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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A thesis submitted in fulfilment of the requirements for the degree of Doctor of Philosophy (Management)

Newcastle Business School
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Candidate’s Signature: _________________________________________________

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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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
CHAPTER 1:

INTRODUCTION OF THESIS

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1.1 Introduction of Chapter

This chapter will describe an overview of this study. It will indicate the scope and the direction of this study and will provide for the reader a navigating guide into the rest of the thesis. Furthermore, it will also set the context as to why this study is being conducted and how the research questions will be answered. The background, significance and objectives [including methodology] and key definitions will thus be discussed in this chapter. Hence through a short introduction, this study will aim to:

1. Discuss the research issue using its background and significance.
2. Specify the research questions of this study and briefly discuss its research design and analysis.
3. Define some of the key concepts that will be used through the study; and
4. Provide an outline for this thesis.
1.2 Background and Significance of the Study

This study draws on the field of international management to examine the types of control mechanisms but more specifically, the people-centric controls that are used by EMNCs to manage their subsidiaries in developed countries and the consequences for the use of, and discretion over, their HR policies and practices. When MNCs open foreign affiliates, they are often faced with major decisions regarding what HRM practices should be monitored from the parent HQ and what practices should be diffused into the subsidiary (Chang, Mellahi and Wilkinson, 2009; Farley, Hoenig and Yang, 2004). In this context, there has been a significant debate in the IM literature on the extent to which MNCs transfer their HR policies and practices abroad (Belizon, Gunnigle and Morley, 2013). That is, the need for global standardisation vs. local adaptation - should MNCs transfer their home country HR practices or adopt host country practices in the management of their overseas subsidiaries (Hannon, Huang and Jaw, 1995; Rosenzweig and Nohria, 1994). In order to make such decisions, it has become extremely important for MNCs to balance their desire to maintain control and the demand for subsidiary’s autonomy and the discretion it has over certain HR policies and practices.

Extant research has indicated that when MNCs expand into foreign markets and operate internationally, they are forced to conform to the dual pressures of home and host country institutional factors [both external and internal] that influence the adaptation of their HR policies and practices at the subsidiary-level (Farley, Hoenig and Yang, 2004; Gamble, 2003; Hillman and Wan, 2005; O’Donnell, 2000). Furthermore, there is also evidence to suggest that MNCs from different countries exert different types and degrees of control when managing the activities of their overseas subsidiaries (Egelhoff, 1984; Ferner et al, 2004). Despite such research, very little is known about how MNCs from emerging economies [i.e. EMNCs] deal with such pressures in the autonomy around HRM and the way they manage their subsidiaries in developed countries (Chang, Mellahi and Wilkinson, 2009; Thite, Wilkinson and Shah, 2012). This is because the majority of research has concentrated on MNCs from developed countries managing their subsidiaries in emerging economies than vice versa (Chen, Lawler and Bae, 2005; Fey and
Very little is known about what contributes an EMNC’s ability to compete in the global marketplace (Kothari, Kotabe and Murphy, 2013) and in particular, how they operate in developed countries.

This has opened a gap in the literature pertaining to international management that needs to be filled as we don’t yet fully know what is it about EMNCs that makes them so different when compared to MNCs from developed countries and especially with regards to their approach towards operating in global markets (Thite, 2013). Traditionally, MNCs have always opted to implement formal/coercive [i.e. hard] control mechanisms in the management of their overseas subsidiaries (Gomez and Sanchez, 2005; Jaeger, 1983; Martinez and Jarillo, 1989]. Nevertheless, in recent times, more emphasis has been placed on the use of informal/normative [i.e. soft] control mechanisms being the primary monitoring tools at the subsidiary-level in MNCs (Egbe, Tsamenyi and Sa’id, 2012; Gong, 2003; Harzing, 2001; 2003; Johnston, 2005; Kostova and Roth, 2003). Given this backdrop, research has discussed the subsequent impact of control on the replication or not of HR policies and practices (Almond and Ferner, 2006; Edwards, Marginson and Ferner, 2013; Ferner et al, 2004) researchers for the most part however, have failed to discuss this in unison with the use of people-centric aspect of control. In other words, how HR practices are becoming crucial in MNCs and what role do ‘people’ play in controlling the functions and the activities of foreign subsidiaries?

This study bridges this gap by applying the people-centric control mechanisms and the HR practices discussion into an EMNC context. For this study, Indian MNCs have been selected for the context of MNCs from emerging economies and Australia has been chosen to represent the developed country context. The reason being, previous research has helped label India as a major emerging and/or newly-industrialised economy [used interchangeably] (Budhwar, 2001; Budhwar, Woldu and Ogbonna, 2008; Gopalan and Rivera, 1997; Woldu, Budhwar and Parkes, 2006) and as a result, a large number of Indian firms are moving beyond their borders to become global MNCs (Das, 2007). Hence, by studying Indian MNCs [classified as an EMNC], this study will seek to gain a better understanding of the means by which
these MNCs use control and the people-based mechanisms of control to manage their foreign subsidiaries and the way it impacts the dissemination of their HR policies and practices.

1.3 Objectives of the Study

The objective of this study is thus to investigate the types and degrees of control mechanisms and especially the people-centric controls that are used by headquarters of emerging economy MNCs [i.e. EMNCs] and the consequences for the use of, and discretion over, HR policies and practices in their subsidiaries in developed countries. More specifically, this study will address the following research questions:

1. What are the types and degrees of control mechanisms used by EMNCs to manage the activities of their subsidiaries in developed countries?
2. What explains the control mechanisms chosen by EMNCs to manage the activities of their subsidiaries in developed countries?
3. How are the control mechanisms integrated with the HR policies and practices and in what way do they influence their transfer from their parent HQ to their foreign subsidiary?
4. What external and internal factors influence the adaptation of control and HRM at the subsidiary-level in EMNCs?

1.4 Defining the MNC

There is no single laid out definition of MNC that is universally accepted in the academic literature (Shah et al, 2012). In fact, different studies have defined MNC differently. For instance, while some studies have defined MNC as firms that own production facilities in a foreign country, others have defined it terms of their production facilities and parent characteristics (Millington and Bayliss, 1990). Clearly, there is no single widely accepted definition of MNC that one can conclude and this makes defining MNC all the more challenging (Andersson and Holm, 2010). Given that the focus on this study is to understand control concepts in MNCs,
this study will adopt Ritzer’s (2011, Pg. 73) definition based on Dicken’s (2007, Pg. 106) view of trans-national corporations [TNCs] and will define an MNC as:

‘A firm that has the power to coordinate and control operations “in more than two countries”, even if it does not own them’

This means that these firms operate in a range of economic, political, social and cultural settings (Ritzer, 2011). The reason behind selecting this view of MNC is the underlying belief that this study is more interested in studying MNCs from a HQ-subsidiary relationship perspective rather than the MNC itself. It thus provides this study with a reasonable starting point from where to begin thinking about such organisations (Groose, 2004). In other words, if a company has subsidiaries in multiple [at least two] countries then it can be considered as an MNC (Birkinshaw and Morrison, 1995).

1.5 Structure of the Thesis

Overall, this thesis is comprised of six chapters [excluding this chapter] that are structured in the following manner:

Chapter 2: Reviews the literature on MNC control and coordination, which begins with the conceptualisation of control and the categorisation of the different control mechanisms [i.e. focusing on the shift from the traditional and bureaucratic formal/hard control models towards more contemporary and sophisticated informal/soft models of control]. Based on this literature, the chapter proposes the core theoretical framework, which encompasses the people-centric mechanisms of control and its integration with HR policies and practices. More specifically, the chapter explains why this conceptual framework will allow us to understand the means by which EMNCs manage their subsidiaries in developed countries and the consequence for the use of HR practices. Moreover, the chapter also focuses on explaining the external [location-specific] and internal [firm-specific] home and host country factors that are most important in influencing the control and HR needs of EMNCs. The chapter finally applies this integrated discussion into an EMNC
context and outlines the research gap that proposes how the headquarters choices between different control mechanisms plays out in EMNCs and what impact do they have over the discretion on subsidiary’s autonomy around their HR policies and practices.

Chapter 3: Reviews the literature on the growth of India’s IT industry and its manifestation in Australia. More particularly, it provides insight into some of the key industry-specific factors that help in explaining control and HRM patterns adopted by EMNCs. This chapter is divided into two major parts: The first-half of this chapter looks into the Indian IT industry and starts by describing the evolution of IT and its growth into a global industry. It then focuses on India’s IT industry and its categorisation [i.e. discusses the Indian software and services sector and describes its development, business model, major MNCs, nature of services and HR issues]. The second-half of this chapter reviews the literature on Australia’s growing economy and its emergence as a destination for inward foreign FDI [i.e. discusses the development of Australia’s IT industry, the ER/IR and legal requirements for establishing businesses in Australia and the Australia-India trade relations with respect to India’s IT contributions in Australia].

Chapter 4: Presents the methodology and the various research designs and methods available and justifies the qualitative case study approach that was selected for this study. That is, it discusses how the exploratory nature of this study fits with the qualitative research agenda chosen for this study as well as the multiple case study method that allows for investigation of the control phenomenon. Through the purposive sampling technique adopted in this study, twelve Indian MNCs were selected for this study and in-depth individual interviews were conducted with managers at the subsidiary-level in Australia. This allows for multiple observations and replication of the control phenomenon and its implications on the integration of HR practices [i.e. the unit of analysis]. Furthermore, through descriptive [within-case] and interpretive [cross-case] coding and data analysis, novel constructs and propositions emerge that help in identifying and unravelling complex relationships between control mechanisms and the HR policies and practices in EMNCs. Finally,
the chapter explains some of the limitations of qualitative and case study research design and ends by describing how a qualitative research report is written.

Chapter 5: Presents a within-case analysis of the data gathered in this study. Using pattern-matching, data reduction and data display techniques, this chapter aims to provide detailed evidence on the individual cases as stand-alone entities. From the processes and patterns that are observed in this chapter, data reveals that in most cases, Indian MNCs use high degrees of formalisation/information-based control [i.e. output control - through performance-reward links] and people-centric control mechanisms that are used in both high and moderate degrees [i.e. high behaviour control - through international assignments, global staffing and/or induction; moderate cultural control – through socialisation efforts and/or cross-cultural training] that are prevalent in the Australian subsidiaries. Furthermore, the approach towards the transfer of HR policies and practices are a resemblance towards home country adaptation of HRM. Finally, when it comes to the influence of external and internal factors, location-specific factors such as country of origin and legal framework play an important role while all firm-specific factors i.e. subsidiary’s management style, its mode of entry, its strategic role and its transfer of technology to a degree, shape the control mechanisms used and HR choices in Indian MNCs.

Chapter 6: Presents a cross-case analysis and in-depth discussion from the themes and patterns emerging from the previous chapter. The collective multiple case study data presented in this chapter demonstrates that the global staffing policy adopted by Indian MNCs played a major role in dictating the types and degrees of control exerted by the HQs of Indian MNCs. That is, besides using formalisation/information-based mechanisms [i.e. output control], people-based mechanisms [such as behaviour control and cultural control] are widely used at the subsidiary-level. Data therefore suggests that the control choices made by Indian MNCs were in fact aligned to the subsequent recruitment, selection and staffing practices and policies implemented by these MNCs at their Australian subsidiaries. Indeed, HR practices [such as global staffing, job-rotation] and people [in the form of expatriates] played a key role in controlling the activities of the subsidiaries and therefore decisions relating to these HRM practices were centralised at the HQ. More
particularly, it was found that behaviour control mechanism was linked with recruitment, selection and staffing practices and cultural control was linked to the training and development practices and programs. Furthermore, findings from this study also report a low-level host country localisation in HR practices that exists across the Australian subsidiaries. These were due to the presence of the external [location-specific] and internal [firm-specific] factors that shaped the control and HRM choices in these MNCs. The implications of these findings are discussed in much greater detail in this chapter so as to enhance our understanding on the underlying rationalities on the use of control in EMNCs. Finally, the chapter also reflects upon the research gaps and provides future research avenues that can be conducted in this area of study.

The findings from this study are important as besides contributing to the IM literature on control and coordination in MNCs that enhances our understanding on the people-centric mechanisms of control - i.e. the role that people play in managing the activities of the subsidiaries [including the transfer of HR practices] through normative integration (Smale, Bjorkman and Sumelius, 2008), they also contribute to the under-developed but growing field of research on emerging multinational corporations [EMNCs] (Chang, Wilkinson and Mellahi, 2007; Chang, Mellahi and Wilkinson, 2009). Such an understanding of management control and HR practices will help and assist EMNC practitioners in analysing their own strengths and weaknesses whilst strategising their top management priorities (Thite, Wilkinson and Shah, 2012). Accordingly, this would enable them to structure and manage their HQ-subsidiary relationship properly (Birkinshaw et al, 2000).
1.6 Conclusion of Chapter

This chapter has aimed at briefly introducing the reader to this study whilst presenting its main ideas. It has further set the context in which this study is being conducted by providing a ‘road-map’ into the rest of this thesis. The next chapter will review the all-important literature for this study and will describe its core conceptual framework that will form the basis for the rest of this thesis.
CHAPTER 2:

LITERATURE REVIEW

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2.1 Introduction of Chapter

This chapter will review the broad theoretical literature related to the issue of control in MNCs. More specifically, it will delve into two core aspects within the broad literature: 1) the international management debate about control and coordination; 2) the international HRM literature that deals with the alignment of people-centric practices with the control needs of the MNC. Reviewing the literature is an essential part in any research process as it ensures the research-ability of the relevant area of study. Not only does reviewing the literature demonstrate the researcher’s knowledge about the particular field of study but it also establishes a clear link between the theories and the questions to be addressed in the study. A literature review thus distinguishes between what has been done and what needs to be done, providing a framework to relate new findings from former [existing] findings. Hence through the in-depth literature review, this chapter will aim to:

1. Review definitions used in the existing MNC literature of key concepts like control and coordination.
2. Present and justify the definition of control mechanisms to be used in this thesis.
3. Present the framework that will be used in this thesis to explain the use of control mechanisms in MNCs. Specifically, to explain the role of staffing in control mechanisms and the impact control mechanisms have on the adaptation of HR policies and practices from a HQ-subsidiary relationship perspective.
4. Identify and discuss key institutional factors influencing the control and HRM choices in MNCs; and
5. Distinguish between what has been learned and what remains to be learned about foreign subsidiary control.
MNCs are often faced with making the difficult choice regarding the extent to which foreign subsidiaries adapt their HR policies and practices to suit local conditions and behave as local firms compared to the ones that adjust their practices to resemble those of their parent company (Harzing and Ruysseveldt, 2004). As MNCs globalise and function in different countries they no longer remain a single entity that faces a homogeneous environment. Rather they consist of a set of differentiated structures and processes existing within various subunits of the organisation (Andersson and Forsgren, 1996). For instance, managing a network of geographically and culturally dispersed subsidiaries is far more challenging than managing a purely domestic firm (Brenner, 2009). In order to deal with such diverse activities, it has become increasingly important for MNCs to establish and maintain control over their international subsidiaries (Bartlett and Ghoshal, 1989, Chang and Taylor, 1999; Cray, 1984; Paik and Sohn, 2004).

Controlling the host subsidiary conduct and operation has thus become a necessary function in all complex organisations (Egelhoff, 1984). Its purpose is to ensure that MNC’s strategic goals are met without any deviations and subsidiaries act in congruence with HQ’s aims and intentions (Paik and Sohn, 2004). Without control MNCs will not be able to transfer their parent competitive advantage to their overseas subsidiaries as control has the ability to alter the relationship between the HQ and the subsidiary. For instance, subsidiaries vary in their decision making autonomy due to the various types of controls exerted by MNCs (Belizon, Gunnigle and Morley, 2013; Birkinshaw, 1997; Gupta and Govindarajan, 1994). This allows HQ the ability to determine and influence what subsidiaries should and shouldn’t do, generally and in the management of their HR/IR policies (Chang, Mellahi and Wilkinson, 2009). Accordingly, MNCs use control in managing the integration of firm’s activities as it looks after the interdependencies originating among different units of the MNC (Clemmons and Simon, 2001).

Interestingly, despite being a widely discussed and researched topic in the study of MNCs there is no single universally accepted definition of control available in the
international management (IM) literature. In fact, most authors interpret control in terms of the influence exerted on subordinates to seek conformity with organisational goals (Simmons, 1995). This includes setting standards, monitoring performance and correcting deviations to achieve organisational interests. For instance, the earliest definition comes from Fayol (1949) who describes control from an organisational perspective and defines it as a process that makes sure organisational goals are set in accordance with its overall aims and objectives. Similarly, Tannenbaum (1968) views control as bringing conformance to the requirements of organisation and achievement of its ultimate goal. Furthermore, Child (1973) describes control as a process that is concerned with regulating the activities of an organisation so that they are in accordance with the expectations established in policies, plans and targets.

All earlier definitions have one thing in common in that they seem to link control with the attainment of certain objectives within the organisation. Consistent with these views, modern management theorists do not differ in this regard as they too see control as a deliberately designed and implemented process that helps organisations in attaining its overall goals (Yan and Yadong, 2001). For instance, Gupta and Govindarajan (2000) define control as a process by which managers influence other members of the organisation to implement organisational strategies. Similarly, Das and Teng (2001) also describe control as a process that regulates and monitors the accomplishment of organisational goals. Based on these unifying views, control can clearly be seen as a key management activity that is common to all firms as it binds the structures and processes of the organisation into a single captivity (Manasurangul and Nuanplub, 2010).

However, besides being a fundamental managerial task, control has also taken on increased importance for firms that manage their operations globally (Beechler, 1992). For example, control is a necessity for multinationals managing their overseas subsidiaries as it allows them to implement their HQ strategies. Similarly, control also facilitates the transfer of management practices and policies from the HQ to the subsidiaries abroad and vice versa. Accordingly, scholars of late have further started defining control in the context of MNCs and what it means for the relationship
between the HQ and the subsidiary. For instance, Zou, Taylor and Fang (2003) refer to control as the process through which MNCs maintain authority over decisions that affect the firm’s long-term direction and strategic focus. Similarly, Phatak, Bhagat and Kashlak (2005) define control as a process aimed towards ensuring that operations and personnel adhere to parent-company plans. Given the focus of this study is on multinational corporations, the definition adopted for this thesis describes Control as:

‘A process through which headquarters ensures that the activities in different parts of the organisation [i.e. in subsidiaries] are carried out in accordance with the overall goals of the MNC’ (Bjorkman, 2007, Pg. 8)

Multinationals apply control at varying capacities to ensure that their resources and efforts are directed towards attaining the main objectives of the MNC (Chang and Taylor, 1999). This degree of control employed by the MNC refers to the level of centralisation or decentralisation in the decision-making authority that a headquarters exercises over its foreign subsidiary (Choi, 2008). Furthermore, MNCs also implement control mechanisms that are arrangements deployed to influence what others [i.e. various units including the subsidiary] do (Huemer, Bostrom and Felzensztein, 2009). That is, they are an instrument or tool or set of instruments and tools used for ascertaining alignment in goals between the headquarters and the subsidiary. For example, direct and explicit control mechanisms [such as standardised processes] allow MNCs to implement globally integrated practices, such as human resource management [HR] strategies at their foreign subsidiary (Hannon, Huang and Jaw, 1995). Accordingly, control mechanisms tie the operations and decisions arising within various components into a bigger whole within the larger MNC (Harzing and Sorge, 2003; Paik and Sohn, 2004; Pucik and Katz, 1986). The definition adopted for this thesis therefore defines Control Mechanisms as:

‘Bureaucratic and normative tools such as reporting systems, policy manuals and socialisation devices that ensure the performance, output and behaviour that are originating within the subsidiary are set in accordance with HQ’s expectations’ (Johnston, 2005).
Control mechanisms may change depending upon the form of an MNC and as companies focus on their world-wide activities, they will attempt to adjust their control mechanisms as per their aims and priorities (Clemmons and Simon, 2001). For instance, the use of different control mechanisms by headquarters of MNC will have different impact on its foreign subsidiary’s local embeddedness (Andersson, Bjorkman and Forsgren, 2005). An example of this includes maintaining ownership over key MNC resources [such as capital and technology] or decision-making centralisation to influence a subsidiary’s HR strategy (Hannon, Huang and Jaw, 1995). As the subsidiary’s dependence on its parent for the supply of valuable resources increases, its autonomy to formulate its own policies and practices decreases. This allows the MNC to manage each subsidiary via a more suitable form of control (Johnston, 2005).

Not surprisingly, although control is the focal point of this study; it is closely and strongly associated with coordination. In fact, both control and coordination are synonymous terms that have been used interchangeably by some authors (Martinez and Jarillo, 1989). For instance, as per Harzing (1999) control is a vital component of power and a means to achieve an end goal called coordination. Hence both control and coordination are critical to the management literature as they both play a key role in organisational behaviour theories. The earliest definition comes from Lawrence and Lorsch (1967) who define coordination as actions jointly taken to achieve a unity of effort within the organisation. Cray (1984) further defines coordination as an altering process that connects various tasks within an organisation. Martinez and Jarillo (1991) also describe coordination as the ‘process of integrating activities that remain dispersed across subsidiaries’ (p.431). These definitions clearly suggest that coordination integrates and allows linkage between different units of the firm. Based on these views, Coordination for this study is defined as:

‘Bilateral horizontal relationships between headquarters and subsidiary managers, the day-to-day, company-to-company links which guarantees concerted action and alignment’ (Hendriks-Gusc, 2007, Pg. 18)
Furthermore, a coordination mechanism is any administrative tool that executes integration among different units within the organisation (Clemmons and Simon, 2001). In other words, they are integrating mechanisms similar to control that establish link between different interdependent units of the MNC. However unlike control, coordination does not directly intervene into the subsidiary’s operations as it promotes integration of units through establishing intra-organisational associations (Roth and Nigh, 1992). For example, in order to reduce the control gap, MNCs that rely on normative integration use culture-based coordination [through employee transfers] to hold various MNC units [i.e. the subsidiary] together. This allows for linkage between different units of the firm as coordination combines individual goals of the HQ and the subsidiary into a shared inclusive relationship (Ouchi, 1980). As such coordination and its mechanisms adopt a more horizontal approach and are much broader in their scope than control mechanisms which can be seen working in a more vertical fashion (Bjorkman, 2007). Hence for this study, Coordination mechanisms are defined as:

*Systems that are designed to make sure that integration is achieved between various units of the subsidiaries (Johnston, 2005)*

It is important to note that the difference between control and coordination is merely contextual and to bring clarity to this research, a single term of control will be used due to its widespread adoption in the IM literature. Furthermore, it is also important to remember that HRM practices play a key role in control and coordination processes (Rao, 2008) and different control mechanisms influence different HR policies and practices at the subsidiary-level in MNCs. Therefore an array of control mechanisms through which HRM practices can be transferred have been identified and labelled in different ways (Tempel, 2001). The next section will provide a comprehensive overview of these mechanisms including their various classifications. More particularly, it will provide the most influential categories of control with a focus on the shift from traditional coercive [i.e. bureaucratic] models towards more normative [i.e. people-centric] models of control in MNCs. The latter has particular significance for this thesis in light of its people-centric focus. Moreover, following
the review in the next section it becomes apparent that a greater research focus on the people-centric aspects of control in MNC is merited.

### 2.3 Categorisation of Control Mechanisms

Control has been investigated extensively in the discipline of management and organisation studies (Baliga and Jaeger, 1984). Hence a variety of mechanisms have been developed that are used by multinational corporations to control and coordinate their overseas subsidiaries. While some of the control mechanisms have substituted for one another, the majority of them remain complimentary in their approach and application. Moreover, as control mechanisms are ingrained into the organisation’s structure, culture and environment (Brenner, 2009), they can not only be formal but also informal in creating uniformity of actions and decisions. With the changing international business environment, control mechanisms in MNCs are going through a rapid transformation shifting from the conservative bureaucratic models towards more sophisticated and subtle models (Neves and Bugalho, 2008). Correspondingly, as traditional control processes based upon supervision, rules and guidelines become less effective (Leifer and Mills, 1996), MNCs are opting for newer normative-based controls that do not alter a subsidiary’s autonomy under any given situation (Gomez and Sanchez, 2005).

For instance, there has historically been an emphasis on the formal [i.e. hard] aspects of control (Gomez and Sanchez, 2005; Jaeger, 1983; Martinez and Jarillo, 1989) that have been used in managing the activities of foreign subsidiaries. However in recent time, there is a growing emphasis on the informal [i.e. softer] aspects being the primary control tools in managing the HQ-subsidiary relationship in MNCs (Egbe, Tsamenyi and Said, 2012; Gong, 2003; Harzing, 2001; Johnston, 2005; Kostova and Roth, 2003; Martinez and Jarillo, 1991). That is, people are integral and that the HR function is playing a pivotal role in the overall control process used in MNCs (Bartlett and Ghoshal, 1991; Fenwick, De Cieri and Welch, 1999). This may be due to the fact that the early literature on control was written by scholars from the field of organisation studies and not IM/HRM, which made people-aspect discussion of control less relevant to the study of MNCs. Given that scholars have historically
been less focused on the people-centric discussion of control with MNCs, this study will join the latter research trend in exploring and finding out how control influences the people-specific HRM practices at the subsidiary-level in multinational corporations.

2.3.1 Formal versus Informal Control

Two decades ago, Martinez and Jarillo (1989, 1991) argued that control mechanisms are either formal or informal. Taking Weber’s (1947) bureaucratic control, Mintzberg’s (1979; 1983) direct supervision and Bartlett and Ghoshal’s (1989) Centralisation vs. Formalisation control model; they proposed eight mechanisms of control based on the degree of their formality.

They further grouped these control mechanisms into two broad categories; 1) Formal [bureaucratic] control: which consists of a) Centralisation, b) Formalisation, c) Planning, d) Output [Performance] Control and e) Behaviour Control; and 2) Informal [social] control: which consists of a) Lateral relations, b) Informal communication and c) Organisational culture.

Formal control is comprised of rules, regulations, operating standards and procedures as well as budget systems whilst informal control consists of unwritten policies deriving out of organisation-wide culture (Brenner, 2009). Consequently, formal controls are tangible in nature whilst informal controls are more intangible however they both have the ability to influence behaviour within an organisation (Gomez and Sanchez, 2005; Huemer, Bostrom and Felzensztein, 2009). Mainly, these controls stress on the international transfer of managers and open channels of communication between the HQ and the subsidiary (Harzing, 2001; Nohria and Ghoshal, 1994) which is the key to managing HQ-subsidiary relationship. A break-down of the formal and informal control mechanisms is given below:

1. Centralisation: The division of the decision making authority between the HQ and various operational units (Garnier, 1982). It thus refers to a mode of
governance where decision making is hierarchically organised (Ghoshal and Nohria, 1989).

2. Formalisation: The extent to which policies, rules, guidelines and job descriptions are written down in manuals and documents leading towards the establishment of standard routines (Martinez and Jarillo, 1991). As per Bartlett and Ghoshal (1998, p.80) it is the ‘institutionalisation of systems and procedures to guided choices’.

3. Planning: Comprises of systems and processes that include activities as budgeting, goal setting and preparing to channel the activities and actions of single units (Brenner, 2009).

4. Output Control: Measured through the desired quantity and/or quality of output generated during a specified period (Chang and Taylor, 1999). For example, MNCs usually measures financial and quality performance evaluations given by various departments of the organisation.

5. Behaviour Control: Obtained by monitoring the behaviour of others or the process of transformation (Chang and Taylor, 1999). For example, MNCs usually rely on personal surveillance [through expatriate staffing] in order to generate the desired behaviour.

6. Lateral Relations: Cuts across the vertical structure and includes temporary or permanent task-forces, teams, special groups, combined departments and work-related direct contact with managers from different business units or divisions (Galbraith, 1973; Galbraith and Kazanjian, 1986; Lawrence and Lorsch, 1967).

7. Informal Communication: An interconnected system of private contacts between managers from various business divisions of an organisation that add-on to the formal channels of communication (Kotter, 1982); and

8. Organisational Culture: Socialises individuals by communicating an organisation’s ‘way of doing things’, decision making styles as well as through corporate objectives and values that transcend into a ‘system of ideology’ internalised by managers (Martinez and Jarillo, 1991).

As per Martinez and Jarillo (1989) formal and bureaucratic mechanisms play a significant role in the HQ-subsidiary relationship dynamic as they form the very
foundations of the overall control process. In the case of HR, this means that a central body should manage the HRM policy development within the MNC including its overseas subsidiaries (Ferner et al, 2007). Although informal control mechanisms exist, they play a complementary role to formal control systems such as policy prescription and outcome monitoring in case of the HR function (Ferner et al, 2007). In other words, implicit control [through people staffing or short-term visits, HR committees and joint trainings etc.] only serves to facilitate formal explicit control in the transfer of HRM practices. Because informal mechanisms promote greater integration between the HQ and subsidiary, they simply aid in the development of interpersonal networks (Edstrom and Galbraith, 1977). Hence when formal control measures do not suffice, informal mechanisms can be consciously developed so that the formal control systems can depend more on such ‘subtle’ mechanisms (Ferner, 2000).
### Table 2.1: Control Mechanisms Based on the Degree of their Formality

<table>
<thead>
<tr>
<th>Structural and Formal Mechanisms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Departmentalisation or grouping of organisational units, shaping the formal structure.</td>
</tr>
<tr>
<td>2. Centralisation or decentralisation of decision making through the hierarchy of formal authority.</td>
</tr>
<tr>
<td>3. Formalisation and standardisation: written policies, rules, job descriptions and standard procedures, through instruments such as manuals, charts etc.</td>
</tr>
<tr>
<td>4. Planning: strategic planning, budgeting, functional plans, scheduling etc.</td>
</tr>
<tr>
<td>5. Output and behaviour control: financial performance, technical reports, sales and marketing data etc. and direct supervision.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Mechanisms, More Informal and Subtle</th>
</tr>
</thead>
<tbody>
<tr>
<td>6. Lateral or cross-departmental relations: direct managerial contact, temporary or permanent teams, tasks forces, committees, integrators, and integrative departments.</td>
</tr>
<tr>
<td>7. Informal communication: personal contacts among managers, management trips, meetings, conferences, transfer of managers etc.</td>
</tr>
<tr>
<td>8. Socialisation: building an organisational culture of known and shared strategic objectives and values by training, transfer of managers, career path management, measurement and reward systems, etc.</td>
</tr>
</tbody>
</table>

(Source: Martinez and Jarillo, 1989, Pg. 491)

#### 2.3.2 Content, Context and Process-oriented Control

A number of scholars devised various control theories before Martinez and Jarillo (1989, 1991) came up with their formal/informal typology of control. Such as, Ouchi (1979, 1980) who categorised control into Markets, Bureaucracies and Clans; and Baliga and Jaeger (1984) who distinguished between Bureaucratic control and Cultural control. It was Martinez and Jarillo’s (1989, 1991) seminal work that laid the foundation for a lot of other well-defined control typologies. For instance, Snell

Along the lines of Martinez and Jarillo (1989, 1991), another most seminal classification of control however was made by Geringer and Hebert (1989) who grouped control on the basis of 1) Context [Why], 2) Content [What] and 3) Process [How]-oriented mechanisms. This framework was a step beyond the earlier works of Schaan (1983) who studied control within international joint ventures [IJVs]. For instance, Schaan (1983) distinguished control between Positive Control i.e. which parent firms implement to promote certain activities and Negative Control i.e. which parent firms implement to prevent certain activities in their overseas IJVs.

