

**ORGANIZATIONAL COMMITMENT AND INTENT TO LEAVE IN EXECUTIVES  
OF MNCs SUBSIDIARIES: CULTURAL AND GOVERNANCE INFLUENCES**

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## **1. INTRODUCTION**

In the past two decades researchers have shown increasing interest in understanding organizational commitment and unraveling its antecedents and consequences for the organization. Various meta-analyses and theoretical articles have tried to systematize this research. The general conclusion is that organizational commitment has a clear impact on employees' intent to leave the firm (e.g., Meyer & Allen, 1991; Meyer & Herscovitch, 2001; Meyer, Stanley, Herscovitch, & Topolnytsky, 2002).

However, few researchers have focused their studies on senior executives. Their studies have either ignored these employees (e.g., Herrbach, 2006; Mellor, Mathieu, Barness-Farrell, & Rogelberg, 2001; Powell & Meyer, 2004), or have included them in broader samples and not considered them in isolation (e.g., Ko, Price, & Mueller, 1997; Wang, 2004). Senior executives of MNC subsidiaries have received even less attention. The work of Cole & Bruch (2006) is an exception, although they do not examine the effect of the different components of organizational commitment on the executive's intent to leave the firm.

The current work focuses on senior executives of MNC subsidiaries. These managers represent a particularly interesting object of study because of the special role they play in the organization. These managers must act in the interests of both the subsidiary and the parent company, which are both part of the organizational network that makes up the multinational firm. Indeed, the relationship between the MNC and its executives in a particular geographical location is a type of agency relationship in which the parent company represents the principal and the managers occupying positions in

the subsidiaries are the agents. The agents are required to direct their efforts in favor of the economic interests of the principal (O'Donnell, 2000). In this context, voluntary turnover of the executives, whether in terms of their current post in the subsidiary or of the MNC itself, can be extremely damaging to the corporation. Boeker (1997) stresses that this turnover can damage the internal operations of the subsidiary, affect the subsidiary's external links, and increase the MNC's economic costs due to the investments in training the executive. In addition, when senior executives leave their current post, this can harm the management of the interdependence with other subsidiaries and with the parent company.

In view of the above, retaining senior executives is important to multinational firms. This is true regardless of whether the executives seeking new opportunities for professional development or better conditions move to other subsidiaries within the corporation, other multinationals, or the local market. Thus, it is useful to distinguish between internal and external voluntary turnover among senior executives of MNC subsidiaries. No previous work in the literature has examined the relation between these two variables and organizational commitment. Thus, our first research question is as follows: *how does organizational commitment affect MNC subsidiary senior executives' intent to leave either their current post or the firm itself?*

Researchers studying the antecedents of commitment have commonly examined variables relating to the individual, the firm, and the environment (Meyer & Allen, 1991; Meyer & Herscovitch, 2001; Meyer et al., 2002). On the one hand, recent research has stressed the importance of cultural variables (Bergman, 2006; Meyer et al., 2002) as an explanatory factor improving our understanding of commitment in the context of the global economy (Meyer et al., 2002). More specifically, researchers have found sufficient differences across individuals from the same country to make it

advisable to carry out new research questioning the results of earlier work based on theories of cultural differences across countries (Cohen, 2007a, 2007b). Cross-cultural research recommends studying values at the individual level, since this allows the researcher to consider intracultural differences in a particular country. This is a step forward from the approach based on the nation=culture axiom (Au & Cheung, 2004).

On the other hand, the agency relationship between the MNC and its executives can encourage the use of control mechanisms that guarantee managers' commitment toward their organization so that they willingly and on their own initiative act in the multinational's interests (Sengupta, Whitfield, & McNabb, 2007; Vora & Kostova, 2007; Welch & Welch, 2006). Among the internal control mechanisms, the literature stresses the corporate culture (Welch & Welch, 2006), high-quality communication (Welch & Welch, 2006; Zhang, George, & Chan, 2006), trust in the relationship between local subsidiary managers and the parent company (Hewett & Bearden, 2001), participation on the board of directors (Fama, 1980; Hermalin & Weisbach, 1991), and a share in the capital of the firm (Jensen & Meckling, 1976). Research in this area has been substantial, but we have failed to find any work exploring the effect on the MNC subsidiary senior executive's organizational commitment of participation on the board of directors or a share in the firm's capital—important variables when considering senior executives. Thus, our second research question is as follows: *are cultural and governance-participation variables antecedents of MNC subsidiary senior executives' organizational commitment?*

## **2. ORGANIZATIONAL COMMITMENT**

Organizational commitment has been defined and measured in many ways. Recently, in an effort to refine the concept, Meyer, Becker, & Van Dick (2006) describe

organizational commitment as a *force* that binds the individual to a *target* (social or nonsocial) and consequently to a course of action of relevance to that target.

The literature has reached a consensus that the force that binds the individual to the organization is experienced as frames of mind or psychological conditions that drive the individual to a particular course of action. But no such consensus exists about the nature of the force, and authors have differentiated between different components of commitment (e.g., Becker, 1960; Meyer & Allen, 1991; Mowday, Porter, & Steers, 1982; Wang, 2004). Meyer & Allen's (1991) three-component conception of organizational commitment—*affective*, *continuance*, and *normative*—is the most widely used in research on commitment to date (Bergman, 2006; Herrbach, 2006).

