Hostile perceptions regarding agents of change

Next, we examine the locals' perceptions about the expatriates' role as agents of change. It was recognised as being performed in part, insofar as expatriates change the organisational structure and work process frequently. LMS15 stated:

What I find positive at the company is the way the Japanese are. They give you the freedom to create; they give you the freedom to do things. That's very positive to me. (Spanish GA

head, 2006)

However, change was very often received negatively. Change or action for change sometimes had a negative effect on a subsidiary, causing a confusion of tasks and emotional conflicts, depending on how the changes were made. Pettigrew (1985) argues that changes can be regarded as a threat by members of an organisation. Success in the role of agent of change depends on how the locals understand the purpose and process of the change so that they can deal with the changes and their consequences. At YKK–Spain many locals believed that changes were made by the expatriates merely to establish their authority, especially when new senior managers were assigned from HQs. According to this perspective, locals seemed to perceive change as merely what expatriates do for their own interests instead of fulfilling their role in according to any objectives (interviews with Spanish managers and company secretary, 2006–2008).

LMS3 describes the too-frequent changes at the subsidiary: *We are always affected where there is a change of director or organisational change... A change in policies, a system change. Responsibilities change: every new manager has his way of seeing things and doing things, without taking into account our experience and our length of service.* (Spanish factory manager, 2006)

This respondent said that the expatriates could act opportunistically just because they had the autonomy and choice to do so. In addition, this person did not recognise that the expatriates acted as localisers in any way, such as by delegating autonomy, transferring local knowledge and developing coalitions with the locals. This implies that it is difficult to act as a successful agent of change if the expatriates do not act as localisers at the same time, thus creating fewer conflicts and more cooperation.

It makes a significant difference to whether changes are successful or not if the employees are well informed, the reasons for change are explained and opportunities are given to discuss the issues that surround the changes. A successful example of well-informed organisational change is introduced in a later chapter on the case study of YSI in Italy.

For locals, implementation of these frequent changes was made more difficult by recent localisation policy change by HQs. There were more frequent changes along with the expatriates' shorter period of assignment.

LMS3 explained the increasing challenge: *So the main problem is organisational change... they [Japanese expatriates] change faster now: every three years [we have] a new boss. They want to bring their own policies and own ways that we have to follow.* (Spanish factory manager, 2006)

This person also pointed out that expatriates act opportunistically.

Another local described the problems and difficulties for the locals in keeping up with the constant changes caused by a new expatriate director's arrival. He also commented on the contextual attributes of the location of the subsidiary:

This decreasing motivation is stronger at management level. All these unending changes make us do things this way today but another way tomorrow: maybe the day after tomorrow it will be different again. If they [the Japanese expatriates] let you down it affects my colleagues. The dedication you used to have decreases and your motivation to do the best in your work may even disappear completely. In a way, it affects everyone because we are like a small town. If this factory had been in the big city it might be different. But that is not the case here. In this town we know each other and we walk around the streets saying hello and goodbye all the time. (Anonymous Spanish manager, 2006)

On the other hand, expatriates perceived that they were acting for HQs as agents of change to improve organisational structure and performance and review their subsidiary's core following HQs policy. However, the expatriates were able to choose to what extent they acted as agents of change (notes from researcher's observation, interviews with Japanese MD and managers, 2003–2008).

In conclusion, looking at the considerable negative consequences revealed by the research, it is questionable whether the expatriates were successful in acting as agents of change. The consequences of the changes they made were not only not productive, they were actually disastrous for YKK–Spain. We investigate the reasons for this in later sections by looking at contributing factors.

Failure in competence as agents of control and localisers

This section analyses the locals' perceptions about expatriates' roles as agents of control. This failure was compounded by their inability to manage competently. The failure to achieve good control over the subsidiary caused various problems including task gaps and particularly a serious factory accident.

We examine the factors that caused this failure and consider relationships with the factors we identified – individual capability, age of establishment, and HQs' interventions (changes and new methods of implementation of localisation combined). HQs' interventions can work as a positive factor, in that it provides good support including resources, but it can work negatively if interventions are not planned well enough to be feasible.

The research found additional factors contributing to this failure – that is, the dual directional services required of expatriates. For example, the expatriates at

YKK–Spain often had dual positions, such as the director of YKK–Spain and the head of the EMEA production planning committee; on the one hand being responsible for the local subsidiary and on the other for HQs, thus making conflicts of interest unavoidable. For example, downsizing YKK–Spain to make it as cheap as possible was in the interest of the RHQs but not in the interest of YKK–Spain. For downsizing, the locals in a subsidiary generally require compensation or ask for educational opportunities to find another job, which places a considerable cost burden on the subsidiary. This conflict of interest arises from having contradictory commitments to two parties.

In terms of individual capability, the Spanish director criticised the unfair manner in which an expatriate had treated him: *It does not matter if expatriates have more formal assignments or not. It depends [on their personalities]. The new one that I have now thinks he is cleverer than everybody else. He wants to do everything his own way, but he is never here [in Spain] [to undertake the regional tasks]. So he asked the Japanese technicians to bypass my authority and give commands to the employees, and now he has kicked me out as deputy director.* (Anonymous Spanish manager, 2006)

The expatriate seemingly attempted to act as an agent of control by managing the issue in his own way. However, it seems that his strategic choice had negative consequences and his limited managerial ability created distrust and

hostility.

In terms of the factor of cooperative relations, the same person pointed out how poor relations between expatriates and local managers affected an entire organisation, disrupting the employees' motivation.

But people realise it; the younger managers, they see what is happening with the old ones: you work here all your life and what reward can you expect at the end? If you disagree, or if the new one [the Japanese director] does not like you, then you are put aside no matter what you do... Nice career progression, ha?... That demotivates people. (Anonymous Spanish manager, 2006)

The situation was made partially worse because this Spanish manager stopped several of his activities, which included the dissemination of information, giving opportunities to the locals to speak out and, more importantly, filling the gaps in tasks. It shows that expatriates' failure as control agents and localisers significantly impacted on the organisation throughout, damaging intra-organisational relations.

Not only were there rather negative perceptions of the roles of expatriates or just of expatriates by the locals, there was also a gap between the perceptions of the locals and the expatriates about these roles.

Influencing factors in forming the roles of expatriates at YKK–Spain

This section describes each contingent and strategic factor at YKK–Spain and then analyses how it influenced the formation of expatriates' roles.

Contingent factors

HQs' intervention

HQs' intervention affected them in two crucial ways. One is that the expatriates were assigned dual positions so they had two masters in a unity of command (Fayol and Gray, 1984). This was due to the company's new localisation policy to reduce the number of expatriates and extend the number of tasks allotted to them. For example, the MD also acted as the head of the marketing committee at the RHQs. This produced a conflict of interest. Such dual assignments not only made it difficult to work as an efficient localiser, it also made it difficult to work as an agent of control and change due to very limited local cooperation caused by the lack of time available.

Another constraint was HQs' expatriate management policy, giving the expatriates shorter assignments abroad, thus creating higher turnover. Limited locals-expatriates cooperative relations impaired the expatriates' ability to act both as knowledge transfer agents and as globalisers. Not only were they unable

to transfer Japanese managerial strategies to the locals, they were unable to relay local knowledge to HQs.

Subsidiary core

YKK–Spain used to be the centre of mass production for YKK in Europe with an important strategic role. Although they had developed high technological facilities, they fell behind in terms of other capacities such as innovation and design. However, due to a history in which they had contributed several members to the board of directors at HQs, they still maintained good connections with HQs and this gave YKK–Spain valuable support from HQs. With regard to business performance, they are now struggling, as many of their customers are moving outside Spain and seeking locations where production is cheaper. Their inadequate business performance may change their future subsidiary core.

A respondent with 20 years' history of working for YKK commented: *Now that I am back in Spain, I get the impression that this organisation has matured significantly.* (YKK–Spain Japanese commercial manager, 2006)

This shows one attribute of YKK–Spain, which is its maturity. Describing the subsidiary core of YKK–Spain, he pointed out they had achieved a certain scale and level of technical capability, while they had fallen behind in terms of design

and information transmission, innovation and flexibility. He continued emphasising how YKK–Spain had changed over the previous 18 years, saying that the subsidiary used to be a more flexible organisation with active local cooperation (interview with the Japanese commercial manager and Spanish commercial manager, 2006).

The organisational problem of instability was pointed out by LMS15: *Tasks, responsibilities and assignments are clear on paper, but they are not in reality. On paper everything is OK, the organisational chart is perfect and well organised, but at the practical level, is it?* (Spanish GA head, 2006)

In the interviews many managers could not draw the organisational structure, which shows their low recognition of their own organisational structure and a possible failure by the company to train people in the new structure.

LMS3 pointed out that every time a new expatriate arrived he introduced organisational changes involving not only changes in structure but also new goals and procedures: *What I would change is clarifying working regulations for personnel. I'm not asking for strict discipline but for normal routines. The problem we have at management level is that every six or seven years we have a new director, and of course each one wants things done their own way, so this influences the production manager, our deputy director, our technicians and the way we all do things. It's very difficult to make*

people change, especially those who have been here for 30 years. (Spanish factory manager, 2006)

He emphasised the fact that more fixed procedures and regulations would avoid the problem of expatriates sometimes working for their own interests. His comments imply that the expatriates have too much autonomy for their limited local knowledge, and that a subsidiary-specific institutional system must thus be introduced to restrict such disruptive changes. We see interactive relations between roles and factors (e.g. local cooperation enables expatriates to play a wider range of roles, fulfilling the roles of controller and/or localiser, by developing a more favourable environment for them with contingent factors working positively).

LMS5 pointed out that an obstacle to establishing bottom-up cooperative relations was the ambiguity of command and reporting lines in the organisational structure: *There is some ambiguity in terms of whom to go to when there is a problem, particularly with people who are not related to production, e.g. an administrative person. This could be a problem, for example, if there are two people with the same responsibility.* (Spanish factory head, 2006)

This ambiguity derives from an incomplete specification of lines of control and a poor understanding of the expatriates' responsibilities.

Age of establishment

Ansoff (1984) examined resistance to organisational changes and pointed out that the longer that existing practices had been embedded in the organisation, the stronger resistance to change will be and the more challenging the changes become. Moreover, Reus *et al.* (2009) argue that organisational practices become tenacious over time and their characteristics are institutionalised into the know-how that was previously invested in the organisation. Therefore, even when a firm faces changing circumstances, its decision-makers may not see the need to make any changes because they see the situation through a screen based on their own historically conditioned interpretive schema which has been developed over many years. Even when the need to change is recognised, the existing system may not allow decision-makers to respond to it.

The 40 year-long history of YKK–Spain has allowed it to form particular local relationships and specific practices for doing business. Dominant and powerful groups of locals who have more influence over others have also been formed. In this kind of organisational context, acting as an agent of change can be a challenge. These strongly embedded practices compounded with the power of the

locals gave them the ability to resist change.

If expatriates understood more about the subsidiary-specific ways and relations further, whether they changed it or not, role fulfilment might have been more successful with fewer obstacles and less resistance. However, the new overseas assignment approach of HQs could have made it harder.

Local institutional systems (employment)

Compared with the rigid and established institutional systems seen in France, those in Spain are still under development and loose, even since the country joined the EU. In terms of employment and the working environment, the Spanish government does not have extensive control over companies.

It was challenging for expatriates in France to deal with rigid national employment systems, but Spain's loose formal national employment system gave expatriates severe challenges. Reus *et al.* (2009, p. 389) state that the environmental ambiguity gives managers the extent to which "organization members may have multiple, ambiguous interpretations about the best way to face their environment".

However, in YKK-Spain such ambiguity was less marked to the locals who had the experiential knowledge that reduces ambiguity in interpreting which conditions were required by the informal institutional system. For example,

compared to the other subsidiaries in the group, equal opportunity policies were poorly implemented in YKK–Spain. The expatriates had a choice to act as agents of change and introduce positive changes such as the promotion of female workers to create equal opportunity. However, since they did not know what changes would be considered appropriate in the context of YKK–Spain’s informal institutional system, they relied on the opinion of the local managers, who were opposed to this change.

LMS11 was the only female respondent in the YKK-Spain study and she was not technically a manager or supervisor, although she had worked there for 16 years and has a master’s degree in commerce. She commented:

We or I will not have any promotion, no, no, it is not around. If one person leaves the company, it may happen. But there is no internal notification of a job vacancy... what I think is important, not only for YKK but also in general, is equal opportunities for women and men... women have more formal qualifications than men so we could be better than men.

(Spanish I-E head, Barcelona, 2006)

She did not expect that either the expatriates or the local managers would work on improving the situation.

Local HRM systems

While formal institutional systems can reduce environmental ambiguity, the existence of HRM systems can reduce uncertainty in complex organisational environments. Environmental complexity relates to the number of elements in a firm's internal environment that need to be considered when making a decision (Reus *et al.*, 2009). The more developed HRM systems are, the more organisational aspects can be managed by following established procedures. Therefore, when subsidiaries have well-developed HRM systems, expatriates can have a higher degree of choice to focus on their strategic-specific roles as, for instance, globalisers. The less developed the HRM systems, the more time expatriate managers need to devote to micro-management and to performing tasks that can otherwise be performed by local managers.

One expatriate indicated that a well-organised HR system helped him make decisions when he was in Finland: *The Finnish organisation was the most efficient, in that it was easy to make decisions and the HR system there was well-organised.* (YKK–Spain Japanese commercial manager, 2006)

The establishment of a transparent HR system can reduce confusion, misunderstanding and frustration in employees.

In YKK–Spain, HR systems were not well developed. They lacked adequate

procedures for promotion, evaluation and the setting of job boundaries. Moreover, Barcelona and Tortosa had different HR systems, which increased overall complexity. This lack of consistency produced a negative effect on the expatriates' choices. For example, the MD constantly intervened to arbitrate between the two locations because of differences in individual evaluations and promotions, in particular, this created a general perception of unfairness and reduced employees' motivation.

The malleable local HR system did not contribute to the enhancement of their motivation. Lack of motivation was widespread (observation at YKK–Spain, 2006 and interviews with MD and Spanish non-management, 2006). This low motivation was not only due to mass redundancy, which had happened in the past, but also to the way in which the expatriates had managed it. As a result, there was widespread feeling among locals of fear and insecurity and of having been misled (observation, interview with Spanish anonymous, notes from HR workshops, 2006).

Local cooperation

The quality of organisational relationships in YKK–Spain was examined from multiple aspects. The research found numerous and intensive conflicts between

expatriates and locals. The expatriates needed to solve these problems before establishing coalitions with the locals, who are essential in enabling the expatriates to fulfil their roles.

To understand how and why the cooperative relationships were so poor, this section describes the steps that led up to it. It has to be noted that the type of relationship varied depending on the personal attributes and hierarchal position of the individuals involved. For example, in Tortosa two Japanese engineers were more integrated with the locals than the other Japanese senior managers.

Communication was a major part of the problem. There were no communication problems between the line managers and employees.

LMS4 emphasised the necessity of communication in multiple directions:

I'm saying this because of what I've seen in other areas. The treatment of subordinates. I don't like to say 'subordinates' but ... I think they should receive more help, more cooperation, that is what I want to say ... I mean that there's not good communication, maybe from both sides, from the top down and from the bottom up. (Spanish production manager, Tortosa, 2006)

In addition, he points out the company's failure in communicating with and inducting the locals when the company introduces any new change: *There are difficulties with upward communication because YKK is a multinational corporation and they*

change top management every four or five years so you have to start all over again. When you have someone new you have to learn how he wants things done, and how you should behave. (Spanish production manager, 2006)

Another local pointed out that communication with Japanese expatriates was difficult. There was an unwritten rule that bottom-up communication from employees in lower hierarchical positions to the Japanese managers was unacceptable.

Some line managers expressed their willingness to communicate but they also faced a language barrier and therefore depended on the Spanish managers who were fluent in English: *I am not saying that Japanese managers do not like to be approached by non-managerial employees, but I try to assure them that whatever they talk about to me stays between us alone; that nothing they say will be used against them. This is noticeable because, as I said, top management is quite inaccessible, I mean, the Japanese are inaccessible. They don't inform me and I don't inform them, and we're trying to break the ice, but we can only do what we can.* (Spanish CS head, 2006)

LMS5 agreed with this remark and suggested that the expatriates were not willing to communicate with the locals: *I have no problem if the employees want to talk to them, but I'm not sure that the Japanese management would agree, I don't think they would. I don't think that the Japanese would be prepared to receive everyone wanting to talk*

to them. First, they don't speak Spanish and communication is not easy, but they should listen more seriously if someone goes to them with a problem. (Spanish factory head, 2006)

The research shows that communication was strongly related to local cooperative relations and that expatriates could choose to work on improving them.

Conflicts

A number of intense conflicts also distracted from the establishment of sufficient local cooperation. The main areas of conflict were related to structural changes. The Spanish managers felt their positions were under threat every time a new director was appointed. All the issues described above were compounded and caused various conflicts. LMS3 did not believe that the expatriates were any help to the locals: *When I have any problem regarding personnel, I do not go to the [expatriate] director's office. For instance, the director we have now deals more directly with the Japanese technicians, and he gives orders through the Japanese technicians.* (Spanish factory manager, 2006)

In addition, cooperation between expatriates and locals was less likely: *Even when things reach me from different places, more than I could manage, I [try to] manage as best I can. I deal first with one and then with the other or just talk to them both and make*

them decide who's first... the manager has asked me to do some invoicing to fulfil company goals, which is quite logical, but then one of the technicians says that we have to produce for the national market, and the other one says, "No, we have to produce for export, because I'm production manager and I'm going to be pressed from the Barcelona [sales division] to do so". Everyone has his own point of view, but I have mine. I think maybe the director hasn't understood his position yet, because he's new, but he's leaving the weight of the decision-making to us here. But I do think they [the expatriates] have to dedicate their time and attention to other things. For example, they are not interested in machinery issues [in the RHQs' production planning meeting]. (Anonymous Spanish manager, 2006)

These comments emphasise how the lack of clarity on each individual's responsibilities through the vertical and horizontal command line can create conflicts.

The research shows that the contingent factors identified significantly affect the role formation of these expatriates. This started when HQs intervened by assigning dual positions to them, putting them in a difficult decision-making situation because they were obliged to follow two contradictory objectives. This was compounded with the shorter period of stay in each subsidiary and the more frequent rotation of the expatriates as a result of HQs new policy. As a result, the expatriates were unable to adapt to the local context or solve local problems.

This made it difficult for them to fulfil any of their roles, as to do so they needed the cooperation of the local managers. Whilst the subsidiary was regarded as reliable by HQs due to its technological capabilities and the networks they developed, its age of establishment (1970) worked as a strong constraint to the expatriates' autonomy. Over the last few decades YKK–Spain had established their own way of doing things and their own values, developing their own institutional system that became embedded in the company and created a solid group resistance together with the power to resist change. This made it difficult for the expatriates to act as agents of change and, particularly, as agents of control.

The lack of adequate HRM systems prevented the expatriates from acting in their primary role and placed them in a situation where they needed to spend more time on operational tasks. These four factors compounded the problem and led to uncooperative relations between the expatriates and the locals, which prevented the expatriates from forming or choosing to form and perform any of their roles adequately. The next section examines the strategic choice factors at YKK–Spain and considers whether expatriates could have overcome these negative contingent factors.

Capacity for strategic choice

Autonomy

YKK's expatriates in senior management were given extensive autonomy. For example, they had the autonomy to change YKK–Spain's organisational structure entirely and they had ultimate budget control as well as the ability to take HRM-related decisions, such as promotion and demotion of the locals, without consulting any other manager, even when the matter concerned the local senior management. However, their autonomy could be restricted with regard to resource allocation, for example in investing in new production facilities and in determining the role the subsidiary played in the whole group. In addition, their autonomy was restricted in terms of local strategy development. The expatriates were adversely affected by the short duration of their expatriation.

They had extensive autonomy overall and it enabled expatriates to choose which roles to give more focus to. The research showed that expatriates were choosing their roles or focusing on particular roles for their own strategic reasons. For example, with regard to the role of control agent where they were supposed to work in orientation with HQs, they were choosing how and to what extent they followed HQs' policy and strategy.

In addition, expatriates could not exercise their autonomy in total isolation as decision-making is a process and outcomes are something that had to be followed by employees. Thus, to exert autonomy, managers needed coalition ability and so do expatriates. For this reason, the extent to which expatriates can exert autonomy varies by individual and superior autonomy does not automatically operate as a positive factor in expatriates fulfilling the roles that we have identified. The fulfilment reflects expatriates' individual capabilities. The next section will discuss this factor.

Individual capabilities

This research presents an interesting case where the two expatriates, the MD in Barcelona and the factory director in Tortosa, were given the same degree of autonomy in almost the same organisational context, as described in the section on contingent factors. The MD could not fully act as an agent of change due to strong resistance in Barcelona. But he did not let the Barcelona office get out of control. He tried to relate to the locals and empower them by organising an educational seminar, although his efforts were not entirely successful due to the constraints from contingent factors such as the subsidiary's powerful resistance to change. However, the MD chose to go against all this and he tried to initiate

changes for the better, for instance, in improving communication. He also hired researchers like ourselves to find out what internal problems there were and we discussed this as well as possible solutions involving the locals.

The MD had long experience in managing various overseas subsidiaries, including those in Spain and the UK. His experience and managerial capabilities empowered him in making decisions that he believed to be good for the subsidiary instead of merely implementing HQs' policy, although he did this as well. These decisions and choices were independent from those of HQs. He used the advantage of the company's technological capabilities and still-powerful position in the group to stop further downsizing in the subsidiary and, although he faced internal resistance to change due to the age of YKK–Spain, he tried to find compromise to overcome the resistance. He hired outside consultants to develop more objective HRM systems rather than allowing the embedded institutionalised system to continue operating. His management abilities enabled him to interpret the new localisation policy introduced by HQs, which could easily have caused conflict between him and locals and, instead, he was able to help the locals to understand the organisational change.

However, the individual efforts of one person are severely limited. As a result, the influence of the contingent factors remained dominant and made playing the

roles identified difficult for this expatriate.