Similarly, Geringer and Hebert’s (1989) context, content and process-oriented control model also sheds light on control from an organisational relationship perspective. As per Geringer and Hebert (1989):

1. Context-oriented control mechanisms are comprised of wide variety informal and cultural mechanisms that depend on organisational framework to accomplish goals and objectives (Freeman et al, 2002; Berrell, 2007).
2. Content-oriented controls are comprised of formal mechanisms that regulate and administer all kinds of managerial prerogatives, activities and interventions (Berrell, 2007); and

Just like Schaan’s (1983) positive/negative control framework, context, content and process-oriented controls can also result in a positive or negative impact on MNC’s performance. For example, exercising complete control over HR budgets can negatively impact an organisation’s health (Berrell, 2007). However Geringer and Hebert (1989) hold the view that these control mechanisms should be used in managing relationships for positive outcomes rather than negative ones. They should therefore be used selectively rather than wholly when it comes to promoting stability.
[such as, using expatriation as a mechanism of parent company control] (Kabst, 2004).

Table 2.2: Control Mechanisms Based on the Degree of their Objectivity

<table>
<thead>
<tr>
<th>Control Type</th>
<th>Possible Influence on HR Function</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Content</strong></td>
<td>Degree of transfer of parental structure and culture; Capacity to work within host culture; Determining host organisational structure, Conducting and determining staff training; Establishing right mix of local and expatriate employees; Determining required level of experience for the staff; Setting communication levels between parent/host and up/down supply chain; Managing employment/industrial relations.</td>
</tr>
<tr>
<td><strong>Context</strong></td>
<td>Appropriations; Setting policies and procedures; Control over contracts; Reporting Structures; Employment and industrial relations issues; Communication protocols; Setting output targets; Adherence to procedures like accounting and legal contracts; Appointing CEO and senior staff; Appointing board members; Finance allocated to support venture.</td>
</tr>
<tr>
<td><strong>Process</strong></td>
<td>Decision making; Planning and budgeting; Host input at meetings; Host input into strategy; Relationships with host government; Communication within and between parent and host; Communication up and down the supply chain; Centralised versus decentralised decision making.</td>
</tr>
</tbody>
</table>

(Source: Adapted from Geringer and Hebert, 1989)

2.3.3 Direct versus Indirect Control and Personal versus Impersonal Control

Building on the work of Geringer and Hebert (1989), Groot and Merchant (2000) classified control mechanisms on the basis of its objectivity and distinguished
between Results control and Personnel/Cultural control. While Das and Teng (2001) came up with the classification of External and Internal control mechanisms.

No classification of control however is complete without Harzing’s (1999) typology who grouped control mechanisms into two broad categories i.e. Direct [Explicit] vs. Indirect [Implicit] and Personal vs. Impersonal.

These control mechanisms were a further development over Doz and Prahalad’s (1981) Direct/Personal vs. Indirect/Formal control model as well as Flamholtz’s (1996) framework that offered a similar classification labelling them as Personal vs. Impersonal and Planned vs. Unplanned.

Harzing (1999) however, grouped these two broad categories of control into four dimensions i.e. 1) Personal Centralised Control, 2) Bureaucratic Formalised Control, 3) Control by Socialisation and Networks and 4) Output Control. While the first and second sub-category of control looks at directly and explicitly controlling the behaviour of the subsidiary; the third and fourth sub-category controls it indirectly and in an implicit manner (Brenner, 2009). In essence, personal centralised control and control by socialisation and networks are based on personal exchange and social interaction while bureaucratic formalised control and output controls are based on conventional results-oriented approach (Legewie, 2002). A break-down of Harzing’s (1999) control typology is as follows [see Table 2.3]:

1. Personal Centralised Control: This control falls under the category of personal and direct form of control and takes the form of a hierarchy within an organisation. In this form of control, majority of the decisions are made at HQ by the senior management which eventually falls down through personal surveillance (Legewie, 2002). It therefore includes mechanisms such as centralisation, direct supervisor and expatriate control (Brenner, 2009).

2. Bureaucratic Formalised Control: This control falls under the category of impersonal and direct form of control and aims at standardising the behaviour of employees by clearly setting a prescribed course of action (Legewie, 2002). It therefore relies on impersonal mechanisms such as written manuals,
policies, rules and regulations instead of directly telling employees what to do (Brenner, 2009).

3. Control by Socialisation and Networks: This control falls under the category of personal and indirect form of control and uses mechanisms that are non-bureaucratic and non-hierarchical. According to Legewie (2002), this form of control relies on 1) socialising employees through the sharing of corporate norms and values, 2) informally and horizontally exchanging the information flow across all managerial levels and 3) forming temporary and formalised cross-departmental relationships in the shape of task forces and cross-functional teams; and

4. Output Control: This control falls under the category of impersonal and indirect form of control and purely focuses on results in an attempt to generate the required output. This is done by comparing the results with pre-specified goals. For example, by looking at sales, financial data, MNCs aim to evaluate, monitor and control the desired output (Legewie, 2002).

According to Harzing (1999) control in an MNC typically varies between direct or indirect mode through personal and impersonal mechanisms. Rather than functioning in isolation, these controls interact with each other and work in combinations (Lawrence and Lorsch, 1967). For instance, MNCs may supplement impersonal control with indirect personal control [such as output control and social/network controls] (Fenton-O’Creery et al, 2008). An example of these are German MNCs that rely on personal centralised and bureaucratic formalised control [aspects of direct control] as compared to British MNCs that use output control and control by socialisation [aspects of indirect control] (Harzing, Sorge and Paauwe, 2002). Accordingly, the HQ of an MNC may implement ‘Direct’ or ‘Indirect’ control strategies to harmonise HR policies and practices across its foreign subsidiaries. That is, direct control is being the issuer of formal guidelines and indirect control involving things such as implementation of practices with pay and career prospects or deploying expats to diffuse new HRM practices (Edwards et al, 1999; Fenton-O’Creery et al, 2008).
Subsequently, Harzing (2001) added another control mechanism, namely ‘Expatriate Control’ into the ‘Direct Personal Control’ category as it deals with the use of expatriates in foreign subsidiaries. This form of control however is excluded from Harzing’s (1999) typology as it forms part of Centralisation and Socialisation control due to expatriates performing the same set of functions (Bjorkman, 2007). This form of control is therefore often used as an alternative for mere convenience, as it substitutes for ‘Personal Centralised Control’.

Table 2.3: Control Mechanisms Based on the Degree of their Hierarchy

<table>
<thead>
<tr>
<th>Classification of Control Mechanisms on Two Dimensions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal/Cultural</strong> (founded on social interaction)</td>
</tr>
<tr>
<td><strong>Direct/Explicit</strong></td>
</tr>
<tr>
<td><strong>Indirect/Implicit</strong></td>
</tr>
</tbody>
</table>

(Source: Harzing, 1999, Pg. 21)

2.3.4 The Bear, the Bumble-Bee and the Spider

Harzing (2001) extended the notion of informal/social and subtle mechanisms of control by stressing on importance of international transfer of managers in the form of expatriates. In fact, Harzing’s study puts expatriates central to the issues of control and coordination going beyond question of why MNCs use expatriates and explains
if these roles are equally important in different situations (Duvivier and Peeters, 2011).

According to Harzing (2001) expatriates can play three different roles in controlling the operations of a foreign subsidiary i.e. 1) The Bear, 2) The Bumble-Bee and 3) The Spider. For instance, expatriates play the role of a Bear when they serve as a replacement for HQ’s centralised decision making and direct surveillance of its subsidiaries by its managers (Reiche and Harzing, 2011). Bumble-bees on the other hand fly from plant-to-plant creating cross-pollination between various subsidiaries while Spiders weave a network of informal communication (Collings, Scullion and Morley, 2007).

Harzing’s work is extremely valuable as besides adding to the literature; it highlights the power relations and complex strategies of expatriates from a social-control viewpoint (Moore, 2006). It further stresses on the importance of how expatriates act as a link between the parent company and its subsidiary thus acting as an important mechanism of control (Duvivier and Peters, 2011). For example, expatriates act as information senders in transferring tacit knowledge between the HQ and the subsidiary (Bonache et al, 2001). Hence through performing the functions of bear [direct control], bumble-bee [socialisation] and spider [informal communication], expatriates working on foreign assignments play a key role in controlling the operations of overseas subsidiary. A break-down of Harzing’s (2001) typology is as follows:

1. The Bear: MNCs rely on expatriates for providing personal and cultural control directly and indirectly. For instance, expats can either be utilised as substitutes or compliment in HQs centralisation of decision making and direct surveillance of subsidiaries (Harzing, 2004). The Bear analogy is thus chosen to reflect the dominance-level [or threat as perceived in extreme cases] associated with this type of expatriate control (Reiche and Harzing, 2011). The Bear thus establishes a clear link between the home and host country in using expatriates for international assignments (Collins, Scullion and Morley, 2007).
2. The Bumble-Bee: As expatriates move around from plant-to-plant they assume the role of bumble-bees controlling the subsidiary through socialising the host employees. Their aim is to spread the corporate norms and values in an attempt to replicate the parent’s norms and culture into the overseas subsidiary. Bumble-bees thus play an important role in subsidiaries that are newly established and are loosely integrated with the activities of the HQ (Collins and Scullion, 2006).

3. The Spider: Weaving an informal communication network is of course the role of expatriates as Spiders. For instance, expatriates create verbal networks to facilitate communication between various units (Lauring, 2008). Furthermore, expatriates can also be used for purposes beyond control and coordination (Bjorkman, 2007). For example, expatriates can be used for filling subsidiary positions, organisational development, knowledge transfer etc.

As per Harzing and Ruysseveldt (2004), although expatriates can perform their roles as bears regardless of any given situation, their roles as bumble-bees and spiders are more important in certain situations than others. For example, the role of expats as bumble-bees and spiders are more important in acquisitions than in Greenfields. Similarly, the bumble-bee and spider roles are more relevant for subsidiaries with high local responsiveness (Harzing and Ruysseveldt, 2004). As such, the role of expatriates in facilitating informal control is most effective in subsidiaries that operate differently and independently from HQ (Reiche and Harzing, 2011). While Harzing’s (2001) framework offers a unique insight into control and serves as an important piece of literature, empirical research on control and coordination is ever-evolving and is still a constant work-in-progress (Gencturk and Aulakh, 1995).
Table 2.4: Control Mechanisms Based on the Degree of their Role

<table>
<thead>
<tr>
<th>Control Type</th>
<th>Use Within the MNC</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Bear</td>
<td>Serve as formal direct control by replacing HQ centralisation of decision-making and direct surveillance.</td>
</tr>
<tr>
<td>The Bumble-Bee</td>
<td>Fly from plant-to-plant and create cross-pollination through socialisation.</td>
</tr>
<tr>
<td>The Spider</td>
<td>Weaving informal communication network.</td>
</tr>
</tbody>
</table>

(Source: Harzing, 2001, Pg. 369)

2.4 Control Mechanisms Framework Adopted for this Study

An effective control and coordination mechanism needs to make sure that HQ possesses all the relevant information it needs to pursue its Internationalisation strategy (Brenner, 2009). For instance, subsidiaries differ from each other in terms of their environmental complexity and access to local resources and as a result HQ requires control that can accommodate the needs of each and every subsidiary (Mahnke and Pedersen, 2004). Keeping in mind that international management scholars have devised and developed newer forms of control, they can still be classified into three main categories, namely; 1) Behaviour Control, 2) Cultural Control and 3) Output Control (Andersson, Bjorkman and Forsgren, 2005; Cangarli and Delen, 2012, Chang, Mellahi and Wilkinson, 2009; Edwards et al, 2013; Jaw and Liu, 2004; Legewie, 2002; Liao, 2006; Paik and Sohn, 2004; Selmer and De Leon, 2002). Building on the various categories described earlier, the three forms of control encapsulate how control mechanisms attempt to adjust subsidiary operations
and MNC at large to attain stated objectives, albeit with some variation between categories (Muralidharan and Hamilton, 1999).

For instance, behaviour and output controls employ direct measures in identifying HR and other processes and performance-outcomes in order to control the activities of a foreign subsidiary. Cultural control on the other hand uses indirect measures to institutionalise organisational members with corporate norms and values to subtly control subsidiary operations (Chang, Mellahi and Wilkinson, 2009). As such, the three forms of control can not only be used to explain the internal patterns of control on an individual level but also at the task and firm level (Hennart, 1991). Furthermore, whilst their focus remains on the HQs choice of different mechanisms, these controls also report on the actual impact they make in the transfer and adaptation of HRM practices at the subsidiary-level. As these three mechanisms are the most comprehensive, recent and practicable work and theory on control in MNCs, they will be incorporated into this study as the core [and encompassing] conceptual framework. However, as these broad categories potentially encapsulate a number of control mechanisms and practices within the MNC, the following sections will endeavour to explicitly articulate the HRM practice and people-management implications.
Table 2.5: Control Mechanisms Based on the Degree of their Actual Impact and Level of Analysis

<table>
<thead>
<tr>
<th>Control Type</th>
<th>Use Within the MNC</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behaviour Control</td>
<td>Through centralisation, close supervision and appraisal practices.</td>
</tr>
<tr>
<td>Cultural Control</td>
<td>Through selection, training and socialisation practices.</td>
</tr>
<tr>
<td>Output Control</td>
<td>Through results-criteria, formalisation and performance-reward outcomes.</td>
</tr>
</tbody>
</table>

(Source: Adapted from various articles)

2.4.1 Behaviour Control

Behaviour control refers to the appointment of home country managers to key management positions at the foreign subsidiary with the aim of evaluating the activities and the behaviours originating within that subsidiary (Chung, Gibbons and Schoch, 2000). More particularly, this control is related to HQ imposing particular actions and decisions at specific points of time to monitor subsidiary operations (Baliga and Jaeger, 1984). As compared to other forms of control, behaviour control is a more direct means of ensuring development of suitable behaviours within a foreign subsidiary. For instance, unlike social controls where HQ maintains informal linkages by transmitting parent corporate culture, behaviour control uses direct and formal techniques [such as observation, personal surveillance, standardised procedures and policies etc.] to control behaviours originating within a foreign subsidiary (Martinez and Jarillo, 1989). Accordingly, it is concerned with defining the way in which subsidiary performance is attained rather than end results.
Behaviour control is therefore also referred to as ‘Input Control’ as it promotes ongoing monitoring of activities and imposing of decisions (Chang, Mellahi and Wilkinson, 2009).

MNC’s use behaviour control when the need for predictability is high and subsidiaries do not want to diverge from their overall organisational goals and policies (Cray, 1984). For instance, research has shown a direct relationship between MNCs’ global recruitment and selection practices and its effect on subsidiary staffing decisions resulting in the realisation of firm’s control strategies (Colakoglu et al, 2009; Konopaske et al, 2002; Scullion and Collings, 2006). Such as hiring contract labour and outsourcing operations which reduces subsidiary costs and facilitates bureaucratic control, centralisation and monitoring (Oghojafor and Mbah, 2012). Remarkably, behaviour control performs all these functions as it uses expatriate managers to not only monitor and evaluate the behaviours of the subsidiary but also report the subsidiary outputs back to the HQ. As these managers are constantly monitoring and evaluating behaviours, they incline on using standards of comparisons derived from the parent organisation (Egelhoff, 1984).

Besides allocating highly knowledgeable and committed expatriate managers, behaviour control also facilitates replication of HQ operating procedures to make sure that appropriate behaviours are maintained within the subsidiary (Baliga and Jaeger, 1984; Chang and Taylor, 1999). For example, expatriates can alter a subsidiary’s behaviour by stipulating positive or negative authorisation for what is believed to be expected [or forbidden] within a specific setting (Paik and Sohn, 2004). This allows the parent to influence goals and values in its overseas subsidiary to reflect those set by the corporate HQ (Paik and Sohn, 2004). Likewise, expatriates also ensure a smooth flow of communication between the HQ and the subsidiary (Scullion, 1994). This allows the HQ to implement its core policies to ensure subsidiary behaviour in accordance with its overall goals and mandates (Eisenhardt, 1989). Behaviour control thus also serves the purpose of functioning as expatriate control; as these expatriates are trusted managers of the HQ they are well versed with the policies and practices of the parent company (Bjorkman, 2007).
Organisations should apply behaviour control when the output measures are less available but the behaviour required for the desired results are readily available (Hamilton and Kashlak, 1999). This is because behaviour control requires clear understanding of cause-and-effect relationships which helps in taking corrective measures while controlling subsidiary behaviour (Govindarajan and Fisher, 1990; Kretschmer, 2009; Liao, 2006; Muringaseril, 2007; Snell, 1992). For instance, in the case of HR, behaviour control provides process knowledge in the form of bureaucratic reports and articulated procedures to the overall HRM system of the firm. An example of this is award systems [such as merit-based pay or bonus] which shapes compensation practices in MNCs - i.e. rewards are linked with performance and employees are given discretion over choosing the exact behaviour which will lead them to achieving the desired outcome (Wright and Snell, 1991). As a result, MNCs can make decisions regarding how HQ should modify, translate and align their HR policies and practices to fit into the overseas subsidiary-context. Behaviour control can therefore potentially be facilitated by a variety of HR practices and staffing mechanisms.

2.4.2 Cultural Control

Cultural control refers to the promotion of broad organisation-wide culture in controlling and coordinating the activities of the foreign subsidiary (Leung et al, 2005; Pucik and Katz, 1986). In other words, performance desired is attained less by monitoring task-related behaviour or performance outcome but more through a fundamental congruence in values and beliefs that direct activities in a way that is in uniformity with organisational norms and beliefs (Volkmar, 2003). This form of control has several benefits as it is more concerned with the frequent interaction of organisational members that leads them towards a consensual decision-making in line with the MNCs goals and objectives (Kranias, 2000). For instance, while bureaucratic control deals with monitoring and evaluating subsidiary activities, cultural control deals in socialising affiliate members with a similar world-view which results in HQ achieving the same type of corporate culture it wants for the subsidiary (Chung, Gibbons and Schoch, 2000). Cultural control is therefore also
referred to as ‘Clan Control’ (Ouchi, 1980) as it emphasises the development of shared values, philosophies and norms of the MNC.

MNCs use cultural control when the national cultural distance [or difference] between the HQ and the subsidiary is vast (Colakoglu and Caligiuri, 2008) resulting in greater knowledge asymmetry between the two (Gong, 2003). For instance, in line with the global staffing practices of overseas subsidiaries, MNCs that employ cultural controls often rely on socialisation as a primary vehicle for providing managerial training (Pucik and Katz, 1986). An example of this is the job rotation policy [such as international assignments and transfers] where expatriates managers move from job-to-job resulting in the internalisation of organisational norms and culture (Pucik and Katz, 1986; Welch and Welch, 2006). As these expatriates frequently travel from one subsidiary to another, they institutionalise its members, deemphasise formalisation and promote frequent exchange of information between HQ and subsidiary through establishing informal communication (Edstrom and Galbraith, 1977). They therefore achieve cultural control through either directly controlling subsidiary operation by acting as mini-headquarters or through indirect control based on socialisation (Harzing, 2001).

The above illustrates how expatriates normatively integrate the subsidiaries by participating in training programs and working in international teams to allow establishment of networks and close relationships (Nell et al, 2013). Consequently, expatriates act as a mechanism of control due to their ability to integrate the subsidiary with its HQ through transmission and sharing of parent norms and values (Brenner, 2009).

However, in light of the overlap with behaviour controls discussed above it should be noted that subsidiaries that rely on long-term expatriates as a form of global staffing may not require cultural control as they are already inculcated with corporate norms, values and beliefs (Edstrom and Galbraith, 1977). Great examples of this are Japanese MNCs that staff their culturally distant subsidiaries with high numbers of expatriates and use them as a key mechanism of control (Gong, 2003). Cultural control is therefore often labelled as another form of behaviour control (Gupta and
Govindajaran, 1991; Ghoshal and Nohria, 1989). The only difference being when compared to behaviour control, cultural control uses a much more indirect approach in controlling the behaviours originating within the subsidiary (Gupta and Govindarajan, 1991; Goshal and Nohria, 1989).

Potential overlaps with behavioural control aside; cultural control by itself can potentially be facilitated by a variety of HR practices [i.e. training] and staffing mechanisms.

2.4.3 Output Control

Output control refers to the strict measurement of subsidiary performance through quantitative evaluation yardsticks such as profit, market share, productivity and so on (Andersson, Bjorkman and Forsgren, 2005). In the context of HRM, this form of control relies on elaborated HRM information systems [such as management by objectives] to explicitly link job appraisals to reward outcomes (Snell, 1992). In output control subsidiaries are given goals based on their role and their ability to achieve them while leaving some room and flexibility for organisational members to achieve those goals (Baliga and Jaeger, 1984; Muringaseril, 2007). For instance, as compared to bureaucratic and normative controls, output control uses pre-established targets and uses them as performance indicators to improve subsidiary operations (Pooripakdee, 2004). It further allows the HQ to accurately measure and compare results to take corrective actions (Bjorkman, 2007). Output control is therefore also referred to as ‘Performance Control’ (Mintzberg, 1979) as it focuses on achieving end results and outcomes.

MNCs use output control when HQ is able to implement a system capable of demonstrating authentic and verifiable evidence of subsidiary performance without heavy interference in its activities (Egelhoff, 1984). For instance, MNCs that rely on output control use budgeting and reporting systems to measure subsidiary performance based on data such as investments or productivity (Harzing and and Ruysseveldt, 2004). In addition, MNCs also link subsidiary performance with their company’s HRM practices such as to the reward systems to match the strategic goals
and objectives with the aims and motivations of overseas managers (Edstrom and Lorange, 1984; Luo, 1999). An example of this includes implementing a compensation scheme where individual outputs are easily observed and rewarded based on employee’s personal results (Ouchi, 1977). This illustrates how output control requires little managerial direction and intervention as it focuses less on individual tasks and activities and more on results and outcomes (Luo, 1999).

Furthermore, besides working as a performance management system, output control also associates itself with formalisation as it relies on evaluation of written reports and documents in monitoring subsidiary operations (Bjorkman, 2007). In other words, reports and exchange of information [in the case of HR - such as employee handbooks and training manuals] may be standardised and all units [including HQ and the subsidiary] may follow the same policies and operate in a similar manner throughout the MNC global network (Hendriks-Gusc, 2007). For example, the HQ may apply a ‘forced distribution’ performance appraisal policy across all subsidiaries where a certain percentage of employees ought to be in a particular performance category. This may result in output control being applied similarly across each and every subsidiary rather than being adapted to suite their specific needs (Bjorkman and Piekkari, 2009). Thus, the key element of this category is that it resembles a market way of control that uses performance reporting systems to achieve desired outcomes (Brenner, 2009; Chang and Taylor, 1999). It is perfectly suited for situations where the output itself is clear but the behaviour required for the desired result is unclear.

Output control can also therefore be facilitated and reflected in a variety of HR practice mechanisms.
Table 2.6: Behaviour, Cultural and Output Control Mechanisms and their HRM Practices

<table>
<thead>
<tr>
<th>Control Type</th>
<th>Possible Adaptation of HRM Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Behaviour Control</td>
<td>1. Use of expatriates for explicit monitoring.</td>
</tr>
<tr>
<td></td>
<td>2. Frequent feedback to headquarters.</td>
</tr>
<tr>
<td></td>
<td>3. Centralisation by headquarters</td>
</tr>
<tr>
<td>Cultural Control</td>
<td>4. Similar staffing and selection procedures.</td>
</tr>
<tr>
<td></td>
<td>5. HQ provides training and socialisation.</td>
</tr>
<tr>
<td></td>
<td>6. Use of informal communication to spread organisation-wide culture.</td>
</tr>
<tr>
<td>Output Control</td>
<td>7. Use of results-based criteria for appraisal.</td>
</tr>
<tr>
<td></td>
<td>9. Use of monetary incentives</td>
</tr>
<tr>
<td></td>
<td>10. Formalisation by headquarters.</td>
</tr>
</tbody>
</table>

(Source: Adapted from Jaw and Liu, 2004)

In summary, given the sheer amount of various classifications available, this research is based on the ‘Behaviour, Cultural and Output Control’ typology which allows a synthesis and comparison of virtually all control concepts described in this study. More importantly, this broad framework encompasses the use of people-based means of control and coordination in foreign subsidiaries. As noted above, authors such as Harzing (1999; 2001) puts ‘people’ [in the form of expatriates] central to the discussion of control and the way they are used in managing HQ-subsidiary relations. In the same manner, behaviour, cultural and output control category in the overarching emphasises the key role ‘people’ play in controlling the activities of a foreign subsidiary and how HR practice are reflected in the three categories of control (Kim et al, 2003). Unlike much of the extant literature outlined above, the approach in this study is to consider the people-centric aspects of control within this
broad framework, in unison not in a separate discussion to it. That is, global staffing is potentially used as behavioral control and/or induction, socialisation and training reflect cultural control and these in turn will have impact on the use of certain HR policies and practices [namely; Recruitment and Selection, Training and Development, Pay and Performance and Employee Involvement and Communication].

This study therefore proposes an exploration of control that acknowledges the interdependencies between formal and informal mechanisms, the consequences for related HRM practices and the degree to which the subsidiary should or will have discretion over them. In other words, where other classifications fail to combine people-centric discussion of control and its influence over HR policies and practices, this study’s conceptualisation of behavior, cultural and output control considers how HRM practices at the subsidiary-level are partly a result of what the MNC is doing with its people and their use as mechanism for foreign subsidiary control. Scholars have long recognised that control factors, such as degree of centralisation can impact subsidiary’s discretion on issues around ER/HR (Almond and Ferner, 2006; Edwards, Marginson and Ferner, 2013; Ferner et al, 2004) discussion with the use of people-centric control mechanisms. The above framework integrates this discussion and explains that people-oriented control mechanisms [such as behaviour and cultural control] may also play a major role in predicting the HRM practices at the subsidiary-level and/or the discretion the subsidiary will have around them.

Finally, as considerable bodies of IM literature has provided insights into contextual determinants of control mechanisms, the next section reflects on the external and internal factors driving multinational choices and needs relating to control. It is however important to note that though there are a vast number of factors available for an MNC to choose from, only those factors that have been selected for this study are relevant for emerging MNCs [EMNCs] operating and managing their subsidiaries in developed countries. These factors are largely based on the findings of earlier studies (Agarwal and Ramaswami, 1992; Alvarez and Marin, 2010; Bae, Chan and Lawler, 1998; Johnston and Mengue, 2007; Newman and Nollen, 1996; Tihanyi, Griffith and Russell, 2005; Youssef, 1975) and are widely discussed in the
IM literature relating to HQ-subsidiary relationship in MNCs. For the purpose of this study, these factors will be referred to as the ‘determinants of control’. This potential impact of these factors is discussed in the next section.

2.5 Determinants of Control Mechanisms

MNCs implement a certain degree of control over their foreign subsidiaries for a number of different reasons with considerable impacts on HR policies and practices and how they are aligned within the HQ’s overall business strategy (Hannon, Huang and Jaw, 1995). For instance, from a staffing point of view, MNCs may choose between ethnocentric [home-country oriented], polycentric [host-country oriented], geocentric [world-oriented] and regiocentric strategies in the adoption of their global HRM policies (Heenan and Perlmutter, 1979; Perlmutter, 1969) with the specific goal of alignment of control. However other home and host country factors, especially external [also known as location-specific] and internal [also known as firm-specific] factors can also influence the type of control MNCs employ and subsequent global staffing approaches and HR strategies. For instance, Lawler et al (1992) found that MNC’s country of origin was positively related to the transfer and dissemination of HR/IR practices.

This and other studies clearly indicate the need for MNCs to conform to home [push force] and host country [pull force] institutional environments in the adaptation or transfer of their HRM practices (Farley, Hoenig and Fang, 2004; Hillman and Wan, 2005; Rosenzweig and Nohria, 1994). Even EMNCs are not spared from this institutional duality as they too face the pressures caused by home and host country factors in the choice of their HRM policies. Yet despite such understanding, very little is known about how these dual forces impact the HRM strategies and practices at the subsidiary-level in MNCs from emerging economies (Chang, Wilkinson and Mellahi, 2007; Gomes et al, 2014; Thite, Budhwar and Wilkinson, 2014; Thite, Wilkinson and Shah, 2012). Research so far suggests that EMNCs act considerably different from developed country MNCs in the management of their overseas subsidiaries (Chang, Mellahi and Wilkinson, 2009) and therefore it is likely that these institutional factors will impact them differently.
For example, EMNCs do not fall in the category of ‘early internationalisers’ as they have to overcome the disadvantage of being a ‘late mover’ due to the delayed emergence of their economy (Chittoor, 2009; Wang et al, 2013). Similarly, EMNCs come from a less-sophisticated institutional environment that includes poor infrastructure and weak regulatory setup resulting in lower market efficiency (Gammeltoft et al, 2010). Furthermore, EMNCs also face difficulties in acquiring resources and capabilities [such as owning well-known brand names and innovative processes] as they come from a less developed economy which affects the way they compete with MNCs from developed countries (Guillen, 2000; Ramamurti, 2012). Last but not least, these MNCs come from culturally distinct economies as compared to the West and are therefore more likely to adopt distinct approach towards ER/HR policies (Bae, Chen and Lawler, 1998; Chang, Mellahi and Wilkinson, 2009; Liou, Rose and Ellstrand, 2012). Accordingly, the behaviour of an EMNC and the impact of country of origin [while expected to be different], is still largely unknown.

