Behavioural determinants of performance in the MNC subsidiary

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Abstract

This paper sets out to derive a testable model of MNC subsidiary performance, focusing on behavioural dimensions. The chosen dimensions are the strategic emphasis of the subsidiary; the levels of autonomy, prodedural justice, distributive justice and interactive justice experieneced by the subsidiary; the nature of leadership at both subsidiary and HQ levels; the profile of corporate culture components at the subsidiary; and the national cultural differences between home and host countries.

The literature is reviewed and testable variables assessed. A model of subsidiary performance is proposed, with some observations on measures and a broad indication of how the model could be tested empirically.

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Introduction

The emerging global economy has been accompanied by a rapidly increasing focus on globalisation of business activities. Managers in all industrialised and industrialising countries are aware of the need to enter and compete effectively in foreign markets. Those involved in international business must appreciate the extent to which preferences of customers in these foreign markets are different and, ideally, why they differ (Trice and Beyer, 1993:331). Accordingly, those directing international business activities must understand how various operational aspects can be made more responsive to factors like national and corporate cultures, employee and executive characteristics, and how these vary from one foreign subsidiary to another of the same multinational corporation (MNC).

Much work has already been done within individual fields of enquiry. For example, the nature and degree of culturally determined aspects of management are the focus of many enquiries into the impact of national culture on cross-border business activities. Hofstede (1980a, 1991, 1994) and Trompenaars and Hampden-Turner (1999) have made prominent contributions, identifying and evaluating potential problems that an MNC may encounter through cultural differences between home and host countries. Schneider and Barsoux (1997) have observed that much of the literature in the field emanates from the United States. They also conclude that MNCs commonly ignore national culture differences, making the assumption that a common organisational culture helps to iron out at the operational level many important cross-border variations.

In other words, this commonly accepted US paradigm, by assuming that foreign subsidiaries apply headquarters policies and handed down corporate culture to the letter, leads to a view that: “Patterns of work are universal and stem from inherent requirements of organizing….appearances occur only because of certain factors inherent in organizations themselves” (Trice and Beyer, 1993:332). A synthesis of these views with those of Schneider and Barsoux (1997) seems to suggest that the predominant US paradigm legitimates the management and directional transformation of organisational culture, but does not recognise the managerial authenticity of any national culture but the prevalent American model.

Some American authors have, of course, long questioned the paradox here. Adler and Jelinek (1986: 82), for example, suggest that the US propensity in operational matters for organisational culture to dominate (foreign) national culture stems from an American perspective of “being in control of their environment”. By contrast, the ‘inhabitants’ of many other cultures appreciate that certain values, attitudes and behaviours may pass beyond individual determination. No one joins an organisation, particularly an MNC subsidiary, as a ‘blank slate’. All executives and employees bring with them their own indelible national culture influences. Thus Trice and Beyer (1993: 332) reasonably observe that MNCs differ internally in ways that are consistent with divergences in national cultures of the countries in which individual subsidiaries are located. Research by Kiggundu et al. (1983) and Rosenzweig and Nohria (1994) suggests that these differences will be stronger in ‘management’ aspects (strategy, leadership, communication patterns) and less so in technical areas (production technology, transport, and data processing).

Following this line of reasoning, the purpose of the present paper is to identify linkages between national culture, corporate culture, leadership, justice, strategy and aspects of justice, and their individual and joint impacts on the performance of MNC subsidiaries. A model identifying potential interactions will be developed, together with some observations on how it could be operationalised in research terms.

Performance

The link between a firm’s competitive advantage and its ultimate performance comes through its strategic decisions. In a review of the literature, Murray and Richardson (2000) identified a research deficiency in the measurement of strategic performance. They argue that executives are overly focussed on financial and operative measures. Where, for example, a firm tracks performance against an internal scorecard, the result is likely to be inaction until a crisis precipitates change.

