The Control Mechanisms and HR Policies and Practices of MNCs from Emerging Economies in their Subsidiaries in Developed Countries: Case Studies of Indian IT Companies in Australia

Submitted by

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Date: ________________________________________________
DEDICATION

I wish to dedicate this thesis to my parents, Mr. Pankaj Bhai Patel and Mrs. Sangita Patel and my grandparents, Professor Hari Singh Sengar and Mrs. Sarla Sengar, whom without their unconditional love, support and selflessness, this thesis would not have been written and my PhD would only have remained a dream.
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ABBREVIATIONS

COE       Centre of Excellence
COO       Country of Origin
EMNC      Emerging Multinational Corporation
ER        Employment Relations
FDI       Foreign Direct Investment
GDM       Global Delivery Model
HCN       Host Country National
HQ        Headquarters
HR        Human Resources
HRM       Human Resource Management
ICT       Information and Communication Technology
IM        International Management
IR        Industrial Relations
IT        Information Technology
ITSS/eS   Indian Software and Services Sector
JV        Joint Venture
LOC       Liability of Country of Origin
LOF       Liability of Foreignness
M&A       Merger and Acquisition
MNC       Multinational Corporation
NIC/E     Newly Industrialised Country/Economy
PCN       Parent Country National
UK        United Kingdom
US        United States of America
ABSTRACT

This study explores the control mechanisms used by Indian MNCs from the information technology [IT] sector and the consequences for the use of, and discretion over, a variety of human resource management [HRM] practices in their Australian subsidiaries. The central role of people in behaviour, cultural and output controls in MNCs is critically discussed in developing a conceptual framework that integrates the discussion of formal and informal organisational control mechanisms with global staffing and possible HRM practice consequences in subsidiaries.

Not much is known about how MNCs from emerging economies [i.e. EMNCs] manage their subsidiaries in developed countries, as the majority of research has focused on examining MNCs from developed countries and their subsidiaries in developing countries. Furthermore, research has also centred around investigating how MNCs use formal/hard [bureaucratic] control mechanisms in managing the activities of their subsidiaries while less emphasis has been given towards understanding the way MNCs use informal/soft [people-centric/normative] control mechanisms in the management of their subsidiaries. Bridging these gaps is important as in recent times more and more MNCs from emerging economies are entering developed countries. This study will thus examine the motives for and the mechanism by which emerging economy MNCS [EMNCs] exercise control and particularly, the people-based aspects of control over their developed country subsidiaries, as well as the adaptation of their HR practices in the subsidiary.

This study is exploratory in nature and employs a qualitative research design that involves using multiple case studies of twelve Indian MNCs and gathering data from their Australian subsidiaries using in-depth, semi-structured interviews and document analysis data gathered from senior managers at the subsidiary-level. From the data gathered through documents and interviews and analysed using within-case and cross-case examination, findings from this study suggest that Indian MNCs use high degrees of output [information-based] and behaviour [people-based] control and moderate degrees of cultural [people-based] control at their subsidiaries in Australia. This was possible due to the global staffing practices adopted by Indian MNCs that
facilitated people-based control [through transfer of expatriates] across their subsidiaries. Furthermore, these controls also influenced the subsidiary’s discretion over HR policies and practices due to their close alignment with them; this allowed Indian MNCs to replicate their parent HR practices to their Australian subsidiaries.

The findings underline the critical role that people-centric control mechanisms play in managing the activities of foreign subsidiaries; they also explain the unexplored link between people-based controls and their influence over the subsidiary’s HR policies and practices. In doing so, they help us understand the means by which EMNCs manage their affiliates in developed countries and why normative controls are increasingly playing a more important role than the traditional bureaucratic control mechanisms.

**Key Words:** Control Mechanisms, MNCs, EMNCs, HR Policies and Practices, India, Australia