Evolving Relationship between the Parent and Subsidiaries in Multinational Companies

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Abstract
There are some specific espoused values in every important multinational company which form their organizational cultures and create values which in turn may form commitment of its employees. The transmission of organizational culture from the headquarters to subsidiaries appears to be a core of the mechanism of managing overseas subsidiaries in multinational companies. The problem of setting up operations in a foreign country with a very different culture has its transaction cost. The thrust of the argument regarding the transaction cost is that companies design their managerial control to promote the reductions of these transaction costs. Both political and cultural problems reinforce the transaction cost arguments. The central question in the literature on MNCs is the extent to which their various foreign affiliates (or subsidiaries) act and behave as local firms versus the extent to which their practices resemble those of the parent corporation or some other global standard.

Keywords: Multinational Companies, Strategy, Cultural Control, Parent Subsidiary Relationship.

Introduction
A multinational company (MNC) today is becoming the central agent promoting globalization. Operating across products and markets, nations and cultures, MNCs face diverse problems and complex situations and therefore, create the most complex form of organization in existence. The transmission of organizational culture from the headquarters to subsidiaries appears to be a core of the mechanism of managing overseas subsidiaries in multinational companies[6,100]. During the process of transmitting culture, a parent unit of a company should successfully transfer the set of the core values that compose its organizational culture from their parent unit to the subsidiaries worldwide.

In this paper, we have tried to formulate a theory from the transmission of organizational culture and tried to evaluate it in the context of the literature on multinational companies.

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There are some specific espoused values in every important multinational company which form their organizational cultures and create values which in turn may form commitment of its employees. These commitments are the indicator of successful performance of a company because creation of commitment leads to success of the company. We can call this interrelationship between culture and commitment as company citizenship. This company citizenship can be transmitted from one part of the globe to another by a multinational company through the transmission of its organizational culture, as a part of the company's strategic management process.

Formation of this company citizenship based on firm's organizational culture creates unique competitive advantage of a multinational company as the part of its international strategy. A company citizenship can be formed even in a country with a very different national culture because the strong organizational culture of a multinational company which gave rise to the values of corporate management and operations management, can override difference in national culture between the home and the host countries of multinational companies.

This paper is trying to evaluate the above concept in modern business world that the multinational companies, not countries, are establishing their own cultures over the globe. The corporate cultures of leading multinational companies are forming their own company citizenships within their borders and spreading their way of doing things globally. As there are different multinational companies with different organizational culture, there would be different company citizenships for different multinational companies rather than just one Anglo-American 'jet-set Global' culture[124].

The 'Jet-Set' culture emphasizes individualism, self-reliance, competition, uniqueness, hedonism and emotional detachment within a group. Vertical individualistic culture (US corporate culture) values competitiveness. Horizontal individualistic culture (Australia, Sweden) de-emphasizes hierarchical differentiations[128].

Effect of Globalization according to this concept is the creation of a 'Jet-Set Culture' who belongs to an emergent global culture which promotes primarily the vertical individualistic US corporate culture irrespective of national boundaries[44]. This global culture consists of people who are attached to other members of this global culture through a process of self-selection. Core values of global managers are not derived from ethnic group, national origin but from a cultural cross-pollination[38].

Some successful multinational companies are developing a common pattern of drivers of business practices through the formation of the 'company citizenship' by transmitting the parent's organizational culture to the subsidiaries as the strategic cultural control of the subsidiaries to enhance performances.

Company Citizenship as a Competitive Advantage

The continuous growth of a company is needed for the preservation of the values of organizational culture. Continuous progress and respect that can be gained to be associated with a company with continuous growth is the end objective of the employees. A deep religious value to perpetuate growth is also the objective of the corporate growth. Employees think and operate with their outlook for the long-term prospect of the organization and harmony with the work place and broad social environment.

These feelings lead them to develop a family feeling within the work place and responsibility towards the fellow employees and the community at large. They believe they have a responsibility towards the organization and the local and global societies as a multinational company is a global organization.

O'Reilly, Chatman and Caldwell[99] have identified certain dimensions of values of organizational culture. Shingo[122] has defined values at the core of the operations management system of Toyota. These values are innovation, stability, respect for people, outcome orientation, detail orientation, team orientation and determination. These values are closely related to what Triandis[124] has described as 'collectivist' values which should give way to the 'individualistic' values in a fully 'globalized' value system according to the supporter of the 'Jet-Set Culture'.

The classic question is what Barney has raised[14-17] in relation to Porter's theory[108,110] of the competitive advantage of a firm whether culture can be a source of competitive advantage and therefore can be regarded as a strategic resource of a company. Organizational culture is an important resource of an MNC because organizational culture is unique and hard to imitate or competitors and which in case it is successfully transmitted to the subsidiaries, may influence the overall performance of the company[53,83,84].

Managers of multinational companies are expected to coordinate these subsidiaries so as to integrate them into a proper strategy to create unique resources against their rival companies. However, the most difficult part is to find a roadmap to implement such a strategy. Thus, the issues regarding globalization/localization[19,21] and centralization/ autonomy[4] in relation to the HQs-subsidiary relationship are becoming extremely important.

Parent-Subsidiary Relationship in the Multinational Companies

Analysis of the related literature revealed that the research on the multinational companies evolved into some critical directions over the last few decades. There was a shift in emphasis towards the multinational subsidiary as a unit of analysis. That approach created a good understanding of the various strategic roles of the subsidiaries[6,33,84].