*Affective* commitment is founded on personal involvement and recognition of one's identity as part of the organization, and develops, according to the principles of social exchange theory, as individuals' response to the rewards they receive from the organization. *Continuance* commitment, in turn, is based on the individual's investment in the firm during their time there, which provides them with certain benefits. This component of commitment is consequently based on the costs associated with no longer receiving such benefits, in other words Becker's (1960) *side bets* (Meyer & Allen, 1991; Meyer et al., 2002). Finally, the conceptualization of *normative* commitment has evolved over time (Allen, 2003). Originally the variable was conceived as a commitment based on the internalization of norms of appropriate behavior (e.g., loyalty to the organization), while later it became associated with the obligation to remain in the firm as part of the psychological contract agreed with it.

Meyer & Allen's (1991) model has not escaped criticism: (1) the model does not discriminate between *normative* and *affective* commitments, with a strong correlation found between both constructs (Bergman, 2006; Ko et al., 1997); and (2) *continuance*

commitment is arguably not unidimensional, some authors concluding that a single factor exists (e.g., Ko et al., 1997; Meyer, Allen, & Smith, 1993), while others find two subfactors (e.g., Herrbach, 2006; Mellor et al., 2001; Powell & Meyer, 2004): the sacrifices associated with leaving the firm (high sacrifice), and the lack of other employment options (low alternatives).

### **Antecedents of organizational commitment**

**Cultural values.** Individuals acquire cultural values through the socialization process, which takes place not only in the firm but also in the context of the family and of society as a whole (Becker, 1960). But in the study of organizational commitment recent research on cultural values recommends studying them at the individual level (Clugston, Howell, & Dorfman, 2000; Cohen, 2006, 2007a, 2007b; Farh, Hackett, & Liang, 2007).

Accepting the existence of differences at the individual level, this research uses Hofstede's (1984) typology of cultural dimensions, although solely to capture theoretically the essence of the cultural dimensions. These dimensions are analyzed empirically at the individual level, as Dorfman & Howell (1988) recommend, and as authors such as Clugston et al. (2000), Cohen (2006, 2007a, 2007b), and Robertson (2000) put into practice in their research on cultural values or on values and commitment. The cultural topology developed by Hofstede (1984) includes four dimensions: power distance, uncertainty avoidance, masculinity, and individualism.

*Power distance* describes the extent to which individuals expect and accept that power is distributed unequally (Hofstede, 1984). Thus employees with high power distance find it difficult—due to their strong deference and respect for their superiors—to relate to them. In contrast, when individuals have low power distance their relationships with their superiors are closer and they develop personal links. These

interactions become stronger if superior and subordinate are able to negotiate the terms and rules that should govern their relationship. During this process, the two parties establish stronger ties if the subordinate can resolve possible disputes and align their previous expectations and needs with their perceptions and experiences in the organization. As a result of the communication and trust between superior and subordinate the latter develops a positive affect toward the firm and a feeling of psychological ownership, in other words, of owning and belonging to the organization, of being psychologically tied to it (Welch & Welch, 2006). This generates and reinforces the individual's affective commitment toward the firm.

*Hypothesis 1a: The lower the power distance of MNC subsidiary senior executives, the more they will show affective commitment toward their organization.*

*Uncertainty avoidance* measures the individual's tolerance of ambiguity, or uncertain situations (Hofstede, 1984). When individuals have high uncertainty avoidance, the stress caused by uncertainty makes them want to seek greater stability in their professional career and to avoid risks, so they show longer tenure in their firm (Clugston et al., 2000). When the organization offers individuals a stable context for their professional career, it is creating an ideal environment for individuals with high uncertainty avoidance and hence high need for stability. Consequently, and according to the reciprocity norm established in social exchange theory, a strong link develops with the organization so that the individuals identify with the organization and are willing to make great efforts for it, in other words, a strong affective commitment is generated (Meyer & Allen, 1991; Meyer et al., 1993).

*Hypothesis 1b: The higher the uncertainty avoidance of MNC subsidiary senior executives, the more they will show affective commitment toward their organization.*

*Masculinity* is a value that measures individuals' roughness and competitiveness in the firm, as well as their determination in the pursuit of material success. When masculine values predominate, individuals are assertive, and consider belonging to an undifferentiated average to be a failure, so they have a strong need for achievement (Hofstede, 1984). Masculine values, in this context, promote a calculative, continuance-based commitment in individuals (Clugston et al., 2000). Individuals will show a high capacity for sacrifice only if they sum up everything they have invested in the firm and that they would lose if they left (side bets). Likewise, the lack of alternative employment options at least on a par with the current job also constitutes the basis of continuance commitment when masculine values predominate. Thus the links between individuals and the organization are established because the individuals feel they have a lot to lose if they do not do so (Meyer & Allen, 1997).

*Hypothesis 1c: The higher the masculinity of MNC subsidiary senior executives, the more they will show high-sacrifice continuance commitment toward their organization.*

*Hypothesis 1d: The higher the masculinity of MNC subsidiary senior executives, the more they will show low-alternatives continuance commitment toward their organization.*

*Individualism* is related to values emphasizing individuality and the development of weak links to other people (Hofstede, 1984). When individualism is predominant in people, they prefer to take their own decisions, and show a clear emotional independence from groups. The collectivity value is at the opposite extreme, and individuals where this value predominates are driven to join strong, cohesioned groups from early on in life. Such individuals put great store on accepting and fulfilling group norms (Hofstede, 1984). In the workplace, individuals with high collectivism prefer to

work in groups, and believe that their obligations toward the group outweigh their own personal interests, rights, and freedoms. Moreover, they consider it an individual responsibility to behave in accordance with the established norms (Yao & Wang, 2006). Thus the more collectivist the person's values are, the more the norms—rather than individual attitudes—predict the individual's behavior (Bontempo & Rivero, 1992). As a result, the commitment toward the organization of individuals with collectivist values tends to be established on the basis of the norms, which are the main determinants of social behavior (Hofstede, 1984).