So far research on HR policies and practices in Asian economies (Awasthi, Chow and Wu, 2001; Bae, Chen and Lawler, 1998; Chow, Shields and Wu, 1999; Hofstede, 1993; 1997; Hofstede and Bond, 1988; Ulgado, Yu and Negandhi, 1994) have identified MNCs national origins [including culture] as key determining factors shaping HRM at the subsidiary-level (Chang, Wilkinson and Mellahi, 2007). These studies however do not address the cultural and institutional differences that impact the adaptation of HRM in EMNCs and their developed-country subsidiaries (Chang, Wilkinson and Mellahi, 2007). Given the disadvantages [as above] that EMNCs hold in their institutional surroundings, one would expect them to emulate control and HR strategies similar to those found in developed country MNCs (Thite, Wilkinson and Shah, 2012). An important research question therefore requires understanding how the external and internal contextual factors influence the control and HRM choices in MNCs from emerging economies managing their subsidiaries in developed country. Are the fore mentioned ‘disadvantages’ likely to result in EMNCs using control in HRM in a more or less ethnocentric manner?
2.5.1 External Factors

To function effectively, MNCs need to understand the external economic, legal and social realities impacting its global and local environments as they can limit the choice of control and HRM practices in foreign subsidiaries (Bartlett and Ghoshal, 1989). That is, HR practices and decisions in an MNC are often shaped by its external home country institutions as well as the environment of its host country due to their ability to dictate HRM’s local adaptation versus internal consistency (Bae, Chen and Lawler, 1998; Beechler and Yang, 1994; Newman and Nollen, 1996; Ngo et al, 1998; Rosenzweig and Nohria, 1994). For instance, the legal and regulatory environment in which a subsidiary is embedded may force an MNC to hire employees from the local labour market creating a coercive isomorphism of HRM practices (Rosenzweig, 2006). As a result, external factors may act as a pull towards host country divergence of HRM practices irrespective of the control used by MNCs. It is therefore important to understand the external institutional setting that surrounds the MNC as it allows them to evaluate their subsidiary’s strategic requirements (Ghoshal and Nohria, 1993).

2.5.1.1 Country of Origin

Country of origin [COO] refers to ‘that part of the differences in internationalisation strategies and international control strategies of MNCs that can be ascribed to the different national origins of these MNCs, rather than to variations in their task environment’ (Noorderhaven and Harzing, 2003, p.54). In other words, it is the embeddedness of an MNC to their home country business systems including its ER/IR policies (Whitley, 1999). These include factors that may determine an MNC’s behaviour such as:

1. Local contextual factors [i.e. labour market conditions, unionisation and socio-political environment]; and
These combination of factors can provide an MNC with a unique competitive advantage when compared with firms from countries that are less hospitable in these areas (Sethi and Elango, 1999) resulting in a ‘country of origin effect’ (Ferner, 1997). For instance, a country with supportive ER/IR policies may provide its MNCs with lower cost resources giving them a significant advantage over firms from other countries (Sethi and Elango, 1999). Similarly, an MNC coming from a country with distinct national culture may recruit PCNs in various managerial positions in its overseas subsidiary resulting in decision making similar to home country traditions (Harzing and Ruysseveldt, 2004). Accordingly, despite being global many MNCs choose to remain deeply embedded in their national business systems as it influences how MNCs manage and control international operations (Ferner, 1997; Ferner et al, 2001).

Research so far has shown that MNCs from different countries display unique styles of subsidiary control and autonomy while transferring their HR/IR policies and practices (Ferner et al, 2004). Much of the research however has focused on MNCs from developed countries and not much is known about how country of origin influences EMNCs operating and managing their subsidiaries in developed countries (Zhang and Edwards, 2003). Arguably, when competing in foreign markets, EMNCs face a hurdle called the ‘liability of country of origin’ [LOC] which occurs due to the perceived weakness of the lack of global dominance of its home country economy and institutions (Chang, Mellahi and Wilkinson, 2009). As a result, EMNCs might be inclined towards adopting host country HR policies and practices as they come from a country with less comparative advantage (Edwards and Ferner, 2004). Hence more autonomy will be given to the overseas subsidiary and they will be less tightly controlled by their parent HQ (Thite, Wilkinson and Shah, 2012). This could have major implications for control and therefore is worthy of consideration.

2.5.1.2 Legal Framework

An important factor relating to the host country setting is its legal framework that can create a strong pressure for a foreign subsidiary of an MNC (Schuler et al, 1993; Taylor et al, 1996). That is, the legal environment of a host country can constrain the
transfer of HR policies and practices from its parent HQ to its overseas subsidiary (Beechler and Yang, 1994). For instance, while some countries do not allow foreign firms to establish wholly-owned subsidiaries due to their stringent laws, others may make it difficult to exercise any form of control, making overall subsidiary operations difficult to manage (Gatignon and Anderson, 1988). Contrarily, if the legal system of a host country is weak and open it can result in the MNC exploiting its host country resources as firms may seek to exploit them through using appropriate firm-specific strategies (Quintanilla and Ferner, 2003). As such, dissimilarities in the legal system will either allow a subsidiary to adopt home country HRM practices or those from the host country (Taylor et al, 1996).

As compared to a developed country that has a well-defined and established legal framework, MNCs from emerging economies come from comparatively weakly defined legal systems that changes constantly (Wang and Nicholas, 2009). MNCs from emerging economies therefore have to structure their HQ-subsidiary relationship differently as compared to developed country MNCs. (Wang and Nicholas, 2009). In other words, it might be expected that EMNCs will evolve towards a business environment similar to Western MNCs and will give more preference towards host country legal framework (Marocote et al, 2010). This means that control will be harder to implement and HRM practices may be adopted locally rather than disseminated from the HQ of the parent company. This makes it important for MNCs to consider the legal implications of its host country as failure in adhering to local laws can have serious implications on the performance of its overseas subsidiary (Florkowski and Nath, 1993).

### 2.5.1.3 National Culture

Studies have shown how national culture shares a significant link to a company’s HRM systems and the ways MNCs from different culture have different effects on the transfer and use of HR policies and practices (Schuler and Rogovsky, 1998). For instance, the greater the cultural distance between home and host country of the MNC, the less likely the subsidiary will conform to local HR practices (Beechler and Yang, 1994; Rosenzweig and Nohria, 1994). Similarly, research has also shown that
culture can influence the choice of control exerted by the HQ over its affiliate and the greater the cultural gap, the harder it will be for an MNC to control its subsidiary activities (Hamilton and Kashlak, 1999). Therefore, a key question that remains in front of MNCs is the extent to which their national culture will be localised while trying to fit into the host country context (Bartlett and Ghoshal, 1989; Perlmutter, 1969; Rosenzweig and Nohria, 1994). That is, how significant is the cultural distance between the home and the host country of the MNC and will it lead to higher or lower control in the use and adaptations of HR practices.

Foreign firms [including EMNCs] are at a disadvantage when compared to local firms due to gaps in understanding caused by cultural variation impacting a firm’s internal and external environment due to the ‘liability of foreignness’ [LOF] (Calhoun, 2002; Gaur, Kumar and Sarathy, 2011). Following this logic, one would expect MNCs from lesser developed countries to be less ethnocentric when managing their subsidiary as compared to a developed country MNC (Hedlund, 1986). That is, they do not engage in ‘forward diffusion’ like their counterparts (Thite, Wilkinson and Shah, 2012). Instead, these MNCs use an adaptive approach in managing their subsidiaries in developed markets (Liou, Rose and Ellstrand, 2012; (Shen, 2006; Thite, 2011; Thite, Wilkinson and Budhwar, 2011; Thite, Wilkinson and Shah, 2012). Accordingly, EMNCs would conform more towards host country HRM practices where the focus will be on its external consistency with the local environment rather than internal consistency with the organisation (Thite, Wilkinson and Shah, 2012) potentially leading to lower levels of control.

2.5.2 Internal Factors

Researchers have long recognised the key role internal, industry and firm-specific factors play in managing the HQ-subsidiary relationship in MNCs (Birkinshaw, Hood and Jonsson, 1998). As pointed out by Birkinshaw et al (1998), MNCs operating in foreign countries need to have some form of advantages to compensate the disadvantages when competing against firms already well-established in a host country environment. For instance, firms larger in size and capital are better able to compete against host country firms as they are able to absorb the high costs and risks
associated with operating in international markets (Pangarkar and Yuan, 2009). Accordingly, specific firm-related resources [such as capital, technology, know-how etc.] allow MNCs to internalise their full value-chain activities by establishing more control over their foreign subsidiaries (Davidson and McFetridge, 1984). Internal factors can therefore play a key role in pushing for home country HR policies and practices at the subsidiary-level in MNCs and their role in control.

2.5.2.1 Management Style

Research has shown that management style employed by headquarters of MNCs can influence the design and implementation of control mechanisms in foreign subsidiaries (Chung, Gibbons and Schoch, 2000). For instance, a study conducted by Gomez and Werner (2004) revealed how extensive use of PCNs allowed US MNCs to maintain a similar style of management across its Mexican affiliates. As a consequence, similarities in management style can allow [or prevent] a firm to export its home grown HQ policies [including HRM practices] to its overseas subsidiaries (Banai, 1992). However despite such facts, EMNCs find it much harder to transplant their management practices and styles in other cultures and countries as compared to developed MNCs due to the liability of originating from an emerging economy (Chang, Mellahi and Wilkinson, 2009). EMNCs may therefore be inclined towards adopting Western managerial style [i.e. participative emphasising delegation and empowerment] rather than pushing for their home country style [i.e. autocratic and directive] due to questions regarding its authenticity and useability in a developed country context. From a HR perspective, this may mean that more priority will be given towards local adoption of practices resulting in lesser subsidiary control.

2.5.2.2 Mode of Entry

The choice regarding an MNCs mode of entry into an overseas market directly influences its use of control mechanisms at the foreign subsidiary (Root, 1994). For instance, firms that choose to enter a country through equity-based modes [i.e. JVs, M&As etc.] exert higher levels of control in their subsidiaries as compared to firms
choosing non-equity based modes of entering a foreign market (Pan and Tse, 2000). In a similar manner, MNCs with low levels of ownership advantage will either decide not to enter a foreign market or will choose a less risky mode of entry (Agarwal and Ramaswami, 1992). Consequently, this will influence the subsidiary’s HRM practices as they will either converge or diverge depending upon the mode of entry selected by the parent MNC. As such, identifying the most appropriate mode of entry into a foreign market is one of the most challenging and complex tasks for all MNCs.

While there have been studies that have looked at understanding the mode of entry in MNCs, most of these studies have examined entry mode from a developed country perspective (Bhaumik and Gelb, 2005; Johnson and Tellis, 2008; Myer et al, 2009; Tsang, 2005; Tse, Pan and Au, 1997). Not much research has been done in understanding EMNCs entry mode strategies and the obstacles they face in deciding their preferred route of entry [with the exception of Martinez et al, 2005] (Esperanca et al, 2006; Liu and Buck, 2009). Moreover, no study [that the author is aware of] has considered the subsequent impact on control of HR practices for EMNC subsidiaries. This makes it all the more important to understand if mode of entry is a deciding factor in the control and HR choices at the subsidiary-level in EMNCs. That is, will an EMNCs mode of entry contribute towards the host country adoption of HR policies and practices resulting in higher subsidiary autonomy or vice versa?

### 2.5.2.3 Role of Subsidiary

Research indicates that different subsidiaries play different strategic roles within the MNC environment and that this requires the use of different control mechanisms to manage HQ-subsidiary relations (Harzing and Noorderhaven, 2006). For instance, while some subsidiaries play an active role and require lower controls (Mellahi et al 2005), others play a more constricted role requiring high interference from the centre (O’Donnell, 2000; O’Donnell and Blumentritt, 1999). Accordingly, depending upon the significance of the affiliate the HR policies and practices will be adopted [i.e. globally or locally] as they are affected by factors internal to the strategic role of the subsidiary (Chang, Mellahi and Wilkinson, 2009). In this context, it is argued that to
overcome their home country weakness, EMNCs may manage their subsidiaries autonomously where they do not depend on their parent for resources and decision-making and are completely capable of innovating at the local level (Wang et al, 2013). It is therefore likely that EMNCs may want to emulate host country HRM practices rather than imposing their home country policies (Chang, Mellahi and Wilkinson, 2009). Considering the diverse role that subsidiaries play in the MNC environment, an important question is whether all EMNCs bypass traditional control-centric approach to provide high autonomy to their overseas subsidiaries?

### 2.5.2.4 Transfer of Technology

A growing stream of literature has highlighted the important role MNCs play in developing and transferring technology to their overseas subsidiaries (Blomstrom, Kokko and Zejan, 1992; Cui et al, 2006; Dunning, 1983; Glass and Saggi, 2002). This transfer of technology can be an important determinant in shaping the choice of control and HRM at the subsidiary-level in MNCs. For instance, HQs often share technological information [such as patent, know-how, trade secrets etc.] with their affiliates established in other countries and vice versa (Tihanyi and Roath, 2002). As subsidiaries start to depend more towards HQ for the flow of knowledge and resources, their operations are much more likely to be influenced by their parent MNC (Chang, Mellahi and Wilkinson, 2009). Correspondingly, this impacts the transfer of HR practices and policies as they either converge or diverge between MNCs home and host country HRM model (Quintanilla and Ferner, 2003). In this regard, controls implemented are more formal when standardised and automated processes are readily available at the subsidiary-level (Chenhall, 2003) and more informal when subsidiaries adopt technology locally.

Extant literature suggests that large MNCs from developed countries have far superior technology and emerging markets can source from these countries to enjoy better quality and lower defect-rate in their technological systems and processes (Cannice and Chen, 2006). As these countries have better technological capabilities, EMNCs may be interested in acquiring them (Luo and Tung, 2007) to catch up in terms of their technological growth and development. Furthermore, because the main
provider of technology will be the host country in this study, EMNCs may allow more autonomy to their subsidiaries and adopt local HRM practices in order to learn from their presence in developed countries. However, would all EMNCs adopt technology from developed countries? And what influence does technology have on the control and HRM choices at the subsidiary-level in EMNCs, is something that is yet to be understood.

Table 2.7: Factors Influencing Control and HRM at Subsidiary-Level

<table>
<thead>
<tr>
<th>Determinant Type</th>
<th>List of Home and Host Country Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>External</strong></td>
<td>Country of origin, legal framework and national culture.</td>
</tr>
<tr>
<td>[Location-Specific]</td>
<td></td>
</tr>
<tr>
<td><strong>Internal</strong></td>
<td>Management style, mode of entry, role of subsidiary and transfer of technology.</td>
</tr>
<tr>
<td>[Firm-Specific]</td>
<td></td>
</tr>
</tbody>
</table>

(Source: Adapted from various articles)

To sum up, both external and internal contextual factors play a key role in influencing the control choices available to MNCs. While the external factors are more concerned with the diverse institutional environment surrounding the MNC, its internal factors relate more to the identification of the firm’s core competencies to pursue its internalisation strategy. Accordingly, both external and internal factors allow the MNC to adjust its HRM practices to suit its home and host-country environment as well as with that of its overall corporate strategy. While this section has looked at understanding the various locational and firm-specific determinants affecting the foreign subsidiary, the following section will review the literature pertaining to HQ-subsidiary control in MNCs. More importantly, this section will distinguish between what has been learned and what remains to be learned about in MNCs with a special focus on emerging multinational corporations i.e. EMNCs.
2.6 Special Case of the Emerging Multinational Corporations

The question of how to control and coordinate an MNCs overseas subsidiary and the transfer of MNC HR policies and practices has been widely discussed in the academic literature (Andersson and Forsgren, 1996; Belanger et al, 2013; Belizon, Gunnigle and Morley, 2013; Choi, 2008; Ferner et al, 2011; Harzing, 1991, 2001; Legewie, 2002; Liao, 2010; Martinez and Jarillo, 1989, 1991; Ouchi and Maguire, 1975; Paik and Sohn, 2004; Prahalad and Doz, 1981; Youssef, 1975). However despite ongoing studies and discussions, research on control mechanisms has so far mostly focused exclusively on Western MNCs establishing and managing their HR practices in their subsidiaries in developing countries (Bjorkman and Piekkari, 2009; Chang and Taylor, 1999; Chen, Lawler and Bae, 2005; Ferner and Edwards, 1995; Ferner and Quintanilla, 1998; Fey and Bjorkman, 2001; Lovett, Perez-Nordtvedt and Rasheed, 2009; Martinez and Ricks, 1989; Ogbojafor and Mbah, 2012; Schaaper et al, 2011).

Some research has focused on examining control within MNCs from developing and newly-industrialised economies [NIEs] (Agmon and Kindleberger, 1977; Das, 2007; Egbe, Tsamenyi and Said, 2012; Heenan and Keegan, 1979; Kumar and McLeod, 1981; Lu and Bjorkman, 1997; Myloni, Harzing and Mirza, 2004). However, past studies in this domain have looked at how multinational from one emerging economy control and manage their subsidiaries in other emerging economies (Anand and Delios, 1996; Bjorkman et al, 2008; Esperanca and Valente, 2006; Hong, Snell and Easterby-Smith, 2006; Jaw and Liu, 2004; Shih and Chiang, 2005; Shih, Chiang and Hsu, 2012). Very little research has looked at how MNC’s from emerging economies control and manage their subsidiaries in developed countries (Chang, Wilkinson and Mellahi, 2007; 2009; Glover and Wilkinson, 2007; Huang, 2011; Thite, Budhwar and Wilkinson, 2014; Thite, Wilkinson and Budhwar, 2011; Thite, Wilkinson and Shah, 2012; Wang, Jaw and White, 2004; Wang, Jaw and Huang, 2008; Zhang, 2003).

Addressing this research gap is important as the number of multinational corporations from emerging economies entering developed countries is constantly on
the rise. For instance, Indian MNCs are not only entering developed countries but are also making their presence felt by acquiring overseas firms to expand in those countries (Sauvant et al, 2010). These MNCs can therefore no longer be considered as unusual cases (Chang, Mellahi and Wilkinson, 2009). Furthermore, the ways in which an MNC from emerging economy manages its overseas subsidiary is potentially distinct with persisting institutional and cultural differences as compared to a developed MNC due to the double-hurdle of liability of ‘country of origin’ [LOC] and ‘foreignness’ [LOF] (Luo and Mezias, 2002).

With respect to control, past research has shown that almost all MNCs implement some form of behavioural [input] and output [performance] based controls when it comes to managing their foreign subsidiaries (Chang, Mellahi and Wilkinson, 2009). Extant research on MNCs from emerging economies operating in developed countries has supported this notion to some degree (Chang, Mellahi and Wilkinson, 2007; 2009; Glover and Wilkinson, 2007; Wang, Jaw and White, 2004; Wang, Jaw and Huang, 2008). However there is a growing notion in management literature that states that modern organisations are relying more on cultural, social and subtle mechanisms of control to manage their overseas subsidiaries (Barnard, 2011; Egbe, Tsamenyi and Said, 2012; Gomez and Sanchez, 2005; Johnston, 2005; Kostova and Roth, 2003; Martinez et al, 2005). Given the direct and indirect effects control mechanisms potentially have on the HR practices of a foreign subsidiary, it is worth investigating as to what combination of control mechanisms EMNCs exert to manage their overseas subsidiaries in developed countries. That is, do EMNCs rely more on formal mechanisms or informal mechanisms of control?
2.7 Conclusion of Chapter

After thoroughly reviewing the literature it is clear that control is a critical element in the management of subsidiary in a multinational corporation. As multinational corporations have complex structures functioning in different external environments, control implemented by MNCs becomes difficult. MNCs thus implement different control mechanisms to manage their subsidiaries and HRM and people management is central to key control mechanisms. In addition, a number of external and firm related home and host-country factors or determinants affect how MNCs implement control over their foreign subsidiaries.

There has been an abundance of research available on HQ-subsidiary control but much more remains to be learned. Especially how MNCs from emerging economies control and manage their overseas subsidiaries in developed countries. This study seeks to help address this gap. The ‘behaviour, cultural and output control’ typology used in this study to analyse the presence of control mechanisms is appropriate for this study as it will not only find out the headquarters choice between different control mechanisms existing within EMNCs but also measure their impact on HR policies and practices. Similarly, the combination of various control determinants used in this study has rarely been discussed in the context of emerging economy MNCs.

Based on the literature reviewed in this chapter, it is apparent that some exploration of the control mechanisms used by EMNCs is justified, as assumptions in existing research cannot be assumed to hold for this cohort of multinational companies. Second, in light of the interdependencies outlined above, between control mechanisms and people management [and the people-centric aspects of control mechanisms themselves], the choice of control will in turn have consequences for the use of, and discretion over, a variety of human resource management practices in subsidiaries. These interdependencies also need some exploration through an appropriate research methodology. This methodology and the broad research design are outlined in the next chapter.
CHAPTER 3:

RESEARCH METHODOLOGY

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3.1 Introduction of Chapter

This chapter will discuss the design, data gathering techniques and analytical tools that will be used to answer the research questions of this study. More specifically, it will explain how this research was conducted and will demonstrate the appropriateness of the methods and the procedures used in answering the study’s research agenda. As this study is exploratory and descriptive in nature, this chapter will aim to clarify the methodological issues upon which this research is based so as to allow and build on our understanding of control and HR practices in MNCs from emerging economies. In doing so, this chapter will aim to:

1. Discuss the research design used in this study and explain the rationale behind both, the adoption of case study method, generally and the selection of the specific case studies

2. Outline the qualitative data gathering techniques that were used during the fieldwork.

3. Describe the data analysis process including its various stages and the techniques that were used in the study; and

4. Discuss the limitations of qualitative and case study research and explain the measures that were undertaken to minimise error.
3.2 Research Design

One of the most important tasks in framing the overall research project involves the preparation of its design (Kothari, 2004). A research design establishes a blueprint for the collection, measurement and analysis of data (Cooper and Schindler, 2011). In other words, it provides structure to the overall research process as it links all the different parts together. It thus allows the researcher an opportunity to carefully plan the manner in which the research will be carried out. This includes defining the research structure [such as its framework or configuration of relationships among study variables] as well as its investigation plan that will be used to obtain evidence on those relationships (Cooper and Schindler, 2011). Accordingly, a research design assists the researcher in the allocation of limited resources by posing essential choices in its methodology (Cooper and Schindler, 2011). A research design is therefore defined as ‘the logical and systematic planning and direction of a piece of research’ (Liamputtong, 2009, Pg. 303).

Apart from the practical importance of research design, the overall research strategy of any empirical research project is central to the contribution it can make to theory development. Generally, when it comes to the research design, a researcher can choose from three broad categories or approaches (Creswell, 2007) or methodologies (Mertens, 1998):

1. Quantitative Approach: This approach relies on the gathering and analysis of numerical data to test hypotheses and form conclusions (Veal, 2005). It is best used in situations where the questions involve examining incidences or measurements [i.e. asking ‘how many’ and ‘how much’] (Tharenou, Donohue and Cooper, 2007). However, in order to make careful numerical recommendations, quantitative research involves studying a large sample size to make its study both valid and reliable (Veal, 2005). Some of the methods that this approach uses include techniques such as experimental research and survey research.

2. Qualitative Approach: This approach relies on gathering a huge amount of information about a relatively small number of subjects (Veal, 2005) and
provide detailed factual descriptions regarding events, situations and interactions between people and things for theory testing (Cooper and Schindler, 2011). It is most appropriate in settings where the aim is to understand the meaning to build theoretical explanations from a participant’s point of view (Tharenou, Donohue and Cooper, 2007). Some of the methods that this approach uses include techniques such as case studies, ethnography, focus groups, grounded theory, narrative research, participant observation, phenomenology etc.

3. Mixed-Method Approach: This approach whilst still emerging relies on a combination of both quantitative and qualitative methodology and concepts within a single study to test data (Johnson and Onwuegbuzie, 2004). It is also known as multi-methods approach due to the variation in components [i.e. quantitative and qualitative] that are used in the study, although one component usually dominates (Agerfalk, 2013). This approach is best used in situations where the researcher’s aim is to broaden the breadth and scope of research so as to compensate the weaknesses of either approach (Blake, 1989; Greene, Caracelli and Graham, 1989; Rossman and Wilson, 1991). Some of the methods that this approach uses include techniques such as concurrent mixed methods, sequential mixed methods and transformative mixed methods.

When it comes to selecting the most appropriate research design, it is important that the researcher asks how the chosen design fits with the study’s research questions (Tharenou, Donohue and Cooper, 2007). For instance, by identifying the type of social research problem the study aims to address, the researcher can decide what type of design [i.e. quantitative, qualitative or mixed methods] will be most appropriate (Creswell, 2009).

In this study the aim is to understand how MNCs from emerging economies [i.e. EMNCs] control their subsidiaries in developed countries and the consequences they have on the discretion over, the subsidiary’s HR policies and practices. The literature reviewed in Chapter 2 demonstrated that there is already considerable research on control mechanisms, especially in situations where MNCs from developed countries
have subsidiaries in developing countries. However, there is considerably less research explicitly addressing the associations between control mechanisms and HR practices and on situations where MNCs from developing countries have subsidiaries in developed countries. In these circumstances, where theory is weak and the purpose of the research is exploratory [i.e. to generate new theory], there is an especially strong case for the use of qualitative research design (Creswell, 2009).

The qualitative approach adopted in this study distinguishes it from most other studies of control mechanisms in MNCs. Empirical studies on control in MNCs have predominantly utilised quantitative methods to obtaining data whilst producing lower understanding of the control phenomenon than required (Andersson and Forsgren, 1996; Andersson, Bjorkman and Forsgren, 2005; Brenner, 2009; Cangarli and Delen, 2012; Chang and Taylor, 1999; Cray, 1984; Edwards, Ahmed and Moss, 2002). The majority of the studies that have examined the transfer of HR policies and practices are also based upon large-scale surveys that use questionnaires to test hypothesis (Gamble, 2003; Wright and Gardner, 2000). This has led to the development of large set of generalised findings that are based on the use of pure statistical data (Patton, 2002).

A qualitative methodology is especially useful in allowing the researcher to investigate the complex social processes within organisations and to locate organisations [i.e. MNCs] in their real-world contexts or settings (Liamputtong, 2009). In other words, by going to people’s place of employment, talking directly to them and allowing them to tell stories, insights and factual descriptions, the problem can be understood in much greater detail (Creswell, 2007). This is significant given the people-management practices that this study seeks to understand have been relatively under-researched and their understanding requires explanation. For instance, whilst quantitative analysis may provide a general picture of trends, associations and relationships, it does not tell us why people responded the way they did, the context in which they responded and their deeper thoughts and behaviour that governed their responses (Creswell, 2007, Pg. 40).
Qualitative research can assist in bridging this gap as it allows the researcher to understanding the subject from a participant’s position; thereby giving a more holistic account of the subject under investigation (Veal, 2005). The qualitative approach is therefore a very suitable method for this study.

3.2.1 Justifying the Case Study Method

Within the qualitative tradition, a case study method has been selected. Although it is one of the most commonly used qualitative methods in organisational and management studies (Tharenou, Donohue and Cooper, 2007), there seems to be some confusion and misunderstanding regarding its definition (Liampitong, 2009). It is important to recognise that case study is an ‘approach or strategy of inquiry’ (Creswell, 2007, Pg.73; 2009, Pg. 11), a methodology (Yin, 2003, 2004, 2008) and a research strategy (Denzin and Lincoln, 2005a, b; Luck et al, 2006). As Van Wynsberghe and Khan (2007) demonstrate, a case study is not a data gathering technique because the researcher does not gather information using a case study but rather relies on a number of different techniques [such as in-depth interviews, observations, document analysis] to discover the case.

Yin (2003, Pg. 13) discusses the case study research strategy from a methodology perspective as ‘an empirical inquiry that investigates a contemporary phenomenon within its real-life context’. The most compelling definition, however, comes from Creswell (2007, Pg. 73), who defines case study as:

*A qualitative approach in which the investigator explores a bounded system [a case], or multiple bounded systems [cases], over time, through details, in-depth data collection involving multiple sources of information [e.g. observations, interviews, audio-visual material and documents and reports], and reports of a case description and case-based themes*

Common to all case studies is the ‘rich’ descriptive data that is gathered through the application of a range of different techniques (Veal, 2005). According to Yin (2003, Pg. 1), this rich data makes case studies a preferred approach when research
questions such as ‘why’ or ‘how’ are being asked, whilst the focus is on a contemporary phenomenon bounded within a real-life context (see also, Liamputtong, 2009). In this study, the aim is to investigate what types of control mechanisms EMNCs use in their overseas subsidiaries and how these controls influence the adaptation of their HR policies and practices. A case study method will provide answers to these questions as it places people [in this case the managers of the subsidiary], organisations [in this case the MNC] and the events [i.e. the control process itself] in their social and historical context (Veal, 2005). As such, it explores the subject from a holistic view and is thus ideal for the analysis of complex organisational processes [such as control in MNCs] (Tharenou, Donohue and Cooper, 2007).

Interestingly, case studies are also useful when the aim is to understand the problem from a dynamic point of view rather than from a static viewpoint [i.e. exploring informal or unusual processes in a case] (Hartley, 1994). This is particularly important in this study as besides understanding how control takes place within an MNC [from emerging economy] and how it influences the subsidiary’s HR policies and practices, the study also looks to explore which institutional home and host country factors [such as national culture, legal environment etc.] affect the control and HR choices in these MNCs and how do they influence such choices. The case study method fits with this study as it allows the researcher to gain an understanding into the processes that are affected by the context in which they are embedded (Tharenou, Donohue and Cooper, 2007).

There are, however, a number of different types of case studies. According to Stake (1995, 2005, 2008) a case study can fall into any of the following three classifications:

1. The Intrinsic Case Study: Allows the researcher to focus on the case itself with the intent of simply gaining a better understanding of the case. It is done not because the case illustrates a particular trait but because it’s rather interesting. For this reason, intrinsic cases are not ideal for theory building (Stake, 1995).
2. The Instrumental Case Study: Allows the researcher to focus on a particular issue and then select one bounded case that best represents this issue (Creswell, 2007). Here the case becomes a secondary to the issue allowing the researcher to choose the case according to theory [rather than its ‘typicality’ or representativeness] and to use the case to advance the theory (Stake, 1995); and

3. The Multiple Case Study: Allows the researcher to explore differences within and between several cases, so as to replicate its findings (Baxter and Jack, 2008) or predict contrasting results that are based on a theory (Yin, 2003). This method means researcher can gain the benefit of single case studies plus the advantage of comparing cases in different settings, leading to ‘better understanding, and perhaps better theorising about a still larger collection of cases’ (Liamputpong, 2009, Pg. 193; see also Baxter and Jack, 2008; Cooper and Schindler, 2011).