Multinational companies are always interested to reduce the risk and uncertainty in overseas business operations[21]. The problem of setting up operations in a foreign country with a very different culture has its transaction cost. The thrust of the argument regarding the transaction cost is that companies design their managerial control to promote the reductions of these transaction costs. Both political and cultural problems reinforce the transaction cost arguments.

There are two types of analysis to reduce transaction costs through the increased efficiency of the subsidiaries. Many scholars in the domain of international business put emphasis on entrepreneurship or the autonomy of the subsidiaries as the major issue which would create resources like innovations, efficiency on supply of factors of production, technology of production and cost efficiency of distributions[116]. There are others who emphasize the adaptation of parent company's organizational culture and control of subsidiaries through culture to create 'resources' in the subsidiaries to outwit their rival MNCs[10,95,96,120].

The way in which the headquarters implement its international strategy across the globe can influence the structure of the HQ-subsidiary relationship. That leads to the issue of the transmission of organizational culture to the subsidiaries as an international competitive strategy[3,107,138]. Thus, the coordination and control mechanism is a basic issue of discussion in the related literature[5,12,61].

The subsidiary initiative is promoted by high level of distinctive subsidiary capabilities and is suppressed by a high level of decision centralization, a low level of subsidiary credibility and a low level of corporate-subsidiary communication. Subsidiary initiative leads to an enhancement of credibility, head office openness, corporate-subsidiary communication and distinctive capabilities[41,106].

Mechanisms of coordination are many which can be divided into two main forms: formal and informal[83]. Formal system has explicit rules and regulations. Informal system depends on a process of socialization and communications to inject the values of the organizations to individual members[89]. The main research contributions on formal mechanisms came from Harvard Multinational Enterprise Project and from the Stockholm School[60,61].

International comparative studies[93] also mentioned informal cultural coordination through human resources management policies.

Analysis of the internal structures, such as culture, is the key to understand the management of the multinational firms, particularly the coordination mechanism between HQs and subsidiaries. In a classical bureaucratic model of organization, coordination relies on the use of explicit formal rules and regulations. An organization with informal cultural coordination relies on an implicit organization-wide culture to influence the members of that organization. Mainly Japanese and Scandinavian companies follow this type of coordination through culture[12,13,60,61,98].

Types of Multinational Companies and Parent-Subsidiary Relationship

Multinational companies are not homogeneous. The central question in the literature on MNCs is the extent to which their various foreign affiliates (or subsidiaries) act and behave as local firms versus the extent to which their practices resemble to those of the parent corporation or some other global standard[48]. Peterson and Brock[106] divided the development of the literature on multinational companies into four eras: the International Era (60s), the Global Era (70-80s), the Transnational Era (1990-2000s) and the Internal Era (2000 and future research). Older MNCs may enjoy the positive 'influence' of age. They are likely to control more resources than younger firms because the accumulation of resources and capabilities may take place over time[34]. Affiliates of MNCs are traditionally viewed as mere instruments of their parents[33]. However, MNCs' affiliates evolve in both scale and scope over time and the interplay of affiliate level entrepreneurship and the affiliate's competitive environment could substantially impact on the overall performance of the MNC. Foreign affiliates learn from the host country environment and contribute substantially to their parent's stock of resources which in turn strengthen the MNC as a whole.

There are different types of MNCs depending upon their different management system and their different parent-subsidiary relationships. For example according to Perlmutter[105], there are three types of MNCs: ethnocentric, polycentric and global. According to this typology, the management practices in foreign affiliates of MNCs could resemble those of the MNC's home country (ethnocentric), could conform to local practices of the affiliate's host country (polycentric) or could adhere to a worldwide standard (global). Examples of ethnocentric MNCs are the older American MNCs and recent Japanese MNCs. Examples of polycentric firms are normally older European MNCs. Examples of global firms are recent American and European MNCs where Japanese MNCs have not yet accepted this 'global' standard[38,42,51].

In the early days, subsidiaries of the MNCs observed 'ethnocentric' behaviour and when they became more mature, the subsidiaries started behaving in a 'polycentric' way. The recent tendency of the subsidiaries is to follow the 'global standard'. Adler[1] and Bartlett and Ghoshal[19] described the management practices of the MNC in terms of an overall orientation and evolution. A number of variables are important to classify the MNCs: "1) Environment/Industry; 2) Corporate level strategy; 3) Corporate level organizational design; 4) Subsidiary strategy/role; 5) Subsidiary structure; 6) Control mechanism; 7) Human resource practices"[58].

Historically mainly the British multinational companies during the days of the British Empire and subsequently during the 1950s and 1960s used to employ management agents in their overseas subsidiaries, giving them a lot of freedom to manage those units. In the initial period of the global firms, from 1920 to 1950, European multinational firms used to have a decentralized country-centered strategy for control where subsidiaries were practically independent national entities focused primarily on their local market. Controls of the subsidiaries were in terms of long training of the host executives in the parent's countries and the extensive usage of executives of the home country[83].

These mechanisms became insufficient for managing subsidiaries characterized by high levels of intra-firm international interdependence, the management of which is critical to many of today's complex global firms[83,84]. In the next period, between 1950 and 1980, global firms tended to have a centralized hub with a global strategy where the subsidiaries had to implement functional strategies decided at the headquarters. The decision making process was highly centralized at headquarters.