Performance criteria are capable of guiding a firm's operating decisions so that strategic objectives are realised (Wisner and Fawcett, 1991). By focussing on short-term efficiency information gleaned from traditional accounting measures, opportunities to improve competitive advantage are often overlooked. For example, a directive to 'cut costs' may result in reduction of capital investment, minimisation R&D, cutbacks on maintenance, and employee lay-offs. Each of these has the potential to reduce a firm's long-term competitiveness. Wisner and Fawcett argue that performance criteria must be designed to help a firm achieve its objectives. They indicate that performance criteria must be designed to help a firm achieve its objectives along five competitive dimensions: quality, cost, flexibility, dependability, and innovation. They further stress that performance criteria must be "both flexible and promote continual improvement in a firm's competitive position". Using traditional financial and cost accounting criteria is insufficient; tactical performance criteria must also be used to assess the firm's level of competitiveness. An effective performance measurement system must have a long-term orientation so that continual improvement in both process and product leads to sustainable competitive advantage.

Schein (1985) suggests that broad strategy objectives (and how these are then assessed) point to how an organisation develops its own culture. He identifies five issues that are linked to any successful organisational culture:

- mission and strategy: obtaining a shared understanding of core mission, primary task, manifest and latent functions.
- goals: developing consensus on goals, as derived from the core mission.
- means: developing consensus on the means to be used to attain goals, such as organisation structure, division of labour, reward system and authority system.
- measurement: developing consensus on the criteria to be used in measuring how well the firm is fulfilling its goals.
- correction: developing consensus on the appropriate remedial or repair strategies to be used if goals are not being met.

Schein (1985) notes that some firms use financial measures to assess outcomes, others emphasise non-price aspects such as employee morale and customer satisfaction. The actual measure is of less importance than agreement across the firm's hierarchy on how to judge success in achieving internal goals within the operating environment. Nevertheless, the type of measure used will impact on, and perhaps be impacted by, the company's culture.

Fiol (1991) argues strongly that in the study of competitive performance, there are many theories of the management of tangible assets, but few relating to the processes by which assets are turned into outcomes. Peters and Waterman (1982), for example, suggest a firm's organisational culture can be a source of sustained superior performance. However they focus on observable manifestations of culture only. Fiol observes that this focus is too narrow; analysis of the cognitive process in a firm also is necessary to explain the true basis of its competitive edge. The different approaches describe alternative perspectives of the strategist and the cultural theorist: one focuses on the tangible, the other on the intangible. Fiol argues that the two are complementary and a 'bridge' between them should be sought.

Weick (1985) has argued that strategy and culture are one and the same; Fiol suggests this is sidestepping the issue. It is, she says, an interface issue between 'behaviour' (abstract, unspoken and unobservable rules) and 'rules' (an organisation's practices and trappings) that bring about sustained competitive advantage. She argues that an integrative approach will provide the explanation; cultural belief systems provide the 'glue' that binds the customs and habits of the firm. However, she believes it is difficult to impose certain behaviours across sub-units of a single organisation. The unique identities of each unit will provide the key to managing each within the overall organisational context. This is, of course, the antithesis of the American approach.

There are a few sources that offer a rigorous analysis of organisational culture from the perspective of process (Nelson and Winter, 1982; Prahalad and Bettis, 1986; Barney, 1986). Barney puts culture research firmly into the strategic management camp: He argues that three necessary conditions must be met for a firm's organisational culture to improve its competitive performance: the firm must be cost-effective; its culture must be unique and difficult for competitors to copy; those firms attempting to copy the culture will be disadvantaged. He further suggests:

> "firms with sustained superior financial performance typically are characterised by a strong set of core management values that define ways they conduct business. It is these core values (about how to react to employees, customers, suppliers, and others) that foster innovation and flexibility in firms: when they are linked with management control, they are thought to lead to sustained financial performance".

Prahalad and Bettis (1986) suggest that competitive advantage does not derive solely from tangible assets but from the way in which managers process the assets. Indeed, they specifically warn against concentrating solely on tangible or 'hard' assets as the explanation of competitive advantage. The author's argue that, in time, managerial beliefs and values are inculcated into an encompassing organisational culture.