*Hypothesis 1e: The higher the collectivism of MNC subsidiary senior executives, the more they will show normative commitment toward their organization.*

**Participation in the governance of the MNC.** In the context of MNCs and senior executives, compensation systems and participation in the boardroom are noteworthy, since they constitute control mechanisms that help align the interests of the managers and the organization (Hermalin & Weisbach, 1991; Jensen, 1993; Jensen & Meckling, 1976).

Compensation systems can be formalized by offering managers stocks or stock options (Jensen & Meckling, 1976; Fama, 1980). When managers have a share in the firm's ownership structure this can reduce conflicts of interest, since the greater the manager's share, the more they will be willing to strive to seek creative ideas that benefit the firm and limit behaviors that go against the interests of the owners (Jensen & Meckling, 1976). Adopting the right compensation system has an important effect on employees' attitudes and behaviors (e.g., Scholl, Cooper, & McKenna, 1987), and offering a share in the capital is the most common way to achieve a stronger link with the firm (Chiu & Tsai, 2007). Sengupta et al. (2007) review the literature and find that the effects of a share in the firm's capital on organizational commitment are mixed, but

the majority of studies confirm that owning stock has a positive effect on employees' organizational commitment (e.g., Chiu & Tsai, 2007).

*Hypothesis 2a: A share in the capital has a positive effect on the affective commitment of MNC subsidiary senior executives.*

The board of directors is the apex of the firm's internal control system (Jensen, 1993), and supervises and validates the firm's decisions (Johnson, Daily, & Ellstrand, 1996; Zahra & Pearce, 1989) to safeguard the interests of the stockholders (Chatterjee & Harrison, 2001; Johnson et al., 1996). Among the factors that influence the efficiency of this supervisory body, its composition is considered critical (Zahra & Pearce, 1989); directors can either be external or internal (Hermalin & Weisbach, 1991). External directors have no links to the management of the firm, while internal directors simultaneously occupy management posts (Dalton, Daily, Ellstrand, & Johnson, 1998). But from the perspective of social exchange theory, having internal directors offers firms other clear advantages that can reduce agency costs. Serving on the board of directors could increase managers' commitment since they then feel part of the organization's governance (Johnson et al., 1996). The literature has, however, ignored the possible relation between executives belonging to the board and commitment.

In our view, being an internal director has a clear positive effect on the MNC subsidiary senior executive. Specifically, the effect is due to the fact that belonging to the board makes managers feel an integral part of the multinational network, brings them closer to the managers of the corporation, offers them the chance to resolve disputes in the decision-making and to align their perceptions and expectations with those of their hierarchical superiors, and improves the trust in the relationship between both parties. When trust exists in the headquarters-subsidary relationship, the managers in the headquarters and in the subsidiary are motivated to engage in a successful and

mutually beneficial exchange relationship (Hewett & Bearden, 2001). According to Zhang et al. (2006), subsidiary managers with a strong trust in the parent company feel that the organization supports them and is concerned to protect their interests. This strengthens the subsidiary managers' affective commitment toward the MNC.

*Hypothesis 2b: Participation on the board of directors has a positive effect on the affective commitment of MNC subsidiary senior executives.*

### **Consequences of organizational commitment: intent to leave**

Multinational firms are more complex entities than local companies (Roth & Kostova, 2003) since they consist of geographically-dispersed units. The heterogeneity associated with the MNC generates complicated role structures where people pursue multiple objectives established for the corporation as a whole and for the subsidiary, and these objectives sometimes enter into conflict. Thus the question arises as to how managers can relate to the multinational and the subsidiary and remain effective, despite this potential for conflict (Vora & Kostova, 2007). This is a particularly important question because dissatisfaction with the work they do and with their performance determines senior executives' decision to leave the firm (Herrbach, Mignonac, & Gatignon, 2004). But turnover intention, as it has been studied in the literature traditionally (i.e., the probability that an employee will change jobs in a particular period of time) may be too limited in the context of the multinational company (Lee & Liu, 2007). Naumann (1992) recommends expanding turnover intention in this context to include, apart from leaving the firm itself, internal voluntary transfer within the organization. Literature has not yet studied the possible effect of organizational commitment on MNC subsidiary senior executives' intent to leave in its two dimensions: leaving the current post (internal voluntary turnover) and leaving the firm itself (external voluntary turnover). Moreover, recognizing the multi-dimensionality of

organizational commitment can shed light on the ties managers have with the multinational and their intention to remain in the firm and in their current post.

Affective commitment develops when employees feel psychologically “in sync” with what the organization establishes and with its culture (Mellor et al., 2001). This form of commitment generates positive affective states toward the work. In the context of the MNC, the psychological link is a powerful socialization mechanism of the subsidiary managers, since the stronger commitment toward the organization is associated with a greater acceptance of the corporate values of the MNC, which reduces the influence of the local values (Reiche, 2007) and other circumstances affecting a particular subsidiary. As a consequence, the stronger the psychological link with the multinational, the less important the conflicting interests between the parent company and the subsidiary, and hence the stronger the managers’ ties to their subsidiary as well (Kobrin, 1988). The managers will then be in a better position to act in the interests of both parties, more likely to be successful in their role in both entities, and less likely to leave either the MNC or their current post.