This study relies on multiple case studies for gathering and analysis of data. While this means that the richness of the data and the depth of analysis will be less than in single-case studies, a much deeper knowledge of the subject matter emerges through the comparative analysis of cases (Cooper and Schindler, 2011). For instance, multiple cases allow the researcher to analyse information within each setting and across multiple case settings to understand the similarities and differences between the cases (Baxter and Jack, 2008).

This results in cases either being similar due to predictable reasons [known as literal replication] or differ due to contrasting results [known as theoretical replication] (Cooper and Schindler, 2011) - literal replication being the aim for within case and theoretical replication being the aim for cross-case in this study. As such, ‘the theory-building process occurs via recursive cycling among the case data, emerging theory and later, extant literature’ (Eisenhardt and Graebner, 2007, Pg. 25). Hence a case study method is well suited for this study as it applies an inductive approach to theory-building or testing an existing theory that is derived from detailed observation of the situation (Tharenou, Donohue and Cooper, 2007). Although the case method
is not without its set of limitations, this study makes every effort to avoid any weaknesses as these are discussed in the later sections of this chapter.

3.2.2 Selecting the Cases

Defining the case is an important step towards designing case study research. As a study’s unit of analysis, it is the most important and meaningful subject of study and is the phenomenon under investigation (Tharenou, Donohue and Cooper, 2007). Whilst a case can be seen as a ‘single specific phenomenon’ (Luck et al, 2006, Pg. 104), it can also have more than one unit of analysis (Yin, 2003) making the case holistic [i.e. focusing on a single subunit or process] or embedded [i.e. focusing on subunits and sub-processes] (Yin, 1989). Keeping this two-fold view in mind, a case in this study includes understanding control as exerted by EMNCs and the consequences for the use of, and discretion over, HR policies and practices in their subsidiaries in developed countries. In other words, how is control exercised and the mechanisms by which control is maintained by the parent HQ of MNC at the subsidiary-level. Clearly, this study follows a multiple embedded design to analyse the cases where there are various units of analysis i.e. control concept in MNCs, HR policies and practices, Institutional factors influencing the choice over control and HRM and the foreign subsidiary of the MNC.

The next step involves selecting the case organisations. When described in the language of quantitative research this would be equivalent to selecting a sample that is statistically representative of a larger population (Veal, 2005). However, while this involves probability sampling, qualitative research relies on nonprobability sampling to generate case selection (Cooper and Schindler, 2011). There are several types of selection measures that can be used (Cooper and Schindler, 2011; Veal, 2005):

1. Convenience Sampling: The researcher selects a case [or cases] based on their ready availability. For example, getting access to an organisation from being a former employee.
2. Illustrative Sampling: The researcher selects a case [or cases] based on them exemplifying a particular proposition. For example, a study on leadership success may include an organisation that has high profile leaders.

3. Purposive Sampling: The researcher selects a case [or cases] based on their unique characteristics. For example, firms of similar or different sizes.

4. Snowball Sampling: The researcher selects a case [or cases] based on participant’s recommendation to others who have similar characteristics or experiences. For example, a project manager may refer the researcher to another person in a similar role.

5. Typical/Atypical: The researcher selects a case [or cases] based on their representation of the phenomenon being studied however this also includes a case that may be chosen due to its extreme nature. For example, a study examining the secrets of success may include a successful organisation as part of its case study.

For this study, a combination of purposive and convenience sampling approach is followed in the selection of cases. More particularly, this study will adopt a maximum variation sampling - i.e. purposefully picking on a wide range of dimensions of interest [includes both typical and extreme cases and any other cases that can be identified within the criteria] (Patton, 1990). This purposive sampling technique is appropriate for this study as it allows for extending existing theoretical categories whilst claiming replication [literal or theoretical] in any given situation (Malik, 2009). It is thus ideal for both – theory building as well as theory testing. Hence from the literature identified in Chapter 2 and Chapter 4, the following case criteria’s have been selected for this study:

1. The study focuses on EMNCs and their subsidiaries in a developed country i.e. in this case they are Indian MNCs with HQs in India and subsidiaries in Australia [the definition of what constitutes an MNC and its foreign subsidiary is defined in Chapter 1].

2. The study focuses on the Indian IT industry and more specifically, its IT services sector [ITSS/eS]. This sector was chosen due to their strong foothold
in the Australian market and also because focusing on a single sector reduces any deviations that may arise from the case.

3. These Indian MNCs were selected from NASSCOM’s membership database i.e. the premier body that represents the Indian IT industry.

4. The study focuses on gathering data from senior management at the subsidiary-level as they are the key decision-makers and are therefore ‘fit’ and knowledgeable for giving insights into MNC control as exerted into the subsidiary, its influence over the adaptation of HR practices and the role that institutional factors play [both location and industry-specific] in influencing the control and HRM needs of the MNCs.

Finally, when it comes to data gathering for this study, an initial list of 19 Indian IT MNCs was created from the NASSCOM directory. Out of these, 4 organisations did not choose to participate [due to unknown reasons]; 3 organisations did not fit the case study criteria [i.e. not classified into the category of an MNC] and 12 organisations agreed to participate in this study.

3.3 Data Gathering Techniques

Once the research design has been selected, the next step is to select an appropriate research method that will form the basis of data gathering as well as its analysis and writing up. For instance, when considering the scope of qualitative research several key techniques are available for exploratory investigation of research questions (Cooper and Schindler, 2011):

1. In-depth Interviews: Involves conducting lengthy interviews with a relatively small number of participants [possibly on more than one occasion].
2. Focus Groups: Allows for in-depth group interviews rather than interviewing people individually.
3. Participant Observation: Involves the researcher being a participant and making observations while the phenomenon is being studied.
4. Ethnography: Utilises a number of the above mentioned techniques, rather than a single technique; and
5. Documentary Analysis: Evaluates historical or contemporary documents [both public and confidential], including reports, magazines and so on.

Data for this study was primarily gathered using semi-structured interviews and through documentary analysis [collected from the company’s news articles and official websites].

From the case study selection standards that have been outlined in this section, data was obtained from either of the following respondents within each case:

1. Chief Executive Officer
2. President/Vice President
3. Regional Head/Organisational Development Head
4. Country Head/Country Manager
5. HR Manager
6. Project/Operations Manager
7. Accounts Manager

These respondents were chosen due to their decision-making authority at the subsidiary-level which is a major contributor for parent HQ control and due to their expertise in the subject matter. Moreover, these participants are also responsible for drafting some of the HR policies and practices at the Australian affiliate and are responsible for their direct dissemination into the subsidiary. Accordingly, interviewing these participants will allow the researcher in understanding the HQ-subsidiary relationship dynamics in EMNCs from an insider’s perspective. Lastly, these participants also hold sufficient language skills due to their education, role and status within the organisation; this will allow the interviews to be conducted in English.

As for the content of the interview, the interview guide for this study [Appendix B] was designed keeping the literature review gaps and the theoretical framework in mind [see Chapter 2]. As such, following analysis of the literature, the following
themes and categories were developed for the interview guide as they were critical in answering the research questions of this study:

1. Background Information of Respondent
2. Nature and Role of Subsidiary
3. HR Policies and Practices
4. Control Mechanisms; and
5. Home and Host Country Determinants

Prior to conducting the interviews, an Ethic’s approval from the University’s Human Ethics Committee was sought, which then formed as part of the information statement sent to the organisations [through email, fax and post] to seek their consent to participate in the interview [Appendix A]. The information statement also included a privacy clause that informed the participants of their privacy and how it will be protected during the data gathering process, including measures to store and protect the data.

Once the written consent was gained, an initial contact with the participant was made via telephone to briefly discuss the research project and fix an appointment for the interview. The researcher then travelled to their place of employment [i.e. the MNC’s Australian subsidiary] and conducted the face-to-face interview that lasted approximately one hour. These interviews were recorded using a digital audio recorder and were conducted between January 2011 and December 2012 and located across Melbourne and Sydney. An interview schedule was maintained during this period which recorded the interview’s date, time and city.

Using a semi-structured interview is appropriate for this study as it allows probing more deeply than compared to a typical questionnaire-based interview (Bisman and Highfield, 2012; Veal, 2005). For instance, a semi-structured interview facilitates two-way dialogue between the interviewer and the participant which allows the researcher to extract more and greater variety of data (Cooper and Schindler, 2011). Also, due to this dual communication process, the researcher is also able to achieve greater clarity and refinement in answers than the ones generated from an
unstructured interview (Cooper and Schindler, 2011). As such, this technique is well-suited for the exploration of a phenomenon like MNC control as it not only provides answers surrounding the unit of analysis itself but also the complexities revolving around this issue i.e. how control is implement, what mechanisms are used in implementing control, how does it influence the subsidiary’s autonomy around HRM and so on.

Similarly, this study also employs documentary analysis as a combination technique [i.e. means for triangulation] to gather data in addition to the primary semi-structured interviewing method. This method has been selected for this study as it complements the primary interviewing technique by providing it the necessary support. For instance, documents can provide background information for a case that may assist the researcher in gaining a historical insight into the case being studied (Bowen, 2009). When put into the perspective of this study, this may include finding information such as MNC’s change in ownership or merging with another company; such information may be vital for this study as it may provide insights into how the foreign subsidiary might be controlled by its parent MNC. Furthermore, information collected from documents can also sometimes assist the researcher in framing certain important interview questions that otherwise would not have been asked (Bowen, 2009). For example, in this study, these may include background issues such as the scale of subsidiary’s operations, its management style and so on. However, because documents can only reveal part of the data (Robson et al, 2001), they are used as a support and secondary technique for collecting data in this study rather than the primary technique.

3.4 Analysing the Case Studies

Once the data is gathered, the next step involved is preparation and analysis i.e. making sense of the recorded interviews and the collected text or image data. Before the actual analysis can begin, it is important to organise and prepare the data collected from the field. This includes transcribing interviews, sorting documentary texts, tying up the field notes and arranging the data into different types [if required] depending upon the source of the information (Creswell, 2009). In this study, the
data was transcribed manually whereby the researcher listened to audio recordings for each interview and created transcripts for each case. This was done to allow greater control and accuracy of the data and to reduce errors that may have come up due to the use of automated softwares. Following the transcription, all transcripts were proofread more than once to avoid any mistakes that may have occurred during the transcription process. Similarly, the documentary data collected from the news clippings and websites of the Indian MNCs was sorted and tied up with the transcripts of each case so as to obtain an overall sense of the data.

The most important part of the preparation of data however involves its coding (Charmaz, 2006). This is ‘the process of organising data into chunks or segments of text before bringing meaning to information’ (Rossman and Rallis, 1998, Pg. 171). As such, it is the first step that begins the actual analysis of the data. In this study the coding was based on the overarching themes that the researcher would expect to find based on the extant literature and on the theoretical perspectives discussed in the literature review [i.e. Chapter 2]. The idea behind this process was to refine and develop the existing theoretical claims and their relationship with the core categories. Moreover, reflective memos were used during this process as they provided the researcher to capture ideas and insights while generating the codes. Similarly, field notes that were taken during the interviews were also used to assist the researcher in developing codes. As such through the coding of data, the researcher is able to look for patterns emerging in the existing categories from the literature that result in the construction of new theory.

3.4.1 Within-Case Analysis

More in-depth analysis beyond the preliminary coding involves two more stages - within-case analysis and cross-case analysis (Miles and Huberman, 1994). In within-case analysis the researcher must develop an interpretation of the data that reflects the participant’s experiences and apply them equally across all descriptions that constitute the dataset (Ayres, Kavanaugh and Knafl, 2003). In order to do this, the researcher can choose from the following three strategies (Burns, 1997; Yin, 1994; 2003):
1. Pattern Matching: This technique associates the features of a case to what might be anticipated from an existing theory.

2. Explanation Building: This technique allows the development of a logical/casual explanation by referencing back and forth between the theory; and

3. Time Series Analysis: This technique allows for development of explanations by noticing change over a particular time-period.

In this study, a pattern matching investigation was used in the analysis of within-case data as it allowed the researcher to identify, analyse and report patterns in each case whilst linking various pieces of information to the theoretical proposition identified in the literature. In this study, the aim is to find patterns into the type of control mechanisms that each Indian MNC [i.e. EMNC] uses in its Australian subsidiary and the extent to which they are used. Similarly, another pattern involves finding how control mechanisms influence the subsidiary’s autonomy in the adaptation of HR policies and practices. From the resulting patterns that emerge within each theme or category, the information will then be matched with the proposed Behaviour, Cultural and Output Control theory to make sense of the data – to provide new concepts, insights and perspectives into MNC control. As such, the pattern matching technique fits the within-case analysis process adopted in this study.

However, a pattern matching strategy by itself may not be sufficient when the study involves a large number of cases, generating a large bulk of information which requires a lot of time to analyse. Given this study involves analysing twelve cases with large dataset, it will rely on the use of data reduction and display techniques to aid in the pattern matching replication within cases. That is, each case will be studied in a condensed form and will rely on visual displays [i.e. tables, charts etc.] to present and summarise the data within different categories. Not only do these techniques allow the researcher to compare empirically based patterns with a predicted one [or with several predictions] (Yin, 1994), it also brings clarity and focus to the overall dataset. As such, this technique fits well with this study as it allows for the exploration of similarities and differences between various categories and themes of data (Malik, 2009). Subsequently, this study also uses thematic
analysis and explanation building technique to develop logical explanations of why and how EMNCs control their foreign subsidiaries in developed countries; this is explained in the next section of cross-case analysis.

3.4.2 Cross-Case Analysis

After the within-case analysis, the researcher needs to engage the data into cross-case analysis. This method is critical in the analysis process as it enables the researcher to explain relationships in priori variables by linking and comparing one case to the other. That is, cross-case analysis helps to understand multiple case studies by building explanations and testing them systematically (Miles and Huberman, 1994). It is thus an important aspect of the data analysis in case study method. In this study, thematic analysis and explanation building techniques were used to develop and understand a deeper meaning of the phenomenon by analysing multiple cases. This was done in two steps (Braun and Clarke, 2006):

1. The researcher first examined each case on an individual basis and used participant’s experiences, insights and descriptions through words and written texts to find a pattern in the meaning [i.e. within-case analysis];
2. The research then examined the cases collectively to compare participant’s experiences, insights and descriptions in groups and across a range of texts and categories to find repeated patterns in the meaning [i.e. cross-case analysis].

Once these repeated patterns were found, they were then linked with the theoretical perspectives found in the literature to build logical arguments [and even contradictions] around theory. This allows for new theory-building and adding to the existing theoretical concepts. Hence through cross-case analysis, this study will aim to make a significant contribution to the theory-building efforts on MNC control.
3.5 Limitations of Qualitative and Case Study Research

Qualitative case study research is a widely accepted research design that is especially appropriate for studying subjective and interpretive meanings revolving around people's experiences in the context of their lives (Liamputtong, 2009). There are, however, at least two important limitations that must be acknowledged. First, the findings of case studies cannot, of course, be generalised to a broader population of similar cases (Creswell, 2009). In this study, no attempt is made to argue that the twelve cases of Indian IT MNCs in Australia are typical or representative of all subsidiaries of Indian IT MNCs operating in Australia, let alone all subsidiaries of EMNCs operating in all developed countries. Rather, the general lessons learnt from the twelve case organisations reported here – the theoretical contribution made by this thesis – flow from the new theory or general propositions generated by exploratory research through case studies in an area where extant theory is limited. As emphasized in the conclusions to Chapter 6, it is up to future research – employing different methodological approaches – to test, confirm and/or dismiss the theoretical suggestions made in this thesis.

Second, some researchers view qualitative research as an approach that is too subjective and is sensitive to human error due to bias in data collection and interpretation (Cooper and Schindler, 2011). This brings light to the issue of validity and reliability in qualitative research methodology. For instance, one of the most talked about issues in criticising qualitative research is it lacks rigour and hence qualitative research findings are seen as unreliable (Liamputtong, 2009). However, according to Yin (2003) validity [both external and internal] in qualitative research can be achieved by listing detailed accounts of the procedures involved in conducting the research. In this study, several reliability measures were undertaken to enhance the accuracy of findings. These include steps such as:

1. Planning a robust research design.
2. Providing a structure to the study through multiple case study method.
3. Selecting participants using purposive sampling [i.e. based on knowledge and their unique characteristics]
4. Gathering data through multiple sources [i.e. interviews, field notes, documents etc.]
5. Proofreading transcripts for errors.
6. Using codes to systematically organise and categorise raw data.
7. Conducting pattern-matching and data display to assign meaning.
8. Cross-comparing cases to enhance consistency; and
9. Using rich [thick] descriptions to convey findings [i.e. using quotes from key informants, presenting in-depth stories and factual descriptions, linking with theory]

These measures will ensure the study’s authenticity and credibility and will reduce any chances of its generalisability. Similarly, while employing case study method one of the most commonly occurring challenges includes exploring issues that may be too broad to answer [i.e. case binding] (Baxter and Jack, 2008). That is, the case may become vulnerable due to being too narrow or too broad (Horn, 2007). However, this was not the case in this study as its research topic, case selection and research questions were guided by the literature and its theoretical framework. This placed boundaries [such as in context or definition, place or time etc.] on the case to make it reasonable within its nature and scope of study. Accordingly, every effort was made in this study to overcome these challenges by employing systematic procedures and taking appropriate steps.
3.6 Conclusion of Chapter

This chapter has presented a detailed description of the research methodology used in this study to answer its research questions. In doing so, this chapter has made a clear argument to defend the rationale as to why qualitative research was selected for this study. By explaining the study’s methodological design and structure in a coherent and hierarchal manner, this chapter has also displayed the credibility and authenticity in its methodological robustness. For instance, the study triangulates data from various sources and analyses them through within-case and cross-case investigation for building new theoretical categories.

The study also followed all the necessary case study protocols and made every effort possible to minimise the errors that may have occurred during any of its procedures. In summary, this study aims to make a significant contribution to the MNC control theory and its implications on HR practices by discovering new insights into the discipline and opening new possibilities for further research. The next chapter will provide an insight into India’s unique IT Industry and will discuss its literature as well as the literature on Australia as a destination for foreign investment among MNCs.
CHAPTER 4:

GROWTH OF THE INDIAN IT INDUSTRY AND ITS MANIFESTATION IN AUSTRALIA

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4.1 Introduction of Chapter

This chapter will provide an overview of India’s unique IT industry as well as Australia’s emergence as a host destination for foreign investment. More particularly, it will highlight some of the key aspects of the two countries that are relevant to the topic being discussed in this study. That is, examining control and HR practices in EMNCs and their subsidiaries in developed countries. This is important as understanding industry-specific and country-specific factors will allow us in identifying certain HR and control issues that may influence the HQ-subsidiary relationship in MNCs. Accordingly, this chapter will discuss India from its information technology industry perspective and Australia within its foreign market context. Overall, this chapter will aim to:

1. Provide a brief overview of the evolution of IT, its various stages of development and its growth into a global industry.
2. Discuss the Indian IT industry and in particular it’s IT services sector and its contextual environment.
3. Highlight some of the key HR issues and challenges that are faced by firms in the Indian IT industry.
4. Provide a brief overview of Australia and its economy in the context of foreign direct investment.
5. Explain the necessary Australian business requirements including its employment relations and legal system for consideration by foreign firms; and
6. Highlight India’s IT investment in Australia as well as trade relations between the two countries.
4.2 The Evolution of IT and Its Global Industry

According to Cooper and Zmud (1990); Fichman (1992), IT refers to any system, product or process whose underlying technology base is composed of computer-based hardware and software. In other words, it is the use of computers and software’s to manage [i.e. store, protect, process, convert and transmit] information. It is also known as management information systems [MIS] due to its strong reliance on the use of computer systems for handling information.

The evolution of IT began in the 1930’s when punched card units and record machines were starting to be widely used for limited data processing (Mukherji, 2002). The first electronic digital computer was built in the US and was unveiled at the University of Pennsylvania in 1946. It weighed around 30 tons, contained 18,000 vacuum tubes and costs approximately 500 thousand dollars (Forester, 1986). During the 1950’s and the 1960’s, the computer industry gradually expanded, but it was the invention of the computer chip in 1971 [i.e. the microprocessor] by a company called ‘Intel’ - that led to the mass-scale production of personal computers [PC] (Eischen, 2000). The emergence of cellular radios and satellites and the rise of professional computers and integrated softwares soon followed in the 1980s (Forester, 1986). By the early 1990’s, growth in the computer market rose substantially and as computing power and memory beyond basic user needs increased, so did the use of computer software, which made PC a household commodity.

More directly relevant to this thesis, the expansion of computing and the internet gave prominence to software applications being used by business organisations for enterprise resource planning, database and internet communications (Eischen, 2000). The transformation of internet into a global phenomenon occurred with the creation of ‘http’ and internet ‘browser’ in the 1990’s meant that during the 2000s a vast network of computing power could be accessed both locally [via Ethernet] and globally [via Internet] (Eischen, 2000). The subsequent convergence between the internet and wireless communications resulted in the development of new technologies such as web 3.0, online markets, social networking, p2p networks, cloud computing, mobile and touch computing, tablets, and apps. These technologies
represented a fundamental change in the way IT is developed, shared and used between consumers across the globe, be they the individual users or private firms.

The rapid growth of IT also meant that companies designing, manufacturing, installing and servicing computers have emerged as one of the fastest growing industries across the world. Many of these companies are MNCs (Roche, 1992) that include outstanding examples from emerging economies as they are seeking to expand into value-added products and services (Moghaddam et al, 2014). For instance, countries like India and Ireland have experienced a significant growth in their software and services industry; revenues generated from software’s having reached $US 9.3 billion in Ireland and $US 8.3 billion in India in 2001 alone (Giarratana, Pagano and Torrisi, 2005). Much of this growth is accounted for by software exports which constitute about 75% of total Indian sales and 84% of Irish sales (Giarratana, Pagano and Torrisi, 2005). In India, for example, production of software was virtually non-existent during the early 1980s, but by the early 2000s, the Indian software services industry [i.e. IT services] by itself was employing more than 450,000 employees (Arora and Gambardella, 2004).

4.3 The IT Industry in India

The Indian IT industry is one of the most rapidly growing IT industries in the world. It was started in the 1970s, when the Indian government encouraged exports by allowing firms to develop softwares in exchange for computer hardware imports (Athreye, 2005). Initially, the bulk of the Indian IT industry was centered on few clusters, Bangalore being the main hub for its location - branded as the Silicon Valley of India (Arora and Bagde, 2006). However, as technology progressed the Indian software industry witnessed significant growth around the country and progressed faster when measured against the performance of other industrial sectors in India (Athreye, 2005). For instance, during the 1990s and 2000s, the Indian IT industry was worth $US 5.7 billion while ten years back it was only worth $US 150 million (Chakraborty and Dutta, 2003) showing the level and speed at which it has grown. In recent times, this domestic share of the Indian IT industry has grown substantially from $US 15 billion approximately to $US 17.4 billion [excluding
hardware sales] making it one of the largest sectors of the country (Kathpalia and Raman, 2014).

Interestingly, although India’s domestic IT market is growing fast; it is India’s IT exports [in particular, software and services exports] that have become its key growth indicator (Chakraborty and Dutta, 2003). For instance, Indian software exports were about $US 128 million annually in the 1990s and grew to $US 12.2 billion by the early 2000s (Arora and Bagde, 2006). In fact, in the last 10 years or so, the Indian IT export sector has grown at an annual average rate of 30%, with exports in 2008 reported to be close to $US 60 billion (Bhatnagar, 2006). And by 2015 it is expected that this sector will be so strong that it will generate revenues of $US 130 billion, generating 14.3 million in employment opportunities [www.nasscom.in] (NASSCOM, 2011). The Indian IT industry has become the most important contributor to growth within the Indian economy – one that changed the image of the country from being a rural, agricultural and heavy-industries based economy to one that is knowledge and technology orientated (Chatterjee and Heuer, 2006; Nagaraj, 2000). Figure 4.1 provides a geography-wise split of India’s IT exports, indicating UK and UK to be the key export markets for Indian IT firms.

The Indian IT industry, however, is segmented. For the purpose of this study, the Indian IT sector will be divided into two broad categories:

1. IT Hardware sector [ITHM]; and
2. IT Software and Services sector [ITSS/eS] [includes software services and IT-enabled services such as consulting, maintenance, business process outsourcing etc.].

It is important to note that the focus of this study is exclusively on the Indian IT services sector [i.e. software services and IT-enabled services]; the IT hardware sub-sector will not be included in this study. The later sub-sector will now be explained in much more detail and, for the purpose of this study, will be referred to as the Indian IT Services industry.
4.3.1 Overview of Indian IT Services Sector

The IT industry in India has come to be dominated by its software and services sector [i.e. ITSS/eS] (Kumar, 2011), with over 80% of exports coming from this sector alone (Arora et al, 2001). Central to the growth of this industry was the Indian government’s initiative to set up software technology parks [STP], where 100% export-oriented firms were received tax-free exemptions and access to office-space, computer equipment and internet connections (Athreye, 2005; Vaidyanathan, 2008). The result was Indian firms exporting their IT services to more than 60 countries around the world, with two-thirds being clients from its US market, including half of fortune 500 firms (Bhatnagar, 2006). Such rapid developments have promoted India’s status as a credible provider of IT services and a preferred base for
outsourcing of operations to overseas firms and organisations. India now delivers its IT products and services on a global stage and at a competitive level that has not been seen in any other domestic industry of India since its independence (Taeube, 2004). It is projected that by 2020, export of IT services from India will reach $US 200 billion as forecasted by India’s National Association of Software and Services Companies (NASSCOM) (Gupta, Pande and Wang, 2014).

Although there are economic factors [such as government initiatives and policies] that have fuelled the growth in this industry; scholars suggest this advantage lay in the opportunities that outsourcing to India gave to foreign-based organisations to reduce their costs, increase productivity and use Indian firm’s large pool of resources (Chiamsiri, Bulusu and Agarwal, 2005; Kathpalia and Raman, 2014). For instance, due to the labour-market conditions in India, there is a huge cost arbitrage for Indian IT services firms that has allowed them to offer their services at cost-efficient prices (Chakraborty and Dutta, 2003; Kumar, 2011). Furthermore, the ease with which Indian IT firms have managed to scale their operations [up or down] has also had an impact on their overall growth and success (Kumar, 2011). As a result, Indian firms have managed to create competitive organisations that not only operate within their home country but also in countries where their customers are located (Cappelli et al, 2010). These factors may be significant in enhancing our understanding of the control and HR strategies in Indian IT MNCs which are broadly the subject of this thesis.

In other words, as anticipated in the literature review chapter [Chapter 2], the types of control mechanisms used by these MNCs may vary depending upon the MNC’s home country (Harzing and Sorge, 2003) – in this case India – as well as the host country environment where subsidiary operations are established (Singh, 2012). Beyond these contextual factors, scholars have also attributed the success of Indian IT firms to a business model, which many firms have adopted and perfected, as it allows them to outsource their service offerings to the world (Athreye, 2005). For instance, Indian IT services firms develop customised softwares using a ‘Waterfall Model’ that involves a number of various stages – i.e. Requirements Analysis, High-Level Design, Low-Level Design, Coding, Testing and Post-Production Support.
(Arora et al, 2001). And while some Indian firms specialise in the entire software development cycle of this model, others simply specialise in its particular stages or processes (Malik, 2009).

In addition to the waterfall model, Indian IT firms also use a number of global delivery models [GDM] to outsource their service offerings to the world. One such widely used model that Indian IT firms rely on is the ‘Onsite-Offshore’ model, which allows member of a project team to divide work between different locations. That is, while ‘onsite’ staff work with the client [situated at the host location] to define project requirements and coordinate on regular intervals, the ‘offshore’ team [situated at the home location, i.e. India] works on the substance of the project (Agrawal, Khatri and Srinivasan, 2012). This model forms the very foundation of delivery of IT services for Indian firms, as it allows them to adopt a ‘24*7’ mode of working, where they can utilise their large pool of human resources to work on projects round the clock (Kathpalia and Raman, 2014). In terms of this thesis, this model is important because it potentially provides industry-specific insights that may help explain the control and HR choices made by Indian MNCs.

Two additional constructs important to understanding the delivery of IT services by Indian firms are the ‘Domains’ [i.e. a particular type of service delivered and its associated skillset] (Choure, 2004) and ‘Verticals’ [i.e. the different market or industry sectors to which the services are delivered]. For example, Indian IT firms use their IT software and service-specific skills and capabilities to deliver their IT solutions across a range of domains, such as Java, Oracle and Cloud computing. Similarly, some of the vertical markets in which Indian IT services firms may specialise include industry sectors such as, - healthcare, hospitality or finance. Over the years Indian IT software and services firms have specialised in these different skill-based domains and industry verticals to enhance efficiency and effectiveness in their delivery of software and services. For instance, Indian IT firms develop customised softwares using their domain knowledge for organisations that fall in different verticals (Arora and Athreye, 2002). Once in place, these softwares need to be maintained and this is where the Indian IT firms provide support services [such as
BPO, IT consulting and infrastructure management] that add another dimension to their delivery of IT services (Kathpalia and Raman, 2014).

4.3.2 Indian IT MNCs and their Employment

An essential characteristic of the Indian software and services industry are its MNCs (Dayasindhu, 2002) that have become synonymous with the country’s economic growth and emergence as a global leader in IT (Gupta and Shapiro, 2014). These multinationals were created when indigenous firms operating in India’s domestic IT services sector set up their subsidiaries in foreign countries. For example, firms such as Infosys, Tata Consultancy Services [TCS] and Wipro, all of which are headquartered in India, have established their very substantial operations overseas (Jha, 2008). These firms are moving beyond their national borders and are looking for resources and technology to serve customers in high-end segments (Singal and Jain, 2012).

The emergence of these Indian IT MNCs has produced many studies, especially into the methods by which they have to adopt equity-based entry mode strategies that involve a number of different approaches including internationalized their operations— their ‘modes of entry’ into foreign markets [REFs]. Among the various alternatives, ‘equity-based’ entry modes [which involve a number of different approaches, including strategic alliances, joint ventures and acquisitions] have been particularly important (Singal and Jain, 2012). Whilst modes of entry adopted by Indian IT MNCs is an important topic, for practice and theory, it is quite separate from the control mechanisms and HR practices used by those Indian IT firms once they have established operations overseas. Rather, the mode of entry is a potential determinant of control mechanisms which represent the focus of this thesis.