Furthermore, the senior manager of the factory (a Japanese expatriate) made the situation worse. Not only could he not overcome the dominance of contingent factors, but he was also unable to manage the locals as a result of the intensive hostility towards him.

Although expatriates must develop a coalition with the locals in order to manage a subsidiary, both expatriates in management failed to build a solid coalition locally, despite having strong coalitions with people at HQs. Their failure to act as agents of control was mainly due to their inability to build local coalitions.

As was noted earlier by 5 of the expatriate respondents, 3 Japanese expatriates in senior management had similar capabilities such as company-specific knowledge and worldwide work experience, including long periods of expatriation in different countries. Their individual capabilities varied. This variation affected their role fulfilment and the extent to which each was able to make his own choices in forming his role.

Role of expatriates in YKK–Spain

The previous sections described how each contingent and strategic choice factor influenced the formation of the roles of expatriates.

Table 7.1 offers an overview of the formation of roles and the responsibilities of expatriates at YKK–Spain. The scaling method was explained in Chapter 4.

TABLE 7.1 ROLE OF EXPATRIATES AT YKK–SPAIN

Role of expatriates	Significance	Example
Agent of control	Low	Failure in managing local resistance, causing intensive conflicts and resulting in hostile relations between the expatriates and the locals.
Agent of change	Low	Extreme difficulty in changing the subsidiary’s rules and routines, which had been institutionalised and embedded over many years.
Localiser	Low	Inconsistent delegation of autonomy to the locals, absence of accountability, failure of local empowerment, failure to motivate the locals, failure to build trust and coalition with the locals.
Globaliser	Low	Failure to communicate and explain HQs’ idea of the group’s globalisation policy to the locals, who had conventional and rigid views and institutionalised management practices.
Agent of knowledge transfer	Low	Failure to develop and communicate HQs policy and strategy as well as the new local organisational structure.

In YKK–Spain, subsidiary core and autonomy worked as positive factors and age of establishment and damaged local cooperation worked negatively towards the fulfilment of the roles. Loose local institutional systems and local HRM systems’

underdevelopment also worked as negative factors. HQs interventions had some supportive aspects for fulfilment, but their requirements, such as new localisation policy implementation and dual-directionally assigned roles, worked negatively. These constraints were too strong to be overcome by the factors that worked positively.

As a result, expatriates could not fully form the identified roles. What follows analyses this failure to form their roles and seeks to understand the extent to which the expatriates had choices and exercised them.

Agent of change

The expatriates failed to fulfil the role of agents of change. Managers are expected to produce changes to respond to the changing market (Pettigrew, 1985).

Although the expatriates at YKK–Spain designed various structural changes, they could not be implemented sufficiently because of the resistance of locals.

Locals opposed the new organisational structure as they had not been informed, consulted or given opportunities to voice their opinions about it.

The MD promptly realised that this lack of understanding could cause serious problems, so he started to improve communication and establish coalitions to obtain local cooperation. However, despite his efforts to implement change, the resistance could not be overcome.

Similarly, when the factory director changed a key local person's position without consultation this was perceived as an act of senseless egotism and not as a rational change. His various attempts to implement change in HR and production configuration were not successful. He failed to fulfil the role as agent of change. Conflicts caused as a result of his attempts, unfortunately, created further problems such as the serious explosion in the factory.

Age of establishment indeed contributed to making changes extremely difficult. Its more than 30 years of operation allowed locals to build a very rigid political grouping, centring around key employees at the factory, supported by almost 200 local employees, many of whom had worked there for decades.

The traditional approach of the YKK group had been to build a rapid coalition with the local managers, who had greater control over local employees. This support had enabled expatriates there to fulfil the role of agent of change. However, in the case of YKK-Spain, expatriates had to deal with massive resistance in a short period of time and with fewer expatriates working together.

The lack of clear HR systems handicapped the expatriates in their efforts to go beyond local operational management. Finally, deteriorating local cooperative relations made it difficult for the expatriates to obtain the locals' support and interpret the changes to them in a way they could accept. YKK-Spain's

contingent factors significantly affected the fulfilment of the role of change agent.

Agents of control

The expatriates at YKK–Spain failed to fulfil the role of agent of control. The implementation of business and HR strategies, values and principles is one of the tasks of expatriates as agents of control (Harzing, 2001). The corporate global strategy was not widely understood and the locals concentrated instead only on their own local strategies.

Over the years the practical and operational control of the subsidiary had been extensively handed over to local managers. As a result, the local managers seemed to be working as agents of control on behalf of the expatriates, with the exception of certain critical areas such as the development of local business strategy and the integration into HQs strategy and policies. However, the developments initiated by the expatriates were regarded by the locals as being undertaken for egotistical self-satisfaction.

HQs' intervention, which included too-frequent changes of HQs' policies, made locals less cooperative with expatriates. Expatriates failed to obtain support to implement the updated corporate strategy because of their limited managerial capabilities.

Imprecise national labour laws and processes gave the expatriates too many

choices, causing confusion.

In addition, expatriates' HR managerial capabilities were problematic.

In addition, HQs' new localisation policy meant expatriates could not spend enough time looking after the subsidiary. The assignment of parallel positions, introduced to reduce the number of expatriates, contributed to the failure. The locals felt there was hardly any Japanese management. It would have been beneficial for the company if the delegation of responsibilities from expatriates to locals were better carried out. However, in this case, expatriates would just leave the subsidiary to attend RHQs-level meetings, whereupon confusion and opportunistic behaviour arose.

The research shows that the contingent factors identified contributed to the expatriates' failure to achieve the role of control agents followed by the many negative consequences explained earlier. The locals no longer worked to support the expatriate in controlling the subsidiary, such as by filling gaps in tasks or advising local employees about various issues in order to make the organisation work cooperatively. Although there were longstanding traditions of delegating the management and supervision of most of the operational issues to the locals, the authority they had been given was undermined. This control structure was therefore no longer workable but no alternative process had been introduced.

This created confusion, frustration and hostility. All in all, the factors made it almost impossible for the expatriates to be agents of control.

Localiser

The expatriates totally failed in forming the roles of localiser. This role is affected most by whether/how the expatriates can take the initiative in making their own strategic choices. By nature, this role is orientated to the host country rather than HQs. Even when the expatriates are given detailed instructions for localisation, HQs does not advise expatriates upon how to put localisation into practice.

At YKK–Spain the identified contingent factors made it hard for the expatriates to act as localisers. HQs intervened by assigning expatriates to the implementation of their new localisation policy. But, as the case of YKK–Spain showed, if the localisation approach was not appropriate to the local and organisational context, disaster resulted. YKK's new approach detracted from the possibility of establishing strong and close relationships between expatriates, locals and local society. HQs decreased the number of expatriates and shortened the assignment length but they failed to take into account the possible negative effects of this approach. These effects included frequent changes in the

organisation due to the increasingly rapid turnover of MDs as well as the recurrent absence of expatriates who had been given duplicate tasks at HQs and the subsidiary. HQs and the expatriates believed that they could manage their dual responsibilities and were unaware of the likelihood of conflicts of interest arising from this. The expatriates failed to delegate their responsibilities to the appropriate locals. The new approach was a challenge to YKK–Spain. Whilst the locals had expected the expatriates to understand and be integrated into the local system and to work with them in the task delegation structure, HQs’ recent changes made them believe that the expatriates had been sent out only for the sake of HQs, to promote their own career path, and to make disruptive changes that brought no rewards to the subsidiary.

In summary, the situation created by the contingent factors was too challenging for the expatriates to be able to employ their individual resources to overcome the issues, hence they failed to fulfil the roles of localiser. The tragedy is that the success of the localiser role had been YKK’s long-standing competitive advantage, which is now diminishing.

Globaliser

At YKK–Spain the role of expatriate as globaliser was not formed at all. Chapter

3 explained that the role of globaliser is to integrate the subsidiary into the MNE's global strategy. The subsidiaries of the YKK group proliferated with the intention of expanding the market, not of optimising the global value chain. Thus, the YKK group retains an aspect of competition between the subsidiaries over markets and customers. YKK–Spain decided to take a different approach, starting by changing the mindset of the local managers as well as enhancing cross-border contacts and activities. Thus, JEMS1 was keen to appoint local employees to cross-border committees as well as sending them to EMEA-wide HR development seminars. While the expatriates' initiatives in forming and fulfilling this role were present in a limited capacity, unless they make continuous efforts to develop this strategy, even if only incrementally, the possibility of the Spanish subsidiary surviving in the situation at the time of writing is remote.

While it was HQs' policy to globalise the subsidiary, the local organisational environment had ceased to be one in which the expatriates could educate and train the locals and structure them into the corporate global operation. However, in reality, the many other aggregated problems of YKK–Spain prevent expatriates from taking sufficient action as globalisers.

Agent of knowledge transfer

The research found little evidence that the expatriates formed the role of agent of knowledge transfer. Over the decades the subsidiary had already acquired the critical technological knowledge and operation systems. HQs' new policy is reducing this expatriates' role.

When new products or technology are developed at R&D, mainly in Japan, engineers are sent out on short assignments to train locals. The expatriates work as a liaison between the Japanese engineers and the locals. Expatriates also help the local engineers when the locals cannot solve their problems.

HQs' intervention also influenced expatriates' performance as knowledge transferers. HQs expected the expatriates to induct employees into the company-specific values and philosophy. Expatriates were also working as agents of transfer of knowledge such as corporate values, by, for example organising seminars.

However, the research did not show this knowledge being transferred and shared with the locals. Value sharing and its transfer cannot be done mechanically and it needs locals' support and understanding. Hence, where local cooperative relations were seriously compromised, the expatriates could not act as agents of knowledge transfer. In addition, even given individual abilities, the collective

management style of Japanese companies was not conducive to individual expatriates acting as sole agent of knowledge transfer.

Conclusion

At YKK–Spain, scarcely any of the identified roles of expatriates were fully formed. There is very limited success, such as the partially surviving localiser’s role. This failure to complete the roles expected by HQ caused serious problems in YKK–Spain. For example, this was the only YKK-subsubsidiary in Europe for 30 years to suffer an explosion that was regarded as easily preventable.

The six contingent factors identified influenced this failure. The first was HQs’ intervention in imposing a change of localisation approach without thinking about the consequences.

YKK–Spain had a competent subsidiary core with a high degree of technological skill and a long-established history with good networks. This produced in the local employees a business attitude that could come into conflict with that of HQs. Its long years in business allowed the subsidiary enough time to develop specific ways of doing things that became institutionalised and embedded. Imprecise national labour practices and regulations gave the expatriates too many choices. This, compounded by the shortcomings of their local HR system,

forced expatriates to be too deeply involved in the operational level of management. This could have been delegated to the locals.

In this situation, strategic choice factors could not be of much help and could even make matters worse. Even with the extensive autonomy they had been given by HQs, it is the expatriates who are responsible for management control.

One of the expatriates was unable to manage this difficult situation, and instead inflamed the locals' collective hostility against expatriates and produced intensified conflict.

Organisational relations were significantly damaged resulting in low motivation, anger, fear, conflict, frustration and lack of communication between the expatriates and the locals as well as within the organisation. The loose institutional system on employment and local HR systems did not help the situation. Expatriates could not control particular political groups, which created disproportionate power in YKK–Spain. At the same time, the strategic choice factors that the expatriates had were not enough to compensate for the challenges created by the contingent factors.

At the same time, the strategic choice factors that the expatriates had were not enough to compensate for the challenges created by the contingent factors.

Finally, a key method of avoiding failure would have been for expatriates to

develop collaborative relationships with local managers. There were only 5 expatriates among the 230 local Spanish employees. In order to fulfil multiple roles including that of agent of control, expatriates need to work efficiently and strategically together with locals.

Therefore, their responsibilities as localisers, such as empowering locals, respecting them and sharing knowledge with them, are of paramount importance.

At the same time, problems resulted from HQs putting too much emphasis upon numerical targets and not enough upon local people.

Without the success of localisers, bridging the gap between HQs' ideas and locals' perceptions, it was not possible to carry out any of the other roles effectively.

The case of YKK–Spain showed strong evidence of the influences of the identified contingent and strategic choice factors upon the fulfilment of expatriates' roles.

In addition, this case study reveals that fulfilment of these different roles is interdependent.

Chapter 8 Expatriates in action: YKK Snap and Button, Italy (YSI)

Introduction

This chapter examines and analyses the roles of expatriates at YSI. This case shows that strategic choice factors can overcome the constraints caused by negative contingent factors. First, it explains the characteristics of the domestic business environment in Italy, and then outlines the background of the YSI company. Then it will discuss the perceptions and expectations of the Italian subsidiary held jointly by the IHQs and EMEA–RHQs. It then moves on to explain how the expatriates at the subsidiary view their own roles. The following examines what the local employees at YSI see as their own roles and then describes the local employees' views on the expatriates' roles. Finally it examines the factors that affect the roles of expatriates.

This chapter further considers the roles of expatriates at the subsidiary, based on the results of a multi-layered examination, and analyses the difference between this case and other, previously examined cases, contemplates the reasons for these differences, and highlights the factors that impact on the process of forming the roles of expatriates. The sources of evidence used in this chapter were 2 hour-long face-to-face semi-structured interviews with 2 Japanese expatriates and 1 unstructured interview with the MD, plus interviews

with 7 local managers and key employees. All these semi-structured interviews were recorded, transcribed and translated. Additional sources included notes from observation, notes from YSI's managers' presentation at the HR European roundtable, notes and reports from HR workshops, minutes from the RHQs advisory board meetings, 2 unstructured interviews with RHQs company secretary and HR manager and secondary data such as company history books, financial statements and annual reports.

Specific context of YSI

The market

Europe is a major world fashion centre. Italy, in particular, has been one of the largest markets for apparel and footwear (A&F, hereafter), as well as the highest spender per capita. Thus, because of the size of its fashion market and its characteristics as an industry leader, the country has been a strategically important and attractive A&F market for YKK. Operation and management in Italy had long been viewed as a challenge by Japanese MNEs (Itagaki, 2004).

For the UK, Italy has been also one of the largest markets in Europe in terms of apparel imports. In 2003 Italy led all European nations after Turkey, accounting for approximately £584 million of exports, while Germany and France had

approximately two-thirds of Italy's apparel imports (Jones, 2006).

Although Italy has been struggling with high unemployment for a long time, the rate has gradually decreased in recent years from 9.1 per cent in 2001 to 6.2 per cent in 2007 (OECD, 2009c). As an EU country, Italy needs to follow the EU's employment strategy, but there is ongoing debate on the amendment of the Italian labour charter 18¹³. There has been little progress in solving labour-market-related problems in Italy (JETRO, 2001). In addition, Italy has been faced with various domestic economic and social problems.

As Italy often experiences political instability, social turbulence and unstable labour relations, Japanese companies are reluctant to invest there. In the 1990s, however, there was a dramatic improvement in this situation. Labour relations became stable and the number of working hours lost due to labour strikes decreased significantly. Italian managers are very capable and productive and competitive engineers can be hired at a relatively low cost. In northern Italy Itagaki refutes the assertion that Italians are always poor at teamwork and observes that workers' morale is high (Itagaki, 2004).

Historical background

¹³The Italian government would not approve any reasons or motivations for redundancies such as restructuring because of a company's low performance or the low productivity of a specific individual (JETRO, 2004).

Business of YKK in Italy

In the late 1960s, as a part of their internationalisation strategy, YKK started its business in Italy with a sales platform in Milan. By the 1990s YKK had developed full production facilities in Italy. YKK Fasteners Italia (YFI, hereafter) was established to expand their product range into snaps and buttons. These strategic decisions were made to avoid the tariff imposed on imports from Japan as well as to meet customer demand. The choice of the location of the second and third subsidiaries (Ascoli Piceno) was greatly influenced by the preferential treatment they received from the local government. The research describes how YKK adapted itself to the local environment, not only by overcoming trade regulation issues, but also by learning how to work with Italians.

YKK's sales activities in the Italian market started around 1967 from its base at YKK-Netherlands. Competitive production in Italy compared well with other European countries, so YKK established YKK-Italy and built a factory in 1970. In 1977 it established a component production company, YKK-Mediterraneo. By 1979 YKK-Italy recorded the top YKK sales turnover in Europe, obtaining the biggest market share in Italy. YKK is considered as one of a few examples of successful Japanese businesses in Italy, and YKK's president Tadao Yoshida was

awarded a decoration of merit by the Mayor of Vercheri (YKK, 2001).

However, doing business in Italy has not always been easy for YKK. For example, YKK–Mediterraneo experienced serious industrial problems as a result of weakened government and reduced workforce motivation. Unions demanded detailed categorisation of jobs and fixed allocation of workers, a clarification of the job scope of the Japanese engineers and an improvement in safety and environment. These requirements were far beyond what firms would expect when operating in Japan (YKK, 2001). Through the subcontract regulation process, more local employees started understanding management principles based on the ‘cycle of goodness’. Japanese expatriates also learned and adopted different ways of working with local employees (YKK, 2001).

Initial business

After the first YKK subsidiary in Italy, YKK–Italy SPA, was established in 1969, YKK–Mediterraneo was established in 1977 to produce sliders for zips. YFI, later to be called YSI, was established on 9 January 1990 as the third YKK subsidiary in Italy. YFI was developed to provide metal snaps and buttons with improved services in Europe (YKK, 2001).

Initially intended to sell products only to its sister companies, in 1993 the

company started doing business directly in the Italian market. YFI's strategy was not only to compete on prices, but also to develop new types of products such as buttons stamped with customers' logos, as well as providing an efficient service with rapid delivery (YKK, 2001).

The company's share of the local production market was only 5 per cent at the beginning, but by 1995 it had increased to 56 per cent. After the YKK group bought a German company, Stocko, in 1997, which also manufactured snaps and buttons, it concentrated on producing products for jeans. The jeans market went into recession from 1997 to 1998, which influenced the total sales turnover although its profitability kept increasing. In 2000, due to a recovery in the jeans market, business improved dramatically and, in that year, they became a company with no debt (YKK, 2001).

HQs' expectations of YSI

YKK-EMEA has 34 subsidiaries in the region, but only 3 that deal in S&B. YSI is the smallest of them and is the only one that does not have marketing and sales. This limited business domain and capacity automatically limits the degree of their contribution in terms of size, which is less than 5 per cent of the total profit for the region (YKK, 2001). They had only 62 employees, while the other

companies studied had 200 to 300 (notes from HR workshops, 2005).

YSI is rarely mentioned in YKK strategic meetings and the general perception is that the subsidiary is too small to make an impact in any degree of particular concern (minutes from advisory board meetings, 2004–2006).

In 2005, YKK–EMEA managers had little awareness of what happened at YSI and they had little expectation about the roles of expatriates there or about how capable they were. This limited attention was not due to their business failure, but was perhaps because this subsidiary traded almost exclusively within the group instead of trading with companies outside the MNE (notes from advisory board meetings, 2004–2006, observation, 2004–2006). HQs expected them to just manufacture the products allocated to them using little innovation and making few design improvements.

There were 2 Japanese expatriates at YSI. Neither the researcher nor managers at the EMEA–RHQs were sure how the expatriate MD's eccentricity manifested itself or how capable he was (notes from HR workshops, 2004–2005 and the researcher's observation, 2004–2005).

Expatriates' perceptions of their own roles

The YSI MD hardly participated at all in meetings and seminars at YKK–RHQs

(researcher's observation 2004–2005). He intentionally and actively did this to facilitate empowerment of the locals (YSI's Japanese MD, 2006).

The managing director (Japanese MD, Mr Hamamatsu¹⁴, hereafter) and a customer service manager (Japanese CS manager, hereafter) are discussed in this section. Mr Hamamatsu is a senior executive and has more than 20 years' experience of working overseas. The Japanese CS manager is much younger and had limited experience in terms of overseas assignments, but he left remarkable achievements behind him in his former assignment in Turkey. This CS manager contended that there was little recognition of YSI by the rest of the YKK group, particularly of its local employees, who he said were considered to be faceless:

I feel YSI does not have much interaction with the regional group. Probably because YSI does not manufacture zips like most of its sister companies, it seems that YSI's local employees are separated from the other subsidiaries in the EMEA. Although Japanese expatriates have their own network, the faces of the local employees are not visible to people outside YSI.

(Japanese CS manager, 2006)

His perceptions of the subsidiary are shared by HQs and the researcher. Nevertheless, the research revealed that what was going on within YSI was totally different from the perception of HQs and the other subsidiaries

¹⁴ This thesis uses the interviewee's name with his approval and at his suggestion.

(observation and interviews with expatriates and locals of YSI, 2006). YSI was making very intensive innovations, especially in terms of product design, under their own initiative (observation and interviews with expatriates and locals of YSI, 2006).

YSI's expatriates evaluated the capability and competence of YSI quite highly. Mr Hamamatsu seems satisfied with its design capability and was ready to continue to improve it: *We already have quite a high design capability. We have our own designers.* (Japanese MD, 2006)

The Japanese CS manager, however, pointed out that the design process used to be slow and reactive, leaving them behind their competitors. *The product design capability of YSI is stronger now, but just a few years ago it was still rather passive. YSI would only start making products after the sales department asked for something. This meant that our competitors were ahead of us.* (Japanese CS manager, 2006)

Mr Hamamatsu highlighted the necessity of further improvement in their technological capability: *Now is the time to actually manufacture [as commercial products] what we have designed... True technological capability is about how to actually make products and how to create them and what equipment to use.* (Japanese MD, 2006)

The other Japanese expatriate described YSI's recent development in technological capability, though he acknowledged its limitations, saying: *I think*

our ability to develop and release products has become almost equal to Japan's and the group's most advance subsidiary in America. We are making efforts to improve our range, doing everything we can. But we don't have the facility to produce something from scratch. It's not a matter of having the capability; it is just that we don't have the experience.