The subsequent period, started in the late 1970s, saw a strategy of 'reciprocal interdependence' where managers tried to integrate multinational production centers with flows of materials, components, technology, financial resources, creative ideas and people. In this complex organizational structure, new informal mechanisms have to be added to the existing structural and formal managerial devices[4,6,106].

The headquarters-subsidiary relationship depends on the centralization or decentralisation of the decision making process[54]. However, a number of American multinational companies still prefer strictly controlled subsidiary units using bureaucratic controls[83-85] whereas some Japanese multinational companies are using organizational culture as control mechanisms for the subsidiary units[27].

International business literature also mentioned the area of network-based system where a subsidiary's position within its various networks can give it influence over the strategic decision making process of the MNC[5]. It was suggested that a transition is taking place towards new modes of organizing transnational corporations' innovative activities.

First, different units of multinational firms, including foreign-based subsidiaries, are increasingly involved in the generation, use and transmission of knowledge. Secondly, multinationals are developing external networks of relationships with local counterparts, through which foreign affiliates gain access to external knowledge sources and application abilities. As a result of this evolutionary process, multinationals' organization is subject to both centripetal and centrifugal forces. The summary of related literature is shown in table 1.

Strategy-Structure

Regarding the parent-subsidiary relationship, early literature on MNCs emphasizes the relationship between structure and strategy with an implicit assumption that structure would change in response to strategy[19,105]. Bartlett and Ghoshal[19] have mentioned three main types of MNCs from the perspective of the used dominant strategies such as global, multi-domestic and transnational. Global companies have centralised strategic plans with bureaucratic control (for Japanese companies with cultural control) with very low level of independence for the subsidiaries. Multi-domestic companies have low level of bureaucratic control but with average level of social and cultural influences. Transnational companies may have subsidiaries as strategic centres in certain cases. Subsidiaries are interdependent centres to develop products but their knowledge is shared. There is a low level of bureaucratic control from the HQs but a high level of cultural control from the HQs with continuous flow of people moving around between the HQs and the subsidiaries.

Thus, there is a close link between the strategy and structure of MNCs of different types. Harzing[58] also supported Bartlett and Ghoshal's[19] theory and found that global companies with centralized control are opposite to multi-domestic companies with fairly autonomous subsidiaries. However, the transnational companies combine the characteristics of both global and multi-domestic companies.

The relationship between the HQs and the subsidiaries depends on the issue of centralization and the integration of the subsidiaries in the decision making process[54]. The issue here, according to Peterson and Brock[106] is: "… how to integrate portfolio of subsidiaries to maximize their usefulness to headquarter". Bartlett and Ghoshal[21] observed that there may be a positive relationship between the innovation achievements of a subsidiary and its close integration with the overall strategy of the HQ of a multinational company. The control methods of the HQ depend on this relationship[21,22].

There may be positive relationship between centralization and global product standardization and a negative relationship between centralization and local modification[54]. According to Bartlett and Ghoshal[21], "High levels of normative integration and information exchange can enhance the salience of the convergent interests and in this situation local resources and autonomy may lead to more vigorous participation of the subsidiary in the tasks of creating, adopting and diffusing innovations that benefit the company as a whole."

Shared vision and creation of similar values for managerial philosophy can be more effective[21]. Subsidiaries in turn can have their own networks and strategies in local markets[106]. Interestingly, that localization issue is getting increasingly important despite of the media advertisement for globalization. The relationship between the HQs and the subsidiaries may be different over time as a result. A combination of integration and national initiatives within a multifocal strategy has already gained importance[112].

Globalization/localization issues

According to Bartlett and Ghoshal's[19,21] typology, an MNC is a portfolio of differentiated but interdependent subsidiaries based on the strategic importance of the local environment and the competencies held by the local organization[58]. Based on these, four generic roles of national subsidiaries can be imagined: the strategic leader (strong locational advantages and competencies), the implementer (weak locational advantages and competencies); contributor (weak location with strong competencies) and the 'black hole' (strong locational advantages and weak competencies). Bouquet and Birkinshaw[39] have mentioned that the recent advances in information technology may have changed this structure a little where the HQ may subdivide activities among the subsidiaries to perform different roles. Japanese subsidiaries in the USA are largely 'contributors' rather than 'strategic leaders' for production. They benefit from the transfer of competencies developed in Japan; they operate in the USA in an environment with relative locational disadvantages[133].

Role of Subsidiary

Subsidiaries may have different roles given according to their unique resources. As the subsidiaries may face different problems and situations than other subsidiaries and the HQ they may receive a different administrative system[136]. That has provoked some authors to accept subsidiaries as units of analysis to analyze the strategic roles of the subsidiaries which are different for different countries[84]. That has a close relationship with the 'World Product Mandate' concept where a subsidiary may receive reinvestments from the local government and may have superior resources as a result[33]. High or low levels of pressure to globalize may classify subsidiaries into different categories. So called 'Integration-Responsiveness' (IR), can be a strategy for the subsidiaries[131]. This leads to the concept of 'centre of excellence' for a subsidiary where a subsidiary in a specific location can be selected by the HQ as the centre of excellence[5].