Interestingly, while there are a large number of Indian IT firms that are growing both domestically and internationally, the industry is still largely dominated by just a few indigenous firms, due to its pyramidal structure (Bhatnagar, 2006). In fact, among the total number of firms exporting IT services from India, [about 3000] three of its largest firms have each more than SUS 1 billion in annual sales, while the other
2900–odd have an average of less than $US 10 million (Bhatnagar, 2006; Mathur, 2006). An example of this includes TCS, which has risen to annual revenues of $US 1.17 billion; over 80% of which comes from outside India (Das, 2007). A vast number of firms operating in the Indian IT industry are in fact medium–to–smaller size organisations (Chakraborty and Dutta, 2003). Table 4.1 provides a list of the top 20 players in the Indian IT services sector. It is important to note that this list includes some firms whose HQs are not located in India but they do have significant India-centric delivery capabilities.

**Table 4.1: Top 20 Players in India’s IT Services Sector for 2012-13**

<table>
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<tr>
<th>No.</th>
<th>Company Name</th>
<th>No.</th>
<th>Company Name</th>
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<tbody>
<tr>
<td>1</td>
<td>Tata Consultancy Services Ltd.</td>
<td>11</td>
<td>Genpact India Pvt. Ltd.</td>
</tr>
<tr>
<td>2</td>
<td>Infosys Ltd.</td>
<td>12</td>
<td>MindTree Ltd.</td>
</tr>
<tr>
<td>3</td>
<td>Wipro Ltd.</td>
<td>13</td>
<td>Robert BOSCH Engineering and Business Solutions Ltd. [non-Indian]</td>
</tr>
<tr>
<td>4</td>
<td>HCL Technologies Ltd.</td>
<td>14</td>
<td>KPIT Technologies Ltd.</td>
</tr>
<tr>
<td>5</td>
<td>Tech Mahindra Ltd.</td>
<td>15</td>
<td>Polaris Financial Technology Ltd.</td>
</tr>
<tr>
<td>6</td>
<td>iGate</td>
<td>16</td>
<td>Hexaware Technologies Ltd.</td>
</tr>
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<td>7</td>
<td>Mphasis Ltd.</td>
<td>17</td>
<td>Infotech Enterprises Ltd.</td>
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<tr>
<td>8</td>
<td>L&amp;T Infotech Ltd.</td>
<td>18</td>
<td>NIIT Technologies Ltd.</td>
</tr>
<tr>
<td>9</td>
<td>Syntel Ltd. [non-Indian]</td>
<td>19</td>
<td>Zensar Technologies Ltd.</td>
</tr>
<tr>
<td>10</td>
<td>CSC India [non-Indian]</td>
<td>20</td>
<td>CGI Information Systems &amp; Management Consultants Pvt. Ltd. [non-Indian]</td>
</tr>
</tbody>
</table>

(Source, NASSCOM)

Many Indian MNCs in the IT services sector have adopted a unique strategy in the delivery of their IT-centric solutions; namely, ‘Body-Shopping’. This term refers to a
practice whereby IT firms recruit workers [on casual contracts] and send them to work on client premises for a particular project, however the firm itself may not be directly involved (Xiang, 2001). This practice of body-shopping has created huge employment opportunities; indeed Indian IT services firms have become the largest providers of temporary migrant workers from India (Thite and Russell, 2010; Xiang, 2001). Despite the challenges, this has made IT a viable career option for many young Indians [mostly middle-class] who are drawn towards the prospect of earning good salaries plus the opportunity to live and work outside India (Upadhya, 2006; 2007). However, to work in this industry most of the IT workers have to be engineering graduates that hold a bachelor’s or master’s degree in engineering [i.e. BEng/MEng] as well as qualifications in other computer-related fields, such as a bachelors or masters of computer applications [i.e. BCA/MCA] (Upadhya, 2007).

4.3.3 HR Issues and Challenges

Generally, the IT industry in India is very HR driven, in that it relies upon the supply of its people [i.e. IT professionals] for its performance and global positioning (Agrawal and Thite, 2003). However, the industry suffers from a number of HR issues and challenges that have affected its performance (Agrawal, Khatri and Srinivasan, 2012); these issues range from problems retention and attrition among skilled IT professionals (Thite and Russell, 2010), talent management (Bhatnagar, 2007), employee loyalty and commitment (Paul and Anantharaman, 2004) and satisfying work-life balance (Agarwal and Thite, 2003). While studies have shown most of these HR-specific problems stem from within the domestic IT services industry, in particular its BPO sector (Kuruvilla and Ranganathan, 2010; Raman et al, 2007) is yet to be seen if any of these HR matters influence Indian IT MNCs and their foreign operations [at the subsidiary-level] of these MNCs, which is the focus of this study.

4.4 Australia as a Host Country

Australia is clearly the host country for the subsidiaries of the Indian IT MNCs that are studied in this thesis. There is therefore value in locating these subsidiaries in the
Australian context and briefly summarising some features of Australia’s history, economy, political and institutional terrain that are likely [according to the theory reviewed in Chapter 2] to be relevant to the empirical analysis presented in Chapters 5 and 6.

4.4.1 Australia’s International Economy and Foreign Investment

Historically, Australia has always been a country largely built on capital from abroad [in the form of FDI] and it remains in the 2000s one of the more popular destinations in Asia-Pacific for foreign investment (Yang, Groenewold and Tcha, 2000). Many sectors of the Australian manufacturing [such as motor vehicles, white goods] are dominated by MNCs, while its vast natural resources are predominantly owned by foreign enterprises (McDonnell, Stanton and Burgess, 2011). In 1990, Australia was ranked seventh behind the US, UK, Spain, France, Belgium and the Netherlands as a favorite destination for FDI (Yang, Groenewold and Tcha, 2000). Similarly, between 2000 and 2002, Australia’s inward FDI increased from $AU 9.1 billion to $AU 22.8 billion, with over 50% of capital coming from the US and UK alone (Faeth, 2010; see also Figure 4.4). Australia’s global share of FDI inflows increased to 3.5% in 2012 as compared to 2.8% in 2011 (Australia Trade Commission Report, 2012). The AT Kearney’s 2013 FDI index [www.atkearney.com.au] suggested that Australia was ranked in sixth place for FDI investment with annual revenues of more than $US 2 trillion.

The reasons for this popularity with regards to India’s FDI investment into Australia are many. With 40% of its residents coming from migrant backgrounds, almost 1/6th of its population speaks a language other than English (Patrickson and Hartmann, 2001). Moreover, as compared to other Western countries, Australia has a highly educated workforce of 11 million, with 33% of its population having attained tertiary education (De Cieri et al, 2009). Australia’s political and social environment is stable and supportive of foreign companies and MNCs to establish their affiliates and subsidiaries (Johnston and Menguc, 2007). Australia is also in the rare position as it has a strong European culture but being geographically located in the rapidly growing region of Asia-Pacific (De Cieri and Dowling, 1997). The climate for
foreign investment in Australia has also been more accommodating towards foreign investment in recent years because the Australian economy has become very internationally trade-oriented (Kalfadellis, Gray and Freeman, 2006); since the 1980s, it has moved away from a previously inward-looking and fiercely protected or restrictive economy towards one that is highly competitive, open and outward focused (Nolan, 1996).

**Figure 4.4: Australia’s Total Foreign Investment for 2011**

(Source: Australian Bureau of Statistics, 2013)

### 4.4.2 Key Institutional Constraints

There are at least three key institutional constraints on the entry and operation of MNCs in Australia. First, Australia has its own policy for FDI which allows for specific interventions by its federal government (Sadleir and Mahoney, 2009). Since
the 1980s, the FDI policy in Australia has become more open and liberalized, along with flexible exchange rates and low tariffs on imports, in an attempt to encourage foreign investment, but the government [through the Treasurer] still assesses and sometimes rejects major foreign investments (Pratt and Poole, 1999; Sadleir and Mahoney, 2009).

Second, Australia also has a well-developed employment and industrial relations [ER/IR] system which mandates a wide range of minimum employment standards as well as permitting unions, businesses and employer associations to work with employees to bargain wages above these minima. The details of the system have changed significantly over recent years, but the extensive regulation most relevant to the IT industry has since 2009 come through federal legislation in the form of the Fair Work Act (Bray et al 2011). Minimum standards are contained in both the legislated National Employment Standards (ibid, Chapter 9) and many more industry-specific employment rules contained in awards, including wages, hours of work and leave entitlements (ibid, Chapter 10). Legally, foreign businesses are obliged to meet these minimum standards when conducting their operations in Australia, with compliance being the responsibility of a statutory agency called the Fair Work Ombudsman [www.fairwork.gov.au]. Beyond these minimum standards, higher wages and better working conditions for employees can be negotiated through either individual common law contracts of employment or through collective agreements.

Third, one of the most important regulatory requirements for foreign firms and MNCs involves adhering to Australia’s immigration laws and policies. This is particularly important for skilled migrants [such as IT professionals], as they have grown significantly [at an annual rate of 12%] in the last few years to a total of over 200,000 (Masanauskas, 2013). Australia had a history of preference for encouraging permanent migrants until the mid-1990s, after which an increasingly popular temporary migration scheme developed. The most widely used temporary migrant visa is referred to as a 457 visa, its key characteristics being described by the Department of Immigration and Border Control (2013) factsheet as:
• The program is uncapped and driven by employer demand. This generally means employers will sponsor overseas workers more in times of high economic growth and low unemployment.

• Businesses can employ overseas workers for up to four years in skilled occupations only.

• Businesses must meet [or commit to meet] the prescribed training benchmarks for the program, which requires an ongoing commitment to training activities for Australian citizens and permanent residents.

• Strong worker protection measures are in place to ensure that overseas skilled workers are provided the same workplace rights as Australian citizens.

This temporary migration scheme has provided a mechanism by which both Australian domestic and MNCs have brought skilled workers to Australia, especially in the rapidly growing resources sector, but also in the IT industry (Bahn and Cameron 2013). The constraints on the use of this visa appear significant: they are restricted to certain workers occupations; where there is a demonstrated skill shortage; they are of limited duration; they must be accompanied by training schemes and they must ensure that the temporary migrants receive the same employment benefits and rights as Australian workers. However, there has been considerable controversy over recent years about the number of such visas being issued and their consequences for a variety of domestic stakeholders (Bahn et al., 2012; Jakubowicz, 2013). Indeed, there have been some accusations that Indian IT companies operating in Australia have abused the system (Cooper, 2013).

4.4.3 Australia-India Trade Relations

The trading links between Australia and India were historically limited, but they have increased substantially in recent years (Joshi, 2001; Choudhary, 2011). By 2004, Australian sales of goods and services to India were amounted to $AU 6 billion (Richardson, 2005). By 2007, India was ranked as sixth largest importer of material goods and eighth largest importer of services to Australia (Mayer and Jain, 2010). Australia’s interest in India has increased particularly because the Indian economy is the second fastest growing economy in the world, behind China (Mayer
and Jain, 2010). Both Australia and India are apparently keen to tap into this opportunity to strengthen their bilateral ties and there have been moves to gain India the status of a ‘most favoured’ trading partner and to explore a free trade agreement (Australia-India FTA Joint Report, 2010). The most significant industry for Australia-India trade includes sectors such as higher education, IT, infrastructure and manufacturing. There has also been increased Indian investment [FDI] in Australia over recent years, resulting of course in an increased presence of Indian MNCs:

‘With the recent opening of the Indian economy, however, flows of Indian investment into Australia have been rising, albeit off a low base. The stock of inward investment [including portfolio investment] increased almost nine-fold to approximately $US 758 million during the period 2002-07/08 reflecting average annual growth of 55 percent’ (Australian-India FTA Joint Report, 2010, Pg. 26).

Specifically, in IT a government report identified 26 Indian IT firms with significant operations in Australia in 2006 ((Australia-India FTA Joint Report, 2010, Pg. 62). Many of these companies have not been publically conspicuous, but occasionally media outlets report some of the initiatives involving Indian IT companies in Australia. For instance, one journalist prophetically wrote about the early entry of Tata Consultancy Services and Infosys into the Australian market (Philipson, 2002). In 2009, Indian IT giant Infosys announced that it has been chosen by Telstra as a key strategic partner to support its five-year $AU 450 million application development and maintenance plan (Bingemann, 2009). Following such ventures, the Australian government is keen to promote foreign investment and bilateral ties with India in order to continue to grow and flourish (Penter and Pervan, 2009). In 2013, another example came with the enthusiastic promotion of initiatives made by the Australian subsidiaries of five big Indian IT MNCs [namely, Infosys, Wipro, Tata Consultancy Services, Mahindra Satyam and HCL] (Clarke, 2013).

One of the most significant components of the Indo-Australia bilateral relations includes movement of people and development of knowledge between the two countries. For instance, the inflow of Indian IT professionals to Australia was
recognised early as something of a phenomenon as more and more entered Australia on temporary business visas (Xiang, 2001).
4.5 Conclusion of Chapter

After briefly reviewing the literature on the Indian IT industry and its growing prominence in Australia, it is apparent that India’s IT industry has grown enormously while its IT services sector has become the backbone of its economy. Moreover, firms in Indian IT services sector have adopted several business strategies and models that have made this industry distinctively unique. Despite the shortfalls and the usual challenges, Indian MNCs from the IT services sector have managed to establish a major presence in Australia due to its emergence as an ideal destination for foreign investment. Hence, while Indian IT firms provide outsourcing services to Australian clients and customers, its large pool of IT professionals are a significant source of skilled migration to Australia.

Besides providing an overview of the Indian IT industry and its contextual environment, this chapter has also discussed Australia as a host country and a growing foreign market. In particular, what are the business, employment and legal requirements for foreign firms and MNCs to successfully conduct their business operations in Australia? Describing these location-specific and industry-specific aspects that includes home and host country factors are important as they may play a significant role in revealing how EMNCs may behave around control and HR practices. As such, while this chapter has looked at reviewing the literature on the various aspects of India and Australia, the next chapter will provide a detailed case-to-case exploration of the twelve case study samples gathered from the fieldwork in this study.
# CHAPTER 5:

**WITHIN-CASE ANALYSIS AND REPORTING OF CASE STUDIES**

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<td>5.14</td>
<td>Conclusion of Chapter</td>
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5.1 Introduction of Chapter

This chapter will present the data collected from the 12 case study organisations to provide a brief account of findings from the semi-structured interviews and documentary analysis [as discussed in Chapter 3]. More particularly, it will provide individual case-by-case evidence on the control mechanisms used by HQs of Indian MNCs in the transfer and adaptation of their HR policies and practices at the Australian subsidiaries. Consistent with the data analysis methods anticipated in Chapter 3, this chapter will rely upon pattern-matching, data-display, and data-reduction techniques to select and summarise information gathered into major themes and categories as described in the research methodology chapter. Furthermore, by organising the data, extracting the essence and noting its frequency, this chapter will aim to find consistencies across each particular case study. This will allow for simplification of complex data in a way that allows the peculiarities of each case to be distilled and conclusions to be drawn in each case explaining the link between adoption of control mechanisms and the association between these mechanisms and the HR policies and practices adapted.

In accordance with ethics approvals and commitments to the case organisations about confidentiality, each case has been assigned with a pseudonym of a letter and will begin by providing an overall corporate background of the MNC. Some of the essential information about the cases is reported in Table 5.1.

The accounts of all cases are reported in a common format, with three sections [i.e. 1) Control Mechanisms, 2) HR Policies and Practices; and 3) Determinants of Control Mechanisms]. These substantive sections not only reflect the research questions and the major themes in Chapter 2 and 6, but they also prepare the way for the comparative cross-case analysis in Chapter 6. So, through within-case analysis, this chapter will aim to:

6. Present contextual background and elaborate on the main characteristics of individual case study MNCs.
7. Provide evidence on the presence of control mechanisms used by HQs of Indian MNCs across each case site.

8. Provide evidence on the transfer and/or adaptation of HR policies and practices from individual HQs in India to their respective Australian subsidiaries.

9. Explore the presence of external and internal, home and host country determinants of control affecting HQ-subsidiary relationship across individual case sites; and

10. Justify key components of individual case studies based on citations from key witnesses to draw conclusions from the data.
## Table 5.1: Comparative Table of Indian MNC Case Study Organisations

<table>
<thead>
<tr>
<th>Indian Multinational Corporations</th>
<th>Indian Headquarters</th>
<th>Australian Subsidiary</th>
<th>Employee-Count [Global vs. Local]</th>
</tr>
</thead>
<tbody>
<tr>
<td>Company A</td>
<td>Gurgaon</td>
<td>Sydney</td>
<td>55000 vs. 40</td>
</tr>
<tr>
<td>Company B</td>
<td>Mumbai</td>
<td>Sydney</td>
<td>8733 vs. 67</td>
</tr>
<tr>
<td>Company C</td>
<td>Bangalore</td>
<td>Sydney</td>
<td>151151 vs. 2900</td>
</tr>
<tr>
<td>Company D</td>
<td>Hyderabad</td>
<td>Melbourne</td>
<td>33353 vs. 500</td>
</tr>
<tr>
<td>Company E</td>
<td>Bangalore</td>
<td>Sydney</td>
<td>11000 vs. 35</td>
</tr>
<tr>
<td>Company F</td>
<td>Bangalore</td>
<td>Sydney</td>
<td>38798 vs. 340</td>
</tr>
<tr>
<td>Company G</td>
<td>Noida</td>
<td>Sydney</td>
<td>7444 vs. 75</td>
</tr>
<tr>
<td>Company H</td>
<td>Bangalore</td>
<td>Sydney</td>
<td>18273 vs. 80</td>
</tr>
<tr>
<td>Company I</td>
<td>Chennai</td>
<td>Sydney</td>
<td>9192 vs. 80</td>
</tr>
<tr>
<td>Company J</td>
<td>Mumbai</td>
<td>Sydney</td>
<td>238583 vs. 1450</td>
</tr>
<tr>
<td>Company K</td>
<td>Bangalore</td>
<td>Melbourne</td>
<td>135920 vs. 1450</td>
</tr>
<tr>
<td>Company L</td>
<td>Bangalore</td>
<td>Melbourne</td>
<td>500 vs. 22</td>
</tr>
</tbody>
</table>

(Source: Compiled from interview data and various secondary sources including NASSCOM, 2012)
5.2 Case Study 1: Company A

Organisation: Company A Australia
Premises: Sydney Subsidiary of Company A
Participant: Vice President [Business Development] – Australia & New Zealand
Date: 25th July 2012

Company A Australia is the Australian subsidiary of Company A, a global provider of business process and technology management services to companies around the world. The company blends its expertise in computing and analytical capabilities to provide a wide range of IT services revolving around business process outsourcing, IT infrastructure management and consulting (Company A Profile, 2012). The company earns total revenues of $US 1.6 billion, with a worldwide workforce of over 55,000 employees servicing more than 600 existing and new clients. It has earned numerous quality control certifications, such as COPC, SAS70, CMMi-Level 5, ISO 27001. The global company owns a broad portfolio of core enterprises that provide industry-specific services in a range of sectors from banking and insurance, pharmaceutical and healthcare to retail and automotive. Company A started its operations in 1997 and was established as an independent business unit of a larger global MNC before becoming Indian-owned. It became an independent public limited company in 2005 and was successfully listed on the New York Stock Exchange [NYSE] in 2007 (Company A Factsheet, 2012).

Headquartered in Gurgaon, India, Company A states that it has been ‘catering to the needs and demands of its Australian clients’ for the past ten years through an offshore delivery model without an onsite presence. However subsequent business growths have forced the company to establish its first physical presence in Australia in 2008. The company’s Australian subsidiary is located in Sydney and has a total of 25 employees, comprising 3 expatriate managers, 21 IT professionals and 1 clerical/support staff. Company A has been one of the first Indian IT MNCs to successfully adopt innovative processes as Six Sigma, Smart Enterprise Processes
to deliver effective and efficient business outcomes. For example, the company has a dedicated team of lean six sigma experts providing in-depth process knowledge and insight. The company claimed that this has helped it in understanding the value IT process brings in satisfying customers, driving revenues and generating profits (Company A Factsheet, 2012).

5.2.1 Control Mechanisms in Company A

All three measures of control are evident at the Australian subsidiary of Company A. As summarised in Table 5.2, the HQ displays a very high reliance on controlling the desired output and behaviour, whilst moderately using cultural mechanisms of control in managing its Australian subsidiary. For instance, all employees [leaving the clerical staff] at the Australian subsidiary [including professional and managerial staff] are Indian expatriates. These managers keep a very close check on their subordinates and constantly measure them in terms of their project results and billable customers. They then report this information back to the parent HQ which allows the subsidiary to follow similar operating standards as derived from their parent MNC. This is stated by the subsidiary manager who explains:

Table 5.2: Control Mechanisms Used by Company A in its Australian Subsidiary

<table>
<thead>
<tr>
<th>Indian Multinational Corporation</th>
<th>Control Mechanisms in Australian Subsidiary</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Behaviour Control</td>
</tr>
<tr>
<td>Company A</td>
<td>High</td>
</tr>
</tbody>
</table>

(Source: Interview Data)
‘We follow everything derived from our parent where practicable as the framework is well laid out; I know what I can do and what I can’t; most of the times our HQ agrees and where they can’t, I agree to disagree and move on’ (Interview Company A Manager, 25/07/2012).

Despite limited training in corporate norms and values, the subsidiary supports some degree of informal and non-hierarchical relationships between managers and subordinates to spread its corporate culture. Also, while working closely with HQ in India, the subsidiary maintains regular contact with other subsidiaries through the MNC global network. This and other practices suggest HQ’s moderate use of socialisation and networks to reinforce its corporate culture in its Australian subsidiary. This is again described by the subsidiary manager:

‘Majority of our staff are Indian nationals and while this may change in the future, I have to make sure that our employees remain well integrated with the larger company and so right now I don’t have to face that challenge.’

The manager further adds:

‘A lot of our consultants work with our European subsidiaries or our subsidiary in the US and we make sure that we have knowledge sharing sessions through teleconferencing’ (Interview Company A Manager, 25/07/2012).

Lastly, output control systems such as budgeting and cost-control tools are heavily used within the subsidiary as a means of keeping a check on the overall and day-to-day activities of the affiliate. For instance, a small finance team at the subsidiary communicates its requirements to the parent and based upon this information a budget is allocated to the affiliate. Hence evaluation criteria like revenues and profitability remain key to measuring overall success and HQ’s ability to increase or decrease the allocated budget for its Australian subsidiary. Speaking on these issues the subsidiary manager says:
‘The quantitative numbers have to be met; if they are not met then you really can’t sustain a business. However, once you meet these, then you can have a debate about whether it’s more important to over-achieve these or is it more important to achieve other soft aspects, such as appropriate client spread or people development’ (Interview Company A Manager, 25/07/2012).

5.2.2 HR Policies and Practices in Company A

As summarised in Table 5.3, HR policies and practices at Company A Australia are consistent with the control mechanisms used by HQ.

**Table 5.3: HRM Practices Found in the Australian Subsidiary of Company A**

<table>
<thead>
<tr>
<th>Indian Multinational Corporations</th>
<th>Transfer of HR Policies and Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Recruitment &amp; Selection</td>
</tr>
<tr>
<td>Company A</td>
<td>HQ</td>
</tr>
</tbody>
</table>

(HQ) Managed by Headquarters  
(S) Conducted by Subsidiary  
(Source: Interview Data)

With regards to recruitment and selection policies at the Australian subsidiary, decisions come largely out of India due to the global staffing practices adopted by this company. That is, the HR team in India is mainly responsible for providing managerial and technical employees to the Australian operations, which includes managers and IT professionals. These expatriate employees are sent on 457 work visas for a period of 2 to 4 years. While the majority of them go back to India upon
the completion of their project, some employees [such as project managers] end up staying permanently. The manager of the Australian subsidiary says:

‘In practice we are always aligned in the sense that we can decide whom to recruit locally however, in theory the HQ can say no; right now we only have ten percent local Australian staff and the remaining come from our larger company in India’ (Interview Company A Manager, 25/07/2012).

He then states:

‘The local labour market affects us a lot as it impacts the ability to hire local talent as these kinds of consultants are hard to find’ (Interview Company A Manager, 25/07/2012).

Training and development within the Australian subsidiary is conducted through a combination of individual [local-provider] programs as well as group-based training [company intranet and e-learning]. Employees from the subsidiary [especially managers] are sent back to the HQ in India once a year as part of the company’s attempt to integrate them into the larger organisation. Additionally, in-house training, employee induction and informal peer-subordinate mentoring are some of the other methods the subsidiary relies upon to provide training and development at the local-level. Training is therefore done through both socialisation-based and technical-based efforts aligned with the control needs of Company A. This is explained in the words of the manager:

‘The HQ decides what training needs exist within our subsidiary and we use a combination of local training providers, online training as well as alliances that we have globally so it’s both.’

He further adds:

‘During two or three times a year some of our employees may go through training that requires them to travel overseas and besides that we also have informal
inductions where employees go through a checklist’ (Interview Company A Manager, 25/07/2012).

When it comes to pay and performance of managerial, professional and clerical staff, all employees are paid according to local awards and the payroll is centrally managed by HQ in India. More specifically, the task of the Australian subsidiary is to simply provide market intelligence to the Indian HQ in order for them to manage payroll and conduct performance reviews of employees at the subsidiary-level.

In terms of employee involvement and communication, the MNC does not believe in relaying any private or sensitive information [such as subsidiary staffing and selection, financial investment etc.] to the affiliate and its staff members. That is, most of the information generated is managed by the Indian operations due to centralised decision-making. As explained by the subsidiary manager:

‘See you don’t share individual salaries right, we mostly share business targets otherwise how do you achieve them’ (Interview Company A Manager, 25/07/2012).

Overall, data gathered from the Australian subsidiary of Company A did not detect any variance in HRM policies and practices across categories of employees. Moreover, while there is evidence to suggest that home country HR practices prevail at the subsidiary-level, there is also a low-level of localisation that exists within the subsidiary [as evident by some of the training and developed practices adopted locally]. The manager of the subsidiary states:

‘We are autonomous when it comes to decisions regarding deploying the right resources to pursue the right deal or consulting project. However, when it comes to policies regarding salary grids, HR practices, health and safety measures, performance review cycles etc., they are in fact global policies and not just Australian’ (Interview Company A Manager, 25/07/2012).
5.2.3 Determinants of Control in Company A

The influence of multiple determinants of control was very much evident in this case study. That is, external factors such as MNC country of origin [COO] and host country legal framework influenced the way HQ transferred its HR policies and practices, while host country’s national culture remained an insignificant factor. For instance, the COO effect was very much evident in the manner the company hires employees for its Australian subsidiary through the use of ethnographic staffing; in other words, the bulk of its staff are Indian expatriates whose low-cost, specialised skills are used to deliver its services. This effectively integrates the control and HRM practices at the Australian subsidiary with those of the parent country.

There was, however, some fine-tuning of certain HR policies and practices as a result of the Australian subsidiary’s local embeddedness. For example, HR practices revolving around tax and superannuation, health and safety and equal opportunity policies were designed as per the Australian regulatory and legal requirements. This indicates Company A’s desire to comply with obligatory requirements revolving around subsidiary operations rather than any strategy that is inconsistent with the controls found in the subsidiary. The subsidiary manager of Company A says:

‘Our subsidiary doesn’t want to be different on HR, we just want to make sure that the salaries and structures, taxes and benefits are as per the Australian and market expectations. But beyond that, we don’t want to be different’ (Interview Company A Manager, 25/07/2012).

With regard to the internal determinants, all firm-specific factors [i.e. management style, mode of entry, role of subsidiary and transfer of technology] play some role in explaining the transfer and adaptation of ‘best’ HRM practices. For instance, Company A established its Australian subsidiary as a greenfield investment, which resulted in higher levels of ownership and control from the parent HQ. Likewise, the subsidiary’s location in the global company’s value-chain makes it highly dependent on its parent HQ for resources [such as technology]. The Australian subsidiary is
therefore well integrated with its parent company and has a very low autonomy in its decision making activities. This is explained by the subsidiary manager who says:

‘The microcosm is of this subsidiary is not a full representative of our larger company i.e. our larger company is first and foremost an operations company with some consulting capacity; the Australian subsidiary on the other hand is first and foremost a consulting practice with no operations delivery centre’ (Interview Company A Manager, 25/07/2012).
5.3 Case Study 2: Company B

Organisation: Company B Australia
Premises: Sydney Subsidiary of Company B
Participant: Regional Head – Australia & New Zealand
Date: 14th September 2012

Company B Australia is a wholly-owned subsidiary of Company B, a global provider of IT and business process outsourcing services. This Indian MNC is well experienced in managing large IT projects, such as packaged enterprise applications, and delivers them in real-time to its clients. Some of the software packages in which the company specialises include SAP and PeopleSoft. The company earns total revenue of $US 231.2 million and has a global workforce of more than 8,100 employees. It has earned several quality control certifications, such as SEI-CMMI Level 5, ISO 9001 and SAS 70 Type I. It services clients within industry verticals such as banking and finance, travel and hospitality, healthcare and life sciences. Company B started its operations in 1990 under a different name. It later changed its name to Company B and became a public limited company in 2001 (Company B Factsheet, 2011).

Having listings on the Bombay stock exchange [BSE], New York stock exchange [NYSE] and London stock exchange [LSE], this company is headquartered in Mumbai, India. It owns global delivery centres in America and Mexico, whilst operating in more than eight countries around the world (Company B Factsheet, 2011). Company B established its Australian subsidiary in 2005 in Sydney and has a total strength of 67 employees, comprising 6 expatriate managers, 58 IT professionals and 3 clerical/support staff. With most of the global company’s earning coming from America [i.e. 66% of total revenues] and Europe [i.e. 27% of total revenues], so this MNC views Australia as a much smaller market. It therefore offers onsite-offshore delivery solutions at cost-efficient prices and competes with smaller to medium-sized local players in various markets around the world. Speaking about company’s entry into Australia, the manager of the Australian subsidiary states:
‘Australia is only ten percent of our global portfolio, the focus will always be in US because that’s where eighty percent of our revenue comes from and I don’t see that changing’ (Interview Company B Manager, 14/09/2012).