(Japanese CS manager, 2006)

The same person added that they needed to develop more cost-efficient technologies. Their limited production facilities imply that YSI did not enjoy a great deal of investment and resource allocation from HQs. The Japanese MD considered that YSI needed further capabilities to commercialise innovative products. Their processes and efficiency in responding to customers' demands rather than their product innovation were noted in discussions: *YSI may not sell or manufacture products in a very innovative way. But in terms of efficiency we may be innovative. We have the skill and speed to adapt to individual needs in a short period of time utilising existing methods.* (Japanese CS manager, 2006)

He went on to highlight YSI's organisational flexibility and other capabilities that enable them to achieve this: *I am very satisfied with our flexibility in development. If we need to make ten thousand or one million units, we lack the underlying strength to build equipment to produce at such levels. But still, our flexibility to handle different needs just by remodelling is really impressive!* (Japanese CS manager, 2006)

The Japanese CS manager considered that YSI could still improve their efficiency in two ways. The first was to improve individual performance, and the second was to improve structural efficiency, as there was some duplication in each division's roles: *One side of improving efficiency is about heightening the performance of individual employees. In this case, however, the flow of information itself will not change. The only way to change the flow of information is to abolish the CS division. Customer service is like the mouth of the company. The role of customer service is to announce the delivery dates ... [but] this information is already held by the accounting and the production division. If we have to deal directly with 500 or 1,000 clients, customer service is essential. But as YSI is dedicated to manufacturing for customers inside the YKK group, it is questionable if we really need to have a customer service division. Perhaps in the current situation we are not ready to abolish customer service yet, but it is necessary to do so.*

(Japanese CS manager, 2006)

In short, YSI has developed, quite independently, their own design and technological capabilities as well as having a high level of organisational flexibility in responding to the market. The interview data indicated that they continued in their efforts to improve their operational and organisational efficiency and to reinforce their product design capabilities to the point where they could quickly commercialise new products. The overall capabilities of YSI

were evaluated highly by the expatriates. In addition, YSI was a people-centred organisation: *A type of company where its business and HR are managed based on the relationship of the staff? ...departments are built based on the PEOPLE. PEOPLE are the foundation of the departments... Individuals' capabilities walk first.* (Japanese CS manager, 2006)

This organisational character seems to reflect the management policy of the expatriates and the shared values within YSI, as described in the following section.

Global business coordination in responding to market change is considered to be one of the most important tasks for expatriates (Collings and Scullion, 2006a).

Mr Hamamatsu explained his perception of how the business environment surrounding YSI had been changing and how he had responded by expanding their operational domain and restructuring: *There was the big currency crisis in Russia in 1999¹⁵ and we lost a big client, Levi's. That was why we started development and production technologies, mainly to capture the way in which the S&B business produced things and what demands were there in the market.* (Japanese MD, 2006)

At YKK–Spain and YKK–France restructuring led to redundancy, sometimes

¹⁵“As in other regions of the former Soviet Union, the sharp devaluation of the Russian currency and the uncertainties for domestic and foreign investors that arose in the context of Russia's financial crisis in August 1998 became a dominant economic concern [...]” (Pastor and Damjanovic, 2003, p.79)

without any explanation to the employees, evoking their anxiety and leading to demotivation. In contrast, Mr Hamamatsu tried to avoid redundancy. Instead, he created a new division to improve organisational capabilities and offer career opportunities for the younger employees: *Excuse me for saying this about my own staff, but I believe that we have the best human resources out of YKK's 12 manufacturing factories for S&B.* (Japanese MD, 2006)

His approach to improving organisational capabilities and effectiveness did not focus on simply reducing labour costs but also on getting the best out of their existing employees. Among the more than 100 interviews conducted for this study, he alone invariably knew the individuals under discussion by name, and he characterised the organisation as one in which individual faces were visible and one that was described as a big family by one of the locals later in this chapter.

Firms adapt to their business environment through strategy as well as their organisational structure. Many scholars (e.g. Collings and Scullion, 2006a; Harzing, 2001) remark on the importance of the implementation of corporate strategy by expatriates as agents of control and have observed that the expatriates were keen to implement the vision and strategy of the company. Mr Hamamatsu emphasised the importance of expatriates implementing corporate

policy: *What is important is to clarify corporate policy. [The locals should understand] what vision can make YSI more competitive and what YSI should do. I always need to explain the [market] trend of not only Europe but of the entire [global] market.* (Japanese MD, 2006)

At YSI, however, it was observed that the expatriates were actively developing their own strategies rather than simply implementing the company strategy, and following their own ideas of to how to respond to the market. *I believe that in strategic terms we have to move to a manufacturing system that specialises in fashion. To do this we will have to plan to further enhance our development capability as well as the production technologies to match.* (Japanese MD, 2006)

He was thus working on developing their strategy independently from the one developed by HQs especially regarding their production process. This implies that the business environment perceived by expatriates working locally may be different from that perceived by HQs.

The expatriates in this subsidiary had their own policy and beliefs in managing it rather than merely acting as agents of HQs. They indicated the importance of transparency and of management that responded to contingent contexts as the key to their management policy, as Mr Hamamatsu indicates: *YKK is an open company to start with, so we don't hide anything anyway! Instead we explain things properly [to obtain cooperation].* (Japanese MD, 2006)

Openness and transparency have been widespread practices in YKK, though many employees attempted to use information for their own purposes and to enhance their own power. At YKK–France and YKK–Spain, lack of information and uncertainty caused anxiety and fear among the employees and influenced the business operation considerably. The policy of YSI’s MD to enhance transparency for employees formed quite a contrast.

Mr Hamamatsu explained that he varied management style depending upon contingent factors. The history of the MNE’s ownership made the control of the subsidiary by expatriates difficult: *For example, Universal, which we acquired, already had a solid HR organisation. If a Japanese person went in there and could not bring the local employees together in the first year, he would never be able to achieve managerial control. But it is different here, as this subsidiary has always been part of YKK.* (Japanese MD, 2006)

In their international expansion, YKK has preferred a green field approach by establishing their subsidiaries from the beginning rather than through joint ventures or acquisitions. YKK has achieved the second biggest geographical expansion among Japanese MNEs worldwide and has accumulated many more expatriates and expatriate management experiences than all major Japanese MNEs (Toyo Keizai, 2006). YKK may encounter different types of challenges in

managing acquired subsidiaries from those posed by managing the subsidiaries they themselves have established, and possibly would place more emphasis on their role as agents of control, especially immediately after such acquisition.

Regarding their role as localisers, the research showed that the expatriates were aware that individual local contexts are diverse and they described some of the ways in which they adapted to each local context by changing their management style; as the CS manager notes: *In Turkey, when there was a problem and I needed the local workers to work overtime, I was able to ask them without hesitation. But here, it doesn't work that way. The workers would reject my request, saying they need to have dinner with their family. In addition, it is not easy to hire new staff since we once carried out a restructuring in the past... I was a bit puzzled until I finally realised that that was just the way things were.* (Japanese CS manager, 2006)

His comments support the assumption that contingent contexts influence the way in which expatriates manage a subsidiary and how their roles can differ. He went on to describe the training he was given before his overseas assignment: *Before I was stationed abroad, I did a short period of in-house training. To be specific, when you go abroad you are required to have a broad range of knowledge, so I learned many things, from specialised subjects like electricity and how to teach skills to others. Before I was transferred, you see, I was on the side of the learner. The training was*

like a case-study; if such and such is the case, do this, and if such and such is the case, keep quiet. For example, if you don't know an answer to a certain situation, don't try to dance around it on the spot, but give your answer later. (Japanese CS manager, 2006)

Whilst he valued the training highly, he found it focused on functional and operational aspects of his general management capabilities aboard, rather than giving him specific knowledge about Italy, which could have facilitated his adjustment to the local context.

At YSI the expatriates' focus was not only on how to adapt to the local context but also how to enhance localisation proactively, as the MD pointed out: *About moving forward [in enhancing localisation], there is one thing that I very much want to emphasise. The point is whether the company had actually given local employees the autonomy to do things themselves... (Japanese MD, 2006)*

He wondered whether autonomy had really been handed over to the local employees, although the slogan of localisation was being emphasised across the group: *I want to ask, have you [YKK] really tried to promote localisation: did you actually give 100 per cent autonomy to particular local employees? And was it actually a result that took off with wings? Or do you even truly know the answer? I don't think so. The Japanese tend to say the word localisation out loud too often. Why don't you actually do it instead of just talking about it? (Japanese MD, 2006)*

Then he stated it was more than feasible to give further autonomy to local managers because there were monitoring functions to enable the group to keep control over the subsidiary: *There are reporting lines, so the group can even have periodic auditing done. I believe that the fear [of fully delegating autonomy to the subsidiaries] is that the subsidiary may then be out of the control of HQs. However, this fear only comes from a lack of communication.* (Japanese MD, 2006)

This MD had already been enhancing local empowerment within YSI. He explained how YSI extended local managers' autonomy in different divisions, noting that the key success factor in doing so was openness and communication:

We have managed to do it this way with a three-person organisation since 2005. The manufacturing section, in particular, has a 15-year history so there is some foundation and we have been enhancing development and production technology. The production technology was newly established. The biggest problem areas are the safety and environmental division and the accounting section. At our subsidiary the responsibility for the accounting section has been delegated to a local manager for one year. He has developed himself greatly. I believe that this is because YSI always discusses things openly. That is how the policy becomes clear and transparent. And there is the evaluation system that is in place. So I am not worried [about delegation of autonomy to local managers] at all! I truly wonder whether we should have done this much earlier. (Japanese MD, 2006)

To enhance localisation, in addition to delegating further autonomy to the locals, he emphasised the importance of equality in the career opportunities available to them: *You need to give equal chances to all those who have contributed to establish technologies... If the same person continues in the same field, his/her subordinates will never be developed... Those who have been supervisors for a long time must surely have wonderful skills, but their juniors are not being groomed to take the next step. That is why I recently picked the three best ones [as supervisors] and assigned them to new positions.* (Japanese MD, 2006)

The role as localiser was thus clearly recognised by the expatriates at YSI. Their localisation enhancement efforts seemed to integrate what they had inherited from the conventional approach and the company's new policy. Their efforts to be close to the local employees and community were certainly aimed at becoming a local, although they did not speak the local language. They followed HQs policy in extending further delegation to the locals, which was believed to be necessary to reduce the number of expatriates.

The expatriates also perceived their role as reinforcing the company's global integration. The Japanese CS manager described the increasing YSI collaboration with the other subsidiaries in the group: *There is always some connection between the production technology and the production people. Additionally there*

is a connection with development underlying this. It is in the last one or two years that we, as a factory that is part of the EMEA, have been able to release new products ahead of our competition. When I was in Turkey there was no atmosphere in which the EMEA could work as a whole; Turkey was Turkey, and Italy was Italy. (Japanese CS manager, 2006)

YKK's subsidiaries undertook significant amounts of internal trading, importing and exporting product components at different stages of production. YSI was exceptional in that they did not sell to outside customers, instead they delegated this function to YKK–Stocko. In this sense, YSI's operational domain was more focused than the general subsidiaries, and so they had more opportunity to work with their sister companies. In this circumstance, YSI could have got used to working in cross-border collaboration earlier than the other subsidiaries and the same applies to the YSI expatriates.

There were some limitations in expatriates' work as globalisers, as the organisational structure and task allocation at the global level were beyond their control. In addition to this, another limitation pointed out was the lack of qualified employees available for further globalisation: *First, we should make a pool of human resources in each region for globalisation. Then the next step should be HR development. (Japanese MD, 2006)*

It does not seem feasible that this could be completed by the expatriates at YSI

on their own. Furthermore, the Japanese MD perceived that further globalisation was more to do with HQs in Japan: *Global collaboration is something that we should be moving towards... it is especially important for the Japanese side.* (Japanese MD, 2006)

The research showed the expatriates were aware of the importance of further globalisation and global collaboration and they had already started working together across borders on different tasks. The expatriates are involved in this coordination but it is essentially limited in operation. A more holistic optimisation of the task allocation such as R&D with practical capabilities would involve wider organisational structuring. Another limitation for the expatriates at YSI was the lack of available employees who could work at a global level, which should be addressed. Also, the development of a more global mind-set in the Japanese HQs, which is predominantly ethnocentric in nature, should be pursued.

With regard to the role as an agent of knowledge transfer, it was believed that dual-directional transferring from HQs to YSI and from YSI to HQs was important in respecting the context and capability of the subsidiary: *An environment is nurtured by superior technicians. What I think is required for this is, above all, someone who has spent a certain amount of time at our factory. History is very deep and*

complicated. It is important to integrate these employees' local knowledge with the headquarters. (Japanese MD, 2008)

HQs were encouraged to learn from the YSI's local knowledge and it was assumed that the expatriates could coordinate these activities. In addition, the research at YSI supported the argument (Collings and Scullion, 2006a) that it is increasingly important for expatriates to transfer company-specific values and philosophy in their role, instead of simply transferring technical knowledge. Mr Hamamatsu emphasised that the most important point in management was the corporate philosophy, the 'cycle of goodness', and explained how it was implemented practically: *The cycle of goodness means that, unless you help the customers prosper; you won't get any profit back in the end. Then the profit returned should be divided. A third, of course, should be invested in the next step. Another third should be returned to the customers. Then the remaining third should go to the employees. Of course, we should not forget that fairness, as the newly emphasised principle, should never be left out. Anyway, I think the cycle of goodness is the biggest point. (Japanese MD, 2006)*

At YSI, as well as throughout the research with YKK, the term 'cycle of goodness' was mentioned frequently by Japanese and local respondents. However, the expatriates at YSI were working on more than just the implementation of these activities; they were deeply engaged in transferring

corporate values and visions proactively from their individual initiatives.

Other roles of expatriates: boundary spanning¹⁶

The above sections have described the perceptions of the expatriates of their role in YSI, following the framework in which their roles were identified as being agents of change, agents of control, localisers, globalisers and agents of knowledge transfer. However, the research found that the expatriates recognised additional roles that they played. First, the Japanese MD described their necessary competences as follows: *This is how I have been working. You put up walls, and they will put up walls. We need to create things; we need to be always open. The locals know more about the products, about creating things. Of course, it would be nice if someone came from Japan who had more than 30 years' manufacturing experience in the same business in the same section, but for someone who is young and has worked only for a few years since graduating from college, I want him to just open himself up, be proactive and jump straight in. He would be fine if he had such spirit.* (Japanese MD, 2006)

He indicated that the competences expected of expatriates are not only their technical and functional skills but also their personal qualities. In addition,

¹⁶ This thesis draws upon Harzing's (2001) definition of boundary spanning (see Chapter 2).

while he strongly believed in further localisation and in more autonomy being delegated to locals, he emphasised that the main role of (Japanese) expatriates remained in many ways to communicate with the Japanese HQs. As such, he believed that it was critical to have at least one expatriate working as a top communicator facilitating the Japanese HQs and the subsidiary: *The number of Japanese expats cannot be reduced to zero. If something arises [to do] with the Japanese HQs and related departments, of course we will need Japanese staff, at least one. Other than that, everything should be delegated to the locals. You need to put them actually in charge or they won't show their true abilities. They will not improve and exert their true management capabilities. Have we truly put them in charge? Do we always keep saying "Don't do it, keep this a secret. Don't make this transparent"? Perhaps we have had too much of this. So, if you have to put someone in charge, go ahead and let him/her take charge... However, regarding our policy on its own, for example, the decisions that have centred on Japan, what should the EMEA and YSI, who receive them, do? I believe that the biggest role of the Japanese here is to always be on top of communication.* (Japanese MD, 2006)

Aware that HQs were not fully incorporated in globalisation and were still ethnocentric, he pointed out it was still beneficial for YSI to have expatriates to facilitate global communication.

The demand for a communication facilitator was also necessary because of the

gap in the mind-set between HQs and YSI. Experience in this area varies, as the Japanese expatriates' work takes them all over the world, while the local employees' knowledge may be limited to that particular region. Mr Hamamatsu believed this was the case because expatriates should share their experience openly with the local managers. However, he was concerned that the gaps in experience and the lack of a global perspective on the part of the local managers could become a problem if the expatriates did not share their knowledge and opinions openly: *Such [mindset] gaps are considerable, I think. So at a factory like ours, things turn out quite differently depending on which Japanese expatriate is assigned to the top. That is what I am most worried about. When I was there, we did things very openly. Then the next expatriate comes; if he shared the same philosophy this would be excellent, but if a replacement comes with different values it will make a huge difference. I worry about this a lot. So, it would be great if the local employees at the top could move around within the EMEA region in the future. I think they should, not just the Japanese. Regarding this, I want all areas to share the same ideas regardless of their nationalities and capacities.* (Japanese MD, 2006)

While he believes that the role of top communication facilitator is critical, whether or not this role is adequately fulfilled depends on the expatriates'

individual capabilities.

This section analysed expatriates' perceptions of their roles and the research revealed that the six identified roles of expatriates in the framework seem to be recognised and exercised. At the same time, the research also found that they believed that some additional roles were critical.

Role of local managers

This section aims to identify the specific roles of local managers as perceived by themselves, in contrast to those of expatriates, by examining their activities and problems as well as their achievements.

Profiles of locals

In this thesis the term 'locals' refers not only to official managers but also to directors, supervisors and those who are in managerial positions. The profiles of the local managers who contributed to this research were introduced in the methodology chapter. At YSI we conducted seven interviews with Italian managers, one of which was done in English and the rest in Italian.

Italian local manager 1 (LMIC1, or Italian accounting and finance manager, hereafter) has a mechanical engineering degree, joined YKK in 2002 and is in

charge of accounting and finance. Recently he was given the new role of HRM. He became a company secretary in 2008 and has been one of the key employees at YSI. The local customer service manager (LMIC2, or Italian CS manager, hereafter) had multiple skills and perceived that his responsibility is more than just customer service and includes production management: *I am an engineer but I also need management skills... My major responsibilities include two things – customer service and production. All production is under my responsibility... My other responsibilities are accounting and purchasing.* (Italian CS manager, 2006)

The third interviewee (LMIC3, or Italian product development technician, hereafter) had worked for YSI for more than 15 years. He dealt with the development of new products and also worked as a member of the engineering advisory committee. LMIC4, with a diploma in chemistry, had been a local quality manager (LMIC4 or Italian quality manager, hereafter) since 1999 and was at that time in his mid-40s. He had been with YSI since 1991. Before 1999 he was a manager in the department for colouring and finishing material. Recently, he was involved in new product development. LMIC5 is the local safety and environment manager (LMIC5 or Italian safety and environment manager, hereafter). He had a degree in engineering, is in his mid-50s and had worked at YSI for 16 years. LMIC6 was the local head of R&D (LMIC6 or Italian head of

R&D, hereafter), was in his mid-30s and had worked at YSI for 15 years. LMIC7 had a degree in mechanical engineering and has worked at YSI for four years. He was the local assistant head of R&D (LMIC7 or Italian assistant head of R&D, hereafter). Although YSI was established in 1991 and was relatively new compared with the other YKK subsidiaries in the EMEA region, the fact that many employees had worked there for more than ten to 15 years indicated that it had a very low labour turnover.

Autonomy and decision-making initiative of local managers

This section considers the extent to which local managers are given autonomy in management-related decision making and how they perceive this. Many of the respondents felt they have been given a fair degree of autonomy by the company and that they were involved in decision making in various areas. However, their involvement in any HQs-level decision-making was not observed.

Many of the local managers felt they have extensive autonomy:

I have enough autonomy. In my job I have to follow lots of legal requirements and at the end of the day I must always report it to the general director... My job is really autonomous.

(Italian safety and environment manager, 2006)

I found that the Japanese always allow you to try new things; you are free to experiment with

new ideas. (Italian product development technician, 2006)

In the past we relied on the main Japanese company (the Japanese HQs), but now we are more independent. (Italian quality manager, 2006)

The research shows the increasing autonomy of the locals and this ties in with the company's changing localisation policy, which involves further delegation to the locals. Decision making in a wide range of areas in the operating of YSI was the local managers' responsibility, including setting strategic objectives, recruitment and organising training, as well as making proposals through regular and irregular meetings:

I attend regular meetings with local managers and the [Japanese expatriate] managing director. With them we plan objectives. (Italian CS manager, 2006)

From time to time I propose new products by myself. (Italian assistant head of R&D, 2006)

The above shows that the locals at YSI were regularly involved in decision-making and that they were working proactively instead of merely implementing instructions from HQs passed on by expatriates. Recruitment-related decision-making is also one of their critical responsibilities:

Sometimes I am involved in the recruitment process. But I have to say that my involvement is limited. First the candidates are short-listed by the personnel manager. Then I am informed

about the person... I take into account many things in evaluating employees. (Italian quality manager, 2006)

Normally the personnel department asks me for a general evaluation of the new staff. In order to extend a person's contract¹⁷ they need to know if he/she is suitable for the job. (Italian product development technician, 2006)

Regarding the selection of new staff, our personnel department contacted me and I was able to choose my last employee in agreement with the personnel office. (Italian assistant head of R&D, 2006)

It seemed that most of the decision-making in relation to recruitment is made by the local management in the personal department and the line managers. The involvement of expatriates in this process was not mentioned. On the other hand, decisions on promotions and wages are worked out together with the Japanese expatriates: *Usually, local employees and Japanese staff members make decisions together about individual promotions, and wages are determined by the national contract. (Italian CS manager, 2006)*

With regard to training for local employees, local managers also take the initiative, which they consider as one of their important responsibilities: *I can*

¹⁷ The contract is based on the national agreement on wages and competence of workers (YKK, 2001).

also ask the company if I want to attend any specific training courses. For example, we asked the company to introduce an English course and then an AutoCAD course, as we were wasting time in preparing designs by hand. (Italian product development technician, 2006)

Various courses, such as health and safety and other machinery and technical courses were organised by the local managers. These courses were not only run for themselves but also for their subordinates:

We have not had any accidents so far. However, it's important to keep preventing them. It's not enough to ensure that all the machines are OK. It's important to provide training about health and safety to our employees. I organise all the training courses for all the departments. (Italian safety and environment manager, 2006)

I personally organise training courses for my department for the specific machines that the workers must use. (Italian head of R&D, 2006)

When I started to work here I noticed there was little knowledge about some of the technical aspects of the job. I tried to expand the workers' knowledge of these. I encouraged them to attend training courses about technical design and additional practical courses concerning our production. (Italian assistant head of R&D, 2006)

The research revealed training activities were actively initiated by the local

management. This section has shown that the local employees were given extensive autonomy in initiating some decisions. However, some managers believed that, ultimately, these decisions were made by the Japanese expatriates, even when they were about local management issues such as training: *We organise regular meetings with Japanese staff and we also talk about issues. In a majority of these cases we suggest whatever training we consider necessary for carrying out our work. We propose this and then the Japanese and other managers make the final decision.* (Italian head of R&D, 2006)

However, the locals did not merely follow the expatriates without questioning them. For instance, the evaluation system that had been in use by YSI, was abandoned by the Japanese expatriates in 2002 with no explanation to the locals. The local managers then took the initiative in setting up an alternative approach. The supervision and evaluation of local subordinates were considered to be some of the major responsibilities of local managers:

[When the system was abandoned] there was no input from my supervisors. So on my own initiative I prepared a form that indicates the main tasks that my employees have to fulfil to achieve a certain level. (Italian product development technician, 2006)

I supervise three guys and evaluate them in terms of efficiency... We do not use the

questionnaire any more. However, on my own initiative I carried on monitoring my employees using specific tables that I created by myself. (Italian assistant head of R&D, 2006)

When the personnel office selects new staff, my task is to evaluate them. We should establish criteria to determine that a certain person is suitable for a certain type of job. (Italian head of R&D, 2006)

Although the evaluation system was abandoned in 2002, some local evaluation system was still observed. It is thus fair to say that the autonomy delegated to the local employees was quite extensive and it was also increasing, especially in the areas of participation, training and evaluation. However, the research found that the expatriates still retained final decision-making power, whilst the locals were also proactive and initiated various projects. Thus, the next section will describe how the locals worked with expatriates in order to examine whether their relationships were positive and whether these influenced the role of locals.