Ouchi (1981) observes that involved (committed) workers are the key to increased productivity. His 'Theory Z' approach is based on the development of internally consistent management systems that reflect societal norms and expectations. Davis and Rasool (1995) discuss the value-success relationship; they claim that Theory 'Z' is critical in cross-border management situations.

Murray and Richardson (2000) argue that competitive performance must now be defined by effectiveness, efficiency and speed. They propose four key elements of superior management:

- shared information about major trends and developments in future business environment.
- a shared sense of vision and strategic intent
- a set of leading indicators
- a set of enabling processes.

It is clear from the discussion above that non-financial measures have an important part to play in assessing firm performance, especially where 'process' is an important consideration.

National Culture

Definitions of the concept of national culture vary widely, though there is a clear tendency toward convergence over time. According to an early contribution in the field (Kluckhohn and Strodtbeck, 1961:86):

> "Culture consists in patterned ways of thinking, feeling and reacting, acquired and transmitted mainly in symbols, constituting the distinctive achievements of human groups, including their embodiment of artefacts."

Just over a decade later, Child (1981) saw culture as "an expression of values, norms and habits which are share and rooted within the nation", which has much in common with a more recent definition (Schneider and Barsoux, 1997:22):

> "Culture is founded on basic assumptions (where things are taken for granted, neither challenged or questioned). They give rise to different beliefs and values, and manifest themselves in different behaviours and artefacts."

Hofstede proposed a series of definitions that became progressively more insightful as his research developed, thus:

> "Culture is intangible; its components are other intangibles like values, norms, attitudes, beliefs and stereotypes." (Hofstede, 1978:130)
>
> "Culture in its 'narrow' sense means civilisation or refinement of the mind. Culture in the broader sense is a collective phenomenon. It is the collective programming of the mind which distinguishes one group or category of people from another." (Hofstede, 1991:5)
>
> "Culture is the 'collective programming of the mind which distinguishes one category of people from another'. 'The category of people' can be a nation, region, or ethnic group; women versus men, old versus young, a social class, a profession or occupation, or even a family." (Hofstede, 1994:1)

Smith (1992) suggests that the dominant approach in the literature has been to equate nations with cultures; thus culture and management has been studied by comparing managers from different countries. He notes that this approach is acceptable, if not ideal. For example, managers within a single national culture work under a unified legislative system, with substantial impact on manpower planning and industrial relations. Thus, to date, classification of 'culture' by 'nation state' is the accepted norm.

Typically, cross-cultural comparative studies are developed from an amalgam of management and organization theories. The conceptual approaches of management researchers are categorised by Negandhi (1983):

- the economic development orientation that adopts a macro or aggregate perspective, arguing that managerial input strongly contributes to the rapid industrialisation and economic development of less developed countries (closed or convergence approach).
- the environmental orientation, also a macro approach, that highlights the impact of external factors on managerial effectiveness (open or contingency approach).
- the behavioural approach that focuses on interaction between individuals and groups within specific organisational situations, and the impact on management practice and effectiveness.

Hofstede's (1980a, 1994) work draws on several disciplines to explore the concept of culture. These include management theory, organisational psychology, cross-cultural psychology, cultural anthropology, organisational sociology, political science and comparative economics. He argues strongly that a major problem in research on the influence of culture is the cultural background of the researcher himself. Differences in culture imply differences in values. If the researcher does not compensate for the influence of his own culture, then his conclusions will be ethnocentric. In agreement with Adler et al. (1986) and Schneider et al. (1997) he finds most 'comparative' management studies are US-ethnocentric. To remove this effect, Hofstede believes it is essential that other researchers with perspectives of different value systems evaluate all cross-cultural research outcomes.

The self-confessed weakness of Hofstede's own work is that it is a one-company (IBM) study. It has three compensating advantages. First, it has been tested empirically and broadly supported by a large number of researchers. Second, his four derived culture dimensions are continuous in data classification terms. Third, the four culture dimensions are mutually exclusive and identify intrinsically insightful spectra. They are:

- Power distance: the extent to which less powerful members of a group accept and expect that power is unequally distributed.