Centratralization vs. autonomy issues

The dominant role of the HQ may be replaced by a period of increasing heterarchical behaviour of the subsidiaries[58]. Centralization is important in mainly American MNCs, in new subsidiary developments rather than in an already established company purchased by an MNC, in large subsidiaries and major MNCs with a large international organization. The age of a subsidiary is also important[132]. A multi-domestic MNC is a group of quasi-autonomous entities[112]. An MNC with a globally integrated strategy requires a more complex system of subsidiary management. A more globalized MNC has more centralized controls.

A subsidiary with a close relationship with the local firms has a lower level of HQs control[5]. A subsidiary of a company with a higher level of corporate relationship with the HQs has more central control while subsidiaries in high technology areas have a higher degree of independence. A subsidiary with extraordinary resources and a specialist in products normally has a higher degree of autonomy[136]. A subsidiary with higher technological ability normally has a higher degree of independence but a firm in a knowledge industry, for example, may have a higher degree of central control[19].

Subsidiaries start with market seeking ventures but as they grow older, they develop their own resources and build some unique capabilities. There are external and internal environments of a subsidiary. Subsidiaries engage in entrepreneurial activities to enhance their competitiveness given their capabilities.

Alternative Models of HQs-Subsidiary Relationship

The HQs-Subsidiary relationship is mainly concerned with the control of subsidiaries and maximising their potentials for headquarters[106]. The nature of these controls moved from formal restrictions of autonomy to a flexible cultural control[120].

Among the range of models of the MNC subsidiary-HQ relationships, Bartlett and Ghoshal's[21] typography has indicated a number of different types of subsidiaries from the perspective of the ability to carry out the different innovation tasks such as creation, adoption and diffusion. A three-fold typology of subsidiary roles such as world product mandates (WPM), specialized contributor and local implementer proposed in the related literature was confirmed by the empirical study by Birkinshaw et al[36]. In another study Birkinshaw et al[35] described several factors that can change the role of a subsidiary such as local environment, changes in global environment, competition from other countries and subsidiary's desire to have autonomy. Subsidiaries may create entrepreneurial activities as a result of limited resources, improve the utilization of resources or lend out resources in unique ways. Thus, two significant changes emerged in the MNC literature shift from hierarchy to 'heterarchy' structure i.e. from a formal structure of management to a network and a change of focus from the HQ to the subsidiary.

Hierarchical vs. Heterarchical approaches

Transnational structure is more heterarchical than the traditional multinational structure. Formal control of the subsidiaries gave away to cultural control in some cases[111]. Autonomy is considered to be beneficial not only for the subsidiary but also for the HQ. MNCs of Swedish origin display more 'heterarchical' structure[60] which may create more knowledge, ideas and opportunity for both the subsidiaries and the HQ. These subsidiaries focus on the local environment and the HQ begins to lose its centrality in this view of organization[106].

That leads to the discussion between two types of development regarding the HQs-subsidiary relationship. Centralized organizations are hierarchical whereas decentralized organizations are heterarchical[60]. Acquired subsidiaries have a greater degree of autonomy than Greenfield operations. Industries in the newer fields like information technology may have a higher degree of autonomy but large manufacturing industries like automobiles or heavy industries may have a lower level of autonomy and a higher degree of integration[61].

According to White and Poynter[136] there are three types of subsidiaries: (1) World Product Mandate subsidiaries (WPMs) that are allowed to have autonomy to develop a new product to be distributed worldwide in different subsidiaries, (2) Subsidiaries that have specialised productions and as a result a higher degree of autonomy and finally (3) Subsidiaries that are operating within the local specialised market and exercising relative independence. Certain subsidiaries may have the role of COE (Centre of Excellence) to capitalize on unique resources of location for the MNC as a whole[18]. There may be a relationship between the size and the autonomy of the subsidiaries but the conclusions are not definite[132].

The key findings are that internal products flows are lower in the WPM system than in other systems of subsidiaries. In general, lower autonomy implies higher intra-network goods' transfer[60,61]. The level of performance can be lower in the subsidiaries producing specialised products[36]. Subsidiaries require resources, regarding finance, technology, management and information; autonomy alone cannot improve performance.

Considerable efforts are then necessary to use for innovation of the coordination procedures and mechanisms in order to enhance the generation, circulation and use of knowledge[106,138]. Intra-company transfers become ever more important with the increased interdependence of subsidiaries: a significant share of the enormous contribution of MNCs to world trade and investment comes from intra-firm trade that involves dispersed sourcing of raw materials, manufacturing of components and use of transnational distribution channels. These exchanges are accompanied by interpersonal interaction among managers in different organizational units i.e. headquarters and subsidiaries. Such interactions across borders are the channel for achieving coordination on a global scale. Interactions across distance are critical because they ensure the MNC's integration and existence as a single entity. Recent theoretical developments have led to the conceptualization of interactions across subsidiaries as a network when the MNC structure has evolved into a complex differentiated system[22,58]. MNCs respond to complex global competitive environments by increasing internal structural complexity.

The need to disperse activities throughout the world due to political, technological and even sheer size-related considerations forced managers to partly forego potential economies of scale that would accrue from concentration of activities. However, at the same time, the competitive pressures that impel coordination of the widespread activities of the multinational corporation grow constantly. This dual tendency puts the organizational abilities of MNC managers to the test to coordinate even more closely operations that tend to be farther apart, not only geographically, but also technologically.