Working with expatriates

Whilst the previous section showed extensive autonomy being delegated to the locals, the research also implied that, in practice, this autonomy was ultimately influenced by the expatriates. This section highlights the perception of the locals

in relation to working with the expatriates. The research at YSI found that there were on-going active interactions between expatriates and the locals. This section focuses on the perceptions of the locals on working with the expatriates.

YSI is a small company with 62 employees. The factory and the office are located in the same place in a two-storey building and they also share all the facilities, including a cafeteria. It may be physically easier to have continuous contact with all the employees working there than to do so in a larger subsidiary with around 200 employees such as YKK–Spain or YKK–France (researcher’s field notes, 2006). Describing this interaction, one local commented: *I interact with the Japanese management on a daily basis.* (Italian quality manager, 2006)

The observational data also supports the assertion that there was active interaction between the Japanese and the locals. However, the local managers’ previous experiences of working with the Japanese expatriates were not always positive. The relationship with expatriates was perceived by the locals in a continuum that varied from positive to negative. They also displayed different attitudes towards them, ranging from indifference to positive interaction. If there were any difficulties in relating to the Japanese individuals, most of the time the managers pointed to the language barrier as their cause: *I had never had any problem in having Japanese directors. I interact with three Japanese engineers... Only*

when they first started at YSI was there mainly a problem of language. (Italian product development technician, 2006)

He meant that at one time only one out of four Japanese expatriates was fluent in either Italian or English at the beginning of their assignment. They spoke broken English and Italian, which caused confusion for the locals and interpretations by colleagues was not very successful. When this happened frequently, it frustrated the locals. One respondent agreed with the above remarks: *When the Japanese organise a meeting they contact me and we discuss matters together... I don't have any problems. The main issue is related to the language. (Italian safety and environment manager, 2006)*

Personality was regarded as more important than nationality: *It doesn't make a big difference, [whether I am] working for Japanese people or Italians. I believe that it would be the same if I had an Italian boss. It depends on the individual and their personality. (Italian assistant head of R&D, 2006)*

LMIC1 considered that getting on with someone it was not a matter of nationality but that it was a matter of the management style of expatriates. He would not hesitate to confront them if he disagreed with their management style: *Because we are working for a Japanese company, the policy comes from Japanese staff, so we have to follow the Japanese rules and the Japanese way of understanding and so on, even*

if after JEMICI leaves [the Japanese expatriate MD in 2006]. If we have another kind of manager who is recruited from the Italian staff, of course we will try to get along with his new mentality. But the important thing is to go for a common target. Some of our employees, follow what a Japanese manager says 100 per cent. In my case, no. I have to complain to him if I disagree. Sometimes we have to discuss matters and make a decision. We have to compare our mentality, our position. So if I have to say something to our Japanese person [YSI expatriate], I do so, even if he is not happy to hear my opinion. (Italian accounting and finance manager, 2006)

This informant's interaction with expatriates seemed to be fairly active and his work relations displayed a healthy two-way communication pattern. The rest of the respondents were positive about working with expatriates for various reasons. One referred to the corporate philosophy as an explanation. Others appreciated the company's attitude in supporting new initiatives and the technological input from expatriates while emphasising the importance of efforts made by both expatriates and locals to adapt to each other:

I like [the company's] philosophy of work. (Italian assistant head of R&D, 2006)

The positive thing is that, when I propose ideas, they are never rejected. The Japanese staff are really open to new initiatives. (Italian product development technician, 2006)

I collaborate with the Japanese staff. The input comes from them. They give us the input suggested by the customers and from all this we try to create new products... I did not have any problem working with the Japanese. But both Japanese people and Italians make an effort to adapt to each other. (Italian head of R&D, 2006)

At YSI, although the positions of local managers in relation to Japanese expatriates varied, there was no obvious conflict or hostility between them such as was observed in the other subsidiaries.

Communication and collaboration within YKK

One of the critical roles of the local managers was regarded as being the initiator of communication within both YSI and the YKK group. Internal communication was enhanced through different channels such as regular meetings within YSI:

We have a general meeting every month. Managers and assistant managers attend this meeting. In all there are 15 of us. Each submits a monthly report. In addition, every week we have a managerial meeting to deal with technical issues. Then I organise an internal meeting with my staff every month. (Italian assistant head of R&D, 2006)

In addition, enhancing communication and collaboration within the YKK group was regarded as another important responsibility of local managers. Many

managers indicated that there was active interaction with their sister company in Germany and sometimes with YKK in the USA: *We have developed links with YKK production sites in Germany and Turkey.* (Italian quality manager, 2006)

The collaboration was not only in the area of operation but also training: *I was sent for a while to a sister company in Germany. I went there to study a new machine for four days... [before I had.] spent one and a half months in the USA training on three new machines in 1994. It's quite common, this type of exchange of information, particularly with our sister company in Germany. Some of my colleagues are going there to do some training with the German employees.* (Italian head of R&D, 2006)

This type of collaborative training seemed attractive for the local employees: *I am interested in spending some time in another YKK company such as the one in the USA. I know that their technology is more advanced than here or in Germany, which I have already visited.* (Italian quality manager, 2006)

However, existing interactions such as those described above come from necessity – to learn about a new machine or to acquire technical knowledge. In addition, the motive behind YSI contracting out sales and marketing to their sister company in Germany was also one of functional necessity. Therefore, collaboration seemed to be for limited functions and purposes. Amongst YSI's managers, there was certainly the desire to establish group-wide communication

and collaboration with broader perspectives:

I would like to communicate with all Japanese, all EMEA, all sister company management, and of course, to stay at my desk and have time to communicate. (Italian CS manger, 2006)

This is a multinational company. If a technical manager holds a position at a certain level, he/she should be able to interact with all other companies, and English is the global language. (Italian assistant head of R&D, 2006)

It seems that the local managers were acting as facilitators, to some extent, for communication and collaboration within YSI and with their sister companies. However, these activities were brought about by operational necessity rather than through their initiatives and strategic needs. The local managers were keen to develop further communication and collaboration for a wider range of purposes and scale them up geographically.

Task and responsibilities

The local managers believed that managing local employees was ultimately their most important role. This implies that the locals thought that managing YSI should be done by them rather than the expatriates. More specifically, local management was described as training people, monitoring subordinates and

communicating with managers and subordinates:

From my point of view, management requires more than technical skills. The most important thing is how to manage people. For supervisors, technical skills are very important but for managers it is more important to know how to communicate and manage people. (Italian CS manager, 2006)

Now I train the new employees once they start working here. There is an internal rule that employees are not allowed to start working here until they have passed this course. After the training, I monitor them. I talk with each line manager about the new workers. In addition to this, I check their machines. (Italian safety and environment manager, 2006)

The tasks described by the local managers seemed quite broad. The boundaries of local manager's responsibilities appeared to be rather ambiguous and this led to the local employees being engaged in multiple tasks. However, at the time of this fieldwork, the tasks were becoming more specific and were more clearly allocated to different divisions in organisational structure: *When I started with YKK in 1990, I had to do everything myself. Now there is a division of labour according to competence. (Italian safety and environment manager, 2006)*

The management of local industrial relations was also considered to be the responsibility of local managers. LMIC1 described how he dealt with trade

unions: *Three of our employees are representatives of the trade unions... So once a month we have a meeting to discuss different issues... The relationships between the company and the unions are very good. There are hardly any strikes, just in 1999. Every four years we hold negotiations with them about internal [work] contracts. Sometimes they complain to us, but if I respond, the complaints always go away.* (Italian accounting and finance manager, 2006)

He also explained difficulties he faced over negotiations with them, explaining that he overcame these by improving communication with the union representatives: *When I have to say something to an operator, I want to maintain a good relationship with him/her. It is not so easy because we know that in 1999, we had a big lay-off ... but I have a good relationship with the representatives... I have to improve [this skill] further ... I have to involve myself in more communication with them.* (Italian accounting and finance manager, 2006)

This section focused on the roles of local managers of YSI, which showed extensive autonomy being given to the locals. This was exercised in the areas of decision-making, especially in relation to evaluation systems and training coordination. However, the research found that Japanese expatriates have the ultimate authority. This showed that, while interactions between the locals and the expatriates were active, the types of relations and attitudes varied due to

language barriers and, in particular, personality. The locals perceived themselves as initiators and facilitators who enhanced communication and collaboration within YSI and the YKK group. However, at that time, they were geographically limited and operation-oriented, although they were keen to expand to wider perspectives. Finally, the research revealed that the locals perceived local management as their most important role.

The previous section showed the intention of the Japanese MD to transfer further autonomy to the locals. The research found very limited overlap of the roles of the locals with those of the expatriates. While the local management varied according to degrees of delegation, if the company wished to transfer other roles of the expatriates to the locals by reducing or eliminating the number of expatriates, this could raise questions of operational feasibility and length of implementation period of any new policy or strategy.

Role of expatriates: perceptions and expectations of local managers

This section examines what the locals perceived and expected of the expatriate roles. These are discussed, and comparisons drawn between their past experiences and observations and their perceptions at that time. This allowed the researcher to consider whether and how the different attitudes and

capabilities of expatriates in the same context contributed to the differing roles of the expatriates. These perceptions are then examined within the theoretical framework that identified the critical roles of expatriates.

An expatriate: 'Mr Unknown'

From 2002 to 2004 a situation arose whereby any role performed by an expatriate was hardly ever acknowledged by locals. Sometimes they did not even know what he was doing, since there was no interaction between the locals and the expatriate. The locals called him 'Mr Unknown'. Mr Unknown was in a complex situation in terms of tasks assigned to him. He had to accomplish a dual role serving two different companies, YSI and YKK–Italy, which were a two-hour flight apart. Problems arose because the expatriate was not spending enough time in the subsidiary to establish any rapport or communication.

However, this lack of interaction with the locals was not the only reason that the expatriate ended up being known as Mr Unknown. It was also because of his attitude and/or capabilities, as LMIC1 notes: *In the past, one of the managing directors assigned to YSI lived in Milan and every week he came here on Thursday or Friday and then went back to Milan. So, he spent a maximum of three days a week here. He was the YSI managing director but he was also responsible for the EMEA. So, when he made a*

decision, he was not completely 100 per cent for YSI. Although the market was stable at that time, there was no improvement at YSI. Also maybe because he was a very serious person, he was at his desk and in front of the computer all the time. He had no communication with the local employees or any other important Italian staff. Fortunately, JEMICI came three years ago, and he is a completely different person – in a positive way. (Italian accounting and finance manager, 2006)

In this example, the role played by the expatriate was hardly recognised at all. This implies that there was a certain risk that this subsidiary could get out of control and, indeed, there was no positive change and improvement here either in the organisation or in their business performance. The consequences of the duplicated positions assigned to this expatriate affected his dedication to YSI and caused a lack of communication with YSI employees when he was at YSI. Alongside the enhancement of localisation the number of expatriates was reduced and some expatriates were given multiple roles, typically for a local subsidiary and for the RHQs. This is similar to the problem that YKK–Spain experienced.

Changes in organisation

Since 1991, when YSI was established, it has experienced many changes in

terms of its market environment, organisational structure and HRM practices. The locals underwent several changes of management style by different Japanese expatriates, each of whom had his own way of doing things. This section considers how the environment changed and how the expatriates responded to the changes from the locals' viewpoint.

Firstly, regarding the change of context, LMIC5 was aware that the market had become more customer-oriented. He also said that changes within YSI were carried out incrementally rather than radically. YSI's organisational changes involved structural changes, such as establishing new divisions and appointing new staff. LMIC5 concluded that a good work environment had developed as a result and that organisational performance had improved: *In the last 15 years there have been many changes. New members of staff have been appointed... If there are good people, it's positive for the overall work environment... There were no drastic changes – mainly constant moderate improvements. Nowadays the market has changed; it's more customer-oriented... The new department was established with the arrival of the new managing director in 2005. While in the past there were long delivery times that caused customer dissatisfaction, with the new customer orientation we can already see positive results.* (Italian safety and environment manager, 2006)

It was also pointed out that YSI experienced organisational structural change

towards a more formal but flatter structure (interview with the Italian safety and environment manager, 2006). In addition, a new career path development was recognised. For instance, five production units of YSI had become ossified, having had the same supervisors and subordinates for 15 years. By moving these supervisors to the newly developed department the operators now had a chance to make career progressions: *It's a new strategy to motivate lower-level staff. It's obvious that not all factory workers can become managers, but the message is clear that everybody can grow in this company.* (Italian head of R&D, 2006)

This organisational change initiated by the Japanese MD (Mr Hamamatsu) was explained in the section on expatriates' perceptions of their own roles at YSI. The local managers' description of this was almost identical to that of the expatriates. He confirmed and highly evaluated the expatriate's performance as an agent of change. In addition, it was perceived that training opportunities were increased by JEMIC1: *I noticed that this new general director focused more on these new things.* (Italian product development technician, 2006)

Although the locals confirmed that the expatriates initiated several changes, the methods used varied and the details are discussed in the next section.

Authoritarian versus consensual strategies

The locals also perceived that the expatriates acted as agents of control. LMIC6 commented that expatriates were monitoring whether or not the operations were running well and efficiently: *Expatriates can easily see if things are going well or not, or if we work efficiently or not.* (Italian head of R&D, 2006)

The work performance of local managers was reflected in their evaluation and bonus allocation, and was overseen by the expatriates (interview with the Italian assistant head of R&D, 2006). The latter were also involved in final job interviews (interview with the Italian assistant head of R&D, 2006).

At the same time, the research revealed clear differences in the ways in which individual expatriates managed and controlled the subsidiary. In 15 years, several expatriates served YSI as its managing director. The following describes the locals' perceptions and comparisons of their management style and how they controlled the subsidiary. One expatriate MD was very decisive while another valued internal consensus, as described below:

Mr A was a very strong person and he decided everything by himself. For example, in 1999 he decided to reduce the number of employees. We needed a lot of money to do so. But he decided to retrench them in June and then he left [Italy] in September, so this decision could probably have waited for three months. Now we are left having to pay a lot of money for his

decision. (Italian accounting and finance manager, 2006)

This accounting and finance manager described a rather forcible management style by the former expatriate. While there was not enough information for the researcher to assess how well that expatriate was coping with the local context, his way of adjusting labour capacity was perceived negatively by the locals not only in his limited accountability but also in the negative consequences caused by his decision and the limited consensus it received from the locals.

On the other hand, Mr Hamamatsu, the Japanese MD at that time, was perceived as being more orientated towards achieving group consensus, and providing high transparency and accountability to the locals. One Italian manager indicated that Mr Hamamatsu called for meetings with managers, explained the issues, asked for local managers' opinions and made decisions together with them. At the same time, Mr Hamamatsu gave more extensive autonomy and responsibilities to the locals. LMIC1 noted that this helped to improve the locals' capability: *If one person decides for everybody, nobody can improve. Instead, if a target is given to a person, then probably they can improve.* (Italian accounting and finance manager, 2006)

LMIC1 also commented that Mr Hamamatsu had completely changed the

motivation of the locals at YSI. They now felt that their functions were very important to YSI, although it was hard to adapt to the new approach at first: *Because of Mr Hamamatsu, employees feel that they are very important to YSI because he always says to employees 'thank you for your work'. This is very important.* (Italian accounting and finance manager, 2006)

The research showed that from the locals' viewpoint the expatriates were acting as agents of control. The section compared two different ways of managing and controlling the subsidiary. One was criticised and the other was highly valued by the locals. In other words, the degree of success in creating cooperative relationships was a different contingent factor for each manager. However, the remaining five contingent factors were almost identical for both. There was no substantial difference in terms of HQs' intervention, subsidiary core, age of establishment, local institutional systems and local HRM systems. The same degree of autonomy was given to these two expatriate managers. Thus, how successfully the expatriates acted as agents of control might have depended more on their capability, which was identified as the second strategic choice factor.

Expatriates as localisers

The expatriates' localisation efforts were recognised by the locals at YSI.

Localisation here meant two things. The first was the expatriates' adaptation to the local context and their integration with the local employees. One Italian manager considered that adaptation could not be just a one-way approach but should become a mutual understanding between both expatriates and locals:

They [the expatriates] have to get integrated in the new culture... their attitude can be strange to us. Sometimes they look upset, but they are fine. I understood this issue after a while... If the company recruits staff who do not adapt, it is difficult to establish a good rapport with other employees, both Japanese and local. (Italian safety and environment managers, 2006)

In addition, it was indicated that Japanese expatriates were making efforts to speak Italian (interview with the Italian head of R&D, 2006).

The second kind of localisation referred to the further delegation of autonomy to the locals. For instance, LMIC4 suggested that the Japanese were not as powerful as in the past (interview with the Italian quality manager, 2006).

LMIC5 agreed, saying that Japanese staff no longer played a key role in the company. While expatriates used to train the locals on the machines and in the new technologies, now the locals were more independent (interview with the Italian safety and environment manager, 2006).

At YSI the locals grasped the expatriates' role as localisers. However, their

perception that Japanese managers had been more powerful in the past confirms that there were different degrees of, or approaches towards, localisation, and the situation seems to have been influenced by the methods and values of the individuals concerned. The locals perceived that further localisation did not happen as a result of different environments but as a result of various individuals' initiatives. This indicates that expatriates do have a choice in implementing HQs' decisions.

Roles attracting limited recognition: globalisers and agents of knowledge transfer

So far the research has showed that the locals recognised three active roles of expatriates. This section examines their perception of the other two roles of expatriates, namely as globalisers and agents of knowledge transfer. Firstly, HQs require expatriates to enhance global collaboration. The researcher was interested to discover how the expatriates were implementing this policy at the subsidiary level and how the locals perceived it. However, this role did not seem to be recognised by the local employees.

Although Mr Hamamatsu mentioned that he had tried to send local managers to the EMEA-level meetings on his behalf (interview with the Japanese MD, 2006),

this effort was not well received: *It is usually Japanese staff [who work with the HQs or EMEA–RHQs]. For example, they are going to London at the end of next week and the Italian accounting and finance manger is going to London for the next meeting. So they have started to communicate with all the management of EMEA.* (Italian CS manager, 2006)

The role of globaliser involves expanding global contacts and networks. The expatriates explained that they were working to enhance global communication and collaboration. The locals described their own efforts as enhancing cross-border communication and collaboration. The reason for this gap in their perceptions may be that the progress of globalisation work by the expatriates was still being given limited recognition.

The locals' recognition of the expatriates' work in the area of knowledge transfer was again generally limited, although some of them acknowledged it:

The Japanese staff are really helpful from a technical point of view. (Italian assistant head of R&D, 2006)

The Japanese staff are all different and each of them brings new experiences to YSI. (Italian product development technician, 2006)

However, the scope of these comments is limited to some of the actions of the expatriates rather than showing an understanding of their underlying roles. It has already been pointed out that their role as agents of knowledge transfer is

shifting its emphasis towards transferring corporate-specific knowledge such as the company's culture and philosophy. The research showed a high degree of understanding of the corporate philosophy by the locals.

Overall, the expatriates' roles as agents of change, agents of control and localisers were well recognised by the locals, whilst there was only a limited perception that they were acting as globalisers and agents of knowledge transfer.

The locals' perception of the roles of expatriates were investigated and analysed for the purpose of comparison with the research results from interviews with the expatriates as well as with observational data collected through the action research approach. This analysis shows that, among the contingent factors identified, cooperative relationships enhance mutual understanding between the locals and the expatriates. They influence how successfully the roles of expatriates are fulfilled. Additionally, the capabilities of individual expatriates are of equal importance.

Factors influencing the formation of the roles of expatriates

This section examines and analyses the research results in relation to the factors influencing the formation of the roles of expatriates at YSI in the theoretical framework developed.

Contingent factors

HQs' intervention

As explained earlier in this chapter, YSI attracted very limited attention from their IHQs and RHQs, which resulted in the reluctance of HQs to invest in YSI, where new machines were manufactured in-house. One challenge for a Japanese expatriate was therefore to attract the attention of HQs and make them understand the necessity of investment in YSI: *[The issue is], how will Japan understand our level? This makes a difference to our technological capability.* (Japanese MD, 2006)

In the theoretical framework, intervention by HQs was regarded as an organisational context factor. This factor was assumed to put pressure on expatriates to act on behalf of HQs by implementing the strategies and policies developed by HQs. Thus, the intervention of HQs was thought to form a specific context in which expatriates must work. The expatriates at YSI certainly perceived the changing trends of the global market and attempted to respond to them as well as working on further global collaboration and localisation using the new approach.