- Individualism versus collectivism: in individualist societies ties between individuals and groups are loose, individuals and families are expected to be self-sufficient. In collectivist societies, from birth onwards, people are associated with strong cohesive in-groups, extended families that offer protection in return for undivided loyalty.

- Masculinity versus femininity: Hofstede argues that masculine values contain a dimension of assertiveness and competitiveness not present in feminine values. Masculinity pertains to societies in which social roles are distinct. In feminine societies, gender roles overlap.
- Uncertainty avoidance: This describes a society's tolerance for uncertainty and ambiguity. Uncertainty avoiding cultures try to minimise the possibility of unstructured situations by strict laws and rules, safety and security measures and a belief in the absolute truth of religion. People from these cultures tend to be more emotional and motivated by inner nervous energy. Those from uncertainty accepting cultures are more tolerant, less bigoted and tend to have fewer rules.

Corporate Culture

Pettigrew (1979) may have been the first to use the term 'organisational culture', shortly before 'corporate culture' was popularised by Peters and Waterman (1982). These terms are largely interchangeable. Mowday et al. (1982) attempted to construct a working paradigm that clarifies the concept. They linked commitment to employee attitude and behaviour, and this approach has since become the accepted norm. Their measurement instrument was based on three broad, related characteristics:

- a strong belief in and acceptance of the organisation's goals and values
- a willingness to exert considerable effort on behalf of the organisation
- a strong desire to maintain membership of the organisation.

There is a common belief that the stronger an organisation's culture, the greater is the likelihood of strong levels of employee commitment and performance. However Lahiry (1994) warned that suggestion of a causal link here arises from largely anecdotal evidence. He explored the relationship through research into one firm's corporate culture using three classifications, but was not able to detect significant differences between them:

- Constructive cultures that encourage achievement, self-actualising and interaction between members.
- Passive/defensive cultures that are characterised by dependency, avoidance, approval-seeking.
- Aggressive/defensive cultures that display elements of power, competitiveness and perfectionism.

Hofstede (1994) has suggested that organisational culture differs from national culture in that membership of the former is voluntary whilst membership of the latter is fixed or inherent. National culture varies at the level of basic values; organisational culture varies at a more superficial level. Laurent (1983) has observed that organisational culture is amenable to medium term change, whilst national culture may take generations to alter significantly.

The internationalisation of the firm is clearly one of the most significant economic developments of the 20th century, and yet evidence on the organising principles of work within the MNC tends to be mixed. Early studies (for example, Stopford and Wells, 1972) suggested that the relationship between strategy and structure in MNCs can be attributed to an organisation's size not its home country culture. Child (1981) refuted this view, as it did not offer an explanation for differences in performance found between an MNC's subsidiaries. He strongly suggested that host-country culture would impact on the organisational structure and corporate culture of each subsidiary company (although culture is, in Child's view, only one of a range of explanatory variables). He argued that the three key aspects of national culture that impact on organisational culture are industrialisation, capitalism and individualism.

Lau and Ngo (1996), however, remind us of the fundamental definition of the two concepts, national culture and organizational culture, warning not to confuse the two. Differences in the former lie in values, whilst the latter has its basis in practices. (See also Ouchi, 1981; Barney 1986; Prahalad and Bettis, 1986; Fiol, 1991; and Davis and Rasool, 1995.)

Lau and Ngo studied the differences in organisational culture of firms from four different home countries in a single host country (Hong Kong). Strong relationships were found between an MNC's country of origin and its organisational culture, commitment and employee satisfaction. Their research established four types of corporate culture:

- **Group Culture** that has a primary focus on human relations within the internal organizational structure
- **Developmental Culture** that emphasises flexibility and change, particularly in the external environment
- **Hierarchical Culture** focuses on internal stability, uniformity co-ordination and efficiency
- **Rational Culture** that centres on productivity, performance goal fulfilment and achievement.