The MNC has two competitive focuses: external competitive area outside the MNC and internal competitive area within the MNC; each of these poses threats and opportunities for the subsidiaries. A subsidiary more focused on external competition may have more autonomy; a subsidiary focused mainly on the internal area is more integrated and has less autonomy. If a subsidiary is embedded within corporate relationships there will be more control by the HQ on the subsidiary. A product-specialist subsidiary is controlled more intensively by the HQ[37]. A high degree of autonomy of a subsidiary is important for local and global market initiatives but a low degree of autonomy is associated with internal market and hybrid initiatives.

However, viewing multinationals in terms of an overall orientation obscures the internal differentiation of management practices within an MNC[19]. An MNC should be properly viewed as a nexus of differentiated practices. According to this view, MNC affiliates are composed of many separate practices, ranging from manufacturing to finance and human resources, each of which faces distinct pressures for global efficiency and for local responsiveness. Subsidiary initiatives can be of many types depending on the target-market, local, global, internal or hybrid. A high degree of internal communications promotes the internal market where a lower degree of communication may promote the local market.

Role of Culture in MNCs

Culture plays a big role in this integration of strategy, goals and values. However, at the same time culture may create new problems for the managers to apply a strategy worldwide. Indeed, according to Prahalad and Doz[111], Bartlett and Ghoshal[21] and Harzing[58] formal control in the HQs-subsidiary relationship may not necessarily be more effective than cultural control.

Ouchi[95,96] and Jaeger[71] were among the first authors who attempted to differentiate the multinational companies into two main categories: American style organizations and Japanese style organizations. In the American style organization the characteristics are (a) short term employment; (b) individual decision-making process; (c) individual responsibility; (d) rapid evaluation and promotion; (e) explicit formalized control; (f) specialized career path; (g) segmented attitude. In the Japanese style organization the characteristics are (a) long term employment; (b) consensual decision-making process; (c) collective responsibility; (d) slow evaluation and promotion; (e) implicit informal control; (f) non specialized career path and (g) holistic attitude.

That leads us to the typology of Ouchi[95,96]. According to Ouchi[95], there are three types of multinational organizations: Type A, Type J and Type Z. Type A refers to the typical American organizational style of management of MNCs whereas type J refers to the typical Japanese organizational style and type Z refers to the emerging ‘ideal’ organizational style. In a Japanese company (Type J), coordination is based on a broad organizational culture which is different from the American style of organization (Type A) and the emerging Western or global ideal style (Type Z).

Type A (American organizations) has explicit formalized coordination over subsidiaries. Type J (Japanese organizations) with collective responsibility has implicit informal coordination. Type Z (emerging global organizations) has implicit informal coordination with explicit formalized measures. This type of company has values which are shared by the members of the organization as well as a model code of conduct for the members. Type A subsidiary would have a reasonable flexibility to adapt to the local laws and customs. In both type A and type Z, responsibility depends upon the individuals and thus the type J and type Z may not allow these flexibilities[95,96].

Ouchi’s analysis is criticized as too idealistic, as in reality not all American, Japanese, or Western companies have the same characteristics[25,119]. For example, a number of Scandinavian companies appear to have some features similar to the above mentioned Japanese (Type J) styles organizations[60,61]. However, analysis of the literature reveals the fact that an individualistic culture fits with American style organizations (Type A) and a collectivist culture fits with Japanese style organizations (Type J)[98]. Thus, the question is whether the Japanese style organizational culture can be transmitted to a subsidiary in a country where the national culture is dissimilar to that of Japan.

Coordination of the subsidiaries through organizational culture rather than bureaucratic structure is only possible if the values of the organizational culture of the parent unit can be transmitted to the overseas subsidiaries[10]. When a number of key or pivotal values concerning organizational related behaviors and state of affairs are shared across units and levels by members of an organization a central value system may emerge[57]. To characterize an organization's culture in terms of its central values require first to identify these values and to measure the importance the members of the organization normally attach to these values.

If the employees are attached to these central values of the organization, performance of the organization increases because of the increased commitment of the members of the employees[2]. In order to examine this hypothesis, it is essential to explore: whether the employees have similar values to those espoused by the organization and whether the values of the organizational commitment are related to the values of the organizational culture. A multinational company can have a strategic advantage over its rivals as the values of the organizational culture cannot be replicated easily in a different type of organization and thus, these values of the organizational culture create distinct competitive advantages for this multinational company[14,15,17,108-110]. The purpose of 'coordination through organizational culture' is effective only when this coordination creates competitive advantages for the subsidiaries by creating commitments among the employees of the subsidiary units by making the values of the employees of different national cultures similar to the espoused values of the parent organization[113,134,135].

Development of a strong organizational culture that includes a deep knowledge of the company's policies and objectives and a strong share of organizational values and beliefs, now involves a process of corporate acculturation and socialization involving all employees at both subsidiaries and in the headquarters[120]. Procedural justice enhances subsidiary- managers' compliance directly and indirectly through the attitudes of commitment, trust and outcome satisfaction. These effects were more powerful for managers of subsidiaries operating in global industries[35,48,62].