5.3.1 Control Mechanisms in Company B

Data from interview conducted at the Australian subsidiary of Company B suggest the presence of both high behaviour and output control, but no significant cultural control mechanisms [see Table 5.4 for a summary]. For instance, with 90% of employees coming from overseas [including parent Indian operations], the company places a very high importance on international transfer of expats and only 10% of the employees are hired locally from the Australian labour market; in other words, global staffing practices were clearly evident in the case. Further, the MNC does not offer any socialisation-based training but instead relies on its employee induction program conducted locally at the subsidiary-level. Employee traits, such as IT skills and project experience, are ranked highly within the company’s centralised hierarchical structure. The manager of the Australian affiliate says:

‘We are a mid-tier company; for us to survive in this market we can’t do what everybody does, so we do something different and rely on our global skills and talent pool.’
Table 5.4: Control Mechanisms Used by Company B in its Australian Subsidiary

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<tr>
<th>Indian Multinational Corporation</th>
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<td></td>
<td>Behaviour Control</td>
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<td>Company B</td>
<td>High</td>
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</table>

(Source: Interview Data)

The manager further states:

‘Our business runs on a hierarchy, the policies have been set by the head office and we just have adhere to those policies’ (Interview Company B Manager, 14/09/2012).

Most of the company’s procedures therefore emerge from HQ and are implemented globally across its subsidiaries; implying a high degree of standardisation in place. Similarly, results criteria [such as project delivery and its status as well as financial KPIs, such as gross revenue and profitability] are the key to measuring the Australian subsidiary’s success and level of performance. This is again explained by the subsidiary manager:

‘At the end of the day, you are running a business, you can draw on the best business and have the best product, but if you are not making money, you let your business down. So, the viewpoint involves knowing whether the business is making more money than it made last year. If it does, then it’s good’ (Interview Company B Manager, 14/09/2012).
In this way, the Australian subsidiary of Company B has very little decision making autonomy. Its HQ prefers centralised decision making and gives importance to its subsidiary achieving set goals and targets while following standardised and formalised policies.

5.3.2 HR Policies and Practices in Company B

Company B transfers its parent HR policies and practices and gives little regard towards host country adoption of practices in its Australian subsidiary. As Table 5.5 shows, the subsidiary has virtually no decision making role in anything except pay and performance.

Table 5.5: HRM Practices Found in the Australian Subsidiary of Company B

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<tr>
<th>Indian Multinational Corporations</th>
<th>Transfer of HR Policies and Practices</th>
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<td></td>
<td>Recruitment &amp; Selection</td>
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<tr>
<td>Company B</td>
<td>HQ</td>
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(HQ) Managed by Headquarters
(S) Conducted by Subsidiary

(Source: Interview Data)

The recruitment and selection of staff at the Australian subsidiary occurs through a range of different methods. While clerical and support staff are hired locally on a permanent basis with the help of a local Australian recruitment agencies. Managerial and professional staff comes out of the company’s global network in India, Europe and America, with HQ being the key decision maker. These expatriate employees come on 457 work visas and stay at the Australian subsidiary for 2 to 4 years,
depending on project and skills requirement. Upon completion of their projects, they are sent to other subsidiaries in other countries, indicating a company-wide job-rotation policy. The manager at the Australian subsidiary says:

‘It is mainly the skills that we bring people over as we just don’t have those skills in Australia, so we get them from India’ (Interview Company B Manager, 14/09/2012).

Similarly, when it comes to the training and development, all employees hired at the Australian subsidiary are sent back to the centre of excellence in India for a period of two weeks for group-based training. The core focus of the training, however, is technical rather than cultural. As stated by the subsidiary manager:

‘Everybody that is hired in our Australian subsidiary, we send them back to India for two weeks as part of a group as we have got a big centre there. Besides that, we also have a very good intranet training portal where employees can go through individual training’.

The manager further adds:

‘We are really struggling with the training of staff at our Australian subsidiary, as all of our training is mainly technical and more effort needs to be put towards the corporate communication and cultural side of training’ (Interview Company B Manager, 14/09/2012).

Company B also runs several career development programs that are mostly offered to its technical/professional and managerial staff at the Australian subsidiary, but these are global rather than subsidiary-specific programs. For example, employees are rewarded with promotion when they over-achieve their project-based KPIs. So, a junior tester may be promoted to senior software developer or a sales manager may get promoted to sales and marketing head. Similarly, employees also get the opportunity to work in other parts of the world as a part of their career progression plans within the company [i.e. expatriation as a reward].
With regards to **pay and performance** practices in Company B’s Australian subsidiary, payroll of all employees is managed at the subsidiary-level. While all employees are paid according to local awards, salaries are aligned with major policies set by the HQ. Moreover, pay for performance is widely applicable within the affiliate and an employee’s performance is strictly measured against criteria, such as years of project experience, project delivery and customer feedback. Again, this is consistent with the high output control found in the subsidiary. This is explained by the subsidiary manager:

‘Wages are approved locally in Australia, so we have a base and we can’t pay anyone below that base. And then we have a bracket and if we are paying any employee over that bracket, then we have to provide justifications to the HQ’ (Interview Company B Manager, 14/09/2012).

Finally, being an IT service provider, the Australian subsidiary of Company B does not have specific policies when it comes to subsidiary-level **employee engagement and communication**. Nor does it believe in sharing any specific information to its employees due to a lack of trust in its subsidiary members. This not only reflects the centralised decision making power the HQ commands over its subsidiary, but it also indicates a strong desire of Company B to keep its Australian subsidiary well-integrated with its parent operations. The subsidiary manager says:

‘Why would you want to give any important information to your employees, they leave the company and they go’. (Interview Company B Manager, 14/09/2012).

### 5.3.3 Determinants of Control in Company B

Data gathered from Company B suggests both external and internal determinants having an effect on the transfer of HR policies and practices as well as the choice of control implemented over the Australian subsidiary. For example, external factors such as MNC country of origin and host legal framework seem to have an effect on the adoption of ‘best’ practices, while host country national culture remains unimportant. Speaking on these issues, the manager of the subsidiary states:
‘We bring people over from India because it’s very cost effective plus we have hired a local Australian firm that advises the HQ with the local policies and that’s why our HRM practices emerge out of HQ and then are tweaked here’

He further adds:

‘We don’t have any HR policies and practices designed specifically for the Australian subsidiary, what we do is adhere to local laws; for example, annual leaves in Australia, as it is compulsory here to provide four weeks of annual leave every twelve months’ (Interview Company B Manager, 14/09/2012).

On the other hand, when it comes to internal factors [management style, mode of entry, role of subsidiary and transfer of technology], they all play a role in the adaptation of HR policies and practices. For instance, allocation of PCNs in the Australian subsidiary due to the global staffing has allowed the Indian HQ of Company B to transfer its hierarchal and somewhat authoritative management style to its Australian subsidiary. Also, the Australian subsidiary of Company B was established through greenfield investment and therefore plays the strategic role of replicating its corporate services. This has allowed the HQ in having high levels of ownership and control at its Australian subsidiary, resulting in an exportive parent-based approach to the transfer of HRM practices. The manager of the subsidiary says:

‘All the decisions are made in India, the reason being we are a publicly listed company and have shareholders to answer to. So, when board meetings happen, they make decisions and then those decisions are filtered down here’. (Interview Company B Manager, 14/09/2012).
5.4 Case Study 3: Company C

Organisation: Company C Australia
Premises: Sydney Subsidiary of Company C
Participant: Chief Executive Officer – Australia & New Zealand
Date: 20th September 2012

Company C Australia is a subsidiary of Company C, an Indian MNC and a provider of business consulting, technology, engineering and process outsourcing to clients in more than thirty countries around the world. Through a global delivery model [GDM] that relies on the principal of ‘taking work where it is available, where it makes the best economic sense, with least amount of risk’ (Company C Global Delivery Model, 2012), this company combines processes, tools, knowledge and risk mitigation techniques in delivering integrated quality business solutions to its customers (Company C Corporate Profile, 2012). To date from the company’s establishment, this MNC has earned total revenues worth $US 7.126 billion and has a global strength of 153,761 employees. Having benchmarked its global practices with quality standards such as ISO9001, SEI-CMM/CMMI, ISO 20000 and 27000, the company services clients in every major industry ranging from airlines to consumer products to education and utilities.

Company C was first established in 1981 and became the first Indian MNC to be listed on the American Stock Exchange [NASDAQ]. With its headquarters located in Bangalore, India, Company C established its first Australian subsidiary in Melbourne in 2004 and since then has opened offices in Sydney, Brisbane and Perth, with a total workforce of 2900 employees. The company entered Australia due to the growth opportunities it offers being a developed market in the Asia-Pacific region. Speaking about the Australian entity, the manager of the Australian subsidiary states:

‘Head office puts focus on where the revenue comes from and US is still our biggest base, Australia is about 9 to 10% of company’s revenue and it is quite a
small market, but there are growth opportunities here’ (Interview Company C Manager, 20/09/2012).

As such, being a large MNC, Company C not only competes with other Indian MNCs but also global MNCs from other developed countries. Some of the core differentiators the company claims to offer are domain expertise, delivery excellence, execution speed and transparent partnership.

5.4.1 Control Mechanisms in Company C

Company C relies on high levels of behaviour and output control and moderate levels of cultural control to manage its Australian subsidiary [summarised in Table 5.6]. For instance, the company follows a global model of delivery in its IT services [through organisation-wide processes and methodologies] that brings uniformity in operations across all of its business units, including the Australian subsidiary. Accordingly, most of the decisions regarding the subsidiary operations are filtered down from the head office due to the HQs centralised decision-making. This is justified by the country manager:

‘It’s a big effort to get anything approved by HR in India because headquarters makes these decisions as they want uniformity. So, those decisions are pushed everywhere’ (Interview Company C Manager, 20/09/2012).
Table 5.6: Control Mechanisms Used by Company C in its Australian Subsidiary

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<td></td>
<td>Behaviour Control</td>
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<td>Company C</td>
<td>High</td>
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(Source: Interview Data)

With most of the employees emerging out of the company’s internal network, they are well trained in their approach to performing routine tasks; i.e. carrying out tasks in accordance with the company’s standardised guidelines and policies. Furthermore, to reinforce this behaviour, the HQ appoints expat managers to key affiliate positions so as to monitor the amount of time employees spend on their individual projects and other day-to-day activities. These expat managers are also responsible for sending weekly progress reports of the subsidiary back to the Indian HQ. This is again expressed by the subsidiary manager:

‘We work on a model where we bring people from India into Australia using work visas for both short and long period and this includes our expatriate managers; their role is to mostly oversee the delivery of our IT projects so they assume roles such as project managers, engagement managers etc.’ (Interview Company C Manager, 20/09/2012).

The HQ conducts employee orientation programs and ‘boot camps’ where employees from the Australian subsidiary spend three weeks to educate themselves with the MNC’s norms, values and corporate philosophy. This allows Company C to replicate its corporate culture called ‘C-Life’ to its Australian subsidiary. This is again explained by the manager:
‘From the time our employees go through orientation, they are educated and put through training to familiarise them with our company’s universal norms and values. Other than that for some of our key subsidiary staff, such as IT professionals, we also conduct a boot-camp where we send them to India for a three week course’.

Finally, the HQ also relies on cost-control tools by allocating quarterly budgets to its subsidiary while the subsidiary is required to provide justification for any spending outside its budget allocation. For instance, mechanisms have been put in place for monitoring the day-to-day expenses and financial outputs (such as profit/loss, revenue and profitability) are supplied to the HQ at regular intervals. As such, control through measuring subsidiary performance is given high priority by the HQ of Company C. The manager of the subsidiary states:

‘Most of the changes are being driven by costs and the aim is simplicity of our business so that means less overhead, less administration and that is why the decision making rests with our HQ in Bangalore and we are really struggling with that’ (Interview Company C Manager, 20/09/2012).

5.4.2 HR Policies and Practices in Company C

The HR policies and practices at Company C Australia [summarised in Table 5.7] broadly reflect the control mechanisms used by HQ to control the subsidiary.
Table 5.7: HRM Practices Found in the Australian Subsidiary of Company C

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<tr>
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<td>HQ</td>
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(HQ) Managed by Headquarters
(S) Conducted by Subsidiary

(Source: Interview Data)

In terms of recruitment and selection practices, managerial, professional and clerical employees are hired through a range of different methods. For instance, when it comes to the selection of managers and professionals, global staffing is used both on a permanent and contract basis where these expats are appointed out of the company’s operations in India. Professional staff are sent on 457 work visas where they come for a period of 2 to 4 years on temporary contracts and return upon the completion of their projects. Similarly, senior managers, such as project and engagement managers, also typically come through the company’s internal networks in various locations [such as India and US]. Finally, clerical and support staff are hired locally through recruitment agencies using selection panels, face-to-face interviews and reference checks. The manager of the Australian subsidiary states:

‘We get numbers we are allowed to hire from the head office and although we have a target to make it 50-50 we are not there yet. Even when we do hire locals, many of them have Indian heritage. But seventy percent of our employees come out of our company’s Indian operations’ (Interview Company C Manager, 20/09/2012).
When it comes to the training and development of employees at the Australian subsidiary, a mix of home and host country HR practices are adopted. For instance, managerial-level training is conducted by the HQ, where employees from the Australian subsidiary spend a few weeks at the Indian operations to acquaint themselves with the company’s corporate norms and values. At the same time, the local Australian HR team is also responsible for providing group based subsidiary training [mostly to its professional staff] with the occasional help of local Australian training providers to meet the technical needs of the professional staff. Moreover, Company C also provides subsidiary-level career development programs for its employees by offering certification courses which employees use to get promotion and higher salaries. The manager at the Australian subsidiary says:

‘Technical-based training is one of the roles that is looked after by the HR team here as one of the part of visa regulations in Australia is that you have to spend a certain percentage of revenue on local training so we do run some local training for our staff here in Australia’ (Interview Company C Manager, 20/09/2012).

Pay and Performance is conducted within the Australian subsidiary, where payroll is managed locally and all employees are paid according to local awards. The subsidiary has a system of ‘manager-to-employee’ in place with regards to its performance management. That is, each project manager is responsible for measuring employee’s individual productivity against criteria, such as sales figures and project utilisation. Given the high output controls found in the subsidiary, wages and rewards are paid according to merit, thereby indicating the presence of pay-for-performance policy in place at the Australian subsidiary. The subsidiary manager says:

‘Our employees are paid as per local awards, as we have to comply with local laws, while performance is done by each individual’s respective manager every six months, where our employees are given goals with respect to their individual roles and how much bonus gets paid is dependent on those subsidiary results’.

Lastly, employee engagement and communication is non-existent at the Australian subsidiary. That is, decision making, usually rests on the hands of senior subsidiary managers, which is further monitored by the HQ, again typical of the centralised decision making present in Company C. As such, only general company-wide information is provided to subsidiary staff through newsletters and emails. The subsidiary manager says:

'As a whole we don’t have a lot of individual decision making when it comes to our employees and only a project manager can make those decisions, depending upon what is going on with the project. And communication to local employees is also pretty much the same' (Interview Company C Manager, 20/09/2012).

5.4.3 Determinants of Control in Company C

When it comes to the external determinants of control, Company C’s country of origin and its subsidiary’s host country legal framework impact the control and HR choice at the Australian subsidiary. For instance, the COO effect clearly seems to be a distinguishing factor for Company C, as it considers itself an Indian MNC first and a global MNC later thereby indicating its embeddedness in its home country national business system. The subsidiary manager of the Australian subsidiary says:

'As a company we tend to benchmark ourselves with other Indian players and we need to be much broader in our thinking. So, we have yet to emerge out of being just an Indian company’ (Interview Company C Manager, 20/09/2012).

With regards to the host country legal framework, Company C only complied with those necessary regulatory requirements that ensured its subsidiary’s smooth operations in Australia. As explained by the manager:

‘There are certain compliance issues – such as immigration, occupational health and safety and so on – that come up and the HR team takes the Australian case and backs it up with HR in Bangalore’.
On a similar note, given the cultural distance that exists between the two countries [i.e. India and Australia], the subsidiary’s host country national culture did not seem to have any major effect on Company C’s control and HR practices at the Australian subsidiary. In fact, considering majority of employees in the Australian subsidiary have an Indian heritage, subtle traces of home country national culture [i.e. COO effect] were found at the Australian subsidiary. This is expressed by the subsidiary manager:

‘We deal with Australians, you know the Australian culture of how people form relationships, “the way people eat, the way people address alcohol, the way people entertain”, if you don’t understand this then it’s hard to form good relationships’ (Interview Company C Manager, 20/09/2012).

Moving on the internal determinants of control in Company C’s Australian subsidiary, all four factors [i.e. management style, mode of entry, role of subsidiary and transfer of technology] to a degree influence the choice of control and adaptation of HRM at the subsidiary-level. For instance, Company C entered Australia through greenfield investment and further acquired a local Australian firm. This has allowed its HQ in exerting high formal bureaucratic control over its Australian operations, supplemented by informal social control. This is due to the high ownership that equity based [or high investment-based] entry mode [such as greenfield or M&A] provides to the parent company. Likewise, transfer of technology is another key factor in explaining the way the MNC’s Australian subsidiary operates. For example, by utilising the ‘global delivery model’, work-load is jointly shared between the home and host country operations. This has allowed the Australian affiliate to be tightly integrated with its parent company, resulting in high dependence for the provision of HQ resources, including its technology. As a result, the Australian subsidiary plays a limited role and replicates most of the HQ services, leading to the parent country transfer of HRM practices. This is confirmed by the subsidiary manager:

‘Our HR policies and practices are largely based in India, where more of our people are. They then get applied in Australia and although many of them don’t
fit very well, that's when we go back and put an exception to try and provide a local market perspective to the subsidiary’ (Interview Company C Manager, 20/09/2012).
5.5 Case Study 4: Company D

Organisation: Company D Australia
Premises: Melbourne Subsidiary of Company D
Participant: Country Head – Australia and New Zealand
Date: 6th September 2012

Company D Australia is a subsidiary of Company D, a leading Indian information, communication and technology [ICT] organisation. Using the onsite-offshore delivery model, this company provides services across a range of business solutions to its clients and customers. For instance, some of the company’s domain offerings include expertise in areas such as enterprise solutions, business intelligence, client relationship, digital convergence and IT infrastructure (Company D Corporate Profile, 2012). The company also has fortune 500 clients in industry verticals such as banking and finance, travel, transportation and logistics. The company earns revenues of $US 15.9 billion and has a total strength of 33,353 employees worldwide. It was founded in 1987 and is a merger between two separate Indian IT companies, which is now a part of a much larger Indian multinational conglomerate with headquarters located in Hyderabad, India.

Company D first established its Australian office in 1998 in Melbourne and since then has grown into a 500 employee subsidiary comprising managers, IT professionals and support staff. The company also has other offices in Canberra, Brisbane, Sydney and Perth that service local clients in and around these regions. This MNC entered Australia to seek entry into new markets and competes with organisations that include other Indian IT companies, global MNCs and local Australia players. While Australia only accounts for 12% of the company’s global revenues, the company claims to pride itself on putting customers first, providing professionalism and being a good corporate citizen. It states that such core philosophies have allowed the company to differentiate itself from others whilst competing at a global level. This organisation has also been recently awarded with the best practices award for excellence in growth by the American Society for
Training and Development [ASTD] and has been ranked 6th among the top 20 best Indian employers (Company D Awards and Achievements, 2012).

5.5.1 Control Mechanisms in Company D

All three mechanisms of control [i.e. high degrees of behaviour and output control and moderate degrees of cultural control], are present in HQ-subsidiary relations, although cultural control was only moderate [see Table 5.8].

To illustrate the behavioural control findings, more than 70% of the subsidiary staff were Indian expats, who travelled from the company’s parent HQ and are brought to Australia to work on specific projects, ensuring that these employees are familiar with the parent company’s mode of operation. Corporate policies are also detailed in an extensive manual. HQ closely monitors subsidiary activities, with expats constantly seeking head office’s approval on all matters relating to the affiliate’s operations. The manager at the Australian subsidiary states:

‘Our expatriate managers at the subsidiary constantly measure employees across a range of productivity measures depending upon their role. Other than that, we also have an online policy handbook that our subsidiary staff refers to all the time’ (Interview Company D Manager, 06/09/2012).
Table 5.8: Control Mechanisms Used by Company D in its Australian Subsidiary

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<th>Indian Multinational Corporation</th>
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<td>Company D</td>
<td>Behaviour Control</td>
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(Source: Interview Data)

Employees from the Australian subsidiary do not physically travel for training purposes. They do, however, complete an induction process and complete an online training module that is managed by the HQ. Furthermore, a team of trainers from the Indian operations also visit the subsidiary every six months to conduct training in ‘business ethics’ for the local staff members. This allows the parent company to replicate its home grown corporate culture in its Australian subsidiary via socialisation-based training. This is explained by the subsidiary manager:

‘Our corporate culture gets well replicated in our Australian subsidiary as it’s inherited by our employees. So, most of the things that would get done in our head office are done exactly the same here’ (Interview Company D Manager, 06/09/2012).

Finally, the subsidiary also relies on numerical evaluation criteria [such as revenues, sales targets, customer billings and project costs] to measure its performance, indicating high output control in place. This information is then utilised by the HQ for budgeting, annual planning, cost control and benchmarking of its subsidiary operations in Australia. This is again explained by the subsidiary manager:
‘We use criteria’s like revenue, growth, profitability, employee and customer satisfaction to measure our subsidiary’s success and that is because we work on a percentage basis, where HQ allots us with a budget and we try and work with that’ (Interview Company D Manager, 06/09/2012).

5.5.2 HR Policies and Practices in Company D

Data from the interview conducted at Company D’s Australian subsidiary shows parent country HR policies and practices in place, with a low level of host country localisation, except in pay and performance [as summarised in Table 5.9]. The subsidiary manager provides this overall assessment:

‘We do not have autonomy to address any of the things related to HR, so it is all typically a head office decision’ (Interview Company D Manager, 06/09/2012).

Table 5.9: HRM Practices Found in the Australian Subsidiary of Company D

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(HQ) Managed by Headquarters
(S) Conducted by Subsidiary
(Source: Interview Data)

When it comes to the recruitment and selection, the majority of the subsidiary staff comes from company’s head office operations in India; in other words, the MNC follows an ethnocentric staffing policy. For example, senior managers travel from
the HQ and assume key roles such as project, engagement and account managers. Likewise, the corporate HQ also bears the responsibility for sending the majority of the subsidiary’s professional staff, who come on 457 visas for a period of 2 to 4 years [as per the interview data]. Contrarily, junior roles [such as clerical and support staff] are hired locally through the help of local Australian recruitment and staffing agencies. The manager of the Australian subsidiary says:

‘Eighty percent of our recruitment happens from our parent, so we get people from our company’s home operations in India on work permit visas, while the remaining twenty percent are local hires’.

The manager further states:

‘The policies are centralised and therefore we adhere to those policies and there is no autonomy in terms of changing those policies. However, we do have some freedom in recruiting the remaining local candidates’ (Interview Company D Manager, 06/09/2012).

For training and development of employees at the Australian subsidiary, no face-to-face group-based training is provided, as it is mostly done individually through the company’s internal web portal centrally managed from the HQ. These online training programs are designed at the parent company in India and are implemented across subsidiaries in the MNC global network. This indicates that moderate cultural control that exists at the subsidiary-level and is facilitated mostly through informal communication and close relationships between the senior managers and the subsidiary staff. The subsidiary manager states:

‘Most of the training at our subsidiary is provided electronically through a web-based training system plus we also have lots of mentorship programs for the career progression of our subsidiary staff’ (Interview Company D Manager, 06/09/2012).
When it comes to pay and performance, it is locally managed within the subsidiary. While all employees are paid according to local awards, payroll is outsourced to a third party service provider in Australia. Moreover, performance management at the Australian subsidiary comprises of self and peer review appraisal practice, again designed at the HQ but monitored at the subsidiary-level. The subsidiary manager says:

‘Our payroll is outsourced to a local Australian organisation, so all our employees are paid as per the local awards. We also have a well-established formal performance appraisal system, which uses an automated tool to measure employee productivity’.

With regards to the affiliate’s employee involvement and communication policies and practices, employees at the Australian subsidiary do not take part in any decision making activities and mostly perform their routine tasks. The management at the subsidiary-level occasionally organises ‘town-hall’ meetings, where general information is supplied to the staff members. As such, there is an indication that the HQ of Company D provides very little discretion to its Australian subsidiary when it comes to its HR policies and practices regarding employee engagement. This is expressed by the subsidiary manager:

‘The communication that happens between the HQ and the subsidiary is mostly from India to rest of the world rather than vice versa. The subsidiary does report back to the HQ, but it is mostly technical’ (Interview Company D Manager, 06/09/2012).

5.5.3 Determinants of Control in Company D

Data from Company D’s Australian subsidiary indicates a presence and impact of MNC’s home country of origin as well as minimal impact of host country legal framework, while host national culture does not seem to have any effect on the choice of control and adoption of HR practices. For example, Company D relies on its country-specific core capabilities of specialised skillset and low-cost labour to
gain advantage over their competitors. This has allowed the MNC to implement tight control over its Australian subsidiary via expats who act as a key means of control at the subsidiary-level. The manager at the Australian subsidiary states:

‘We bring employees from India because it’s where our skills base is and also due to economic reasons because the cost of labour source from India is much cheaper as compared to hiring local labour from Australia’ (Interview Company D Manager, 06/09/2012).

The Australian subsidiary of Company D also follows all the necessary [but mostly obligatory] Australian laws that are necessary to ensure the subsidiary’s ongoing operations. Speaking about the legal environment of Australia, the subsidiary manager states:

‘All laws that are mandatory relating to employment practices and HR are followed, so we play a very limited role in providing inputs from a local Australian legal perspective’ (Interview Company D Manager, 06/09/2012).

With regards to the internal factors [i.e. management style, mode of entry, role of subsidiary and transfer of technology], all have some impact on the operations of the Australian subsidiary. For instance, being a whole-owned subsidiary that was established through greenfield investment, the Australian affiliate of Company D is tightly integrated with its HQ, which has resulted in higher levels of control and centralised decision making. Furthermore, the subsidiary depends on expat knowledge workers and parent technology to drive the delivery of its IT services using the onsite-offshore delivery model. This has again allowed the parent HQ to transfer its home-grown HRM practices to its overseas subsidiaries. As explained by the subsidiary manager:

‘We rely on obtaining local skills only if there is a severe time constraint for filling short-term needs, but mostly we get skilled employees from India’ (Interview Company D Manager, 06/09/2012).
5.6 Case Study 5: Company E

Organisation: Company E Australia
Premises: Sydney Subsidiary of Company E
Participant: Country Head [IT Services] – Australia & New Zealand
Date: 9th September 2011

Company E Australia is a wholly-owned subsidiary of Company E, an Indian MNC that provides IT consulting, implementation and business process solutions to its customers through the use of global delivery platforms, what it calls ‘agile methodologies’ and expert frameworks (Company E Corporate Profile, 2012). This company operates and delivers its IT services across three different segments i.e. industry verticals [such as banking, manufacturing etc.], domain skills [such as cloud computing, digital business etc.] and IT solutions [such as Bluetooth, video surveillance etc.]. It provides these services to around 237 customers, including more than 40 fortune 500 clients like eBay, Microsoft, Kodak and Sony (Company E Factsheet, 2012). This Indian MNC was incorporated in 1999 and since then has grown into $US 400 million organisation with a global workforce of more than 11,000 employees. Its headquarters are located at Bangalore, India, and the company has a global presence in more than twenty-four countries.

Company E started its Australian operations in 2006 with its main subsidiary located in Sydney, which has a total workforce of thirty-five employees. The reasons behind entry into the Australian market are associated with the company’s ‘de-risking’ strategy, whereby the MNC delinks its established markets from the newly emerging markets to enhance its growth opportunities. The company claims to stand by its values of collaborative spirit, dedication and expert thinking to differentiate itself from other Indian IT MNCs. As well, Company E has developed what it says is a unique value system known as ‘CLASS’, which comprises: caring, learning, achieving, sharing and social responsibility. Recently, Company E was awarded as the ‘most admired knowledge enterprise’ in India for developing new technologies, such as ‘Onemind’ that has enhanced the company’s core delivery platforms (Company E Corporate Summary, 2012).
Control Mechanisms in Company E

Data gathered from Company E reports a high presence of behaviour and output control as well as moderate level of cultural control mechanisms in place at the Australian subsidiary [see Table 5.10 for a summary]. For instance, the HQ implements behaviour control by employing PCN employees and assigning them to key subsidiary positions. Also, bureaucratic control measures [such as standardised company-wide policies and procedures] are also used at the Australian subsidiary. This is done to restrict what the subsidiary can and cannot do in terms of its decision-making. The country manager of the Australian subsidiary states:

‘From a business perspective, all of our policies derive from the HQ and the entire process is fairly standard without any subjectivity anywhere’ (Interview Company E Manager, 09/09/2011).

Table 5.10: Control Mechanisms Used by Company E in its Australian Subsidiary

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<thead>
<tr>
<th>Indian Multinational Corporation</th>
<th>Control Mechanisms in Australian Subsidiary</th>
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<tbody>
<tr>
<td>Company E</td>
<td>Behaviour Control</td>
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<td></td>
<td>High</td>
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</table>

(Source: Interview Data)

Company E further transfers its broad organisation-wide value system to its Australian subsidiary through training in corporate norms and values. For example, each employee at the Australian subsidiary spends four weeks of social training at the company’s parent operations in India. This facilitates the dissemination of
corporate culture into the Australian subsidiary and reinforces the HQ value system. This is again explained by the subsidiary manager:

‘Our employees get first-hand feel of our company’s value system and culture as they spend four weeks familiarising themselves with the way we do business and everybody at the end of each year gets measured against those values’. (Interview Company E Manager, 09/09/2011).

Finally, the HQ heavily relies on performance reporting tools to evaluate subsidiary outputs. For instance, the subsidiary is required to report data [such as profitability, sales and market trends] to the HQ for its budgeting and annual planning. Management by objectives [MBO] thus seems to be in place, as HQ aims to not only bring internal consistency in its activities but to place high priority on achieving quantitative goals and objectives. As explained by the subsidiary manager:

‘At the end of the day it’s all about hard numbers, which are not just linked to the market but the entire objectives of the company. So, it finally boils down to the cost benefit as most of the time it’s the financial figures that matter; that is, what is the investment and what is the return’ (Interview Company E Manager, 09/09/2011).