Strategy

International management researchers have noted that foreign subsidiaries of MNCs can be assigned different strategic roles in the implementation of the firm's overall international strategy (Ghoshal and Nohria, 1989; Gupta and Govindarajan, 1991). Different subsidiary strategies present different management challenges for HQ. Subsidiaries with high level of autonomy or a world-product mandate, for example, present a challenge to HQ control.

O'Donnell (2000) observes that increased globalisation has led to problems of how to manage internationally. Research had moved away from early focus on the HQ-subsidiary dyadic view towards a perspective in which the MNC is viewed as a diverse web of inter- and intra-firm relationships. She argues that an HQ-subsidiary hierarchical focus is no longer warranted, although it still has relevance. She presents a seven-way classification of subsidiary strategy:

- The subsidiary is primarily an implementer of HQ developed strategy.
- The subsidiary has worldwide responsibility for production activities.
- The subsidiary has a high level of specialised information that headquarters does not have regarding a product or product line.
- The subsidiary is a central point within the corporation for decisions concerning a product or product line.
- The subsidiary has worldwide responsibility for marketing activities.
- The subsidiary controls product research and development activities.
- International market development costs are incurred by the subsidiary.

O'Donnell tested two theories to explain the mechanisms of managing subsidiaries: agency theory (self-interest) and international interdependence. From an agency theory perspective, O'Donnell found that increased subsidiary autonomy decreases HQ ability to monitor and supervise, but that specifying desired outcomes in advance to foreign-based subsidiaries exacerbates HQ supervision problems. International interdependence is defined as the state in which the outcomes of one foreign subsidiary of an MNC will influence another unit operating in a different country. Thus, from this perspective, it is important that subsidiary strategy is the same throughout the organisation, i.e. internalised organisational values and goals. Ouchi (1979) has described this as 'clan control'.

O'Donnell indicated that foreign subsidiaries may be perceived as a critical strategic resource in developing the MNC's international competitiveness. (See also Hedlund, 1986; Roth and Morrison, 1992; Birkinshaw, 1996.). Individual subsidiaries develop unique, differentiated sets of competencies and capabilities due to the different international environments in which they operate (Ghoshal and Nohria, 1989; Birkinshaw et al., 1998).

Subsidiaries are exposed to different cultural, political, technological, societal and legal environments, in which they encounter different markets, competitors and management practices. Individuals with specific knowledge and expertise vital to global competitiveness are often located within operational groups at international location where this specialised knowledge is first developed in response to local markets and resource conditions (Hedlund, 1986; Bartlett and Ghoshal, 1989).

Schneider and Meyer (1991) based their research on their belief that national culture will influence interpretation and response to strategic issues. In a survey of 303 MBA students, including 16 different nationalities, in a European Graduate Business School, they observed cultural differences in interpreting and responding to strategic issues, but failed to identify underlying reasons for their findings.

Concepts of justice

Procedural justice (PJ) evaluates how people judge the fairness of social-decision-making procedures (Lind and Earley, 1992). Distributive justice (DJ) is about employee evaluation of outcome fairness (Price and Mueller, 1986; Greenberg, 1987b, 1990; McFarlin and Sweeney, 1992). Interactive justice (IA) is a distinct and intermediate step between the enactment of organisational procedures and the resulting outcome (Bies and Moag, 1986; Mikula et al., 1989). It arises from belief in sincerity, respectfulness and consistency of authority figures. Interpersonal rather than structural attributes pertain to interactive justice, and distinguish it from procedural justice (Schappe, 1995). Thus, employees may dislike their work assignment (DJ), but believe the system for assigning work is fair (PJ) and believe that within the rules and system, they have been fairly treated (IJ).

PJ decisions are a potent determinant of obedience to group rules and laws, and the extent to which managers using the procedure are seen as ethical and unbiased. The major lesson of PJ research is the judgement that procedures are fair constitutes acceptable evidence that the group is functioning properly and that the individual can entrust his/her fate to the group (Taylor, 1990). Lind and Earley (1992) argue that PJ cannot be fully explained by individualistic, self-interest models. Group behaviour is more common (p.227). In common with many authors, however, Lind and Earley warn that most research on PJ is US-based and typically shows concern with the social status of individuals within the group (see also Leung et al., 1996). Thus, these authors warn against the dangers of over-generalisation.