Direct monitoring, reporting and evaluations of performances are called 'first order coordination mechanisms' whereas creation of shared values of a strong organizational culture and indirect internalization of a set of values common in the HQS to guide the behaviors of the employees is called 'second order coordination mechanisms'[120]. Japanese multinational companies, the Type J multinational companies, usually rely on the 'second order coordination mechanism' in HQs-subsidiaries relationship to enhance organizational effectiveness[10,27].

Indeed, the type J multinational companies rely on informal, implicit mechanisms for control based on the organizational culture and tend to export that kind of cultural coordination to their foreign subsidiaries[6,11]. Moreover, the type J organizations use managers as bearers of organizational norms and values in a subtle and complex coordination system[100]. In those organizations the internal organizational culture of the foreign subsidiary is expected to resemble that of the home operation.

Managers in MNCs form a social network that stretches across continents. That can lead to cultural changes in the subsidiaries. Indeed, to achieve integration without destroying subsidiary autonomy, administrative means of coordination are increasingly complemented by normative ones that are based on enhanced socialization to instill espoused corporate values and increased reliance on lateral linkages[97]. Organizational culture is the glue that binds different geographically dispersed units of an MNC.

Control of subsidiaries through organizational culture to reduce transaction costs means transmission of the parent organizational culture as a part of the strategic planning process of the multinational company so as to mold the foreign employees psychologically in order to carry forward the original organizational purpose of the parent company[25,27]. This transmission of organizational culture may reduce transaction cost by reducing uncertainty regarding the motives and behaviour of the foreign employees[10,104]. Transplantations of organizational culture of the parent operation to its overseas subsidiaries create certainty regarding the behaviour of the employees of host national origins[5,23,113].

Transmission of Culture from the HQs to the Subsidiaries in Multinational Companies

Indeed, strong organizational culture is now critical for MNCs in the age of global competition. Corporate values that care for the employees as individuals and promote the meaning and purpose of the organization are critical for the success of the company[32,76,123]. Interactions among the employees and senior managers can affect the outcomes of participations. Multinational companies can create unique resources for competitive advantages in their overseas subsidiaries if they transfer successfully the values of their organizational culture to these subsidiaries and can create similar organizational commitments among the employees in overseas[102,118].

This type of organization is called 'Type Z' organization with long-term employment, consensual decision-making, individual responsibility, slow evaluation and promotion, moderately specialized career paths and holistic concern including the family[80,81]. Such organizations rely upon informal, implicit mechanisms for coordination based on the organizational culture and try to export their own national character to their foreign operations.

Normative integration is possible there through a typically strong organizational culture which they try to export to their subsidiaries[52]. This strategy is implemented using extensive personal contacts, training and socialization to transplant the original value system of the parent company to their overseas subsidiaries. Social coordination as used by the Japanese multinational companies using organizational culture increases the ability of the company to influence the local subsidiaries to behave according to the company's ultimate purpose to create commitment[97].

Through rotations of different functional areas, the employee comes across the corporate ideology and the values of the organization as a whole. It works through the human resource management system of the company whose duty is to familiarize the employees to the organizational culture of the company. For example, the trust can be created through frequent interactions between the members and the consensual decision making process[88]. Stability and harmony in relationship are the core elements of this organizational culture.

For example, in Japanese multinational companies the human resources management division or 'Jinjibu' creates international, interpersonal verbal information networks throughout the company worldwide[26]. It emphasizes conflict avoidance, respect and concern for people, importance of long lasting relationships with others, harmony, uniformity, group orientations and consensus orientations. The end-result is very high level of loyalty for the company[77].

Cultural influence is the outcome of transfer of organizational culture from home to host countries of a multinational company[63,64]. It gives rises to a new model of MNCs. A high ratio of expatriate managers and the tendency of the subsidiary to leave much of the strategic and business decision-making in the hands of the HQs are the characteristics of these type of MNCs[70]. Japanese multinational companies are typical examples.

HQs-Subsidiary Management in Japanese Multinational Companies

The HQs-subsidiary management in recent years has seen three major types such as type A (American system) and type J (Japanese system) and type Z (emerging global system) associated with the matching overall organizational style of the multinational company[95,96,119]. In both type J and type Z companies through constant personal interactions with headquarters, members remain in close contact with the rest of the world and usually the firm of this type tries to transfer its organizational culture to its overseas subsidiary[12]. These activities are accomplished by an emphasis on the use of expatriates, extensive training and socialization and a high frequency of personal contacts between headquarters and the subsidiary[119]. The advantages of such activities are low employee turnover and a greater control. However, the disadvantages are possible conflict with local culture and therefore, less flexibility for subsidiary management.

From the perspective of the operations of the management systems, Japanese subsidiaries outside Japan have three distinctive types: transplants, hybrids and branch-plants. It is the result of gradual evolution of the transmission mechanism of the Japanese management system to the subsidiary[51]. During the 1980s and 1990s Japanese headquarters used to transplant Japanese management and production techniques directly from home to the overseas subsidiary[117].

Since the 1990s onwards a hybrid system of home and host management systems influenced different production and organizational relations[1]. In its weakest version, some specific best practices were implemented in the subsidiary leaving other elements incompatible with the local cultural characteristics and business practices as local as possible[94].

The third approach is the branch-plant where the subsidiary plays a subordinate role and acts as a site within a wider international division of operations, playing a specific selective role in a wider context[5]. Thus, transplant of organizational culture was evolutionary but it was a strategy to start with for the Japanese MNCs.