These objectives conform to what the research on HQs has indicated. However,

the research at YSI found little evidence that the expatriates were under pressure from intervention by HQs. The research results showed that HQs paid very limited attention to YSI, and that the YSI's expatriates' understanding of the company's strategies and policies was in line with HQs. Therefore, it is fair to say that the expatriates at YSI fully understood HQs' policies and strategies. However, they seemed to be fairly independent in terms of how they reflected HQs' intention in their local strategies and operations, and they made their own choices in doing so. Moreover, the expatriates at YSI were keen to influence HQs' decisions regarding investment and globalisation.

Subsidiary core

The research revealed several distinctive features of YSI. As stated, the organisational functions and components of YSI assigned by HQs differ from those in most of its sister companies in the EMEA region. YSI does not have an independent sales and marketing department; instead, this function is subcontracted to their sister company, Stocko, in Germany. The three YKK subsidiaries in Italy – YKK–Italy, YKK–Mediterraneo and YSI – do not have identical business domains and functions in their organisation and the first two, with around 250 employees, are much larger in size than YSI.

YSI was given the specific role of producing only snaps and buttons, whilst the other 36 YKK subsidiaries, out of a total of 38 in the region, all produced zips. Their customers were not outside YKK but were its sister companies and they did not have independent sales and marketing departments as did the other subsidiaries. Instead, YKK–Stocko in Germany took up this role for YSI (researcher’s field notes, 2006–2007). The research showed that this particular operational structure had enhanced the employees’ understanding and experience of cross-border cooperation, although analysis revealed that this structure influenced the expatriates’ role by emphasising the importance of their acting as cross-border coordinators.

YSI was much smaller than the other companies studied in this research project. For example, whilst the turnover of YKK–Germany, YKK–France and YKK–Spain in 2006 was approximately €30 million with more than 200 employees, YSI’s was around approximately €0.8 million with 62 employees (researcher’s field notes, 2006). Accordingly, the financial impact of YSI on the whole group was smaller than that of most of the subsidiaries in the region. However, the research did not show that their size contributed to a reduction in the attention they received from HQs or weakened the political power of YSI.

YSI’s operational efficiency was highly valued by the expatriates. In comparing

YSI with the other YKK subsidiaries where he had worked in the past, the Japanese MD indicated that he greatly appreciated YSI's solid foundation. He considered that it was because YSI was developed by YKK alone while others where he had worked at, for example, USA Universal and Canada Universal, were bought by YKK. While these acquired companies had specific technology that YKK wanted and management systems that had been developed over a hundred-year history, they did not have the same level of overall competitive edge, such as the employee loyalty and production efficiency enjoyed by YKK. He pointed out one of YSI's strong points: *In terms of how to develop our own methods and pass these ideas along with YKK, YSI is very easy to work with and labour turnover is very low.* (Japanese MD, 2006)

These features of YSI would have made management and control less challenging for the expatriates and allowed them to spend time on different things, including the development of a local strategy (interview with the Japanese MD, 2006). The features have helped YSI to achieve a good business performance and the local manager commented: *We, the local managers, have witnessed the continuous growth of YSI.* (Italian safety and environment manager, 2006)

However, while YSI collaborated well with its sister companies, it was

considered that YSI was not competitive enough in the domestic market: *While the Italian market is huge, we sell no products there at all. We sell them mainly in foreign countries such as Spain, France and Germany. I think there is more competition in Italy than in the other markets.* (Italian product development technician, 2006)

The distinctive features observed in YSI were its cross-border operational coordination, its relatively smaller size and its low labour turnover. Its cross-border operations seemed to facilitate the role of the expatriate as global coordinator. While its operations were geographically limited and were extended only out of operational necessity, the expatriates were certainly taking the initiative in developing a local strategy with an international perspective. In addition, although its small size and sales turnover did not help the expatriates to have significant political power within the group, they contributed to making the expatriates engage more with the locals and to develop close relationships and a degree of trust with them. The low labour turnover made management and control less challenging for the expatriates. This indicates that the expatriates could spend more time acting in different roles rather than acting merely as agents of HQs.

Age of establishment

The subsidiary was acquired by YKK in 1990, which is relatively recently for YKK. Long-standing subsidiaries can possess extensive experience and knowledge accumulated over time. YSI's 15-year history was not particularly short, however, and this research did not find that the technological and managerial skills there lagged behind subsidiaries with a longer history, such as YKK–Spain and YKK–France, where the expatriates needed to be agents of control to counter the power of the local rebels and empire builders. These latter two subsidiaries were suffering from conflicting and embedded internal politics (researcher's field notes, 2006). YSI did not have this problem although majority of employees had worked for YSI for more than 15 years and could have become opponents in a local power struggle. The age of establishment is critical, requiring expatriates to have the ability to manage employees with a long service history.

Local institutional systems

The influences from the Italian institutional systems controlling industrial relations were demanding after substantial changes in the 1980s. "In Italy, there was considerable change in industrial relations in the 1980s... Not only at a

micro- but also at a macro-level organisational relations changed”. (Ferner and Hyman, 1993, p.526 cited in Eberwein *et al.*, 2002, pp.10–11). Explaining the results of these changes, Eberwein *et al.* state: “the passing/revising of the *statuto dei lavoratori* of 1993 (*rappresentanza sindacali unitarie*, RSU), there is only trade union representation at the workplace. The central task of union representatives is the co-ordination and implementation of national wage agreements at plant level. They also have the right to information in certain areas, for instance, market and production prospects, investment plans, employment perspectives and the introduction of new technology. [...] There are three representative trade union associations in Italy, in which individual trade unions have come together, which in turn are organised by their sector or industry”. (Eberwein *et al.*, 2002, p.11))

Trade unions have significant power over firms in Italy, ranging from regulating industrial relations to disclosure of business-related information. Italy differs in many ways from countries in which the other companies are located. In Germany there are heterogeneous trade unions, but in Italy there are only unified industrial unions. Union density in Great Britain is only 9 per cent while in Italy it is 29 per cent (Eberwein *et al.*, 2002).

The trade union emerging from the Italian institutional system strongly requires

companies to adhere to the national contract, which is the foundation of industrial relations and is widely recognised by the locals: *When I started working I was on the third level, and I was put on the fourth level after two years. Then I came onto the fifth level, then the sixth level incrementally, to reach the seventh level in 2005.* (Italian head of R&D, 2006)

This shows that the Italian national labour policy was not only rigid but was also widespread among both workers and managers. The above manager understood the wage system very clearly, although his job had nothing to do with HRM. In addition, when the researcher organised a YKK–EMEA HR managers meeting in London in 2007 to discuss the implementation of a global job grading system, the accounting and finance manager, who was also in charge of HRM, said: *Before implementing any grading system, we need to decide which contract we will choose* (Italian accounting and finance manager, 2007).

He was convinced that all European countries had the same institutional industrial relations system. Ever since the first YKK subsidiary was established in Italy, dealing with the trade union and various actions initiated by the union has always been a serious issue for the expatriates. However, despite the extensive penetration of this institutional system among workers in Italy, the research did not detect any problems that were related to industrial relations in

that country. The Japanese CS manager stated it was difficult for him to adapt to the Italian way at first, until he learnt how to deal with it. Compared with the strong views that the locals have about the trade union, the expatriates did not seem to be concerned about it. Institutional systems automatically force compliance on expatriate managers. However, no matter how demanding they were, in the end, the degree to which they were influenced by it in performing their roles was governed by the expatriates' capabilities.

Local HRM systems

This section considers how YSI coordinated their HRM systems in compliance with national regulations and how they influenced the roles of expatriates at YSI. The previous section looked at the rigid Italian institutional systems, focusing on how industrial relations are regulated. However, most local managers believed that they did not cause major problems (interview with the Italian product development technician, 2006; interview with the Italian head of R&D, 2006). In this context, LMIC6 said: *I'm interested in my job and that's all. But I can see a harmonious relationship between the company and the trade union. From time to time there are some tensions, but this is normal for any company.* (Italian head of R&D, 2006)

The same person added that there were two types of trade union at YSI. One (the metal industry union) is rather aggressive and the other (the textile union) is cooperative. LMIC7 described the unions and their relationship with YSI and emphasised its importance: *One guy in my team is a member of a tough one. From time to time I have some arguments with him. With tough trade unionists the company has a tense relationship. Others can arrive at appropriate agreements with the company. Trade unions are important and I strongly believe that all workers should be protected, especially those who are not intellectually skilled.* (Italian assistant head of R&D, 2006)

On one occasion YSI confronted a trade union and this led to a disastrous situation. As a result YSI seems to have adapted to the local institutional system and managed it as part of their HRM systems. If they had not done so this could have impacted on the expatriates' roles, taking up considerable amounts of their time. The local HRM system was not constituted only by the national contract but also by their own company systems, such as evaluation and training. The Italian managers were aware how they were evaluated:

Our evaluation consists of an informal appraisal. My evaluation is based on the objectives I have achieved. (Italian product development technician, 2006)

There is a clear understanding that they (the locals) are evaluated by their achievements compared to a set [of] objectives. (Italian safety and environment manager, 2006)

The evaluation system applied to managers was different from that of non-managers. Non-managers' evaluation merely complied with the national contract. The higher their managerial positions were, the less formality the system displayed. Although there was no formal evaluation system for managers, interpersonal contacts compensated for the lack of a formal system. In this small company employees have frequent interaction and communication, For instance, Italian managers commented that, when they wanted to inquire how they had been evaluated, they could go to their manager directly (researcher's field notes, 2006). In addition, the local managers received bonuses based on the company's productivity as well as an individual bonus based on the objectives they had achieved (interview with the Italian head of R&D and Italian assistant head of R&D, 2006). However, LMIC5 indicated that the evaluation process and involvement of the expatriates was unclear: *I am not sure how I am evaluated... This is a small company. My line manager is the manager for the department and then there is a Japanese manager.* (Italian safety and environment manager, 2006)

The research found that the expatriates were involved in managing approximately ten local managers in all. The lack of a structured HRM system in YSI did not influence the allocation of the expatriates' time to their different roles. However, in managing the local employees, the expatriates were greatly

helped by the small size of YSI and by active interactions within the organisation. The expatriates' time was not taken up in management and control efforts, such as wage negotiations and conflict solving. Thus, without supplemental factors, the situation could have been different. Therefore, local HRM systems did influence the expatriates in forming their roles at YSI.

Local cooperation

During the whole research period from 2004 to 2008, the researcher visited the offices of all the individual subsidiaries' MDs in the case-studies, namely at YKK–Poland, YKK–Italy, YKK–Germany, YKK–Turkey, YKK–Italy, YKK–Spain, YKK–France, YKK–Mediterraneo and YSI. Among these offices, the office of YSI's MD stood out. Many photographs of the local employees were on the wall and hundreds of different snaps and buttons, which had been made as samples, were on his desk (observation and discussion with YSI MD, 2006). The expatriates here were making enormous efforts to be integrated into the local scene. The research on this original approach also showed reasonably active interaction between expatriates and local managers at YSI.

The research showed good relationships and positive perceptions and high motivation throughout the organisation. In addition, many respondents voiced

their wish to continue working at YSI and said they liked their jobs and considered that there were lots for them to learn at YSI:

I think I will carry on doing what I am doing now. I like my job. (Italian product development technician, 2006)

I hope to carry on the same job [at YSI] that I'm doing now. The company has been very good to me. (Italian head of R&D, 2006)

I have done many little things to improve management and I have gained a lot of experience here. (Italian safety and environment manager, 2006)

While I have already reached the maximum in terms of responsibility [set in the national contract in the mid 1930s], there are many more things to learn. (Italian assistant head of R&D, 2006)

It is also indicated that bonuses, awarded when improvements of productivity were achieved, motivated employees to work harder (interview with the Italian safety and environment manager, 2006). This has a direct relationship to career progression and training opportunities. In addition, YSI's compactness and culture seemed to contribute to the healthy ambience: *YSI is perceived as small- to medium-sized as well as being a part of a multinational. While multinational firms in general tend to merely aim to maximise their profits YSI does not... It's a good, big family [of 62 people]. (Italian assistant head of R&D, 2006)* . LMIC7 indicated that YSI's small

size was an advantage that contributed to its flexibility. He believed that decisions could be made much faster here than in a large company (interview with the Italian assistant head of R&D, 2006). Their team-working skill was also pointed out: *It's a small company and we always interact with each other. Working in a team is quite common here. We all know each other.* (Italian quality manager, 2006). In addition, effective communication seemed a contributing factor to fulfilling the roles of expatriates.

In the theoretical framework, local relationships were identified as being part of the organisational context in which the expatriates worked. YSI's case-study indicated that their present positive relations were largely the result of the expatriates' efforts. Positive relationships create trust and one of the roles of expatriates should be to develop positive and trusting relations with the local employees.

Capacity for strategic choice

Autonomy

Autonomy, a concept shared by very different philosophical positions, is the self-determining capacity of individuals. It is conceived as the second-order capacity of individuals to reflect upon their first-order preferences, desires and wishes

(Dworkin, 1988). YKK's subsidiaries worldwide have been delegated extensive autonomy due to their internationalisation policy. Traditionally, while their HQs gave the expatriates the group's objectives, they did not instruct them in how to fulfill them. The expatriates of YKK have not only implemented but also developed strategy (researcher's field notes, 2004–2008). In the future they may have less autonomy in terms of losing their self-determining capacity due to a shorter assignment period and the HQs' increasing intervention in the subsidiaries' activities. Nevertheless, at the time of the research the expatriates at YSI still possessed extensive autonomy in that they were reflecting their first-order desires and wishes in forming their roles. Whilst the researcher had previously considered that autonomy was something that was handed down by authority, the research results provided evidence that autonomy was not only given in advance but also obtained by agents over time and achieved by exerting it. In this way, the expatriates cannot be autonomous unless they have the individual capability to obtain, maintain and exert their autonomy.

Individual capabilities

The research showed that the expatriates, especially the Japanese MD, were exerting autonomy and even trying to obtain more autonomy by negotiating with HQs. This section examines and analyses individual capabilities and how they

influenced the expatriates' roles.

The Japanese MD had extensive experience in overseas business management:

I joined the company in 1968 with a degree in electronic engineering. I was stationed in Georgia, USA, in 1974, and then at YKK–Canada (where there were about 100 employees) for ten years from 1975. I returned to Japan in 1985 and then was sent to an American company called Universal Fastener in 1988... One Japanese person was in charge of factory management as well as being the marketing manager there. From 1991 I worked for three years at Snap and Button in YKK–Brazil. I then moved to YKK–Italy in February 1994. This was actually to start a company called YFI (now YSI), which specialised in snaps and fasteners, next to YKK–Mediterraneo, which had started in 1990 and specialised in the production of sliders for zips. (Japanese MD, 2006)

Another Japanese expatriate, JEMIC2, also had experience in working abroad. Having had an educational background in engineering and a good understanding of production systems, he was acting facilitator in coordinating technical support from HQs (interview with the Japanese CS manager, 2006).

In addition, it was observed that the expatriates were implementing company policy and strategy not only independently but also through the local managers, with whom the expatriates had built coalitions. The research confirmed that many locals' understanding of the corporate philosophy was almost identical to

that of the expatriates. The expatriates' experience and their ability to build coalitions with the locals to achieve their objectives were neither given to them by the company nor something that emerged from the context. They were, instead, specific individual capabilities, which enable them to exert autonomy and to play the different roles required of expatriates, balancing them to act in the interests of HQs, the subsidiary and themselves.

Role of expatriates in YSI

The research analysis showed that the expatriates at YSI played most of the five roles identified as critical in the thesis's theoretical framework. Table 8.1, next page, shows an overview of their performance.

TABLE 8.1 ROLE OF EXPATRIATES AT YSI

Role of expatriates	Significance	Example
Agent of control	Significant	The expatriates shared HQs' perceptions about the changing global market. They implemented the corporate philosophy as well as HQs strategy, and devised policies to respond to it. The locals understood them well and were cooperative.
Agent of change	Significant	Incremental organisational change was initiated by the expatriates and highly valued. This included the establishment of new divisions to increase career opportunities, which had a positive effect on the employees' motivation.
Localiser	Significant	Japanese expatriates were very active in establishing further localisation where autonomy is fully given to local managers with only one expatriate to monitor them. To that end, the expatriates were keen to provide training to locals as well as to reinforce their technological capability and efficiency.
Globaliser	Middle	Connections and business-related interactions with sister companies had been in existence for years. The company sent locals abroad for technical and knowledge training purposes. However, YSI's presence in the global YKK group was not significant and the expatriates aimed to increase it.
Agent of knowledge transfer	Middle	The local managers valued not only the technological knowledge of the expatriates but also the knowledge that derived from their different experiences. The expatriates were also keen to pass on local information to their HQs.

Agent of change

The research at YSI has shown that the expatriates actively worked on structural organisational changes as well as HRM systems in order to respond to

the changing market; through their efforts they improved the subsidiary's performance and the locals' motivation. The changes were not carried out as a result of a strong demand or instructions from HQs, as in the case of YKK-France, but were initiated and implemented by the expatriates on their own initiative. The type of changes they implemented reflected HQs' policies, but it was the expatriates who decided when and how to make the changes at YSI. It was the expatriates' choice to be agents of change. This was possible because they had strong autonomy and the individual capabilities to improve the in-house technical skills and internal HR systems and to develop cooperative relationships. The data indicates that the changes at YSI resulted in positive consequences. The economic performance of YSI improved and the benefit perceived by the local community was notably enhanced, thus satisfying HQs' expectations of contributing to local development. More importantly, YSI's strategic position in the group was strengthened and its core business improved.

Agent of control

The expatriates were acting as agent of control for HQs in that they fully understood HQs' policy, global strategies and reporting lines, and implemented them. Intervention by HQs in YSI was at a low level not only because of the

small scale of the operation but also YSI was well-managed and experienced both improved performance and improved employee motivation. These were not the results of direct control by HQs in implementing a given local strategy but were brought about by the decisions the expatriates made on the procedures, control structures and local strategies they developed. At YSI the expatriates played the role of agent of control as a result of being given high autonomy combined with high individual capabilities.

Localiser

The expatriates at YSI were very active localisers. While it was also HQs' policy to enhance localisation, the expatriates at this subsidiary also worked towards localisation, but for different reasons and using a different approach. While HQs' new approach was to advance localisation by simply reducing the number of expatriates and replacing them with local managers, the expatriates at YSI believed that the increased delegation of autonomy to the locals, accompanied by their empowerment, increased their commitment to corporate values. It also improved the communication flow and individual skills. However, one of the expatriates emphasised the necessity of a minimum number of expatriates as they are critical in enhancing localisation liaison with HQs.

The expatriates also innovated their own localisation approach by combining Japanese values with different approaches, such as increasing transparency and openness as keys for empowerment. As a result of their localising actions, not only were the local HRM systems and cooperative relations improved, but YSI's strategic position was also improved by having a more skilled and capable local management workforce.

Globaliser

YSI did not appear to be operating in global coordination, partially due to their limited strategic role as a company dedicated to production for internal customers in a small and simple organisation without their own sales and marketing department. The expatriates were acting as globalisers to some extent, in that they enhanced communication and connection at the global level by improving the locals' English language skills, actively sending them to regional and global meetings and stabilising the cross-national operational structure in which YSI was involved. However, the global organisational structure, together with a contingent feature of the subsidiary core, i.e. the insufficient resources allocated to the subsidiary, limited the expatriates' choice to act as globalisers. This worked as an obstacle together with their lack of power to influence HQs

and other subsidiaries to work more actively as globalisers.

Agent of knowledge transfer

Whilst expatriates used to be regarded as the key actors for transferring knowledge, in particular the corporate-specific knowledge that includes technological information and management know-how, the expatriates at YSI did not act as agents of technological knowledge transfer and did not have the choice whether to do so or not because of contingent factors. Although their history was long enough for them to have developed the necessary technological knowledge for their operation, HQs' policy for implementing new technological knowledge was to send specialists from specific areas to play this role on short-term assignments. In addition, YSI was exchanging technological knowledge with specialists in other subsidiaries. Thus, technical knowledge transfer was not regarded as a role for expatriates to play in this company. However, the expatriates were active in transferring management know-how to the locals as they had learnt more about the global-level business information and corporate values and philosophy through their experience of international assignments. Whilst the corporate values strongly encouraged knowledge transfer by HQs to the locals, transferring managerial know-how was the choice of the expatriates,

as well as the specific elements of knowledge to be transferred to the locals.

Conclusion

YSI is a case study in which expatriates were playing almost all the five roles identified in the theoretical framework. Contingent factors and strategic choice factors were found to influence their limits and choices in each role. Contingent factors, such as HQs' intervention and subsidiary core limited expatriates' capacity to fully act as globalisers and agents of knowledge transfer roles. However, their strategic characteristics of extensive autonomy and individual capabilities enabled them to choose whether and how to play the roles of agent of change, agent of control and localiser. They did not merely work as agents of HQs but were more independent, having their own beliefs and making their own choices and decisions. These factors also helped them to avoid the distraction of contingent factors in achieving the better economic and HR performance of the subsidiary. A reduced level of HQs' intervention and extensive autonomy in the subsidiary enhanced the expatriates' ability to shape the roles they believed would work in that specific organisational environment. Expatriates together with locals developed their local strategy, using their rich accumulated experience and succeeded in managing in the different cultural and institutional

contexts in which they were situated and developed trust and coalitions with the locals.

Another critical factor, which had a significant influence in forming their roles, was the cooperative relationships existing within the organisation. While YSI experienced quite a few organisational changes, their most recent change was especially well-perceived by the locals who saw that the expatriates were working towards their empowerment by giving them better career opportunities and investing in improving their skills and motivation. Also the capability of both the expatriates and the locals to develop and maintain close communication within the organisation must be noted. The quality of these local relations compensated for their initial lack of a formalised HR system and helped the company to deal with difficult negotiations with the trade unions.