But even accepting that senior executives of the subsidiary can face problems within their subsidiary (e.g., incompetence of employees hired), Zhang et al. (2006) show that the relations established with the MNC predominate compared to those maintained within the subsidiary. Specifically, these authors’ research shows that when mechanisms are in place to bind senior executives of the subsidiary to the parent company (e.g., good communication of values, goals and norms; high trust in the relationship) the managers will be less likely to consider leaving. This effect arises even if the managers’ satisfaction and links with the subsidiary are low, since their ties to the parent company are reinforced when the managers can resolve possible disputes and align their expectations and needs with their perceptions and experiences in the

framework of the global corporation, thereby reinforcing their affective commitment (Meyer et al., 1993). In contrast, when the mechanisms binding the managers to the parent company are weak or inexistent, it will be other antecedents related to the post (e.g., job satisfaction) that will determine the managers' decision to leave their post. In view of the above, it can be said that affective commitment toward the organization generates a double feeling of belonging to and owning the organization in the subsidiary's senior executives, of being psychologically linked to the multinational (Welch & Welch, 2006). This will lead the managers to accept and desire the post that the firm assigns to them, and they will be more likely to want to remain in their current post and in the multinational.

*Hypothesis 3: The stronger the affective commitment of MNC subsidiary senior executives, the more likely they will intend to remain in their current post and in the multinational.*

High-sacrifice continuance commitment, in turn, is based on the individual's need to remain in the organization because of the benefits of remaining (Mellor et al., 2001) and of the personal cost of leaving (Meyer & Allen, 1991; Powell & Meyer, 2004). Consequently, this form of commitment is also related to the individual's intent to leave (Bergman, 2006). Starting from Becker's (1960) conceptualization, this form of commitment is founded on the subsidiary managers' perception that their link with the MNC has some "secondary effects" that constrain their future outside the organization and even in other posts within the same company. More specifically, these costs can be economic or social, and can even affect variables outside the organization itself (Becker, 1960). The economic costs arise if, for example, the firm uses compensation systems based on tenure (higher salary, contribution to retirement plans, job stability), since leaving the company would cause the individual significant losses. On the other hand,

the effort, time and energy that the individual has put into acquiring the experiences and skills allowing them to carry out their current role with some guarantee of quality represent another important economic cost, since they may not transfer easily to other firms (Becker, 1960; Ko et al., 1997) or even to other posts in the same multinational. Not all skills are transferable due to the particular characteristics of each geographic environment, such as the culture or legislation (Harzing, 2002). The social costs, include the damage to their personal image that the individuals will risk if they fail to meet cultural expectations about how long they should remain in a post or the firm, and the loss of relationships with colleagues (Ko et al., 1997). The costs associated with external factors affect the family and its ties with the community (Ko et al., 1997).

Individual face these costs whether they are leaving their current post or the firm itself, since they will have to seek either a new post or a new firm in another geographic location (Powell & Meyer, 2004). They will then have to rebuild their social links and make the necessary economic investments to settle in the new location. The abovementioned costs increase the longer the managers' tenure in the multinational and in their current post, thereby limiting their intention to leave.

*Hypothesis 4a: The stronger the high-sacrifice continuance commitment of MNC subsidiary senior executives, the more likely they will intend to remain in their current post and in the multinational.*

The second component of continuance commitment—low alternatives—is theoretically based on the belief that few or no alternative employment options exist for the individual outside the firm (Powell & Meyer, 2004). This aspect of commitment can also explain the individual's intention to remain where they are (Ko et al., 1997). In some sense this component of commitment reflects the individual's feeling of being trapped in the organization (Meyer et al., 2002). Nevertheless, previous empirical

research has not found the expected result: i.e., a correlation between low-alternatives continuance commitment and intent to leave (Iverson & Buttigieg, 1999; Lee, Allen, Meyer, & Rhee, 2001; Powell & Meyer, 2004). In our opinion, when individuals are fully aware of the lack of alternative employment options suiting their professional and personal circumstances, it is because they have explored the market in some way using formal or informal search behaviors. Search behavior is considered a precursor of intent to leave and hence signals the employee's imminent departure (Halaby & Weakleim, 1989). Accepting this relation, we argue that a greater low-alternatives continuance commitment explains the managers' intention to leave the firm. The fact that this turnover does not actually take place is due, however, to the lack of alternative employment options, leading to the "trapped in the organization" effect (Meyer et al., 2002). This is consistent with the negative correlation that some authors find between low-alternatives continuance commitment and affective commitment (Lee et al., 2001), which Herrbach (2006) argues could be due to the fact that individuals who feel trapped in the company probably experience a negative affect toward it.

*Hypothesis 4b: The stronger the low-alternatives continuance commitment of MNC subsidiary senior executives, the less likely they will intend to remain in their current post and in the multinational.*

Finally, normative commitment arises because of the socialization process that individuals experience throughout their life before joining the organization (family and culture) and to a lesser extent subsequently (organizational socialization). This process leads the individuals to assume a commitment norm, or value relating to the desirability of remaining in the organization (Ko et al., 1997; Powell & Meyer, 2004). Normative commitment is related to ethical obligations, so this form of commitment cannot predict intent to leave a firm (Dunham, Grube, & Castaneda, 1994). Yao & Wang (2006) point

out that this form of commitment could reflect a general willingness in individuals to be loyal to organizations in general, and not solely to a specific organization. In fact, previous research offers mixed results: some authors find that normative commitment can predict turnover intention, although the relation is weaker than for affective commitment (Meyer et al., 2006), while others find it cannot. Given this lack of consensus, we accept this relation, which Meyer et al. (2002) find to be the majority view in their meta-analysis.