Besser[31] analyzed successful Toyota plants in the USA and found out they have almost identical personnel management system as in the Japanese Toyota's plants. Basu et al[26] found similar characteristics in Japanese automobile plants in Britain. Basu et al[25] considered this characteristic of Japanese MNCs as their global strategy. Although there are high risks of failure to take into account of the local environment, the success can yield a substantial competitive advantage in terms of both productivity and quality of the final products. Even in the hybrid version where the subsidiary can have substantial freedom, the basic elements of the Japanese management system are implemented in all plants of major Japanese MNCs abroad[51].

The principal challenge of top management is to create an environment in which people can exploit information more effectively; in this regard, networking is the key concept. Networking based on personal relationships is effective in communicating complex information, sensing subtle signals and transferring knowledge[73,76]. 'Keiretsu' or extensive networking is the core characteristic of HQs-subsidiary management in Japanese corporations and it is extended to most Japanese multinational companies. 'Keiretsu' is an effective instrument for the transmission mechanism of organizational culture of Japanese multinational companies who are using these networks to create that coordination at all levels[91,92].

As each phase is autonomous yet loosely linked, interaction between phases is induced and an abundant sharing of information is promoted in the innovation generation process. The same Keiretsu system provides competitive advantages for the Japanese firms worldwide by having a division of labor and production within a vast geographical area depending on the relative facilities for each country in that region. Japanese firms through the *Keiretsu* system embrace their partners in host countries and integrate their production and distribution activities[28,69,87,92,131]. Competitive advantages come from the community of firms rather than from a firm.

This organizational culture to stimulate in-group responsibilities creates a culture of trust that enhances corporate performance of the firms within the Keiretsu system[52,121]. 'Collectivism' of organizational culture along with the sense of interdependence promotes that corporate performance. Harmony of the firm, network and culture creates this competitive advantage by creating organizational commitment. If an organization has a 'strong culture' with 'well integrated and effective' set of values, beliefs and behavior, it normally demonstrates high level of corporate performance[10]. Some of the characteristics of organizations mentioned above may have relationship with successful administrative practices, positive attitudes of the workers and as a result, higher levels of productivity[88].

Similarity of organizational culture creates the similar attachment for the employees in the subsidiaries as in the home operations of the Japanese multinational companies. Values, through efficient communications and socialization practices, promoted by the human resources management departments, can unite the multinational company globally. Prior research has demonstrated that a cultural change that results from continuous contact between two or more distinct cultural groups in their employment, commonly known as acculturation process[114] is possible. This process changes in individual's overt and covert traits when the individual's cultural group is experiencing acculturation collectively[25,63,120]. As a result of such acculturation, the cultural, physical, psychological and social change in an organization may occur[29,30].

Indeed, the influence of organizational culture is the most important feature in the Japanese companies[12,23,69]. All the organizational members are being acculturated and socialized towards a common set of organizational values[95,96]. Cultural influence emerges from these organizational values in a very implicit and informal way. The frequent interaction of the organizational members through the consensual decision-making process intensifies this influence[23,27]. Physical as well as the mental proximity are indispensable for the success of this type of influences[20,67,95]. The non-specialized career paths using multi-functional teams bring the employee closer to the overall organizational philosophy[74]. Through rotation to different functional areas, the employees are led to be involved in the corporate ideology and, therefore, accept the values of the organization[10].

Indeed, the acculturation process works through the human resource management system of the company whose duty is to familiarize the employees from overseas subsidiaries to the values of the organizational culture of the parent unit of a multinational company[117].

Conclusion

The concept 'Company Citizenship' has a fundamental ideal. It suggests that the central purpose of management is to facilitate communication across all of the organization's boundaries so that the entire company works together to address given business challenges. With efficient dissemination of culture, the company's ability to make decisions increases dramatically because individuals throughout the firm can gain access to important strategic ideas. This should be considered as unique hard-to-imitate resources, a very important factor for the international strategy of the MNC. This improves the firm's ability to make rapid decisions and execute them.

The key is to create an environment of understanding the core goal of the organization and the set of values associated with them which form the organizational culture of the company. The leaders of the organization must take the reins in galvanizing and maintaining a persistent effort towards creating and then promoting these value-components of organizational culture throughout entire organization through the purposeful managerial activities. That would create resources both in the HQ and in the subsidiaries to outwit the rival firms. Thus organizational culture can be utilized as a 'resource' in the international strategy of an MNC.

Many companies fear that a localization policy may weaken their connections with their foreign subsidiaries, weakening control over employees[75]. Cultural distance between the home operation and the foreign subsidiary operations can be reduced by transmitting organizational culture from the HQs to the subsidiaries. In that case, the transfer of responsibility from the parent to local subsidiaries would be less of an obstacle to organizational efficiency than expected. This acculturation process takes place through the cultivation of an appropriate organizational culture to create unique resource for the MNC as its international strategy.

Creation and sustenance of organizational culture in a Japanese multinational company is the responsibility of the human resources division or 'Jinjibu' in Japanese. This Jinjibu division is the heart of the organizational culture where either junior and senior employees, Japanese or foreigners, all are exposed to the acculturation process while they receive various trainings in the HQs over the entire life of their employment. The core responsibility of the HRM division in this type of organization is the creation, development and transmission of values that form the organizational culture of this company throughout the entire organization whether it is a home operation or an overseas operation.