Some studies support the notion that the predictive roles of procedural and distributive justice depend, as least in part, on the nature of the outcome of the question (for example, McFarlin and Sweeney, 1992). Alexander et al. (1987) concluded that PJ accounts for more variance in management evaluation, job satisfaction and perceived conflict than DJ (fairness in pay). Konovsky et al. (1987) suggested that PJ predicted organisational commitment. Folger and Konovsky (1989) found that DJ accounts for more variance in organisational commitment than PJ. Reviewing these results, McFarlin and Sweeney (1992) suggest PJ is the more important predictor in organisations.

Cropanzano and Folger (1989) found that resentment is maximised when DJ is low. But where PJ is fair, then resentment will be low, even where PJ is low. McFarlin and Sweeney's (1992) empirical results agree with Greenberg (1987a, b) demonstrating that PJ and DJ are both important predictors. The former predicts organisational, the latter personal, outcomes.

Pillai et al. (1999) have developed evidence of cross-cultural differences with reference to justice concepts. They specifically link leadership style to distributive and procedural justice, but observe that linking leadership to organizational justice and individual outcomes is a US perspective. Their empirical findings cover six countries with distinct cultural identities (US, Australia, India, Columbia, Jordan, Saudi Arabia). They conclude that the relationship between leadership style and justice differs across cultures. (This is a relatively unexplored area, but see also Manogran et al., 1994; Pillai and Williams, 1996, and Scandura, 1999).

According to Pillai et al. (1999), both the quality of relationship between superior and subordinate (leader-member exchange - LMX) and charismatic (transformational) leadership impact on procedural and distributive justice in different ways. Transformational leadership is only related to PJ in the presence of LMX, yet LMX is related to both PJ and DJ in the presence of transformational leadership. The latter enhanced perceptions of procedural fairness across all cultures in this study. The authors conclude that leaders who display LMX behaviours are most likely to be able to translate their style to a variety of cultures.

Autonomy

This concept is perceived in a number of ways in the literature. For example:

- the extent to which organisationally relevant decision-making authority is within the organisation (Holdaway et al., 1975:42).
- a decision-based process that evolves through bargaining between centre and periphery in an organization. In a multinational company, the question of subsidiary autonomy refers to the relationship between HQ and its subsidiary companies. (Taggart, 1997).
- the extent to which the foreign subsidiary has influence over its business activities (O’Donnell, 2000).

O’Donnell (2000) proposed two sets of mechanisms that MNC HQs use to manage foreign subsidiaries. First are vertical integrating mechanisms, for example, contact with HQ, shared global goals, subsidiary executives being trained at HQ, HQ mentoring of subsidiary executives etc. (see also Doz and Prahalad, 1981; Bartlett and Ghoshal, 1989). Second are lateral integrating mechanisms, for example, contact among subsidiary managers, joint decision making between subsidiaries or in conjunction with HQ, inter-subsidiary committees, temporary cross-border task-forces, networking (see also Bartlett and Ghoshal, 1993; Ghoshal et al., 1994).

Ghoshal et al. (1994) noted that subsidiary autonomy is a key structural attribute of MNCs, and allows the subsidiary manager to exercise greater discretion in dealing with the demands of the local market and task environment. A foreign subsidiary may be given more autonomy because it is in a better position than headquarters to evaluate the needs and demands of the particular market it serves. Additionally, the use of subsidiary resources, including physical, technological, knowledge, financial and human resources, often is better determined by subsidiary management, as they are more able to identify the particular resources that are needed and to evaluate their ability to deploy them appropriately.