*Hypothesis 5: The stronger the normative commitment of MNC subsidiary executives, the more likely they will intend to remain in their current post and in the multinational.*

### **3. METHODOLOGY**

In order to use a homogenous population in the analysis we chose multinational companies with a presence in Spain and for which the human resource management is decentralized in that country. This would allow us to collect primary information about the perceptions of the human resource managers in Spain, or failing this, of the managers responsible for that function. To determine the population we started from a list of firms with the right profile from the Dun & Bradstreet database. This list was refined by phoning each firm to confirm compliance with the selection criteria and identify the top manager responsible for the HRM function in Spain. The number of firms satisfying these selection criteria in 2006 was 831, of which 340 (40.9%) had a CEO and 491 (59.1%) had an HR manager or other managers responsible for that function.

The fieldwork took place between November 2006 and March 2007 using a self-administered questionnaire. The authors sent this questionnaire to the 831 top managers

and received 101 responses, which represents a response rate of 12.1%. The sampling error was  $\pm 6.6\%$ .

**Organizational commitment.** We used Allen & Meyer's (1990) original scale, which has 24 items, each of which is a seven-point Likert scale. Meyer et al. (1993) proposed a summarized version of that scale, but we chose the original scale as this is commonly used when the aim is to determine the effect of cultural values on commitment (e.g., Cohen, 2006; Cohen, 2007a; Clugston et al., 2000; Yao & Wang, 2006). Moreover, the reduced version limits the possibility of distinguishing between affective and normative commitment (Bergman, 2006).

**Antecedents of commitment.** The cultural dimensions were measured using Dorfman & Howell's (1988) scales, which were validated by Culpepper & Watts (1999): individualism (6 items), power distance (6 items), uncertainty avoidance (5 items), and masculinity (5 items). With regard to the participation in the firm's governance structure, the authors included 3 items asking the respondents whether they possessed a share in the firm's capital, or were a member of the board of directors, and the role in the boardroom if relevant. The authors created a scale variable from the last two items with four points and a reverse score measuring the degree of participation on the board: (1) is President; (2) is a director; (3) is a non-voting member; and (4) does not belong to the board.

**Consequences of commitment.** To measure intent to leave, the authors borrowed and adapted two items from O'Reilly, Chatman, & Caldwell's (1991) scale, which measured, on a 7-point Likert scale: (1) the respondents' preference for a new post in the organization (i.e., in another subsidiary or in the parent company) better suited to their professional background and personal needs; and (2) the executives' intent to leave

the multinational within three years. This second item has a reverse score, so the highest values correspond to the intention to remain in the company.

**Control variables.** The analysis included: sex (0=female, 1=male); marital status, measured on a scale variable of increasing family commitment (1=single, 2=separated, 3=married); persons in their charge, which measures three levels of responsibility for relatives (0=not responsible for anybody, 1=responsible for one category of relatives, and 2=responsible for more than one category of relatives); educational specialism, in increasing order of specialization in human resources (1= science degree, 2= law degree, 3=degree in business administration or other social sciences, and 4=degree in human resources); gross remuneration, measured on a 7-point scale.

#### **4. RESULTS**

The sample consists of managers who are, on average, male (76%), over 48 years old (42.4%), and Spanish nationals (94.4%). The majority of the respondents is married (84.4%) and has a family dependent on their income (77.8%). Almost 93% of the sample have a higher education, with the following specialisms: science (24.3%), law (18.6 percentage), business administration or other social sciences (34.3%), and human resource management (22.8%). The respondents are exclusively responsible for human resource management in their subsidiary (34.4%), are general managers of the subsidiary with responsibility for that function (37.8%), or have other management posts in the subsidiary and responsibility for that function (27.8%). As for their compensation, 44% of the sample receives a gross salary exceeding €90,000, while 27.5% of the respondents earn in excess of €120,000.

For validity analyses, we ran a confirmatory factor analysis on the scales, using the statistical program Amos, and the results show an acceptable goodness of fit, since all the absolute (CMIN, RMSEA), incremental (TLI, NFI), and parsimony (CMIN/DF)

fit measures are at acceptable levels, and moreover the Cronbach alpha and the composite reliability exceed the minimum recommended level of 0.7 for almost all the constructs. With regard to the cultural values, the model (CMIN= 101.262,  $p = .097$ ; RMSEA= .045; NFI= .795; TLI= .934; CMIN/DF= 1.205) confirms the existence of the factors individualism (alpha= .757; reliability= .767), power distance (alpha= .645; reliability= .674), uncertainty avoidance (alpha= .836; reliability= .847), and masculinity (alpha= .673; reliability= .699). The model estimated for organizational commitment (CMIN= 72.219,  $p = .116$ ; RMSEA= .047; NFI= .865; TLI= .954; CMIN/DF= 1.224) also confirms the existence of four factors: affective (alpha= .776; reliability= .798), high-sacrifice continuance (alpha= .829; reliability= .840), low-alternatives continuance (alpha= .760; reliability= .763), and normative (alpha= .790; reliability= .791).