The positive results of playing the five roles identified as critical for expatriates can be found in their economic performance and the employees' motivation. Furthermore, there was only a small gap between the perceptions of the local managers and expatriates of the latter's role. The local managers had a good grasp of what the expatriates were doing, what they wanted to achieve and what they brought to the company. At the same time, the expatriates' policy of transparency and openness, as well as their efforts to empower the local

employees by involving them in decision-making and strengthened the rapport.

The local managers were perceived as having extensive autonomy. Their role included management of the operations and of local employees, recruitment, and evaluating their performance quite independently from expatriates. In addition, they were empowered to be involved in senior management levels of decision-making. However, their roles seem to be different from those of the expatriate managers. Local managers cannot work fully independently as agents of change and control and as localisers because these activities always require individuals with the political capacity to influence HQs in negotiations. Locals' different experience limits their capacity to play the roles of globalisers and agents of knowledge transfer because of their limited experience of international management and global-level business knowledge and networks,

However, this case study clearly shows expatriates endeavouring to empower local managers and working very closely and sharing the decision-making process with them.

The research also indicates that knowledge transfer should occur in several directions. It is critical for expatriates to transfer their knowledge of the corporate vision and values as well as global business information to the subsidiary. At the same time, it is regarded as important to transfer knowledge

about specific local issues to HQs and the other subsidiaries.

In addition, the research implies that one result of forming these expatriate roles can be to reform and reproduce contingent factors. For instance, as a result of working as localisers with their own approach towards empowerment, the expatriates changed the subsidiary core by improving their strategic position and local HRM system. This also resulted in improving the degree of cooperative relationships in the company. The work environment and its contingent factors are influenced by expatriates.

Chapter 9 Conclusion

Major findings

The thesis has examined the dynamics that lead to the formation of the specific roles played by expatriate managers, analysing what these roles are and how environmental, organisational and individual factors influence their formation, as well as whether and how expatriates have a choice in forming their roles. The theoretical framework of this thesis was based both on a literature review and a series of consultations with a case study of an MNE. Exploratory analysis in 4 subsidiaries refined the framework used in 3 case study subsidiaries.

This process proposed that expatriates are expected by their HQs to play five roles that go beyond expatriates' functional tasks. These are (i) agent of change, (ii) agent of control, (iii) localiser, (iv) globaliser and (v) agent of knowledge transfer. The research found that YKK HQs and regional HQs expected expatriates to fulfil those five roles in their overseas assignments. In turn, YKK expatriates were fully aware of HQs' expectations and they recognised the importance of performing five roles. The research also found that the successful fulfilment of the roles was influenced not only by external, organisational and individual factors but also, critically, by how and to what extent expatriates

choose to perform their roles.

The two key types of factors in forming the roles of expatriates and the degree of discretion that they have in decision-making are contingent factors and strategic choice factors. The contingent factors are HQs' intervention, subsidiary's core business, age of its establishment, institutional systems in which the subsidiary is placed, local HRM systems and degree of cooperative relations in the company.

The strategic choice factors are autonomy and individual capabilities, and these are intrinsic to the expatriates themselves. These factors were closely examined in 3 European subsidiaries of a Japanese MNE (YKK), its RHQs and HQs after a pilot study in 4 European subsidiaries.

The methodology combined a case study and an action research approach. The data collection method included semi-structured interviews with managers at the Japanese and European HQs, as well as expatriates and locals, unstructured interviews, observation and action research analysis of internal company documents.

The findings obtained from the analysis of interviews and field notes were triangulated with findings from observation and secondary data analysis. Data from the different groups in the organisation were examined. Common patterns and differences were checked for each theme to analyse what roles had been

formed, how they were formed and their relationship to the factors identified. Gaps and inconsistencies in the findings were further explored through follow-up discussions and interviews with the respondents.

An attempt was made to explain these findings, including the relations between the factors and the roles formed, using contingency and strategic choice theory. Finally, the dynamics of role formation and the influences exerted on roles were compared to produce a model of outcomes of different factor combinations and the roles that were formed.

The relative importance of each of the five roles identified in Chapter 3 drew on the existing literature, preliminary research and discussion with the MNE. When the MNE started to become international in the 1950s, the most important role that expatriates needed to play was that of localiser. Then, as a result of its interpretation of trends in the global business, the company's localisation strategy changed in the early 2000s and thereby the roles that expatriate managers played changed as well. They are now increasingly required to be agents of change and globalisers, and are also expected to play the role of agents of control. The role of agent of technological knowledge transfer was no longer significant in either direction, not from Japan to the overseas subsidiary or from the overseas subsidiary to Japan. The expatriates were only expected to

introduce the company's values and philosophy to the subsidiary and to transfer market-related information from the subsidiary to the Japanese HQs.

The five critical roles expected from expatriates were analysed in the case study.

Chapter 5 sketched the characteristics of the industry and of YKK, and it described and analysed HQs' expectations of expatriates. The chapter highlighted the new localisation approach, which focused on reducing the number of expatriates and replacing them with locals at subsidiaries (not RHQs). It was a significant departure from their traditional philosophy, 'Become a local', where expatriates attempted to assimilate into the local community.

Although HQs expected different roles from expatriates and locals, the research observed some overlapping of roles between expatriates and locals.

The research shows that fulfilment of expatriates' roles can fail due to influencing factors such as lack of sufficient autonomy and lack of international business experience. Likewise, locals could fail for the same reasons. In addition, locals were not in the same HR systems as expatriates, lacking evaluation criteria such as global incentive schemes. The successful replacement of expatriates by locals is not down to the individual's ability, but down to the conditions and factors present.

In terms of the theoretical framework, it was assumed that the specific roles that

expatriate managers played would be influenced both by the general business environment and by the specific environment of the subsidiary. In addition, individual attributes, the strategic choices they made and the degree of autonomy they were given were expected to be influential. This assumption was examined in three different organisations in France (Chapter 6), Spain (Chapter 7) and Italy (Chapter 8).

In YKK–France the results support the proposition that contingent factors and strategic choices influence the formation of expatriates' roles. In this case, contingent factors, especially HQs' intervention, put pressure on expatriates to take on the role of agent of change, but the remaining roles were scarcely tackled. The expatriates were too busy administering the changes required by HQs in the context of strong organisational resistance rooted in local institutional systems to perform any other roles. This disproportional focus on one role led to deeply negative consequences at the subsidiary, causing economic performance to drop and considerably disrupting employees' motivation and morale.

There were also some subsidiary-specific factors. Intervention by HQs to downsize the subsidiary drove the expatriates to focus on being agents of change. The age of the company's establishment politically empowered the local staff and

reinforced their power to resist change. The decrease in YKK–France’s core business reduced HQs’ motivation to support this subsidiary. Lack of resources impeded investment in training local staff, hiring new talent and improving production facilities, compromising the development of the expatriate managers’ role of localiser. The powerful French institutional system, in particular its national employment policy, also worked strongly against the activities of expatriates and consumed much of their time and resources. In addition, the level of local cooperation was low and sometimes broke out into intense internal conflict and hostility.

Autonomy is one of two strategic choice factors identified. In YKK–France, the expatriates were given extensive autonomy by HQs, but excessive HQs intervention disrupted their ability to exercise it. In fact, the combination of significant HQ intervention and a strong French institutional system led to the deterioration of organisational cohesion. Moreover, the expatriates’ limited ability to develop coalitions with local employees prevented them from taking their own initiative.

Thus, while the theoretical framework assumed that expatriates play a number of critical roles, at YKK–France they hardly ever played more than one role: that of agents of change. The case study illustrates the differences between the roles of agent of control and agent of change. An agent of control is an individual who ensures that the subsidiary’s employees and managers cooperate to develop and implement the strategies and policies required for the corporation to function as a whole. This is done using bureaucratic controls such as auditing and direct

supervision, as well as by integrating and aligning the values and attitudes of the subsidiary members with that of HQs. Control requires forging interpersonal links and supervising organisational cohesion, as well as the integration of subsidiaries into the corporate strategies and culture. In France, organisational change was achieved but at the expense of a severe deterioration in organisational cohesion and integration, resulting in the fragmentation of objectives, demotivation and chaos. As a consequence of the changes, YKK–France lost significant control over the performance of the subsidiary. This case supports the notion of Ouchi (1993) that control is better achieved through motivation where a subsidiary conforms by its own initiative to organisational goals, rather than being provided with bureaucratic instructions to do so.

Chapter 7 examined the case of YKK–Spain. At this subsidiary none of the expatriates' roles were fully formed. This led the company into disastrous intra-organisational conflict, with considerably reduced motivation, morale and commitment among the employees. This was one of the oldest subsidiaries of YKK in Europe. It had been in operation for more than 30 years and over time power relationships in the subsidiary were consolidated, but these were overturned in the last three years, with dangerous consequences. Six contingent factors significantly influenced this failure. These were: (i) intervention by HQs by changing its localisation approach without considering the consequences (ii) a solid subsidiary core business, which consolidated the local managers' perceptions, sometimes in conflict with those of HQs, (iii) a long age of establishment during which the subsidiary had developed institutionalised ways of doing things, (iv) a weak national labour regulation system which gave the expatriates too many choices, (v) the lack of a HRM system in the subsidiary, so that the expatriate managers became too closely involved in operational levels

that were supposed to be the responsibility of the local managers, and (vi) negative relations with the local staff that made it harder to choose the right person for the job and to delegate tasks appropriately.

In this situation, the strategic choices available to the expatriates could not compensate for the challenges of the negative contingent factors they faced. Despite being given extensive autonomy by HQs, the expatriates were unable to manage the situation, and some even made it worse by fuelling the collective hostility of local staff. Organisational relations were badly damaged, resulting in low motivation, anger, fear, conflict, frustration and a lack of communication. The lack of an established institutional system failed to protect employees and instead gave particular groups and individuals disproportional power. The lack of a local HR system in the subsidiary also had negative consequences, such as unclear procedures for remuneration and promotion and reduced motivation. The long establishment of the subsidiary made the situation more rigid as the local managers' own way of doing things had become institutionalised. They sometimes came into conflict with the policy of the entire MNE as well as the expatriate managers and the changes they tried to implement. Ultimately, all of these factors acted as constraints on expatriates in making appropriate and informed choices.

It was clear from the research that the key role for the expatriates at YKK–Spain should have been the role of localiser. There were only 5 expatriates in a company with 230 Spanish employees, so in order to act as agents of control or of change, or to establish a global value chain, they needed the support of the local managers.

Knowledge transfer also required the local managers to disseminate information through the multiple layers of the organisation. However, there was a huge gap

between the local staff and HQs in the understanding of the localisation process. The case of YKK–Spain highlights that the strategic choices of expatriates are crucial in deciding the most suitable localisation approach for a specific subsidiary.

Chapter 8 examined the case of YSI in Italy. In this case study it was found that expatriates played almost all the five roles identified in the theoretical framework. Contingent and strategic choice factors were found to influence the expatriates' performance and limitations in each role. Contingent factors, such as HQs' intervention in the subsidiary's corporate policy, strategy and core business, as well as the subsidiary's weak strategic position and limited organisational capabilities, restricted the development of expatriates' roles as globalisers and agents of knowledge transfer. On the other hand, the expatriates' extensive autonomy and individual capabilities enabled them to play the necessary roles. The research observed that expatriates were developing a local strategy using their accumulated experience and they succeeded in managing different cultural and institutional contexts. This highlights the fact that when expatriates take a suitable localisation approach, their performance in other roles is facilitated.

Another critical factor that significantly influenced the formation of the expatriates' roles at YSI was the cooperative relationships within the organisation. The local staff at YSI noticed that the expatriates were trying to empower them by giving them better career opportunities and investing in improving their skills and motivation. The expatriates and the locals at the subsidiary also developed and maintained close communication within the organisation. The quality of these local relations compensated for their initial lack of a formalised HR system and helped the company to deal with difficult

negotiations with trade unions.

The positive results, such as good economic performance and high employee motivation of fulfilling the identified five critical roles, were observed in YSI. There was only a small gap between the perceptions of expatriates' roles by the local managers and those of the expatriates themselves. The local managers had a good understanding of the expatriates' responsibilities, goals and contributions to the company. At the same time, the expatriates' policy of transparency and openness, along with their efforts to empower the local employees, enhanced this mutual understanding and strengthened rapport.

Consequently, good progress was made in local empowerment. The local managers were perceived to have extensive autonomy. Their responsibilities included the management of operations and of local employees. They were also involved in senior management levels of decision-making, although their roles were more limited than those of the expatriate managers. Local managers need support from expatriates in order to work as agents of change, control or as localisers because fulfilment of these roles requires the political capacity to influence HQs in negotiations. They were also limited in the roles of globalisers and agents of knowledge transfer because they generally lacked international management skills and global-level business knowledge and networks. The expatriates at YSI were making efforts to leverage the abilities and skills of local managers, i.e. by sending them to seminars on global mind-set meetings at global level.

These facts indicate that at the moment expatriates cannot be easily replaced by local managers because of their different capabilities, and they emphasise the necessity for the MNE to consider developing a new group of global managers.

The research in Italy highlights that a result of developing expatriate roles at YSI may be the reform and reproduction of contingent factors. This supports Child's (1997) claim that making a strategic choice can change the environment where the company operates. For instance, as a result of working as localisers with their own approach towards empowerment, the expatriates changed the subsidiary's core business by improving their strategic position and the local HRM system. This also resulted in enhancing cooperative relationships in the company.

The findings suggest that the age of the subsidiary, as well as expatriates' capabilities, are the most influential factors in this category. A young subsidiary is keen to learn and expatriates are more committed to transmitting corporate values. As the subsidiary increases in age, values have already been embedded and therefore there is no perceived need for this role to be maintained. The abilities of expatriates are also relevant to the formation of this role, particularly their ability to develop informal communication channels. Lastly but most importantly, local cooperation was critical. All three cases showed that conflicts without sufficient local cooperation worked as a strong negative influencing factor for expatriates' role fulfilment. This supports the argument of Child's (1972) that emphasises the importance of political balance, highlighting how critical political processes – including establishment of alignment – achieve management objectives. The same applied to the fulfilment of expatriates' roles.

Comparison of role formation across subsidiaries' case studies in France, Spain and Italy

This section first considers how each case study displayed different factors that

resulted in the variation of expatriates' roles. Tables 9.1 to 9.6 visually represent factors that might have had an influence on a particular expatriate role, and to what degree. One star next to the country name in the first column indicates whether or not this role was formed or found. The heading shows the factors identified and the '+' and '-' below them indicate how significantly positive (+) or negative (-) their influence was on forming the role. 'N/C' means 'not conclusive', meaning this factor was not mentioned, discussed or observed, or it was mentioned in a neutral way.

The methodological process uses to assess the importance of each factor in the formation of the roles is explained in detail in Chapter 4.

TABLE 9.1 AGENT OF CHANGE AND INFLUENCING FACTORS

	Intervention by HQs	Age of establishment	Subsidiary core	Institutional systems	Local HRM system	Local cooperation	Autonomy	Individual capability
France	+++	---	+++	---	+++	-	+++	++
Spain	+++	---	+++	-	+++	---	+++	+
Italy	+	--	+	--	+++	+++	+++	+++

Table 9.1 shows that in Italy the expatriates could form this role because more factors worked positively towards it than negatively. France and Spain share a similar pattern to each other; however the roles were influenced differently in the two countries. In Spain, while there was little resistance in terms of the institutional and HRM systems, there was a strong negative influence from the cooperation factor and little positive influence from the individual capabilities

factor. In France, the situation was the opposite – the institutional systems and the local HRM systems had a strong negative influence but there was little negative cooperation and a higher degree of positive individual capabilities. These included the ability of expatriates to find, hire and manage the most appropriate local expert of organisational change.

Thus, the fact that the role was formed in France but not in Spain suggests that capabilities and cooperation weigh more in forming the role of agent of change than institutional factors. In other words, people factors carry more weight than institutional factors for the role of agent of change.

TABLE 9.2 AGENT OF CONTROL AND INFLUENCING FACTORS

	Intervention by HQs	Age of establishment	Subsidiary core	Institutional systems	Local HRM system	Local cooperation	Autonomy	Individual capability
France	+++	---	+++	---	+++	-	+++	++
Spain	+++	---	+++	-	+++	---	+++	+
Italy	+	--	+	--	+++	+++	+++	+++

Table 9.2 shows that the number of factors opposing or promoting the formation of this role is similar in France and Spain. The final results are also the same and the role of agent of control was not fully formed in either case. Analysis of

Table 9.2 further suggests that in forming the role of agent of control, the crucial factor was local cooperation; this was positive in Italy where expatriates played this role and negative in the other two countries where expatriates did not play this role. Comparison with the previous table provides additional insight into the relation between institutional and personal factors, explaining why expatriates in France were able to form the role of agent of change, but failed to form the role of agent of control.

The negative influence from rigidity of institutional factors in France affected the roles of both agent of control and agent of change. However, while expatriates overcame obstacles by hiring and managing an expert in change, they focused most of their capabilities and resources into building coalitions with local stakeholders in order to overcome strong institutional resistances to implementing change, rather than trying to address all the remaining roles. As a consequence change was achieved at the expense of failing to form the roles of control, localiser, globaliser and agent of knowledge transfer. In Spain, although institutional systems were weak and presented low resistance to the implementation of HQs initiatives, expatriates struggled to overcome even such feeble resistance. The moderate individual capabilities of the expatriates (good networking skills of the MD, but limited ability or willingness of one of the key

expatriates to infuse employees with enthusiasm and commitment, and moderate local knowledge) could not compensate for the negative influence of poor cooperation (some locals in disagreement with expatriates' strategies not only withdrew support but also boycotted their implementation by middle managers). The approach used to facilitate organisational change was different from YKK-France's. The Japanese MD had a reduced network of contacts in Spain and very limited local knowledge. In addition he had no expertise in change management, which affected his ability to supervise and manage the external consultants. He delegated the selection of the consultant to local managers, but he specified he wanted a non-Spanish consultancy firm. None of the expatriates was actively involved in the study carried out by this firm, nor did they endeavour to develop alliances with local managers to implement change.

As a consequence, the consultants, who had no knowledge of the YKK company or industry-specific issues, developed their recommendations without an in-depth diagnosis. Local managers were not involved because the consultant company did not want interference. YKK preferred a more interactive approach. However, expatriates accepted the consultants' preference, but in part it was due to lack of negotiation skills and in part because there was an on-going conflict

between local managers. The expatriates, who had low coalition and conflict management skills, were concerned that internal politics affected relations with the consultants. As a consequence the consultants, instead of designing a restructuring strategy tailored to the subsidiary's needs, merely used the existing standard template, which did not work with YKK–Spain.

In Italy, again, positive factors overcame negative ones in forming the role of agent of control.

TABLE 9.3 LOCALISER AND INFLUENCING FACTORS

	Intervention by HQs	Age of establishment	Subsidiary core	Institutional systems	Local HRM system	Local cooperation	Autonomy	Individual capability
France	---	+++	N/C	+++	+++	--	N/C	++
Spain	---	+++	N/C	+	+	---	---	--
Italy	-	++	N/C	++	++	+++	+++	+++

For the role of localiser (Table 9.3) the various factors worked differently from those forming the two roles described previously. According to the definition in this thesis, 'localisation' includes the delegation of power to local staff and local empowerment. Policy changes by HQs did not support local empowerment and

strong HQs' intervention acted against the formation of the role of localiser. Thus, each factor in Table 9.3 worked in the opposite direction from the two cases in Tables 9.1 and 9.2.

The change in the localisation policy and pressure from HQs worked negatively in the formation of this role. The age of establishment worked positively in increasing local power and thereby pressuring the expatriates to develop the localiser role. The institutional and local HRM systems also strengthened the expatriates' ability to form this role. However, there was less influence from the local HRM system in Spain than in France because the expatriates had seriously disrupted the informal HRM systems in Spain when they demoted a local manager. There was not enough evidence to conclude whether or not the influence of the subsidiary's core business was significant in forming this role. Autonomy in Spain acted against the formation of the localiser role since the expatriates had little belief in local empowerment. In France the expatriates had high autonomy but no particular preference on how to use it to form this role. There is not enough evidence to support the proposition that autonomy influenced the formation of this role in France. In Italy the expatriates used their autonomy to develop the role of localiser almost contrary to the policy of HQs, and this was further helped by the low degree of HQs' intervention.

The individual abilities of the expatriates contributed to their formation of this role in France as they had sufficient personal and communication skills to construct this role with the locals. However, some of them believed in its importance while others did not, and this hampered the strength of their coordinated localisation efforts. In Italy the expatriates had good skills, experience, coalition and communication with the locals. They also all shared a belief in the importance of this role, and therefore cooperated to develop it. In Spain one expatriate believed in the importance of this role but he did not have enough ability to develop a coalition with the local staff. Others were not aware of the importance of the role and acted to prevent its formation. To conclude, the comparison of factors influencing this role suggests that HQs' intervention matters more than the age of a subsidiary or the institutional systems in place, and this can only be compensated for when all the strategic choice factors work together in cooperation with the local managers to support the role. To explain why Italy succeeded when Spain and France failed, it can be argued that a combination of local cooperation, autonomy and individual capabilities is required to overcome the negative influence of HQs' intervention. Italy had capable expatriates with high autonomy to coach locals by setting examples and passing on attitudes and behaviours, while locals had developed organisational

identification through the process of negotiation of knowledge transfer (see analysis of tables 9.5 and 9.6). Therefore, they were willing to learn from and be guided by expatriates.

In Spain, none of these requirements were observed. In France, while there were individual capabilities, there was neither local cooperation nor interest from expatriates in using their autonomy to promote the role of localiser.