Control of the subsidiaries through organizational culture rather than bureaucratic structure is possible only if the values of the organizational culture of the parent unit can be transmitted to the overseas subsidiaries. When a number of key or pivotal values concerning organizational related behaviors and state of affairs are shared across units and levels by members of an organization, a central value system may emerge. To characterize an organization's culture in terms of its central values, it requires first to identify these values and to measure the importance of the members of the organization normally attached to these values. If the employees are attached to these central values of a multinational company, performance of the company may increase because of the increased commitment of the members of the employees.

These controls create competitive advantages for the subsidiaries by creating commitments among the employees of the subsidiary units by making the values of the employees of different national cultures similar to the espoused values of the parent organization. To achieve integration without destroying subsidiary autonomy, administrative means of coordination and control are increasingly complemented by normative ones that are based on enhanced socialization to install espoused corporate values and increased reliance on lateral linkages to maintain them.

From the above discussion we can conclude that the hypothesis of 'Company citizenship' is an evolving concept increasingly adopted by the multinational companies but its solid applications are in the Japanese and Scandinavian multinational companies so far. Multinational companies from other countries are slowing adopting some features of this evolving concept but they have not embraced this concept wholeheartedly yet. Thus the hypothesis is partially satisfied.

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Table 1
Literature on Multinational Companies

	Authors	Focus	Empirical/ Conceptual	Key Findings
1	Perlmutter[105]	Whole configuration	Conceptual	This seminal paper describes 3 types of HQs orientations towards subsidiary: ethnocentric, polycentric, geocentric
2	Ouchi[95,96]	HQ and Subsidiaries	Conceptual	Typology of MNCs A, Z, J based on the types of control of subsidiaries
3	Rugman and Bennet[115]	Whole configuration	Conceptual	Michael Porter's three generic strategies of cost, differentiation and focus are transformed into five generics on global strategy. In an alternative framework location bound and non-location bound firm specific advantages are related to the number of home bases to generate truly generic global strategies.
4	Adler[1]	Whole configuration	Conceptual	As a methodological review, this paper delineates 6 approaches to researching cross-cultural management issues: parochial, ethnocentric, polycentric, comparative, geocentric and synergistic.
5	White and Poynter[136]	Specific subsidiaries	Conceptual	Typology based on pressure of globalizations and global subsidiary mandate or world product mandate on subsidiaries
6	Baliga and Jaegar[12]	Specific Subsidiaries	Empirical	Comparative analysis of American bureaucratic control and Japanese cultural control of subsidiaries
7	Porter[108]	Whole configuration	Conceptual	Typology based on country centered strategy, global strategy and complex global strategy of subsidiaries in relation to the HQ.
8	Gates and Egelhoff[54]	Specific subsidiaries	Empirical	The influence of company-wide conditions on centralization is much more than the influence of subsidiary-level conditions.
9	Prahalad and Doz[112]	Whole Organization	Empirical	Typology based on Multi-focal strategy, integrated product strategy and locally responsive strategy
10	Bartlett and Ghosal[19]	Specific subsidiaries	Empirical	Typology based on strategic leader, contributor and local implementers, subsidiaries in relation to the HQ.
11	Jarillo and Martinez[85]	Specific Subsidiaries Spain	Empirical	Typology based on receptive subsidiary, autonomous subsidiary and active subsidiary
12	Hedlund[61]	Specific Subsidiaries Swedish companies in Europe	Empirical	Characteristics of the Swedish model of HQ-subsidiary relationship have a new tendency of a slightly more formal control.
13	Birkinshaw et al[36]	Subsidiaries	Empirical	High autonomy subsidiary and independent product development
14	Selmer and De Leon[120]	HQ & Subsidiaries	Empirical	Cultural control of the subsidiaries.
15	Andersson and Forsgren[5]	HQ and Subsidiaries	Empirical	Business embeddedness and technical embeddedness with the HQ have influences on the subsidiary's market performance.
16	Taggart[131]	Subsidiaries	Empirical	Measures of subsidiary autonomy
17	Harzing[58]	HQ and Subsidiaries	Empirical	A three-fold typology of multinational companies: global, multidomestic and transnational is developed.
18	Doeringer, Lorenz and Terka[48]	Specific Subsidiaries (Britain)	Empirical	Worker compensation and internal labor market structures are different in Japanese subsidiaries in Britain from their HQs in Japan.
19	Onishi[98]	Specific Subsidiaries (Thailand)	Empirical	The transferability of Japanese management system (life-time employment, seniority system, consensual decision-making, quality circles and house unions) to the Thai subsidiaries is feasible.

20	Aoki[10]	Specific Subsidiaries (China)	Empirical	To transfer organizational culture from Japan to China, there should be a balance between three types of organizational capabilities that encourage workers' self-initiative, facilitate cross-functional communication and discipline workers.
21	Cantwell, Dunning and Lundan[41]	HQ and Subsidiaries	Conceptual	The main drivers for institutional entrepreneurship are in the increasing autonomy of MNC subsidiaries.
22	Rugman, Verveke and Yuan[116]	HQ and Subsidiaries	Conceptual	National subsidiary roles can vary dramatically across value chain activities. . For each value chain activity, the subsidiary bundles sets of internal competences with accessible, external location advantages.

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