We used structural equations analysis to test the hypotheses. A first step involved analyzing the effect of the four factors estimated for organizational commitment and the control variables on intent to leave the post (CMIN= 177.137,  $p = .021$ ) and the MNC (CMIN= 191.389,  $p = .003$ ), respectively. Both models prove to be non-significant. The results of the model also show that normative commitment is not statistically significant in the explanation of intent to leave either the current post (CR= 1.451,  $p = .147$ ) or the MNC (CR= -1.029,  $p = .304$ ), so the authors dropped this construct from the analysis. The new models estimated are significant according to the goodness-of-fit measures, both for the model explaining intent to leave the post (CMIN= 92.254,  $p = .185$ ; RMSEA= .037; TLI= .949; NFI= .838; CMIN/DF= 1.139) and for the one explaining intent to leave the MNC (CMIN= 102.516,  $p = .054$ ; RMSEA= .052; TLI= .906; NFI= .825; CMIN/DF= 1.226).

In a second step we introduced into the analysis the antecedents of affective and continuous commitment considered here. Again, the two models are statistically significant, and they explain 43.5% of intent to leave the post and 48.8% of intent to leave the MNC (see Tables 1 and 2).

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Insert Tables 1 and 2 about here  
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The models estimated confirm the majority of the proposed hypotheses. First, with regard to the cultural antecedents of commitment, the results show that the lower the power distance and the higher the uncertainty avoidance, the stronger the executives' affective commitment toward their organization, so hypotheses H1a and H1b can be accepted. Hypothesis 1d can also be accepted since the higher the executives' masculinity, the stronger their low-alternatives continuance commitment toward the organization. But our results do not support Hypothesis 1c, since the relation between masculinity and high-sacrifice continuance commitment is nonsignificant. As for the participation in the governance, the results of the models estimated provide support only for Hypothesis 2b, since participation on the board of directors has a positive effect on the affective commitment of the MNC subsidiary senior executives (reverse score). On the other hand, and with regard to the consequences of organizational commitment, the results show that affective commitment has a significant, negative effect on both intent to leave the post and intent to leave the MNC (reverse score), which means Hypothesis 3 can be accepted. The relation between high-sacrifice continuance commitment and desire to find a more suitable post or firm is significant and negative in the model estimated. These results show that the greater the sacrifice that the executive would have to make in personal terms if they decided to

leave the firm, the less likely they will wish to leave the post and the firm (reverse score in intent to leave the firm). Hypothesis 4a can therefore be accepted. Finally, the results show that as low-alternatives continuance commitment increases, so does the executives' intent to leave both the post and the firm (reverse score). These results provide support for Hypothesis 4b.

## **5. DISCUSSION AND CONCLUSIONS**

This research has analyzed the antecedents and consequences (intent to leave) of the organizational commitment of the senior executives multinational companies put in charge of their subsidiaries, and more specifically, those responsible for the human resource function. Two fundamental premises sustain and guide this work. First, the role that these managers play both in the MNC and in the subsidiary, which makes it recommendable to use the extended intent-to-leave concept. According to Naumann (1992), this extended concept allows researchers to distinguish between internal and external voluntary turnover (i.e., changing the post inside the company and intent to leave the firm itself, respectively). Thus this paper's first contribution lies in its analysis of these two aspects of intent to leave in relation to the different components of organizational commitment.

This paper's second contribution lies in its examination of the cultural values (power distance, uncertainty avoidance, masculinity, and individualism) and the mechanisms of management control (share in the ownership of the firm and participation in its governance). In this study we have placed particular emphasis on explaining the mechanisms underlying the relation between those variables and commitment, distinguishing for this purpose the special characteristics of the affective, continuance (high sacrifice and low alternatives), and normative commitment. Thus this work also responds to Meyer & Herscovitch's (2001) call for studies that go beyond just

establishing empirical correlations between the antecedent variables and the components of commitment without considering the reasons for these relations.

To measure the cultural values, we were guided by recent recommendations to study the values at the individual level in order to avoid the problems resulting from assuming corporate and spatial homogeneity—a phenomenon that O’Grady & Lane (1996) and Shenkar (2001) label the ecological fallacy. The results obtained here confirm the relations between the values power distance and uncertainty avoidance on the one hand, and affective commitment on the other, which the literature has yet to explore theoretically. The relations between these variables are founded on the reciprocity norms established in social exchange theory, so that the greater the closeness and trust between superior and subordinate—desirable when the individual has low power distance—and the firm’s offer of a stable job over time—desirable when uncertainty avoidance is high—explain the development in the individual of positive affect toward the organization in response. Likewise, results also confirms the effect of masculine values on the development of a calculative, continuance-based commitment. Specifically, the stronger the values of assertiveness and of pursuit of material success, the more the force that binds the manager to the organization is founded on the lack of alternative employment options that improve upon the individual’s current position. Our results cannot, however, confirm the effect of masculine values on high-sacrifice continuous commitment in the sample under analysis. Clugston et al. (2000), who measure continuance commitment as a single construct, cannot confirm this relation either. We believe that it is the cultural changes occurring over time that could explain why the masculinity values can no longer explain continuance commitment.

We cannot confirm the postulated positive effect of managers’ share in the firm’s capital on affective commitment. This result may be due to the context of the current

research: the multinational company. Any share in the capital held by the subsidiary senior executive is likely to be proportionally very small, and consequently perceived more as a component in the compensation package than as a link with the firm. Indeed, the manager with a stock holding is likely to have only a minute influence in the stockholders' meeting. The theory of unmet expectations explains this result on the basis of the employees' disappointment about the systems of share in the capital being unable to guarantee an increase in their rights in the firm (Kruse, 1984). In contrast, this work has been able to confirm that participation in the boardroom affects the development of affective commitment in subsidiary managers toward the MNC, due to the opportunity that this body offers of interacting with the corporation as a whole and of reconciling managers' interests with those of the organization.