TABLE 9.4 GLOBALISER AND INFLUENCING FACTORS

	Intervention by HQs	Age of establishment	Subsidiary core	Institutional systems	Local HRM system	Local cooperation	Autonomy	Individual capability
France	+++	-	---	--	--	---	+	--
Spain	+++	-	---	-	--	--	+	---
Italy	+	++	+	-	-	+++	++	+++

Most of these factors worked against the formation of the role of globaliser (Table 9.4), and only HQs' intervention gave it significant support. In France and Spain the pattern was again very similar, with a similar age of establishment and institutional and local HRM systems, which were not amenable to globalisation. In all three countries the institutional systems and HRM systems protected the national business interest rather than promoting the globalisation

required by HQs.

The subsidiary's core business worked against the formation of this role because the subsidiaries were not very well integrated with each other. In Spain and in France the expatriates lacked the capabilities and did not have the time to motivate local staff to cooperate with the formation of this role. The expatriates in France also had no time to form this role because they were too busy in their roles as agents of change and in dealing with the strong resistance to restructuring. In Italy the subsidiary's core business supported the role of globaliser since it was explicitly structured as an essential part of the company's global value chain. The expatriates in Italy also had more autonomy to globalise. The local staff had grasped the interdependence between their company and the other subsidiaries and cooperated to support this role. The expatriates were not only highly skilled and experienced but had also built up effective communication channels, trust and coalitions with local staff.

To conclude, the positive degrees of HQs' intervention and the autonomy that the expatriates had in forming this role were not enough to compensate for the above negative factors. However, the case of Italy was different because most factors worked to support the role to some extent, and only the institutional systems and local HRM systems did not favour the role. As in the previous case, the influence

of local cooperation and individual capabilities seems crucial in explaining the formation of the role. When these factors acted negatively, as in France and Spain, it was not formed.

The research results showed two distinctive dimensions of the knowledge transfer role: technological and cultural. Tables 9.5 and 9.6 analyse these two dimensions separately.

TABLE 9.5 AGENT OF (TECHNOLOGICAL) KNOWLEDGE TRANSFER AND INFLUENCING FACTORS

	Intervention by HQs	Age of establishment	Subsidiary core	Institutional systems	Local HRM system	Local cooperation	Autonomy	Individual capability
France	---	---	---	N/C	N/C	-	--	--
Spain	---	---	---	N/C	N/C	--	--	--
Italy	--	+	--	N/C	+	--	---	+++

The role of transferring technological knowledge was formed only in Italy.

On the other hand, neither France nor Spain succeeded in developing this role.

The analysis in Table 9.5 clearly shows that there is no conclusive evidence on the relevance of institutional and local HRM systems in the formation of this role

in any country. On the other hand, HQs' intervention, the subsidiary's core business and the autonomy of the expatriates had medium to strong negative influence in the formation of this role in the three countries.

Therefore, the crucial factor in explaining the success of Italy was the differential impact of expatriates' capabilities and age of establishment between Italy on one side and Spain/France on the other side. Expatriates in Italy had both good technological knowledge and outstanding negotiation and coalition skills. They deployed such skills to negotiate and influence locals' and HQs' attitudes. As a consequence, they managed to change the situation from one of clear opposition by HQs to technological knowledge transfer, towards HQs' support of activities creating platforms for leveraging reciprocal knowledge transfer. At the same time, the attitudes of locals changed from initial limited cooperation, demotivation and lack of interest to active cooperation, motivation and keen engagement.

In Italy the subsidiary's core business did not originally include an R&D function but expatriates developed this function by themselves, emphasising its importance for dual knowledge transfer. HQs gave them very little autonomy to bring in technology experts and fund R&D knowledge transfer activities in Italy because they wanted to centralise R&D function in UK. However, YSI was a

young establishment and the expatriates successfully argued that there was still a need to have knowledge transferred from HQs on a long-term basis. As a consequence HQs shifted from opposition to supporting the formation of this role and the locals cooperated because they felt the need for further technological development.

YSI was the only case where local HRM systems had supported the formation of the role. This was due to the intervention of the expatriate managers who created the function of knowledge transfer in the organisation. This was part of the promotion system that was formally written into the organisational structure chart and motivated locals to actively support knowledge transfer.

In France and Spain the subsidiary core had no R&D function as a consequence of HQs' intervention (centralisation policy). Although expatriates disagreed with HQs' policy they were too focused on implementing change (France) or trying to control internal conflict (Spain) to challenge HQs. In turn, long-established age of subsidiary meant the locals did not have to learn technologies from expatriates and instead, they were updated by personnel on short-term assignments from HQs. In terms of their individual capabilities, while many of the expatriates in France and Spain had technological knowledge they lacked communication skills and the capability to develop coalitions with the locals. As

a consequence, they could not draw on locals' expertise to create a convincing case to negotiate with HQs. YKK has a group decision-making culture and the expatriates had very good access to HQs' decision making. If Spain and France had presented a robust case for HQs to maintain some knowledge transfer functions to support local innovation and skills (e.g. emphasising the advantages of this function for the entire group) they may have succeeded in the way that Italy did. To conclude, organisational factors such as HQs' intervention and the subsidiary core seem to have had more influence on the formation of the role of technological knowledge transfer than institutional and strategic choice factors did.

TABLE 9.6 AGENT OF (CULTURAL) KNOWLEDGE TRANSFER AND INFLUENCING FACTORS

	Intervention by HQs	Age of establishment	Subsidiary core	Institutional systems	Local HRM system	Local cooperation	Autonomy	Individual capability
France	++	--	N/C	N/C	-	-	+++	----
Spain	++	--	N/C	N/C	-	-	+++	----
Italy	++	++	N/C	N/C	-	+++	+++	+++

The role of cultural knowledge transfer (Table 9.6) was, again, formed only in Italy. Knowledge transfer also worked both ways – from HQs to the subsidiary (YSI) and vice versa. YSI’s MD believed that reciprocity was the key to this role, since there was a lot that HQs needed to learn from the subsidiaries if they wanted to become truly global. On the other hand, neither France nor Spain succeeded in developing this role despite support from HQs and their own autonomy.

A crucial factor in explaining this failure is the differential impact of local cooperation, expatriates’ capability and the differences in ages of establishment between Italy Spain and France. The confrontational attitude of locals towards expatriates made them emotionally adverse to cultural transfer. Because locals

were in conflict with expatriates, their organisational identification was damaged and, as a consequence, they were not receptive to inflows of values and philosophy. Organisational identification is a key requirement for successful cultural transfer because it provides a sense of psychological attachment to the organisation where employees assume characteristics of the organisation as their own (Vora, *et al.*, 2007). The lack of receptivity by locals was aggravated by the negative influence of the expatriates' limited abilities to understand locals and socialise with them. As a consequence, they were not able to develop the necessary communication channels and informal social networks to transfer their culture (Harzing, 2001).

The age of the subsidiary also worked against forming this role since both the local staff and the expatriate managers assumed that HQs' methods had already been embedded in the subsidiary. The research found no conclusive relationship between the subsidiary's core business and institutional systems in forming this role. In addition, the findings suggest that local HRM systems did not influence the formation of this role but were in fact the result of this role having been formed. In the early stage of the subsidiary's development, when local HRM systems were being shaped, the degree of cultural knowledge transferred by expatriates influenced their development. Once the systems had been developed,

however, they did not affect the formation of the role of cultural knowledge transfer in any way.

Local HRM systems can be embedded in the host country's culture and social context. For the MNE, one role of the expatriates should be to transfer the corporate-specific culture and values.

The analysis of Table 9.6 suggests that the age of the subsidiary and expatriates' capabilities are the most influential factors in this category. A young subsidiary is keen to learn and expatriates are more committed to transmitting corporate values. As the subsidiary increases in age, values have already been embedded and there is no perceived need for this role to be maintained. The abilities of expatriates are also relevant in the formation of this role – particularly their ability to develop efficient communication flow.

To conclude, the role of knowledge transfer is only marginally influenced by institutional systems or local HRM systems. The subsidiary's core business affects technological knowledge transfer more than cultural knowledge transfer.

The age of the subsidiary is a negative influencing factor in the formation of the roles of both technical and cultural knowledge transfer, while the individual capabilities of the expatriates support the formation of both roles.

Discussion

The comparative analysis in this chapter leads to the development of several arguments.

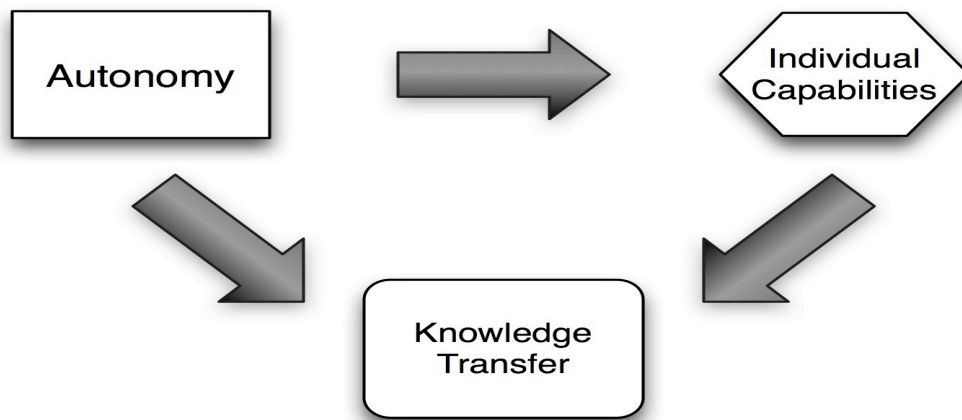
Of all the influences identified, HQs' interventions and individual capabilities tended to have more influence on the formation of all roles than any other. This could manifest itself in either a supportive and enhancing way or in a constraining and disruptive way. When these two factors complement each other, role formation is facilitated (for example, as agents of control). However, when these factors are in conflict, role formation is disrupted.

The France case saw the rigidity of institutional systems work as challenges for expatriates in playing the role of agent of change, possibly overpowering any contingent factors that were in play. However, the Spain case showed that a slack institutional system can also be a severe obstacle in fully forming this role, because loose institutional systems require expatriates to expend time in sorting out operational and personal issues. YKK–Italy faced different challenges that inhibited the role of agent of change, but these were overcome by the strategic choice factors of expatriates.

This indicates that on the majority of occasions strategic choice factors become interdependent by complementing each other. As such, expatriates need the

individual capability to execute their autonomy in order to achieve their strategic objectives, but they cannot put their decisions into action unless they have sufficient autonomy to do so, no matter how excellent their individual capability for coalition building, as argued by Child (1997). The degree of interdependency of these factors varies according to which role is to be formed. For example, for the formation of the role of knowledge transfer, Harzing (2001) claims that expatriates need individual capabilities that include coalition building and communication. Our findings in all 3 YKK subsidiaries suggest that individual capability alone is not enough to form this role and that expatriates also need autonomy. Autonomy directly and indirectly influences the formation of the role by influencing the expatriates' capabilities, especially in terms of coalition building. However, further research is needed in order to identify these interactions and their mechanism.

Figure 9.1 Interdependency of influencing factors



(Source: developed by the author)

In addition, the research findings notice that the roles are influenced from two different positions characterising the process of role formation, either top-down or bottom-up. For example, in the past YKK were more orientated towards a bottom-up approach in forming the role of localiser by extensively empowering its subsidiaries and expatriates as well as the local staff. However, the company now emphasises a more top-down approach to the expatriates' roles.

In terms of the globaliser role, the research findings show that a successful role formation process can be described as a top-down vision and bottom-up strategy (Stringer, 2005). HQs tend to implement top-down planning by providing expatriates with targets for adapting the subsidiary to the global market. This is followed by the subsidiary setting bottom-up initiatives to leverage its

competence. This is facilitated by the empowerment of the subsidiary. When contingent and strategic choice factors impede either direction of the process, the role of globaliser is not formed. The consequence of this top-down approach is that expectations of HQs regarding the roles of expatriates do not always match the expectations of locals. The analysis of the case studies suggests that when expectations are misaligned, local cooperation turns into a negative influencing factor for role formation.

Another finding is that organisational structures may be more influential in the formation of the roles than this thesis had initially assumed, after following the perspective of many authors in international business literature (e.g. Bartlett and Ghoshal, 2000; Parker, 1998). In particular, as hinted by Berry *et al.* (2005c), the way in which structural integration is pursued seems to have a strong influence on role formation. The case studies in France and Spain highlighted how the lack of structural integration worked against the formation of the roles of globaliser and agent of control. These roles require cooperation, trust and alignment between HQs and subsidiaries. This cannot be achieved if the structure is not well integrated. Furthermore, the research found rivalry and a lack of integration within the HQs' and subsidiaries' international business coordination.

As a consequence, organisational members disagreed among themselves on fundamental questions and it became difficult for HQs to influence local managers' decisions on these goals. The implementation of strategies was thus a highly political process that depended upon individual managers' coalition-building abilities. These findings are consistent with Fredrickson's (1986) propositions regarding the effects of the low centrality and high complexity of structural forms in decision-making. However, the problems of YKK-France and YKK-Spain were the consequence of a polarised structure, which coupled spatial and functional differentiation, thus creating competing decision-making centres. They both had two operational locations –productions and sales – that functioned as two separate entities, with separate management personnel, systems and accounting. This led to intense competition and internal conflict, and worked to constrain expatriates in forming their roles.

In turn, contingency factors affected each decision centre differently, creating conflicting alignments. The intervention of HQs was more influential in the sales units, while the institutional systems had a stronger effect on production. In practice this resulted in a coalition between the production facility and local institutions on one side, and the coalition between sales and HQs' strategies on the other. Thus, this thesis argues that constraint on organisational performance

does not merely consist of the number of decision-making centres, as claimed by Bartlett and Ghoshal (2000) and Fredrickson (1986), but also results from insufficient integration and coordination between decision-making centres.

Lawrence and Lorsch (1967) proposed that there are two types of organisational integration approaches; structural integration and individual integration. Many authors in international business literature (i.e. Dunning, 1985; Whitley, 1999) have drawn upon their ideas and have found that in general US MNEs use structural integration in their global organisation while Japanese MNEs tended to use individual integration. These authors consider that expatriates hold key roles in terms of individual integration. In this research, it was observed that the MNE started to put more emphasis on structural integration, but it also found many structural problems in the organisation, such as the lack of a clear organisational structure, an unclear line of command, gaps in tasks and the duplication of responsibilities. All the above suggests that organisation structure, particularly organisational integration, can be added to the list of influences on the role formation of expatriates in the future.

In addition, the research revealed that the influences of these different factors were not static or embedded; instead they were dynamic and were influenced by expatriates' actions and thus, the influences were reciprocal. The factors shape

the roles and in turn, the roles and their successful (or unsuccessful) execution influence both contingent and strategic choice factors. For instance, if expatriates are successful as globalisers the influence of local institutional systems is reduced. The findings also suggest that these influencing factors are related to each other. For instance, the coalition capabilities one expatriate reduced the influence of the age of the subsidiary as a factor that could constrain the expatriates' roles of globaliser and agent of change.

Finally, the findings support the view of scholars (e.g. Elger and Smith, 2005) that, while MNEs need to adapt to the local environment, it should also be noted that they have a great influence on local society.

Implications and further research

In the empirical case studies the organisational structure of the MNE was simplified by considering a single factor: the intervention of HQs and RHQs. Further research should investigate the distinctiveness of such interventions at the European (regional) level, following the suggestion by Ferner and Hyman (1998) that the autonomy granted by worldwide HQs for their regional operations influences the way in which subsidiaries organise their activities in

response to the development of RHQs policy at the European level. It was observed during this study that in YKK–EMEA the number of expatriates at the RHQs increased while the number of expatriates at the subsidiaries decreased. This implies that HQs are transferring some of their functions and roles to the RHQs, particularly the role of localisers as interpreters of the local context, which has traditionally been the central role of expatriates. This may be related to Japanese HQs' perceptions that their operations in Europe must respond to a unified European environment, rather than to a diversity of national contexts (Ferner and Hyman, 1998).

Another concern is that the case studies used may have obscured differences in the roles of local HR systems. The local HR systems are the result of formal and informal negotiations between embedded Japanese practices and the local contexts. Since Italy, France and Spain form a close cultural cluster, the resulting HR systems may not have shown many differences in the degree of Japanese-ness that was transferred. Finally, taking into account the unique characteristics of YKK, the extent to which the research findings are applicable to the other MNEs including Japanese MNEs may be questioned.

This research focused on the roles of expatriates at the subsidiary level, with additional views from YKK's IHQs and RHQs. Additional research findings

included the firm's increasing strategic focus on the RHQs. Traditionally, research on MNEs has been done at the local subsidiary or HQs level. The regional level has been considered merely a communication channel between HQs and the subsidiary.

Dicken (2007) considers that the RHQs of MNEs act as a channel of communication, transmitting instructions from HQs to their subsidiaries and transferring information from the subsidiaries to their HQs. However, the coordination of MNE relations has been changing and more autonomy and power is being awarded to the regions. Trade and production relations today have important regional features and many MNEs are now organised into three distinct blocs: Asia, the Americas and Europe. This new 'three centres' administration is often associated with the regionalisation of production and trade and is a response to attempts to increase the political role of regional governance.

Theoretically, the possible expansion of regional autonomy is of interest because it allows a re-evaluation of the organisation and activity of MNEs as hierarchies and as multi-centred networks. Europe, in particular, offers a more integrated political policy climate for MNEs, which raises issues about the links between MNEs and their countries and regions of origin, and their countries and regions

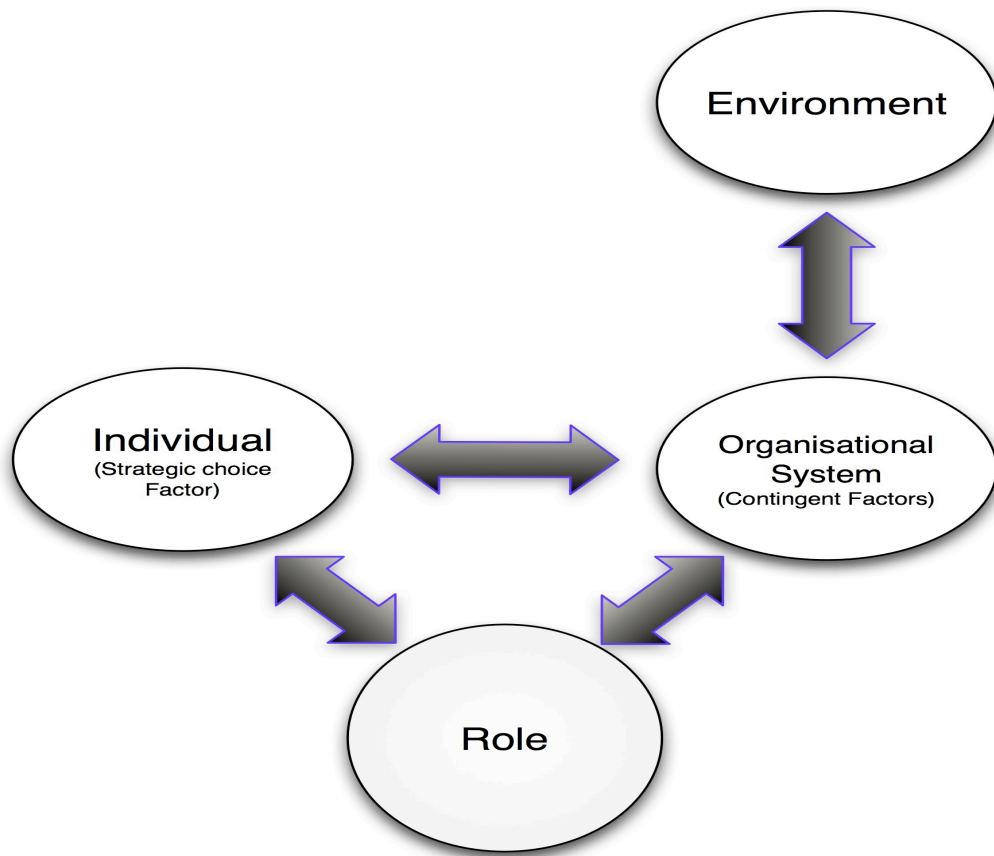
of location; for example, how much does the development of distinctive regional characteristics due to the institutional setting of the MNE and the dominance of EU policy affect MNEs' international character?

Further research could also take into account how the potential growth of more regional autonomy may influence the role formation of expatriate managers.

This study showed that contingent factors arising from national and organisational contexts influenced the formation of expatriates' roles in subsidiaries. However, European integration may change the way in which these factors influence this. For example, it may decrease the constraints arising from national institutional and HR systems but increase the influence of other factors such as European institutional systems. In other words, factors may change when adapting to a new context.

Another important consideration is that different sets of factors can form different sets of roles. A fixed configuration of these factors will lead towards the Europeanisation of the subsidiaries. This may lead to different ways of playing the role of localiser in the region. Finally, this thesis has examined how factors contribute to the formation of expatriate roles. The research indicates that the factors interact with and influence each other. In Figure 9.2 the relations between roles, individuals and organisational systems are shown.

Figure 9.2 Bi-directional influences between individuals, roles and systems



(Source: developed by the author)

Further research could consider the interactions between roles and factors, to include not only the organisational and business environment, but also the industrial environment. For example, Ferner and Hyman (1998) suggest, MNEs in different industrial contexts may be influenced by different factors and develop different roles from each other.

Limitations of the research

An important limitation of this research is the single MNE research approach.

Although the analysis of multiple subsidiaries permitted a reasonable degree of variation across the issues analysed, the literature highlights a number of sources of variation between multinationals that could not be addressed by this research. Some of these aspects include organisational structure, type of ownership, form of business coordination, corporate strategy, degree of centralisation, culture and organisational capability. In order to understand if and how these issues impact on the role of expatriates we would have needed to compare different MNEs, but research with a single MNE design approach did not allow this.

Similarly there are important differences between industries in terms of degree of globalisation, regulatory pressure, dependence on global supply chains, asset specificity, labour, capital and knowledge intensity, – this may affect the definition of the role of expatriates. For instance, Teramoto (1994) notes that key expatriate roles will be different in a highly dynamic and knowledge-intensive industry, such as the semiconductor industry, where business coordination involves more alliances because of the need to keep up with the speed of innovation and market changes. Here, expatriates may have a key role, not only in the facilitation and management of strategic alliances but also in creating and sharing knowledge through business coordination. In this case there may be no

need for localisers or indeed agents of control, as control would be centralised at HQs.