5.6.2 HR Policies and Practices in Company E

Parent country HRM policies and practices have been found to be in place Company E’s Australian subsidiary, along there are low levels of host country adaptation in the training and pay categories [see Table 5.11].
For instance, when it comes to recruitment and selection of top management, the company mainly relies on its parent operations for the staffing of its Australian subsidiary. In other words, expatriate managers are sent from the HQ as well as from the company’s other global subsidiaries in US and UK, where they take over senior affiliate roles such as project and engagement managers [i.e. monitoring subsidiary behaviours]. Similarly, the subsidiary’s professional staff also largely comes out of the company’s parent operations in India to spend 2 to 4 years on contracts, working on specific IT projects. Although local recruitment is done at the subsidiary-level [i.e. mainly for its clerical and support staff], these employees mostly take over junior roles, such as sales manager, delivery specialists and office assistant. The manager at the Australian subsidiary states:

‘So we have a standard process, the infrastructure and the process is run by Indian HQ, we don’t do it here. We do interview in India and Australia, so it’s a half-half sort of thing’ (Interview Company E Manager, 09/09/2011).

For training and development of employees at the Australian subsidiary, the HQ is responsible for providing face-to-face group-based training as well as individual,
centrally-managed web-based training programs, which are conducted through the company’s intranet portal. Additionally, the subsidiary also provides certification-based training courses using local Australian training firms for the career development of its local staff, which employees use to gain promotion and advancement in their careers. As explained by the manager:

‘Other than the face-to-face training that is provided in India, we also have an online training system in place that provides self-service training’.

He further adds:

‘At the subsidiary-level, we do use local training agencies that provide skills-based training; so, for example, someone might want to do training in Microsoft SharePoint, so this kind of classroom-based training is outsourced to a local provider’ (Interview Company E Manager, 09/09/2011).

Pay and performance at Company E is managed at the subsidiary-level, where payroll is done locally and all employees are paid according to local awards. With regards to the subsidiary’s performance management practices and policies, all employees report back to their respective project managers. Output control is thus implemented and prescribed through setting appropriate performance management targets that are designed by the HQ but are implemented and measured by the local managers. For instance, the subsidiary managers measure their employee’s performance through a range of KPIs [such as sales targets, project delivery and customer satisfaction] which are measured locally and are reported back to the HQ for planning and HR cost control. Employees at the Australian subsidiary also go through self, peer and assessor evaluation whilst data report their salary being directly proportional to their on-job performance [i.e. pay for performance]. The subsidiary manager states:

While our pay and performance policies are managed locally, the Indian HQ does its benchmarking to see if it’s valid when compared against market intelligence’ (Interview Company E Manager, 09/09/2011).
Lastly, **employee involvement and communication** is managed by Company E’s parent HQ. For instance, decision making is strictly left with the parent HQ in India as all matters related to employee engagement are reported through the company’s online portal. As expressed by the manager of the subsidiary:

‘*We have an online system where our subsidiary staff can view most of the information online and submit whatever issues they have, as nobody really travels specifically between the HQ and subsidiary just for this purpose*’ (Interview Company E Manager, 09/09/2011).

### 5.6.3 Determinants of Control in Company E

Looking at the determinants of control, both external and internal factors impact the choice of HRM and control mechanisms in place at the Australian subsidiary. For instance, being an ethnocentric and hierarchically-structured organisation, Company E relies on its PCNs to export its home grown HR policies and practices to its Australian subsidiary. As such, the Australian affiliate seems to be firmly embedded in its home country’s institutional environment. Giving an example of the COO-effect, the subsidiary manager states:

‘*Around sixty percent of our subsidiary staff are expats, including our management, that have over ten years of experience and know the business fairly well so they hold positions such as project managers, account managers, sales directors etc.*’ (Interview Company E Manager, 09/09/2011).

The host country legal framework impacted the Australian subsidiary in terms of its HR and control, but only to the extent that regulatory laws could not legally be avoided at the local-level. The manager of the Australian subsidiary says:

‘*Pretty much everything we do have to be compliant with the Australian laws*’.

In contrast, the host country’s national culture did not influence the Australian subsidiary, despite the significant cultural gap in the company’s home and host
country operations. Given the majority of employees within the subsidiary were expats, subtle traces of home country’s national culture were found within the subsidiary [i.e. COO effect]. As stated by the subsidiary manager:

‘Clearly there are employee expectations however our communication and working style is different and from an interpersonal view when an employee joins our subsidiary, there is a fairly rigorous mechanism to figure out whether that person is fitting with the overall working style of our company or not’ (Interview Company E Manager, 09/09/2011).

When it comes to the internal factors [i.e. management style, mode of entry, role of subsidiary and transfer of technology], all impacted the operations of the Australian subsidiary. For example, Company E established its Australian subsidiary through equity or high-investment based mode of entry – i.e. greenfield investment. This has allowed the Company E’s HQ to exert high levels of control through ownership at the Australian subsidiary. Moreover, the Australian subsidiary of the MNC plays the role of replicating its parent services in an attempt to bring internal consistency in its subsidiary operations. The Australian subsidiary of company E therefore plays an ethnocentric [and exportive] role in its company’s control and HR strategy. This is best described by the subsidiary manager:

‘Our policies are looked after by the HQ because of the limitations in the size of business in Australia and so the services that we provide here are exactly the same as we do globally’ (Interview Company E Manager, 09/09/2011).
5.7 Case Study 6: Company F

Organisation: Company F Australia
Premises: Sydney Subsidiary of Company F
Participant: Vice President and Country Head – Australia & New Zealand;
HR Manager – Australian & New Zealand
Date: 4th September 2012

Company F Australia is the Australian subsidiary of Company F, a global provider of custom applications, communications infrastructure and business process outsourcing to companies around the world. Using a combination of domain knowledge, technical knowhow and process expertise, Company F utilises its global delivery model [GDM] and onsite-offshore model to provide results-driven business solutions to its clients (Company F Overview, 2012). In fact, the majority of its clients come from industries such as banking and insurance, media and entertainment, healthcare and pharmaceutical, retail and consumer goods etc. This has allowed the company to earn total revenues worth $US 1 billion with a worldwide strength of 38,798 employees and operations in more than 14 countries. Initially, Company F was formed in 2000 as a direct merger between a US-based IT consulting company and an Indian software company. However it was further acquired by a large American computer manufacturing MNC for $US 13.9 billion in 2008.

Company F became an independent Indian IT company in 2009 and since then has been listed under various Indian stock markets [such as BSE]. Headquartered in Bangalore, India; this Indian MNC has been servicing clients in Australia for the past eight years through its association with its old-partner company. However subsequent business growth forced the company to establish its first Australian subsidiary in Sydney in 2007. Since then Company F’s Australian subsidiary has grown into a large operation with a total strength of 340 employees comprising of 70 managers, 265 IT professionals and 5 clerical/support staff. The reason behind this entry was the company’s ongoing growth strategy which served as a key component in bringing Company F’s services to new regions and clients. This Indian MNC has
therefore formed strategic alliances and partnerships with various state governments in Australia so as to strengthen its market share [which is currently 10%] and enhance its capability in delivering its IT-enabled services (Sydney Australia: Company F, 2012). This was justified by the country manager of the subsidiary, who said:

'We see Asia pacific as a growth market for us and within Asia pacific Australia is an extremely important market for us' (Interview Company F Manager, 04/09/2012).

5.7.1 Control Mechanisms in Company F

Data gathered from the interview at Company F’s Australian subsidiary reports the presence of all three mechanisms of control i.e. behaviour [high], cultural [moderate] and output [high] control.

Table 5.12: Control Mechanisms Used by Company F in its Australian Subsidiary

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<tr>
<th>Indian Multinational Corporation</th>
<th>Control Mechanisms in Australian Subsidiary</th>
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<tbody>
<tr>
<td></td>
<td>Behaviour Control</td>
</tr>
<tr>
<td>Company F</td>
<td>High</td>
</tr>
</tbody>
</table>

(Source: Interview Data)

The Australian affiliate of Company F is largely staffed with expatriate employees [including managers] who periodically review their subordinates against KPIs, such as delivery targets, number of projects and number of customers. This allows the corporate HQ of the MNC to impose its direction over to its Australian subsidiary.
That is, through the widespread allocation of expats via the company’s global staffing policy, the HQ monitors the Australian subsidiary’s behaviour and ensures that decisions arising within the affiliate are in accordance with its overall aims and objectives. As emphasised by the subsidiary manager:

‘The way we work is we have a global pool of resource and a lot of our employees continue to move around different regions so we have Indians who don’t just come from our HQ but also from our operations in US and other regions for projects and it happens very often’ (Interview Company F Manager, 04/09/2012).

There is also an indication of a high level of standardisation and formalisation of policies within the Australian subsidiary, evident in their documented policies and frameworks, reviewed by the parent HQ from time-to-time. The manager of the Australian subsidiary explains:

‘There are broader guidelines that already exist at our corporate. We then transmit HQ guidelines into country-specific subsidiaries. They are also documented and kept at a common place for our employees to review’ (Interview Company F Manager, 04/09/2012).

Training in corporate norms and values is provided to the employees recruited to work at the Australian subsidiary. For instance, this is done by sending the subsidiary staff to the HQ for a short period of time to inculcate them into the company’s corporate culture. Further, as new employees join the subsidiary, they are required to go through an induction process, in which managers rather informally coach and mentor their junior employees. Since the subsidiary is already well-staffed with institutionalised expats from the MNC’s parent operations, this allows Company F to replicate its value system in its Australian subsidiary. This is justified by the manager:

‘All our subsidiaries adhere to our corporate culture as it’s the backbone of our operations. So we are very stringent as an organisation as we make sure that our
subsidiary staff upholds our value system’ (Interview Company F Manager, 04/09/2012).

Lastly, Company F’s Australian affiliate also uses a high degree of output control to transform its inputs and processes into desired outcomes. This is done through extensive use of quantitative targets revolving around financial goals of the subsidiary as well as its employees. For instance, data such as profitability, market share and revenues are collected at regular intervals and are sent to the HQ for annual planning, budgeting and benchmarking purposes. The subsidiary manager says:

‘It’s a measurement of our budgetary exercise as at the end of the day even the qualitative measures have to be translated into some form of quantitative figures.’

He adds:

‘Our organisation cannot work on emotions, so hard numbers are always there. And then we also look at other aspects, but mostly it is numbers’ (Interview Company F Manager, 04/09/2012).

Results therefore indicate a HQ-subsidiary relationship in Company F, which is mostly hierarchal and centralised, with some level of socialisation and informal communication included. This is best reflected in the following comments made by the subsidiary manager:

‘On a day to day basis, I don’t think we care as long as the guidelines and framework as well as the norms and the values of our company are followed however if anything goes beyond that then our head office would be concerned about the way things not being done’ (Interview Company F Manager, 04/09/2012).
5.7.2 HR Policies and Practices in Company F

Company F Australia displayed a predominant presence of home country [push] and a low presence of host country [pull] HRM practices [see Table 5.13].

(Table 5.13: HRM Practices Found in the Australian Subsidiary of Company F)

<table>
<thead>
<tr>
<th>Indian Multinational Corporations</th>
<th>Transfer of HR Policies and Practices</th>
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<tr>
<td></td>
<td>Recruitment &amp; Selection</td>
</tr>
<tr>
<td>Company F</td>
<td>HQ</td>
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</tbody>
</table>

(HQ) Managed by Headquarters
(S) Conducted by Subsidiary
(Source: Interview Data)

When it comes to the recruitment and selection, a range of different methods are used for Australian subsidiary’s local staffing. Firstly, senior managers at the affiliate-level are mainly expats transferred internally through word of mouth from the company’s global network. Secondly, professional staff largely come out of the company’s operations in India and from the other global subsidiaries that are a part of the MNC. They mostly come on 457 work visas and are hired on contractual basis for a period of 2 to 4 years. Thirdly, there is some local-level recruitment conducted at the Australian subsidiary; this, however, mainly for the clerical/support staff who are hired externally through local staffing agencies. The manager of the Australian subsidiary states:

‘About sixty percent of our employees come out of India while remaining forty percent are hired locally’ (Interview Company F Manager, 04/09/2012).
Training and development at the Australian subsidiary is conducted through a range of group-based [in-house] and individual [web-based] training methods. For instance, subsidiary staff [especially its senior managers] are sent to the parent organisation in India for a period of 1 to 2 weeks to get accustomed to HQs ‘way of working’. Additionally, the subsidiary also provides technical certification-based courses [for its technical staff] as well as programs in leadership through local Australian training firms. With regards to the career development of subsidiary staff, Company F maintains a database of talent-pool which allows the company to identify and promote talent across its network of global subsidiaries. The subsidiary manager states:

‘We run different training programs for our employees; a few are classroom-based, while others are web-based, and then our employees – especially our senior managers – also travel to the HQ for induction and other training purposes’

He further adds:

‘We have special programs such as “frontline managers programs”, “leader talent pool”, “executive talent pool” etc., where we identify and groom the next-level employees, managers and leaders’ (Interview Company F Manager, 04/09/2012).

When it comes to the pay and performance policies of Company F’s Australian subsidiary, all employees are paid according to local awards, although payroll is managed from the company’s corporate HQ in India. Performance appraisal within the subsidiary starts with managers assigning targets to every employee as a part of their goal-setting exercise. Results are then are tracked twice a year with the help of a 360-degree feedback scorecard, which collects information with regards to employee’s specific performance. While more importance is given to individual performance appraisal, group-based appraisal is also conducted with pay-for-performance being widely applicable at the subsidiary. This is again explained by the subsidiary manager:
'We use a local Australian payroll consultant that advises our Indian HQ regarding local salary structure, as we adhere to the law of the land. And then the entire process is managed from our corporate’ (Interview Company F Manager, 04/09/2012).

Last but not the least, employee involvement and communication at the Australian subsidiary of Company F is also centrally managed by the HQ. That is, decision making strictly rests with the hands of managers and only the most basic and general information is provided to the employees, on a quarterly basis through the company’s internal forums [such as intranet and email]. Speaking about the overall HR policies and practices of the Australian subsidiary, the subsidiary manager says:

‘Our policies are ninety-five percent driven by corporate and only five percent originate locally and are country-specific. So, ours is a global workforce and we don’t differentiate our policies with different regions’ (Interview Company F Manager, 04/09/2012).

5.7.3 Determinants of Control in Company F

Data from Company F Australia suggest an interplay of external and internal determinants of control within the subsidiary. For instance, MNC country of origin dominates, only slightly moderated by the host country legal framework, while the host country’s national culture remains insignificant for the Australian subsidiary. Speaking of which the manager says:

‘Australian laws and regulations affect us one hundred percent; for example, how much do we pay our employees or how many leaves do we give them during the year. All these policies are one hundred percent adhering to the Australian legal laws’
The manager further adds:

‘Australian national culture does not affect our HRM policies, but it influences our way of working maybe; for example, working from home; coming early in the morning; work-life balance; flexibility to take leave etc.’ (Interview Company F Manager, 04/09/2012).

When it comes to firm-level or internal factors, all factors to a degree affect Company F’s Australian subsidiary operations. For instance, transfer of technology is one important factor in explaining the transfer of HR policies and practices. Because the Australian subsidiary relies upon its parent technology to deliver its IT services, this has resulted in MNC’s country transfer of HR policies and practices ultimately leading to high degrees of control. The country manager of the subsidiary states:

‘We are an IT services company and what we sell our customer is a mechanism by which they can use or reuse similar technology for different functions, so they can be more efficient. We take pride in the fact that we use similar systems and technology across regions and through our headquarters’ (Interview Company F Manager, 04/09/2012).
5.8 Case Study 7: Company G

Organisation: Company G Australia
Premises: Sydney Subsidiary of Company G
Participant: HR Manager – Australia
Date: 10th June 2011

Company G Australia is the Australian subsidiary of Company G, an Indian multinational corporation that provides IT services and software solutions to other companies around the world. The company uses its expertise in software engineering, applications management and system integration to provide business solutions tailored across client’s specific needs (Company G History, 2012). Using the onsite-offshore delivery model, this company has clients in the industry verticals of banking and finance, insurance, manufacturing, travel and healthcare. Company G was formed in 2004, after being part of a larger Indian organisation specialising in IT education for 25 years. It is listed at the Bombay Stock Exchange [BSE] and has a total strength of 7,444 employees worldwide. The company is known for its world-class quality standards in its delivery of IT services, certified through mechanisms such as Level 5 SEI-CMMi and ISO 20000.

Headquartered in Noida, India, Company G started its Australian operations in 2000. Its Australian subsidiary was first established in Sydney, with a subsequent office in Melbourne. Total employees amount to 75. Having established markets in other countries in and around Asia-Pacific, Company G views Australia as an emerging market. Furthermore, because of its small-to-medium size, this Indian MNC uses cost-reduction and effective time management strategies to deliver services to its growing clientele in Australia. As written in the company’s vision statement:

‘Company G is people, Company G is quality and value, Company G is mission’
Thus Company G claims to use people, excellence in delivery and technical know-how as key differentiators to compete against other Indian IT companies and global players from around the world.

5.8.1 Control Mechanisms in Company G

Data gathered at the Australian subsidiary of Company G indicates the presence of all triple measures of control i.e. behaviour [high], cultural [moderate] and output [high] control [summarised in Table 5.14]. For instance, behaviour within the Australian subsidiary of Company G is managed and controlled through allocating expatriate managers in key subsidiary positions [i.e. project, engagement managers]. These managers monitor subsidiary employees and conduct yearly performance appraisals. They further keep in close touch with their parent organisation by reporting this information back to the HQ. This is justified by the subsidiary manager who says:

‘In terms of our senior management, I would say most of the employees are managed by HQ, so it’s not a fifty-fifty ratio. Plus we rely a lot on timely reporting within our organisation, be it through industry verticals or domain skill. So, it is very essential to follow all the corporate process and policies, as well all work together as a team’ (Interview Company G Manager, 10/06/2011).
Table 5.14: Control Mechanisms Used by Company G in its Australian Subsidiary

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<th>Indian Multinational Corporation</th>
<th>Control Mechanisms in Australian Subsidiary</th>
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<tr>
<td>High</td>
<td>High</td>
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<td>Moderate</td>
<td>Moderate</td>
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<td>High</td>
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(Source: Interview Data)

This use of PCNs employed by Company G also allows for moderate levels of cultural control via socialisation and relationships. For instance, managers use informal communication to mentor and coach employees to familiarise themselves with the company’s norms and values. Consequently, the corporate culture gets well replicated at the Australian subsidiary of Company G. As expressed by the subsidiary’s manager:

‘Time and time again, when a new employee joins the subsidiary, the entire induction process is taken care of, and then our managers also keep mentoring our junior staff, reminding them as to what our values are and what we stand for.’

The manager further says:

‘Pretty much everything our Australian subsidiary does reflects on our company’s global culture; we cannot go ahead and do anything that’s not a part of our organisation’s core culture’ (Interview Company G Manager, 10/06/2011).

Company G also uses a high degree of output control through the use of budgeting systems and cost control tools. For instance, numerical targets [such as profitability,
market shares] are extensively used to measure the subsidiary’s success and level of performance. Speaking about this issue, the subsidiary manager states:

‘We have a budget allocated to us by the HQ that we use to for technical as well as training in cultural norms and values of our company. We submit our yearly proposal to the HQ and are given a budget as to what our limitations are’ (Interview Company G Manager, 10/06/2011).

5.8.2 HR Policies and Practices in Company G

HR policies and practices in the Australian subsidiary of Company G are consistent with the control mechanisms used by HQ to manage the subsidiary [see Table 5.15]. The subsidiary manager gives an overview:

‘Our policies emerge out of India, but are tweaked as per the Australian requirements, and then the feedback again goes back to our headquarters in India, where they are reviewed on a timely basis’ (Interview Company G Manager, 10/06/2011).

Table 5.15: HRM Practices Found at the Australian Subsidiary of Company G

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<th>Indian Multinational Corporations</th>
<th>Transfer of HR Policies and Practices</th>
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<td>Recruitment &amp; Selection</td>
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<tr>
<td>Company G</td>
<td>HQ</td>
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(HQ) Managed by Headquarters
(S) Conducted by Subsidiary

(Source: Interview Data)
The recruitment and selection of the majority of staff, including managers and IT professionals, come from the company’s parent operations in India, following the company’s global staffing policy. For instance, while managers are hired permanently, professional staff come on a project basis and employed on contracts, depending upon the need and skills required for the delivery of specific projects. Clerical and support staff, on the other hand, are hired locally through the help of local Australian employment agencies. Behaviour control is thus evident from the overwhelming numbers of expats employed at the subsidiary that play a key control and coordination role. The manager of the Australian subsidiary says:

‘For our subsidiary’s requirements we have specialised people in India with specific skills and that’s what the Australian client demands. So, decisions are taken from India, jointly keeping the Australian vendors and the staff into perspective’ (Interview Company G Manager, 10/06/2011).

Training and development at the Australian subsidiary are mainly done individually through the company’s intranet portal, which is centrally managed by the parent HQ. For professional staff, therefore, more importance is placed on the technical side of the training, which revolves around developing key domain skills. However, all members of the subsidiary staff [be it managerial, technical or support staff] are also sent back to the HQ for a period of two weeks to participate in an induction programme. This socialisation-based training facilitates cultural control as employees are assimilated in the Company G’s organisational norms and values. Furthermore, with regards to the MNCs employee development programs, the parent MNC offers certification courses in software skills and management leadership for career advancement of its local Australian staff. Speaking about the subsidiary’s HR training and development, the manager says:

‘Most of our training is web-based, but our employees also travel to India every year to learn about our corporate culture and familiarise themselves with our company’s range of services and policies’ (Interview Company G Manager, 10/06/2011).
When it comes to the pay and performance HR policies, the parent HQ of Company G also looks after the subsidiary’s pay and performance policies; that is, all employees are paid according to local awards, while the payroll is managed by the HR team at the MNC’s main operations in India. In addition, managers at the affiliate-level also take weekly reports from their subordinates and report back to the head office, due to the high focus on achieving subsidiary outputs through performance control systems. This is emphasised by the manager:

‘All the data is sent to India from our subsidiary in Australia, which includes information as per the local market employment surveys and standards’.

Lastly, when it comes to the subsidiary’s employee involvement and communication policies, not much consideration is given. For instance, the HR team based at the HQ is mainly responsible for providing information regarding any changes to its subsidiary, which is mostly supplied through various electronic platforms [i.e. emails and newsletters]. Employees are not given much discretion with regards to the decision making around HR or any other issues relating to the subsidiary’s local operations. The subsidiary manager states:

‘It depends on what sort of information you want to send out to our employees. So, if anything happens at the local subsidiary-level, the Indian HR team drafts an email and sends our mass mailers to relay the message’ (Interview Company G Manager, 10/06/2011).

Hence, there is a clear indication that HRM practices at the Australian subsidiary of Company G emerge out of the company’s parent organisation and are wholly adopted into the Australian subsidiary. This has allowed Company G to standardise all of its HR policies and practices across its overseas operations, thus facilitating high levels of control and providing low levels of autonomy to its foreign subsidiary.
5.8.3 Determinants of Control in Company G

Data from the interview indicates that MNC’s country of origin and host country’s legal framework are the two important external factors that impact the transfer of HR policies and practices at the Australian subsidiary. For instance, the high presence of PCNs at the subsidiary-level is an indication that Company G uses its home country-specific capabilities [such as low-cost labour and specialised skills] to maintain high degree of control in the transfer of its HRM practices. This is emphasised by the subsidiary manager:

‘At the end of the day, all our policies come out of Indian HQ and that’s because you want everybody to be on the same page. And so eighty to ninety percent of our policies would be similar for everyone and only a few percent are drafted as per the Australian requirements’ (Interview Company G Manager, 10/06/2011).

Speaking about the host country’s legal framework, the subsidiary manager says:

‘It affects us one hundred percent so we follow all policies here that are compulsory and governed by the Australian law’.

When it comes to the internal factors of the MNC, data reports that all determinants (i.e. management style, mode of entry, role of subsidiary and transfer of technology) shape the control and HR choices at the Australian subsidiary of Company G. For example, speaking about subsidiary’s resource and technology dependence on its parent, the manager states:

‘We work on a model where knowledge is widely accessible throughout our company. So, whether someone is sitting in our HQ at Bangalore or in our subsidiary at Thailand, they can access the same technology through our internal portal’.

This might well reflect the fact that the Australian subsidiary of Company G does not play a strategic or an innovative role within the MNC global network. For
instance, with very little autonomy, the subsidiary’s main task is to simply replicate its parent services and establish a first point of contact for the company’s local clients and customers in Australia. In this way, the company’s HQ high degrees of control in the transfer and adaptation of its home country HR policies and practices is both necessary and understandable. The subsidiary manager says:

‘The Australian subsidiary doesn’t play a major role but conducts similar activities and services as done offshore at our operations in India’ (Interview Company G Manager, 10/06/2011).
5.9 Case Study 8: Company H

Organisation: Company H Australia
Premises: Sydney Subsidiary of Company H
Participant: Country Manager – Australia
Accounts Manager - Australia
Date: 3rd June 2011

Company H Australia is the Australian subsidiary of Company H, an Indian multinational corporation that provides IT services to other companies around the world. The company is known for its specialisation on micro-verticals [i.e. working on small and specialised sub-units of bigger vertical sectors], which include sectors of financial services, manufacturing, telecom, product engineering and life sciences. The company’s domain expertise is concentrated in areas like application development and management, IT and business consulting, business process outsourcing and cloud computing. This has enabled Company H to offer integrated technology operations platform that provide IT-enabled services. Historically, Company H was founded in 1978 and since then has grown into a $US 579 million company (Company H Background, n.d.). With over 23 global offices and 15 offshore development centres, this MNC services around 239 active customers located in 15 different countries.

Headquartered in Bangalore, India, Company H established its first Australian subsidiary in 2000 in Sydney, although it also has registered offices in Melbourne and Ballarat. The subsidiary has a total workforce of 80 employees. Most of the business generated by Company H comes from its overseas markets in USA and Europe (Company H Background, n.d.). It has, however, been seeking to expand its international markets to countries like Australia in search for new opportunities. In recent times, the company has pioneered a 24/7 based development and support framework approach in its global delivery of IT services. It claims this has allowed this Indian MNC to use a mix of timeliness, adaptability, cost cutting, innovation and customer interaction approach to achieve its business strategies.
5.9.1 Control Mechanisms in Company H

The HQ of Company H implements a high degree of behaviour and output control at its Australian subsidiary, but little apparent cultural control [see Table 5.16].

Table 5.16: Control Mechanisms Used by Company H in its Australian Subsidiary

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<tr>
<th>Indian Multinational Corporation</th>
<th>Control Mechanisms in Australian Subsidiary</th>
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<tr>
<td>Company H</td>
<td>Behaviour Control</td>
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<td>High</td>
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</table>

(Source: Interview Data)

For instance, all managers employed at the Australian subsidiary of Company H are Indian expats who keep a direct and personal check on their subordinates. Their task is to ensure that employees of the subsidiary comply with the operational procedures of their parent HQ. The manager of the Australian subsidiary says:

‘We work on a model where what needs to be ensured is that there is consistency; as an entity to operate in this environment, we are fully governed by the Indian headquarters to function as an operational entity. So, we wouldn’t want a lot of changes happening in this subsidiary’(Interview Company H Manager, 03/06/2011).

There appears to be little reliance on cultural forms of control at the Australian subsidiary of Company H. For instance, employees are given little formal exposure to corporate culture of the MNC beyond an induction process that is conducted at the
Australian subsidiary. Similarly, the company offers little training in corporate norms and values, which results in little to no inculcation of the HQ corporate culture. This is justified by the subsidiary manager who states:

‘The Indian corporate culture is completely different to the Australian subsidiary. Replication can definitely come, in terms of best practices that have worked. So, I would say that it is mostly the processes that can be replicated, not the culture, as it is unique to a particular geography’ (Interview Company H Manager, 03/06/2011).

Lastly, measuring the Australian subsidiary’s financial performance is an integral part of the control system in the HQ-subsidiary relationship at Company H. For instance, the company places high priority on measuring criteria such as market share, revenue and profitability. Furthermore, such KPIs are frequently reported back to the Indian HQ for budgeting and cost control of the subsidiary. This is stated by the subsidiary manager:

‘We’re an organisation that likes to run lean and save cost where we can, and that is very important to all of us. In terms of expenses, I think its horses for courses. So, if we want to do an event that will create revenue for us, the Indian HQ will invest; Otherwise, not’.

5.9.2 HR Policies and Practices in Company H

According to the interview data, the HR policies and practices at the Australian subsidiary of Company H are very much a reflection of parent country transfer and adaptation of ‘best’ practices.
(Table 5.17: HRM Practices Found in the Australian Subsidiary of Company H)

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<tr>
<th>Indian Multinational Corporations</th>
<th>Transfer of HR Policies and Practices</th>
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<td></td>
<td>Recruitment &amp; Selection</td>
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<tr>
<td>Company H</td>
<td>HQ</td>
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(HQ) Managed by Headquarters
(S) Conducted by Subsidiary

(Source: Interview Data)

This MNC depends heavily on its HQ for the recruitment and selection of employees at the Australian subsidiary. Further data also reports that as compared to other case organisations, the Australian subsidiary of Company H has a greater input into the decision making regarding its recruitment and selection policy. For instance, senior and middle managers largely come out of India and stay at the affiliate for a period of 6 to 20 years, on long-term business visas, eventually ending up becoming Australian permanent residents and citizens. Professional staff also comes from the company’s parent HQ, based upon recommendations from Australia, depending upon projects undertaken and skills required. These employees, however, travel on 457 work visas for a period of 2 to 4 years and are hired temporarily on contractual basis. In contrast, the clerical and support staff are hired locally through advertising, job boards and recruitment agencies. This widespread use of expats, due to the global staffing practices, allows Company H to implement high behavioural control in its Australian subsidiary. The manager of the Australian subsidiary states:

‘Recruitment and selection is very much a common decision between Australia and India, as we make our final recommendations to India and choose very much
on local knowledge [i.e. what are the skills required] because the candidates are based here at the subsidiary’

He further adds:

‘We take the process from India, but do the decision making in Australia and then combine the two processes’  (Interview Company H Manager, 03/06/2011).

The training and development of employees at all the Australian subsidiaries is largely driven from the HQ, especially for its managerial and professional staff. For instance, managers hired at the subsidiary-level are sent back to India every year where they spend the majority of their time participating in leadership programs as well as getting briefed by the HQ with regards to their subsidiary’s goals and operations. However, from this case study, there is no indication that cultural control is exerted by the HQ at the subsidiary-level through socialisation efforts such as training in corporate norms and values. The subsidiary manager states:

‘We can do a local level or a group level of training and development, but from a strategy perspective it is largely driven out of India’.  (Interview Company H Manager, 03/06/2011).