With regard to the consequences of commitment, the results confirm the negative effect of affective commitment and high-sacrifice continuance commitment on intent to leave. Thus the stronger these commitments, the less the managers intend to leave both the current post and the firm itself. These results provide evidence of the importance of organizational commitment as a force that binds the individual to a target—the multinational—and consequently to a course of action that is relevant for that target (i.e., remaining in the current post and in the MNC), as Meyer et al. (2006) propose. In turn, the two simultaneous equation models estimated confirm that low-alternatives continuous commitment has a distinguishable effect compared to high-sacrifice continuous commitment and a positive relation with intent to leave. This result is a pioneering contribution of the current work. This component of commitment is theoretically grounded in the individual's belief that few or no alternative employment options exist for them outside the firm, and this perception may be related to employment search behaviors—proven precursors of intent to leave (Halaby &

Weakleim, 1989). These results suggest that low-alternatives continuance commitment may be an antecedent of high-sacrifice continuance commitment, as Lee et al. (2001) and Powell & Meyer (2004) propose, and the results show that this relation should be positive. In other words, the stronger the ties with the organization founded on the lack of alternative employment options suiting the individual, the more the individual will feel tied to the company by the costs resulting from the investment that they have made in the firm up to that date.

The authors have been unable to include normative commitment in the model, possibly because of its high correlation with both affective commitment and high-sacrifice continuance commitment. Authors such as Ko et al., (1997), Meyer & Herscovitch (2001) and Meyer et al. (2002) warn about the lack of a clear distinction between normative and affective commitments. Bergman (2006) points out that the distinction between these constructs, which is confirmed by her factor analyses, coincides with high correlations between them. This correlation, which Meyer et al. (2002) put at 40% in their meta-analysis, also occurs in the current work (45%), although the factor analysis shows that the items defining normative commitment and affective commitment load onto different factors. Moreover, other works also find a strong correlation between normative commitment and high-sacrifice continuance commitment, since certain social costs associated with the side bets (e.g., fear of social sanctions for not fulfilling the norms) correlate more with normative commitment than with continuance commitment, which means that normative commitment can be considered a type of side-bet commitment (Powell & Meyer, 2004). The correlation between the two types of commitment reaches 56.8% in the current work.

Despite these problems when studying the consequences of normative commitment, various studies carried out in South Korea (Lee et al., 2001), Turkey

(Wasti, 2003) and China (Chen & Francesco, 2003) confirm the important role of this type of commitment in predicting intent to leave. Indeed, its contribution is independent of and goes beyond those of affective and continuance commitments. Lee et al. (2001) and Yao & Wang (2006) believe that this differential effect could be due to the fact that the studies were carried out in cultural contexts in which collectivist values predominate in individuals. In this work however individualist values predominate among the sample respondents. The fact that the sample is largely individualist could also explain the level of redundancy between normative commitment and the affective and continuance commitments.

Globally, the model estimated using structural equations confirms the usefulness of the variables examined here. In addition, this model also allows knowing about the relative weight of the different exogenous variables. Affective commitment has the most influence, as previous authors have found (Gellatly, Meyer, & Luchak, 2006), since a component of desire exists in their willingness compared to the obligation or fear associated with the other types of commitment. Low-alternatives continuance commitment has a much stronger effect than high-sacrifice continuance commitment on intent to leave the current post, while the latter has a stronger effect on intent to leave the firm. These results show that when managers consider leaving their subsidiary they feel they are less affected by the loss of the benefits accumulated, since they are not contemplating leaving the firm itself. It is the lack of alternatives that is the most important factor.

The current work has a number of practical implications on top of the theoretical implications discussed above. Its results could prove useful to decision-makers in multinational companies. First, this study confirms the importance of managing organizational commitment in the context of the MNC, where managers' intent to leave

may be favored by job offers from outside the firm, since these employees are a valuable resource (Zhang et al., 2006). Moreover, given the agency relationship existing between the subsidiary executive and the corporation, as well as the geographic and cultural distance between the two entities, it is vital for multinationals to cultivate loyalty. Firms should strive to develop the right type of commitment (Iverson & Buttigieg, 1999), making use of those control mechanisms and human resource practices that are most suited to improve, above all, affective commitment—the type of commitment that has the most impact on the decision to remain in the firm.

In this respect, the MNC must consider its executives' cultural values, since they will indicate the most appropriate mechanisms for developing each component of commitment. Thus when the manager has low power distance, certain control mechanisms such as developing a high-quality communication between the parent company and the subsidiary—which reinforces the interactions among the subsidiary managers and their superiors—would seem desirable to stimulate the development of affective commitment. But when the manager has high power distance, the development of a high-quality communication between the parent company and the subsidiary, although also desirable, should be linked to the clear and precise transmission of the instructions coming from the top management in the parent company. Also, Powell & Meyer (2004) observe that human resource practices can simultaneously increase the different types of commitment. For example, if the multinational offers training to its managers, this will simultaneously generate affective commitment (being evidence of the organization's support), normative commitment (being a benefit that should generate a reciprocal response), and high-sacrifice continuance commitment (being an investment that makes it more difficult to leave the firm). According to the current study, these practices will be useful in MNCs given the cultural diversity of their

employees, since depending on their values employees will develop one type or other of commitment to a greater extent. If power distance is low or uncertainty avoidance is high, they will develop affective commitment. If collectivism is high they will develop normative commitment, while if masculinity is high they will develop continuance commitment. Consequently we recommend that multinational companies include tools for determining individuals' values in their manager selection and evaluation practices. This will help make their human resource practices more effective.