Further, Rosenzweig and Nohria (1994) in a study of management practices in 250 US-based subsidiaries from eight major trading countries, found only weak support for Hofstede's (1980a) work-related national culture value dimensions. They concluded that HRM practices relating to rank-and-file workers reflect local national influences, whereas those affecting executives and internal decision making processes are close to the parent organisation. The authors did not find any significant variation across different parent nationalities.

Leadership

Leaders create vision, the meaning within which others work and live. Managers, by contrast, act competently within a vision (Adler, 1997:152-3). Traditionally, corporate visions have reflected the values and goals of the society in which they were conceived. Today, with the dominant presence of multinational and global firms, corporate visions are no longer domestic, but are themselves becoming transnational. Leadership involves the ability to inspire and influence the thinking, attitudes and behaviour of people. In the past it was assumed that leaders were born not made but, from Stoghill's (1948) study onward, researchers have found no consistent set of traits differentiating leaders from other individuals. For example, Americans value charisma in leaders whilst Europeans do not. McGregor's (1960) classic Theories X and Y assumes the former believe they must direct and control, whilst Y leaders believe in autonomy and responsibility in a workforce. Hofstede (1980a) concluded that participative management styles, including Theory Y, encouraged by US theorists, were not always suitable for other cultures. Employees in high power distance cultures expect managers to direct and solve problems. Koopman (1997) sits in the Theory Y camp. He suggested that leadership is born from being with employees constantly, assessing mood shift, gauging organisational climate, observing behaviours and reading attitudes. A leader must have the ability to enlist the creativity of the people he serves in order to implement a few key strategies (Koopman, 1997:27).

Rowe et al. (1989) have argued that strategic decision-making by leaders involves a continued assessment of the current situation confronting an organisation in light of the leader's vision for the future (p.262). They introduce a two dimensional, four-factor model that can be used to examine different types of leadership. Using case study evidence, Rowe et al. suggested that, when making decisions, a leader reacts to four forces: work environment, group pressure, task demands and personal needs. These forces are not mutually exclusive, but interact and merge with one another. The model has two dimensions, values orientation and cognitive complexity. Values orientation reflects an individual's dominant analytical approach: logical and mathematical versus intuitive and creative. Cognitive complexity refers to an executive's ability to consider many interdependent variables simultaneously. Linking decision-making styles to external influences provides Rowe et al. with their four types of leadership:

- Directive: low tolerance for ambiguity, and tend to be oriented towards technical matters, they are autocratic, with a need for power. Because they use little information and consider few alternatives, they are typically known for speed and results. They prefer a structured environment, follow procedures and are aggressive. The focus is internal, short range with tight controls. They generally have the drive to control and dominate others, but need security and status.
- Analytical: they have a higher tolerance for ambiguity than directive, but also more complex personalities. They desire considerable amounts of information, but also have a technical bent and tend to be autocratic. They tend towards problem solving and the best that can be achieved within a given situation. Analytical individuals tend to be innovative and good at logic or abstract deductive reasoning.
- Conceptual: they have a focus on people. They are achievement oriented and yet believe in openness and trust in relations with subordinates. In making decisions they look at considerable amounts of data, and explore many alternatives; they are creative and can visualise complex relationships. Their main concern is the long term and

often have strong organisational commitment. They are perfectionists, emphasising quality. Preferring loose control to the use of power, they will include subordinates in decision-making and goal setting. They value praise, recognition and independence.

- Behavioural: although low on cognitive complexity, behaviour leaders have a deep concern for the organisation and for the development of people. They enjoy counselling, preferring persuasion to direction. They offer loose control and focus on the short term.

Interactions and model

The foregoing discussion has indicated a number of interactions between dimensions of subsidiary performance (SP) that may be investigated. The direct linkage between SP and subsidiary strategy (SS) has been proposed by Barney (1986), Birkinshaw (1996), O'Donnell (2000), and Murray and Richardson (2000). An association between corporate culture (CC), SS and SP has been noted by Ouchi (1981), Peters and Waterman (1982), Prahalad and Bettis (1986), Fiol (1991) and Davis and Rasool (1995). A similar association between national culture (NC), SS and SP has been proposed by Negandhi (1983), and Trompenaars and Hampden-Turner (1999). The direct linkage between leadership (L) and SP has been advanced by Rowe et al. (1989), and that between autonomy (A) and SP by Taggart (1997).