The second aspect of the research requiring critical reflection is to what extent the action research approach affected analysis. The researcher's role as a consultant allowed her remarkable access to the sources and provided critical and detailed insights into the corporate decision-making process. However, since the roles and factors studied were ultimately results of the consensus process between the author and the MNE, this may have biased the researcher's perception and hindered her ability to explore some factors or roles.

The third main issue refers to the methodology used to compare the results of case studies. The researcher used qualitative content analysis as a trigger for further interpretative analysis with the company. However, qualitative content analysis implies a degree of subjectivity in the assignation of weights (e.g. the difference between low-negative influence and medium-negative influence). Thus methodologically, qualitative content analysis requires two coders working separately. These allow a comparison of assignment of weights, followed by the re-coding of all the data if differences between coders exceed a tolerance level. In this research, the coding of interviews was discussed in detail with the HR manager of YKK and final weight was agreed. However, this procedure may

have biased the perceptions of HR managers and reduced possibilities to identify misallocation of weight by the researcher. A key piece of learning that the researcher gained from this project is the need to set up clear methodological procedures to reduce bias in interpretative analysis. Given the resources YKK provided, the researcher could have employed an independent coder to collaborate in the qualitative content analysis before discussion with the MNE.

All the above implies that rather than providing a universal model of expatriates' roles, this thesis' contribution is to the development of a case research template for further analysis in other industries and MNEs. The MNE identified the roles they expected from expatriates, which (in their perception) could not be fulfilled by locals. These roles were semi-implicit and both HQs and expatriates gained a better understanding of mutual expectations and needs through the action research process. Other MNEs and industries could use the same approach to identify the implicit expected roles of expatriates and which factors affecting such roles can be influenced by expatriates' actions. Such knowledge, added to the expatriates' recognition of HQs' expectations, would contribute to reducing the failure rate of international assignments or at least clarify when an assignment should be considered a failure.

Conclusion

This thesis examined and analysed the roles of expatriates in MNEs using empirical data, including 109 semi-structured interviews in 9 countries and 5 years of action research in a major Japanese MNE. The case studies in this thesis provide evidence that expatriates play a wider range of roles than is suggested by the literature. Harzing's (2001) empirical research had showed evidence supporting the existence of 3 roles that expatriates played, which was an important foundation for this research and it enabled this thesis to explore the notion that there could be more roles. The thesis identified and analysed 5 roles, i.e. agent of control, agent of change, globaliser, localiser and agent of knowledge transfer. The 5 roles suggest that expatriates may not be merely agents of HQs in international business but also can have purpose beyond that.

The existing approach may underestimate the fact that expatriates can play the role of championing the subsidiary to HQs or RHQs, rather than simply acting as a conduit for the messages and interests of the centre.

One of the major contributions of this study is in providing evidence that expatriates are not easily replaced by locals, because locals cannot fully play the five roles that expatriates play without global knowledge and networks. The

research evidence from the empirical study convinced the researcher of the need to create a new group of global managers in order to overcome the issues arising from global integration demands. Before MNEs become successful in developing global managers – including locals and third-country nationals – they need to enable them to overcome various constraints arising from specific cultural, communication and human barriers. There remains a need for the functions played by expatriates in the MNE.

In particular, YKK followed the same internationalisation strategy as most European MNEs. They built up overseas subsidiaries and gave them a high degree of autonomy. However, the negative consequence of extended delegation was that subsidiaries began to have limited ability to learn and move towards global integration (Scullion and Brewster, 2001). Therefore, as outsiders, expatriates are more suitable and effective than locals in executing the role of change, as expatriates have hardly any reason to resist change per se.

The empirical evidence also suggests that if expatriates play multiple roles this is more beneficial to the MNE than if they play a single role. The case studies in the subsidiaries hinted that if expatriates play only one role, this could work as a constraint for the integration of the MNE and negatively influence organisational performance. For example, in the case of YKK–France (where

only the role of change agent was formed), the locals were frustrated and angered by the expatriates' failure to act as localisers (i.e. to empower the locals and communicate with them). This led to locals' serious resistance to the expatriates and, ultimately, to HQs itself. As a consequence, HQs lost control over the subsidiary and the latter's performance was reduced accordingly. However, further research and case studies are needed to consolidate these preliminary insights about the possible negative effects of incomplete role formation in organisational performance.

In terms of the factors and processes influencing the formation of expatriates' roles, the thesis's findings suggest that the mechanisms of role formation in Japanese business cannot be fully explained by merely drawing upon the theory that emphasises the influence of the nationality of the owning body (e.g. Aaron, 1999), and in particular the characteristics of Japanese management styles (e.g., Yuzawa, 1994; Itami, 1999).

This thesis's first theoretical contribution to the literature on expatriates is in its use of organisational design theory to unveil the mechanisms of role formation. The thesis has built on more than 40 years of research using contingency theory by adding strategic choice theory to argue that the roles of expatriates can be explained as part of a political process of organisational design (Child, 1997).

This framework includes processes of adaptation to the environment (Lawrence and Lorsch, 1967) as well as the relationship between organisational agents and the environment in processes of making strategic choices (Child, 1997). The research supports Child's (1997) claim that contingency theory and strategic choice theory can complement each other when applied to the study of organisations.

The contribution of role theory assists in the understanding of how roles are formed. Expatriates take distinct positions in the groups they form and these positions are the roles in question, with a set of functions and characteristics that are moulded by the expectations from different parts of the entire MNE, such as HQs, RHQs and local employees.

The study suggests that the way in which the expatriate manager's role is determined varies depending upon the arrangement of contingent and strategic choice factors. It is heavily influenced by the expectations of HQs and locals.

Crucially, the thesis's second main theoretical contribution is to indicate that empirical evidence, using contingent and strategic choice factors on an in-depth case-by-case basis, is significantly effective in helping to gain an understanding of the dynamics around the formation of the expatriate's role.

Appendices

Appendix 1 Semi-structured interview instruments

1. Please indicate the job title and introduce yourself including your background?
2. Can you explain your organisation structure? (e.g., how many managers do you have in your subsidiary?)
3. Please describe the tasks for the job.
4. Do you think the company has human resource management system?
5. Please describe evaluation principle. (e.g., how and who)
6. Is it performance oriented or competence oriented?
7. How do you evaluate the employees' performance including allocation of the bonus?
8. Please indicate your wage amount in range, the amount of bonus (if any) percentage
9. Can you tell me who decide wages and bonuses?
10. Can you describe how the wage and the bonus are decided?
11. Can you explain the career progression in the company?
12. Please describe how you are allocated to your position.
13. Describe the rules and principle on the recruitment? Who is involved in it?
14. How do you recruit and allocate them to their positions? Who is involved in

it?

15. Describe the company's training system. Who organise the training and how?

16. How do you train a new hire?

17. Do you have any development and education scheme for employees? Can you ask for the company?

18. Do you have to negotiate with the labour union when proceeding with the evaluation or any organisational change?

19. How do you assess the relations between the company and trade unions?

20. When, and how, was your employment contract developed and renewed?

21. Describe your work objectives?

22. How do you assess the business market?

23. Please indicate the top three major problems that you are facing in your organisation.

24. Please indicate three major examples of any practices and policies which find positive now or in the past.

25. What is the most important issue for you to work?

26. Do you have any problem with Japanese expatriates? How do you get on them?

27. Can you explain the company strategy (option)

Appendix 2 The cycle of goodness: YKK's corporate philosophy developed by its founder

I firmly believe in the spirit of social service. Wages alone are not sufficient to assure our employees of a stable life and a rising standard of living. For this reason, we return to them a large share of the fruits of their labour, so that they may also participate in capital accumulation and share in the profits of the firm. Each employee, depending upon his means, deposits with the company at least ten percent of his wages and monthly allowances, and fifty percent of his bonus; the company, in turn, pays interest on these savings. Moreover, as this increases capital, the employees benefit further as stockholders in the firm. It is said that 'the accumulation' of savings distinguishes man from animals. Yet, if the receipt[s] of a day are spent within that day, there can be no such cycle of saving.

The savings of all our employees are used to improve production facilities, and contribute directly to the prosperity of the firm. Superior production facilities improve the quality of the goods produced. Lower prices increase demand. And both factors contribute to the prosperity of other industries that use our products.

As society prospers, the need for raw materials and machinery of all sorts increases, and the benefits of this cycle spread not just to this firm, but to all related industries. Thus the savings of our employees, by enhancing the prosperity of the firm, are returned to them as dividends that enrich their lives. This results in increased savings which further advance the firm. Higher income means higher tax payments, and higher tax payments enrich the lives of every citizen. In this manner, business income directly affects the prosperity of society; for businesses are not mere seekers after profit, but vital instruments for the

improvement of society. This cycle enriches our free society and contributes to the happiness of those who work within it. The perpetual working of this cycle produces perpetual prosperity for all. This is the cycle of goodness.

(Source: Trevor, 1983, pp.208-209)

Appendix 3 Percentage of YKK ownership of overseas subsidiaries, by region except EMEA

ASEAN countries and Asia–Pacific Area

Country	Company name	YKK Holding's capital ratio (%)
Singapore	YKK Holdings Asia	100
	YKK Development (Singapore) Ltd	100
	YKK Holding Asia Pte. Ltd	100
	YKK Singapore Pte. Ltd	100
	YKK South East Asia Pte. Ltd	100
	YKK AP Singapore. Pte. Ltd	100
	YKK Vietnam Co. Ltd	100
Vietnam	YKK Vietnam Co. Ltd	100
Thailand	YKK (Thailand) Co. Ltd	89.3
Philippines	YKK Philippines Inc.	100
Malaysia	Malaysian Zips Sdn. Bhd.	49
	YKK AP Malaysia Sdn. Bhd.	70
Indonesia	P.T. YKK AP Indonesia	90
	P.T. YKK Fasco Indonesia	99
	P.T. YKK Zipco Indonesia	100
	P.T. YKK Zipper Indonesia	100
Myanmar	Golden Hill Tower Ltd	100
India	YKK India Pvt Ltd	100
Bangladesh	YKK Bangladesh Pte. Ltd	100
Sri Lanka	YKK Lanka (Pvt) Ltd	100
Australia	YKK Aluminium (Australia) Pty. Ltd	100
	YKK Australia Pty. Ltd	100
	YKK GPS (Queensland) Pty. Ltd	100
Fiji	YKK (Fiji) Ltd	100
New Zealand	YKK New Zealand Ltd	100

China and East Asia

Country	Company name	
China	YKK China (nine different companies)	100
Hong Kong	Hing Kwok Industrial Co. Ltd	100
	Honor Growth Co. Ltd	100
	YKK AP Hong Kong Ltd	100
	YKK Hong Kong Ltd	100
	YKK Snap Fasteners Asia Ltd	100
Macau	YKK Macau Ltd	99
Korea	YKK (Korea) Ltd	96.6
Taiwan	YKK Taiwan Co. Ltd	71.9

North and Central America

Country	Company name	
USA	YKK corporation of America	100
	YKK (USA) Inc.	100
	Tape Craft Corp.	100
	Alumerica Inc.	100
	YKK AP America Inc.	100
	YKK Insurance Co. of America	100
Canada	YKK Canada Inc.	100
Mexico	YKK Mexicana S.A. de C.V.	99.9
	Universal Fasteners Mexico	100
Honduras	YKK Honduras S.A.	100
El Salvador	YKK El Salvador S.A. de C. V.	72.2
Costa Rica	YKK Costa Rica Ltd	100
Trinidad and Tobago	YKK West Indies Ltd	100

South America

Country	Company name	
Brazil	Agro Pecuaria YKK Ltd	100
	YKK do Brasil Ltd	100
	Yoshida Nordeste S.A. Industria E	100

	Comercio	
Argentina	YKK Argentina S.A.	100
Chile	Industria YKK (Chile) Ltd	100

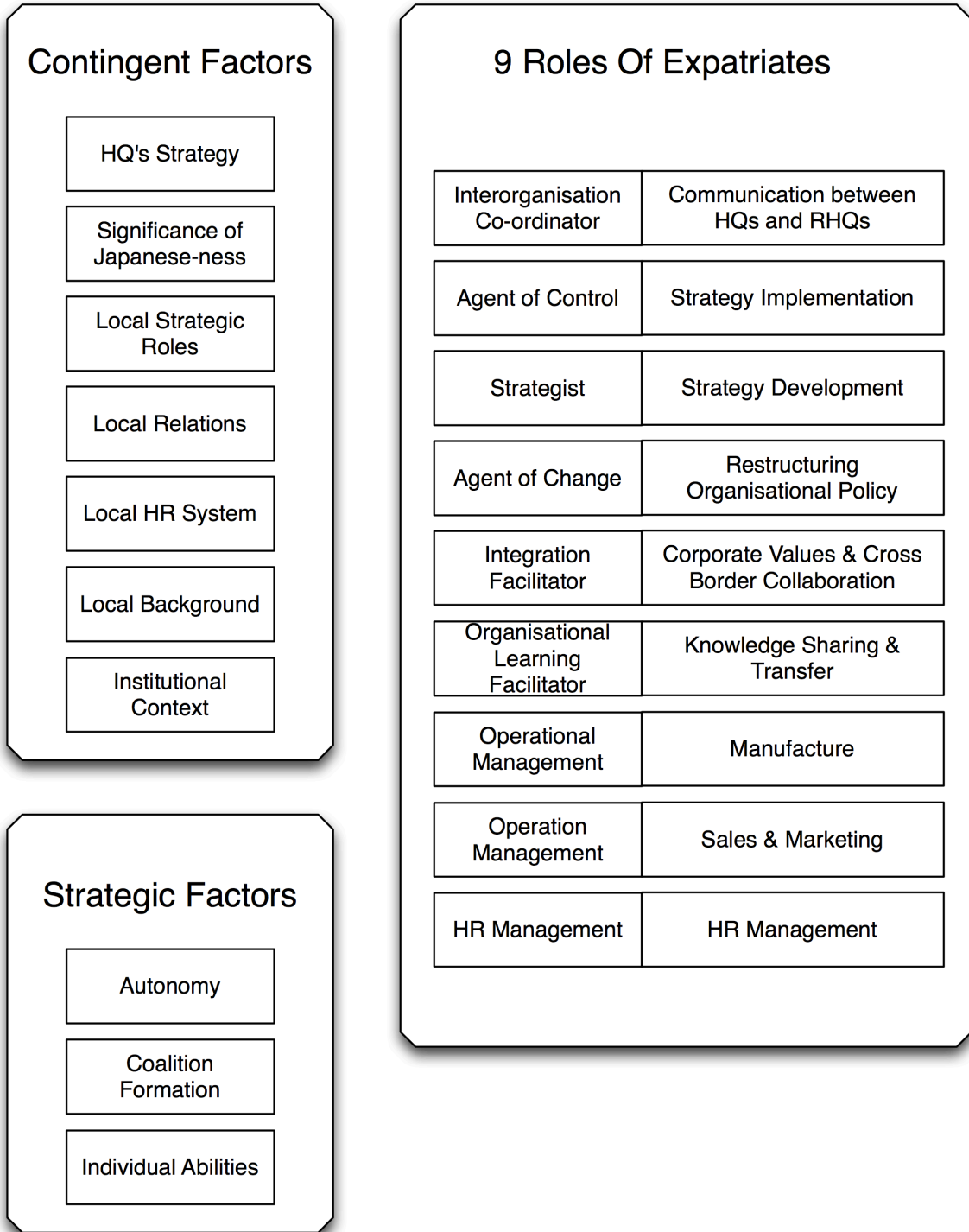
(Source: Toyo Keizai, 2006)

Appendix 4 EMEA subsidiaries and their year of establishment

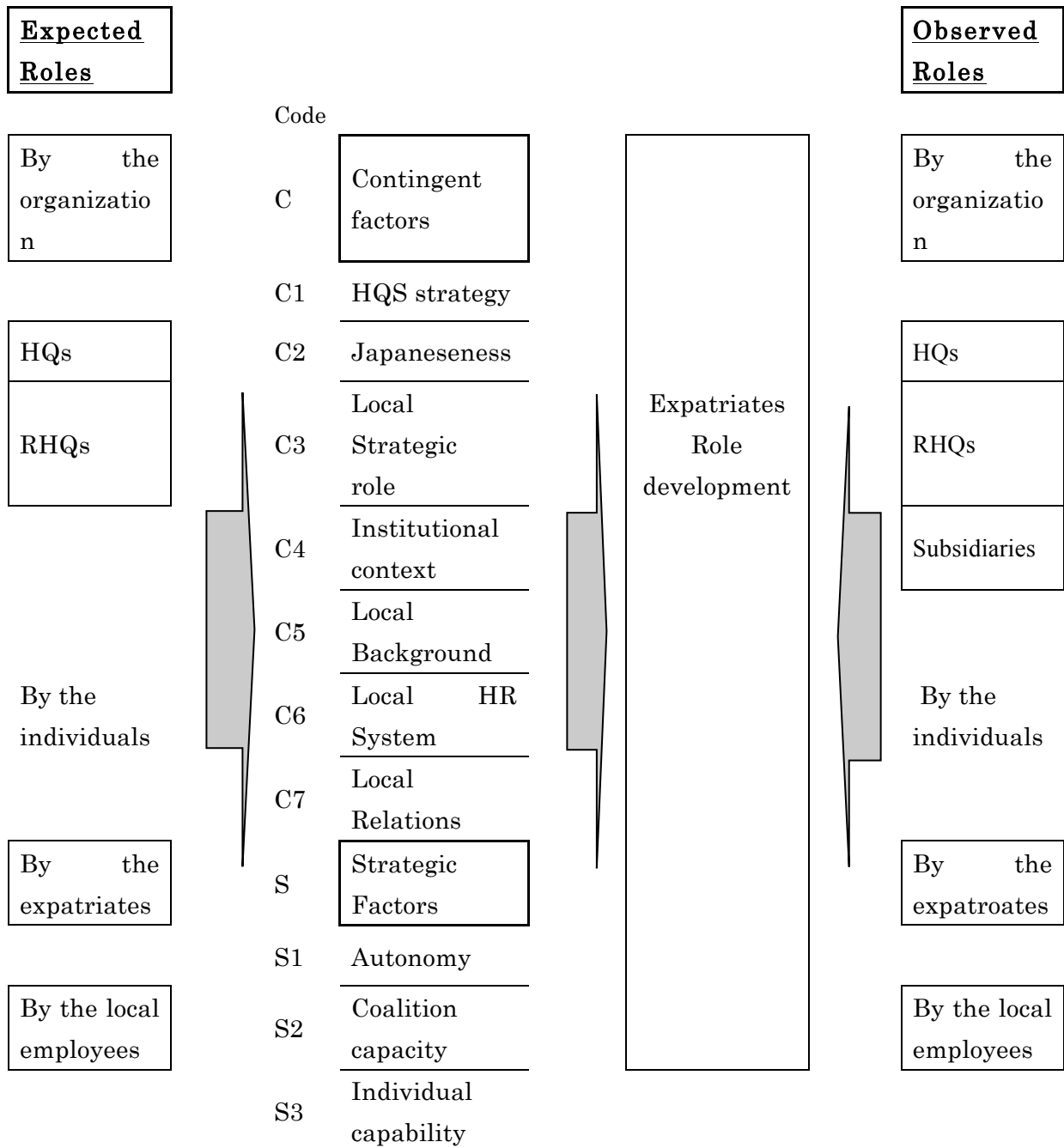
Country	Company name	YKK percentage of ownership	Year of establishment
The Netherlands	YKK Holding Europe	100	1988
	YKK Netherlands B.V.	100	1964
UK	YKK Europe Ltd	100	1990
	YKK (UK) Ltd	100	1966
	The New Zip Co. Ltd	100	1983
Belgium	YKK Belgium N.V.	100	1970
Denmark	YKK Denmark A/S	100	1982
Finland	YKK (UK) Ltd	100	1979
Norway	YKK (UK) Ltd	100	1979
Germany	YKK Deutschland GmbH	100	1967
	YKK Stocko Fasteners GmbH	100	1994
	DYNAT Verschlusstechnik GmbH	100	1995
Czech Republic	YKK Czech Spol. s.r.o.	100	
Poland	YKK Poland Sp. Z.o.o.	100	1996
France	YKK France SARL	100	1967
Austria	YKK Austria GmbH	100	1975
Italy	YKK Italia S.p.A.	99.9	1968
	YKK Fasteners S.p.A.	100	1989
	YKK Mediterraneo S.p.A	100	1977
Spain	YKK España S.A	100	1970
Portugal	YKK Portugal Acessorios Para Vestuario.	99.9	1981
Greek	YKK Hellas AEBE	100	1983
Turkey	YKK Metal Ve Plastik Urnleri Sanayi Ve Ticaret A.S.	100	1991
Tunisia	YKK Trading Tunisia	100	1997
Lebanon	YKK Middle east SAL	100	1972
Egypt	TJJ Egypt S.A.E	100	1996
South Africa	YKK Southern Africa (Pty.) Ltd	100	1976
Russia	O.O.O. YKK	100	2002

(Source: developed from YKK, 2001; Toyo Keizai, 2006)

Appendix 5: The theoretical Framework 1 Exploratory phase: Influencing factors and the role of expatriates



Appendix 6: The theoretical Framework 2 Exploratory phase: Interactions in determining the role of expatriates



Appendix 7: A list of subjects used for categorisation of the data in initial data analysis

Evaluation system

Motivation

Relationship with Japanese

Relationship with superiors/subordinates

Relationship between factory and sales/marketing office

Desired changes

Things to keep

Conflicts

Salaries

Diversity (racial/gender)

Acceptance of a manager neither Japanese nor Spanish

Training

HR policy

Communication between superiors and subordinates

Organizational chart

Reward/Penalty system

Union Relations

Control structure/system

Recruiting

Access to written information about company values, HR policy, responsibilities, etc.

Expectation and perception about role of expatriates

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