Finally, in light of the results obtained here, multinational companies should consider encouraging their key subsidiary managers to serve on the board of directors. The knowledge and experience of these internal directors would prove useful for decision-making (Hermalin & Weisbach, 1991) to help improve the efficiency of the board (Drymiotes, 2007), but at the same time these managers' affective commitment toward both the subsidiary and the organization would also improve. This commitment, which reinforces the control mechanisms, could reduce the agency costs and reduce the managers' intent to leave.

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**TABLE 1**

**Correlations, means, and standard deviations**

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
1.Power	1																
2. Uncertainty	<b>.213*</b>	1															
3.Masculinity	.101	.029	1														
4.Individualism	-.018	.003	-.109	1													
5.Share in capital	-.003	-.006	-.094	-.017	1												
6.Board (reverse)	-.147	-.044	-.052	.082	<b>-.217*</b>	1											
7.Affective	<b>.171†</b>	.109	-.037	<b>.171†</b>	.138	<b>-.225*</b>	1										
8. Sacrifice	.010	.105	.150	.088	-.092	.091	.095	1									
9. Alternatives	-.057	.048	<b>.199*</b>	-.017	-.086	.071	-.092	<b>.497***</b>	1								
10.Normative	-.017	<b>.172†</b>	.077	<b>.175†</b>	.096	.007	<b>.365***</b>	<b>.398***</b>	.158	1							
11.Sex	-.107	-.099	.142	<b>.205*</b>	<b>.186†</b>	<b>-.223*</b>	.092	-.112	-.001	.129	1						
12.Marital	.064	.078	<b>.197†</b>	.117	.002	.049	-.082	.149	.120	.069	.085	1					
13. Charge	.096	.018	.067	.140	.044	-.052	-.087	.082	.107	.061	.071	<b>.458***</b>	1				
14. Specialism	.059	.179	.083	-.140	-.153	.181	-.033	.132	.099	.145	<b>-.283*</b>	<b>.204†</b>	-.035	1			
15.Remuneration	.040	-.024	-.144	-.013	<b>.386***</b>	<b>.453***</b>	<b>.268*</b>	<b>-.012†</b>	-.126	.053	<b>.302**</b>	<b>-.024†</b>	.126	<b>.367**</b>	1		
16.Leave post	.026	<b>.198*</b>	-.067	<b>.187†</b>	<b>-.196†</b>	<b>.187†</b>	<b>.428***</b>	-.085	<b>.209*</b>	<b>-.222*</b>	-.147	-.097	<b>.203*</b>	.013	<b>.339**</b>	1	
17.Leave MNC (reverse)	-.026	.142	-.046	.039	.079	-.149	<b>.585***</b>	.164	-.102	<b>.282**</b>	-.013	-.116	-.018	.135	.134	<b>.459***</b>	1
<b>Mean</b>	1.76	4.02	1.05	3.31	.22	1.46	4.03	3.17	2.53	2.49	.76	2.76	.86	2.56	4.66	3.43	5.56
<b>SD</b>	.64	.78	.53	.71	.42	.94	.80	1.11	.98	.79	.43	.61	.54	1.10	2.12	1.81	1.43

† $p < .1$ , \* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$ .

**TABLE 2**

**Results of estimated models and hypothesis tests**

Variables	Intent to leave post			Intent to leave firm (Reverse score)			Hypothesis tests	
	Beta	CR	p	Beta	CR	p		
Affective commitment	-.42	-4.42 ***		.59	5.70 ***		3	Accepted
Continuance commitment (high sacrifice)	-.17	-1.98 *		.23	2.77 **		4a	Accepted
Continuance commitment (low alternatives)	.28	2.98 **		-.21	-2.31 *		4b	Accepted
Sex	-.13	-1.53		.05	.59		Control variables	
Marital status	-.00	-.01		-.19	-2.03 *			
Persons in their charge	-.27	-2.93 **		.15	1.64			
Specialism	-.19	-1.75 †		.26	2.48 *			
Gross remuneration	-.19	-2.07 *		.00	.01			
Affective commitment								
Power distance	-0.32	-2.56 **		-.32	-2.54 *		1a	Accepted
Uncertainty avoidance	0.22	2.01 *		.22	1.91 †		1b	Accepted
Share in capital	0.15	1.54		.14	1.37		2a	Rejected
Belong to, and position in, board	-0.28	-2.66 **		-.28	-2.63 **		2b	Accepted
Continuance commitment (high sacrifice)								
Masculinity	0.18	1.47		0.18	1.45		1c	Rejected
Continuance commitment (low alternatives)								
Masculinity	0.34	2.45 *		0.37	2.61 **		1d	Accepted
Goodness of fit	CMIN=322.99 ( $p=.16$ ) RMSEA=.03 TLI=.95 NFI=.71 CMIN/DF=1.08 $R^2=43.5\%$			CMIN=335.09 ( $p=.07$ ) RMSEA=.03 TLI=.93 NFI=.67 CMIN/DF=1.12 $R^2=48.8\%$				

† $p < .1$ , \* $p < .05$ , \*\* $p < .01$ , \*\*\* $p < .001$ .