Rowe et al. also propose a direct connection between L and SS, while Bies and Moag (1986) suggested a similar link between SS and interactive justice (IA). SS is also associated with procedural justice (PJ) (Price and Mueller, 1986; Kim and Mauborgne, 1993) and autonomy (A) (Ghoshal and Nohria, 1989; Gupta and Govindarajan, 1991). Linkages between SS and CC have been discussed by O'Reilly (1989) and Schein (1992), while an equivalent relationship between SS and NC was put forward by Schneider and Meyer (1991), Schneider and Barsoux (1997), and O'Donnell (2000).

CC has been linked to L by Pillai et al. (1999), to PJ by Cropanzano and Folger (1989) and Taylor (1990), to IA by Allen and Meyer (1990) and Mowday et al. (1982), and to distributive justice (DJ) by Folger and Konovsky (1989). Parallel linkages with NC have been discussed;

L by Laurent (1983) and Smith (1992); A by Gibson (1994); PJ, IA and DJ by Pillai et al. (1999).

Finally, the association between NC and CC has been extensively discussed by Child (1981), Laurent (1983), Ghoshal and Bartlett (1990), Lahiry (1994), Hofstede (1994), Kanter and Corn (1994), Lau and Ngo (1996), and Schneider and Barsoux (1997). All of these relationships, and three others that seem to be implied, are set out in the model in Figure 1.

Take in Figure 1

This figure also shows two additional sets of relationships. First, CC is presented as composed of Lau and Ngo's (1996) four dimensions: group culture (GC), developmental culture (DC), hierarchical culture (HC), and rational culture (RC). Second, Hofstede's (1980a) four dimensions of NC are recorded: individualist-collectivist (I-C), masculinity-femininity (M-F), power distance (PD), and uncertainty avoidance (UA).

Measures

Measures of Hofstede's (1980a) four national culture dimensions are readily available. Lau and Ngo's (1996) four-dimension framework for corporate culture may be used to derive a profile of a subsidiary's corporate culture based on a 5-point Likert scale. An assessment of leadership styles can be obtained from the instrument devised by Rowe et al. (1989). The three justice dimensions may be measured on previously tested five point scales as follows: procedural (Kim and Mauborgne, 1993), distributive (McFarlin and Sweeney, 1992), and interactive (Aquino et al., 1999). Similarly, autonomy may be measured using a 5-point Likert scale on a number of suitable decision-making variables (see Taggart, 1997). Measures of strategic emphasis within an MNC subsidiary may be had from an instrument developed originally by Tan and Litschert (1994).

Subsidiary performance is, perhaps, the most problematic dimension to assess. Roth and Morrison (1992) identify the difficulties they, and many other researchers, have experienced in attempting to obtain accurate and up-to-date accounting numbers from MNC subsidiaries.

Following their advice, a more fruitful approach may be to gather perceptions of subsidiary performance on three dimensions:

- the subsidiary manager's assessment of the subsidiary's performance compared to his own expectations.
- The subsidiary manager's perception of performance compared to headquarters' expectations.
- The subsidiary manager's assessment of the subsidiary's performance compared to industry norms.

In each case, assessment against profit, return on capital, and key strategic objectives could be made.

Empirical Testing

It is intended to test the model in Figure 1 using data from a sample of foreign subsidiaries located in either Scotland or Ireland, or perhaps both. For the former, the sample could yield up to twenty HQ-subsidiary cross-cultural pairing with associated Hofstede values; the latter could yield up to eighteen such pairings. It is likely that the focus of attention would be the cultural difference between the subsidiary manager and his HQ superior. Similarly, on the leadership measurement, the focus would be on style differences between the subsidiary manager and his HQ superior. The configuration of Figure 1 suggests that structural equation modelling would be the appropriate analytical technique.

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Figure 1