When it comes to Company H’s pay and performance practices and policies, all employees at the subsidiary are paid according to local awards, while the payroll is managed by the parent HQ. Moreover, individual performance is the most commonly used evaluation criterion; in this, employees are not only measured against their own job performance but also against their peer’s performance. This makes sense given the high behaviour and output control that are implemented in this subsidiary – i.e. – using performance-reward outcomes to measure subsidiary operations. As stated by the subsidiary manager:

‘Pay is very much directly proportionate to the band or level that you’re at. However, would a technical employee in India at the same band or level be treated differently to a technical employee in Australia? No.’
The manager further adds:

‘We measure our subsidiary employees on a 360-degree scorecard feedback where performance is directly proportionate to their individual goals and KPIs as well as their peer performance’ (Interview Company H Manager, 03/06/2011).

Lastly, employee involvement and communication at the Australian subsidiary of Company H is also managed from the corporate HQ. For instance, employees working at the affiliate-level are not formally briefed about the company’s business strategy and financial performance. Although there are mechanisms in place to inform of the subsidiary’s marketing, sales and events related news and activities, much of the information supplied was general in nature. As expressed by the subsidiary manager:

‘We basically make our own decisions quite exclusively in terms of sales and marketing activities, so our marketing events are localised towards Australian needs. All other major HR policies and practices are made in Bangalore, India. So, the dependence on solutions is largely driven out of Indian headquarters’ (Interview Company H Manager, 03/06/2011).

5.9.3 Determinants of Control in Company H

This case indicates the presence of both external and internal determinants that influence Company H’s control strategy at its Australian subsidiary. More particularly, when it comes to location-specific factors, MNC country of origin and host country legal framework impact how the Australian subsidiary is managed by its HQ. For example, the Australian affiliate adheres to all the local Australian laws required by the subsidiary to perform its day-to-day operations. This is emphasised by the manager who says:

‘Basically HR in India decides everything, but if we for some reason realise that they have stepped out of Australian law or they don’t know accidentally, then we
will bring it to their attention and they will review it’ (Interview Company H Manager, 03/06/2011).

With regards to the internal factors, all the determinants seem to play a role in Company H’s control of its Australian subsidiary in the transfer of its HR practices. For instance, exercising high degrees of centralised control has resulted in HQ transferring its parent country leadership style to its Australian subsidiary; in other words, there is a somewhat authoritative and dictatorial approach with little discretion and autonomy over decision making. This is expressed by the subsidiary manager:

‘We often get frustrated with certain Indian policies and decision making processes that would limit what we want to achieve’.

In a similar fashion, the Australian subsidiary of Company H performs the same set of functions as its parent HQ. This has allowed the parent MNC to centrally manage its HR policies and practices from its parent operations in India. As a result, the majority of the HRM practices at the subsidiary-level reflect those forwarded from the home country. This is not a surprise considering the amount of centralisation, close supervision and performance appraisal found at the Australian subsidiary. This is rightly said by the manager:

‘We roll out global policies, so our internal work flows and our internal policies are very much consistent with the HQ. Our solutions are also largely driven out of Indian headquarters as it is standard for all subsidiaries, while we customise it to local needs’ (Interview Company H Manager, 03/06/2011).
5.10 Case Study 9: Company I

Organisation: Company I Australia
Premises: Sydney Subsidiary of Company I
Participant: Operations Manager – Australia
Date: 15th July 2011

Company I Australia is the Australian subsidiary of Company I, a leading IT services provider of software solutions, consulting and BPO services to companies around the world. The company uses the onsite-offshore delivery model to provide solutions to clients in sectors such as banking, wealth, asset management and insurance (Company I Corporate Profile 2012). Company I was incorporated in 1993 and since then has grown into a $US 400 million company, with a global workforce of over 9000 employees. It has offices in 22 cities and in more than 14 countries around the world. It is registered at the Bombay Stock Exchange [BSE] and has achieved quality standards of SEI CMMi Level 4, ISO 9001 and BS 7799. The company has also been recently ranked 9th by NASSCOM on its top 20 IT exporter list (Company I History, 2012).

Headquartered in Chennai, India, Company I opened its first Australian subsidiary in 2000 in Sydney and Melbourne. It has a total workforce of 80 employees. Recently, the company also opened a new delivery centre in the suburb of Parramatta, Sydney. Although the majority of the company’s global business comes from its established markets in countries such as US, UK and Europe, Company I considers Australia to be an emerging market and a new initiative in its ongoing growth strategy. Company I therefore not only competes with global IT MNCs but also other Indian IT players as well as local Australian firms that offer similar services. The company claims to use relationship, expertise, technology, intellectual property and global research as key differentiators to compete worldwide (Company I Corporate Profile 2012).
5.10.1 Control Mechanisms in Company I

The parent HQ of Company I exerts a high degree of behaviour and output control and a moderate degree of cultural control at its Australian subsidiary [see Table 5.18]. For instance, the subsidiary staffs its managers with expats that constantly observe and monitor the behaviour of their subordinates due to the global staffing practice adopted by the MNC. Furthermore, as most of the subsidiary staff work at client premises, they are not only periodically supervised by their projects managers but also by their clients, leading to customers high behaviour control through personal surveillance and close supervision. The manager of the subsidiary states:

‘With the kinds of services we offer to our clients, more than sixty percent of our employees come from India; other than that, whatever other positions remain we find it locally’

Table 5.18: Control Mechanisms Used by Company I in its Australian Subsidiary

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<th>Indian Multinational Corporation</th>
<th>Control Mechanisms in Australian Subsidiary</th>
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<tr>
<td>Company I</td>
<td>Behaviour Control</td>
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<td>High</td>
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(Source: Interview Data)

The manager further adds:

‘We report everything back to India. So, everything gets sent back as the HQ needs to know what we are doing here. I mean the performance of our sales and delivery team, so everything is monitored by our back-end, while our managers
and directors here monitor what the local employees are doing and then everything gets put into a system which is managed by the HQ’ (Interview Company I Manager, 15/07/2011).

Besides relying on close supervision, the Indian HQ also facilitates the spread of its cultural norms and values, which is institutionalised at the Australian subsidiary through its expats. By engaging in informal communication and personal networks and contacts, these expats inculcate the subsidiary with their company’s parent culture. This is justified by the subsidiary manager, who says:

‘Because most of our employees come from India, they are already instilled with our company’s culture; however, our employees do informally mentor each other and their subordinates’.

Finally, performance reporting systems such as productivity, profitability and sales are extensively used within the subsidiary to measure its success. This is done to reduce uncertainty and bring predictability to the company’s Australian operations. As such, quantitative tools and measures [such as sales figures, return or profit] allows Company I to transform their behaviours and cultural norms into desired results and outcomes; this is high output control. The subsidiary manager states:

‘We get a budget from India on a monthly basis and we are required a put a provision. So, whatever spending’s we make at our subsidiary, we have to notify our HQ and get an approval letter’ (Interview Company I Manager, 15/07/2011).

The manager further says:

‘The decision making is there to an extent only as all decisions are made by our HQ, they don’t understand the Australian clientele so we need more local decision making autonomy’ (Interview Company I Manager, 15/07/2011).
5.10.2 HR Policies and Practices in Company I

In the case of Company I, a mix of dominant home HRM practices with a low degree of host country practices were found to be present at the Australian subsidiary [see Table 5.19].

Table 5.19: HRM Practices Found in the Australian Subsidiary of Company I

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<th>Indian Multinational Corporations</th>
<th>Transfer of HR Policies and Practices</th>
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<td></td>
<td>Recruitment &amp; Selection</td>
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<tr>
<td>Company I</td>
<td>HQ</td>
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(HQ) Managed by Headquarters  
(S) Conducted by Subsidiary  
(Source: Interview Data)

For instance, when it comes to the recruitment and selection of the subsidiary, the managerial and professional staff mostly come from the MNC’s Indian operations. Furthermore, while the managers are hired permanently, the IT professionals come on 457 temporary work visas and stay for a period of 2 to 4 years, depending upon the nature of the project. The clerical and support staff are hired locally and permanently through the help of external recruitment agencies. The manager of the Australian subsidiary states:

‘While we have people ready in India to come here, it’s up to us and the Australian client as to who we choose. But, at the end of the day, we still have to get an approval from the HQ no matter who we decide to recruit’ (Interview Company I Manager, 15/07/2011).
On the training and development side of employees at the Australian affiliate, the HQ is again responsible for providing training to its staff at the Australian subsidiary. This is done through the use of the company’s intranet portal that utilises a web-based training system to provide individual training to the employees. Also, certifications-based development programs are offered to the employees as a pathway for career progression at the subsidiary-level. Interestingly, the MNC has entered into a partnership with an Indian university, where employees spend few weeks to get educated and trained in various IT skills. The subsidiary manager says:

‘For training and development of our employees, we have got a pact with a university in India that we can assess locally. So, most of our training is done at the back-end, plus it is also done through teaming up with our team in India’.

With regards to the pay and performance management policies of the subsidiary, payroll is managed locally [i.e. in Australia], while all employees are paid according to local awards. Furthermore, the project managers based at the subsidiary-level constantly use KPIs, such as project sales and billable clients, to measure the individual performance of their subordinates and professional staff. The subsidiary manager again says:

‘Our delivery people report to our solutions centres and project managers, which then gets reported back to our corporate’ (Interview Company I Manager, 15/07/2011).

Lastly, the Australian subsidiary does not place importance on employee involvement and communication, as decision making in this area rests with the parent HQ in India. For instance, employees at the subsidiary-level are not involved in any decision making process that affects the HRM practices of the affiliate or their employment. With no reliance on tools, such as quality circles, briefing groups and problem-solving teams, the HQ takes most of the responsibility over all the various aspects of the employee’s engagement and communication at the Australian subsidiary. This is expressed by the subsidiary manager:
'We have quarterly meetings, we also send newsletters and emails on a weekly basis and if the need arises we use telephone calls as well; if any employees at the subsidiary have any issues they can report to our project managers’ (Interview Company I Manager, 15/07/2011).

5.10.3 Presence of Determinants of Control in Company I

Data reports that both external and internal determinants of control, to a degree, influence the transfer of HR practices at the Australian subsidiary of Company I. For instance, when it comes to the location-specific factors, Company I’s country of origin and its host country legal framework seem to be the determining factors that explain the underlying choice behind control and HRM at the subsidiary-level. Whereas the host country’s national culture did not have any major impact on the control and adaptation of HR policies and practices. The manager of the subsidiary says:

‘The host country’s legal framework affects us one hundred percent so we have to comply with every single Australian law and regulation that impacts our subsidiary’

The manager further says:

‘A lot of our operations here comes down to the local legalities as to what’s compliant here and at the end of the day we try and fit in with those compliances’.

Looking at the internal determinants of control, data reports that all four firm-level factors influence the choice of control and dissemination of HRM within the Australian subsidiary of Company I. For instance, being an IT services company, transfer of technology was extremely influential as the Australian subsidiary heavily relied on its parent HQ for sharing of knowledge and other resources. This is again justified by the manager of the subsidiary:
‘We keep in touch with our counterpart on a daily basis, so about ninety percent we are fully integrated with our HQ for sharing of services, processes and technologies. Most of our services are delivered from the Indian operations while we look after local sales and operations’ (Interview Company I Manager, 15/07/2011).
5.11 Case Study 10: Company J

Organisation: Company J Australia
Premises: Sydney Subsidiary of Company J
Participant: Organisational Development Head – Asia-Pacific
Date: 13th August 2012

Company J Australia is the Australian subsidiary of Company J, one of India’s most leading Indian IT services organisations. It offers business solutions and outsourcing services through global delivery network model [GDNM] to companies around the world. This Indian company is part of a much larger Indian conglomerate and is listed at the BSE and National Stock Exchange of India [NSE]. The company was initially founded in 1968 and became a separate organisation in 1995. It presently has over 254,000 employees worldwide and offices in 45 countries. The company has been voted as the top 10 Indian IT service providers in the world (Company J Corporate Facts, 2012). The company earns revenues of $US 10.17 billion and is growing at an annual net income rate of 21.8% (Company J Corporate Facts, 2012). Some of the main services the company provides revolve around application development, business intelligence, engineering services, IT infrastructure, cloud computing etc.

Headquartered in Bangalore, India, Company J established its first Australian subsidiary in 1983 in Melbourne. Since then it has opened subsidiaries in Sydney, Brisbane and Perth, with a total workforce of 1700 employees. Despite having long established operations in Australia, it still only accounts for 10% of the company’s global revenue. Company J therefore not only competes with global IT firms but also competes with other Indian IT MNCs in Australia and throughout the world. While the company services clients in all major industry verticals, its major focus lies in banking and utilities sector. Some of the major clients of Company J in Australia include companies like Westpac and Commonwealth Bank. The company uses its expertise as well as heritage to gain competitive advantage over its rivals. It entered the Australian market as it presents Company J opportunities to grow into newer regions of Asia-Pacific and gain access to new customers and client base.
5.11.1 Control Mechanisms in Company J

Company J’s Australian subsidiary relies on a high degree of behaviour and output control to monitor its activities, with little evidence of cultural control [see Table 5.20]. For instance, 70% of the employees at Company J’s Australian subsidiary are expats, who travel from India and other subsidiary locations and spent 2 to 4 years at the Australian subsidiary. These expats, including senior managers, are appointed to key subsidiary positions due to their high familiarity with their HQ’s operating standards. Their job is to constantly monitor the behaviour originating within the subsidiary and feed information back to the HQ on all matters relating to subsidiary operations. This is reported by the subsidiary manager who states:

‘We have a big focus on integration of the workforce and that’s why the head office has a policy around who gets hired at our Australian subsidiary; even if we decide to do things that we haven’t done, we still have to do it in conjunction and consultation with our head office’ (Interview Company J Manager, 13/08/2012).

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<tr>
<th>Indian Multinational Corporation</th>
<th>Control Mechanisms in Australian Subsidiary</th>
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<tr>
<td>Company J</td>
<td>Behaviour Control: High</td>
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<tr>
<td></td>
<td>Cultural Control: Low</td>
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<td>Output Control: High</td>
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(Source: Interview Data)

Company J does not offer training in corporate norms and values and gives no priority towards cultural replication of its head office culture; giving little
importance towards exerting implicit and informal control systems. This is stated by the manager of the Australian subsidiary:

‘Our corporate culture only gets partially replicated in the subsidiary because when you are in India as an employee you get a feeling of being part of larger organisation. Here it is different because we are so far away, so it feels like working for a small office rather than an organisation’ (Interview Company J Manager, 13/08/2012).

Finally, the output measures of the subsidiary are heavily monitored through budget approvals, cost control and performance measurement tools. More specifically, the HQ of Company J assigns numerical goals and targets and uses KPIs, such as market growth and revenue, to measure its success and level of performance. The subsidiary manager points out:

‘We have to provide a budget and then it goes for approval so we measure our subsidiary’s success mainly through growth, profitability and headcount etc.’

The manager further says:

‘All our goals are numerical and then there are attributes that are qualitatively measured, once the financial goals have been achieved’ (Interview Company J Manager, 13/08/2012).

5.11.2 HR Policies and Practices in Company J

Consistent with the centralised control mechanisms used, the HR policies and practices at Company J Australia are mostly determined at HQ [see Table 5.21].
Recruitment and selection policy within Company J Australia is a mix of dominant home country HR practices and low degree of host country practices. For instance, managerial staff [such as project managers, HR managers, account and engagement managers] are mostly hired permanently through HQ. Similarly, when it comes to the professional staff, HQ in India is again responsible for sending expats for a period of 2 to 4 years on 457 work visas. These employees come on a temporary and project basis and return upon completion of their projects. Lastly, the clerical/support staff are hired locally through job advertisements and take on middle to junior-level roles, such as sales and marketing managers, events managers and customer service representatives. Again, the global staffing practice was of note, with expats overwhelmingly occupying with key decision-making roles the subsidiary, allowing the HQ to implement high behaviour control. The manager of the Australian subsidiary states:

‘We have a lot of internal transfer, so people coming on specific assignments and then going back after two years. These are mainly our skilled professional employees; for all other customer-facing positions, we hire people locally’ (Interview Company J Manager, 13/08/2012).

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<td>Recruitment &amp; Selection</td>
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<tr>
<td>Company J</td>
<td>HQ</td>
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(HQ) Managed by Headquarters
(S) Conducted by Subsidiary
(Source: Interview Data)
Training is provided to subsidiary staff through a combination of different methods that includes group-based physical [classroom] training as well as individual [web-based] training. However, the focus of these training programs revolves around process, technologies and domain skills used by the MNC. That is, the absence of cultural control was evident throughout.

In line with the skills-based training, several certification-based courses are offered to the staff members as part of the career pathway and development program. For instance, the HQ of Company J runs several leadership-based programs, where affiliate staff - especially the senior managers - travel to the head office twice a year for training and developmental purposes. Again, however, there was a lack of cultural training; i.e. the focus lies on the central management of the Australian subsidiary rather than on the employee’s ‘fit’ into the organisation’s culture. As explained by the subsidiary’s manager:

‘Our training programs are linked with our subsidiary’s employee career aspirations and future growth’.

When it comes to pay and performance, payroll is managed by the Indian HQ and all employees are paid according to local awards. Performance management within the Australian subsidiary is therefore done through individual [role-based] and group based [region-based] approach. More specifically, managers at the subsidiary-level rate their subordinates on scorecard and use a 360-degree feedback to measure their productivity. In other words, performance is linked to the high output control employed by the parent MNC. The subsidiary manager states:

‘We do what most organisations do, as we have a very strict performance management to try and look at how we are rewarding our high performers and figuring our when people aren’t performing’ (Interview Company J Manager, 13/08/2012).

Finally, Company J Australia has low-levels of employee engagement and no effective internal communication policy when it comes to employee involvement and
communication. As such, HQ is in-charge of employee engagement and communication at the Australian subsidiary. The manager of the subsidiary states:

‘We are very much a matrix organisation, so we work very closely with our operations in India. Our HQ is where we get our resources; that’s where the global strategies are decided’

The manager further says:

‘Whether it’s big decisions related to HR, or day-to-day decisions (such as rearranging salary structure), it is all driven by our corporate’ (Interview Company J Manager, 13/08/2012).

5.11.3 Determinants of Control in Company J

When it comes to the Australian subsidiary of Company J, external factors such as MNC country-of-origin and host country legal framework impact the transfer of ‘best’ HR policies and practices. For instance, the COO effect [such as the use of low cost skilled labour] in Company J allowed the MNC access to certain key advantages [such as its flexible work-force] that the company used to its maximum potential to enhance its delivery of IT services. Speaking about this COO effect the subsidiary manager says:

‘One of the key things for bringing people over from India is that it revolves around the flexibility of our organisation. Another reason is that we just don’t have those skills in Australia’ (Interview Company J Manager, 13/08/2012).

In contrast, the host country’s legal framework did have an influence on the control and HR choices, although its effect was minimal. That is, Company J only followed those legal policies that were mandatory and bypassed all other regulatory policies, which allowed the HQ to replicate its parent HR practices at the subsidiary. Speaking about the host country’s legal framework the manager of the subsidiary says:
‘We have global policies on most things and then within that we have the local policies maintained by the centrally coordinated team at HQ. So, even our local policy team has to go through that central team’.

Looking at internal determinants of control within Company J Australia, all industry-specific factors played a role in the control of HR policies and practices. For example, factors such as transfer of technology were influential in shaping the control and HRM at Company J’s Australian affiliate. More specifically, the Australian subsidiary is heavily dependent on its parent MNC for sharing of valuable resources [i.e. its technology]. This has allowed Company J’s HQ to transfer its home country HR policies and practices to its Australian subsidiary ultimately leading to higher levels of control. As emphasised by the subsidiary manager:

‘Almost all of our systems are global be it a solution that we offer to our clients or whether it’s a policy that is globally standardised and transferred into different environments’ (Interview Company J Manager, 13/08/2012).

The manager than says:

‘If you look at our systems, because our employees move around very much so everything is integrated and hence it is all done through one central system that you can access from anywhere’ (Interview Company J Manager, 13/08/2012).
Case Study 11: Company K

Organisation: Company K Australia
Premises: Melbourne Subsidiary of Company K
Participant: Organisational Development Head – Asia-Pacific
Date: 19th September 2012

Company K Australia is the Australian subsidiary of Company K, an Indian IT business and services MNC that provides BPO and system integration to other firms around the world. The company provides comprehensive research and development services, software development and IT outsourcing solutions using the onsite-offshore model to its clients. Company K is one of the largest product engineering and support services firm in the world, with a presence across 54 countries and achievement of CMMi Level 5 quality standards. Historically, the company started its operations in 1945 as a vegetable oil manufacturing company and since then has diversified its portfolio to operate in a range of different industries such as financial services, healthcare and telecommunications (Company K Overview, 2012). Currently the company is worth $US 7.37 billion with a global workforce of 140,000 employees and is listed on NYSE (Company K Factsheet, 2012).

Headquartered in Bangalore, India, Company K established its first Australian subsidiary in Melbourne in 2001. Since then it has opened offices in Sydney, Canberra and Newcastle. Its Australian subsidiary has a total workforce of 1450 employees, comprising project managers, IT professionals and support staff. While most of the company’s business comes from its operations in US and Europe, the company considers Australia as an emerging market with a potential for future growth. It therefore aims to not only compete with global IT MNCs from around the world but also other Indian and local Australian IT MNCs. Company K argues that it delivers ‘unmatched business value’ through a combination of process excellence, quality frameworks and innovation in its delivery of services. This has led the company to market and brand its value system of ‘applying thought’ thereby helping clients ‘do business better’ (Company K Overview, 2012).
5.12.1 Control Mechanisms in Company K

Data gathered from the Company K’s Australian subsidiary indicates the presence of all three measures of control: behaviour [high], cultural [moderate] and output [high] mechanisms [see Table 5.22]. For instance, besides allocating high numbers of expats to key subsidiary positions to monitor the activities of the staff, the HQ also uses formalised and centralised guidelines and policies to control the overseas operations of its subsidiary in Australia. This is explained by the subsidiary manager:

‘About sixty percent of our subsidiary staff, including managers, is comprised of expatriates from India, while the rest are from Australia. We have a modus-operandi that is followed within our organisation which is then carried forward to Australia’ (Interview Company K Manager, 19/09/2012).

Table 5.22: Control Mechanisms Used by Company K in its Australian Subsidiary

<table>
<thead>
<tr>
<th>Indian Multinational Corporation</th>
<th>Control Mechanisms in Australian Subsidiary</th>
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</thead>
<tbody>
<tr>
<td>Company K</td>
<td>Behaviour Control H</td>
</tr>
</tbody>
</table>

(Source: Interview Data)

The manager further adds:

*Our subsidiary employees have access to all our company policies that are documented and stored in our internal online portal; some of them are common company organisation-wide policies, while others are subsidiary-specific*.
The presence of cultural/informal controls being used at the Australian subsidiary of Company K is evident. This is mainly through socialisation-based training in corporate norms and values, which is organised every year by the parent HQ. The manager of the subsidiary states:

‘We have various training programs that are run twice a year for our new subsidiary employees at HQ. But besides that, there is a reflection of our organisation's culture to some extent because there is interdependence on HQ’

Besides relying on high behaviour control and moderate cultural control, the subsidiary also reinforces high output control by constantly measuring the affiliate’s performance through financial criteria. This has allowed Company K to benchmark its results with its pre-established goals and targets, whilst taking corrective actions to reduce any errors and uncertainties. Speaking about the subsidiary’s high reliance on output measures, the subsidiary manager states:

‘We have a budget allocated to us by the HQ and it’s something that we plan for at the beginning of the year and especially in the current business climate. In the last two years there is a lot of control in financial matters implemented by the headquarters’

The manager further adds:

‘A large part of our leadership team is based in India, so a lot of decisions are governed from there. Most of the decisions that financially impact our company are made there’ (Interview Company K Manager, 19/09/2012).

5.12.2 HR Policies and Practices in Company K

Interview data within Company K demonstrates a dominant mix of home country HR practices coupled with a low degree of host country localisation present at the Australian subsidiary [see Table 5.23].
Table 5.23: HRM Practices Found in the Australian Subsidiary of Company K

<table>
<thead>
<tr>
<th>Indian Multinational Corporations</th>
<th>Transfer of HR Policies and Practices</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Recruitment &amp; Selection</td>
</tr>
<tr>
<td>Company K</td>
<td>HQ</td>
</tr>
</tbody>
</table>

(HQ) Managed by Headquarters
(S) Conducted by Subsidiary

(Source: Interview Data)

Recruitment and selection is managed by HQ, as it is responsible for transferring the managerial and professional staff to its Australian affiliate following its global staffing practice. More specifically, expat managers come to Australia on a permanent basis and take over senior roles, such as project and account managers at the subsidiary-level. Likewise, professional staff come on contract basis for a period of 2 to 4 years and then move to a different geographic region within the MNC global network once the project is finished. In contrast, the clerical and support staff are hired locally through external recruitment agencies, using interviews and reference checks. Behaviour control is thus linked with the widespread use of expats that are used as a key control and coordination mechanism. The manager of the Australian subsidiary says:

‘Recruitment is divided into technical hiring and strategic hiring, which includes all the non-technical positions. Predominantly, most of our staff come out of India, so around sixty-five percent of our employees come from HQ, while the remaining thirty-five percent get hired locally’ (Interview Company K Manager, 19/09/2012).
Training and development of employees at the Australian subsidiary is also conducted by the HQ, while not much importance is given towards training done at the subsidiary-level. This is consistent with the moderate cultural control found in the subsidiary, which is implemented through socialised training efforts. The HQ provides individual [web-based] training to its employees through the company’s intranet portal, which is centrally managed by the HQ. This is described by the subsidiary manager:

‘This is an improvement area for us because there is a lack of physical training for our employees on site at the subsidiary; currently we offer e-learning programs and there is a need to conduct more face-to-face training’ (Interview Company K Manager, 19/09/2012).

When it comes to pay and performance management policies at the Australian subsidiary, the HQ again remains in-charge as the subsidiary managers are responsible for conducting individual appraisals, whilst sending relevant KPIs to the corporate head office for benchmarking. As such, there is a presence of pay-for-performance policy present at the Australian subsidiary while data reports that all employees are paid according to local awards [which in some regards is contradictory]. However it is again consistent with the high output control that is linked with the subsidiary’s performance-reward outcomes. The manager again explains:

‘The entire process happens in India, while we send HQ the required data related to subsidiary’s finances. Performance management is also closely linked to the global process. It is a strictly pay-for performance philosophy which is merit oriented’ (Interview Company K Manager, 19/09/2012).

Finally, employee involvement and communication is also managed at the HQ-level where communication takes a downward route and subsidiary staff are not involved in any decision making activities. As stated by the subsidiary manager:
'For employee communication we have introduced a structural framework with our senior leadership team. However, when it comes to decision making, it depends because if there are issues that are dictated by our larger organisation, then there is very little engagement’ (Interview Company K Manager, 19/09/2012).

5.12.3 Determinants of Control in Company K

Data from the interview reports both external and internal factors impacting the control and adaptation of HR policies and practices at the Australian subsidiary of Company K. For instance, external factors such as the MNC’s country of origin and host country legal framework to a degree influence the control of HRM in Company K’s Australian subsidiary. The host country’s national culture, however, did not have any significant impact on the subsidiary. This is explained by the subsidiary manager:

‘The legal environment affects us one hundred percent, so policies that are statutory in nature are locally managed; for example, immigration and taxation laws. However, all other policies are centrally managed by our head office’ (Interview Company K Manager, 19/09/2012).

Although national culture remained insignificant in determining the subsidiary’s control and HR choice, data indicates the presence of subtle influence of the parent country’s national culture, again consistent with the COO effect found in the subsidiary. As noted by the affiliate manager:

‘Most of our employees are Indians and they are used to working in a certain way back in India and that is reflected in our Australian subsidiary’ (Interview Company K Manager, 19/09/2012).

With regards to the Company K’s internal factors i.e. management style, mode of entry, role of subsidiary and transfer of technology; all to some degree influence the subsidiary in the adoption of its HR policies and practices. For instance, speaking
about the transfer of technology between the Indian HQ and the Australian subsidiary, the manager of the Australian subsidiary states:

‘There is a lot of interdependence, be it towards bidding for a project or offering solutions around a domain, most of our technology and information is available and accessible from anywhere’ (Interview Company K Manager, 19/09/2012).

Similarly, other factors such as Company K’s mode of entry were equally influential. For instance, Company K established its Australian subsidiary through an equity-based mode of entry; i.e. greenfield investment. This allowed the HQ of the MNC to maintain full ownership over its Australian subsidiary, resulting in complete control over the affiliate. This is again emphasised by the subsidiary manager:

‘Our Australian entity was established as a Greenfield because we felt that the Asia-Pacific market was an emerging and growing market and there is a lot of potential which was untapped and so we wanted a presence here in Australia’ (Interview Company K Manager, 19/09/2012).
5.13 Case Study 12: Company L

Organisation: Company L Australia
Premises: Melbourne Subsidiary of Company L
Participant: Country Manager – Australia & New Zealand
Date: 7th June 2011

Company L Australia is the Australian subsidiary of Company L and part of a larger Indian multinational corporation. The company is an ISO 9001: 2008 and ISO/IEC 27001:2005 quality certified company that provides software solutions and IT support services to its clients, both at home and overseas. By utilising a well-established onsite-offshore delivery model, the company claims to engage in cost effective strategies that produce effective and sustainable software and services solutions capable of delivering high business value. The company started its operations in 1980 as a personal computer manufacturing company and has since grown into a $US 120 million company, which is listed under the New York Stock Exchange [NYSE]. The company was established in India in 1996 to provide IT software and services solutions to its ever growing base of customers. With its headquarters located in Bangalore, India, the company established its Australian subsidiary in 2002 with a prime objective of having a presence in the Oceania region (Company L Profile, 2012).

Company L has offices in the Australian cities of Ballarat, Melbourne and Sydney, with a total workforce of around 22 employees. With a total base of 25 to 30 clients and a range of diverse projects, this organisation claims extensive IT-specific knowledge that has helped them to handle ‘sophisticated assignments’. Company L has long maintained a position of being a third party service provider that receives businesses from clients that include fortune 500 companies. The MNC argues that it has increased its competitiveness through a mix of quality, flexibility, adaptability and cost reduction strategies. Besides US and UK that are Company L’s established markets, the company is gaining a stronger foothold into other regions of the world. Its entry into the Australian market is the company’s response towards its ongoing growth and expansion plans. This move has led the company in enhancing its future
growth opportunities and the management appears to be optimistic about its future in Australia.

5.13.1 Control Mechanisms in Company L

Data from the interview indicates that the HQ of Company L implements a high degree of behaviour and output control to manage its operations in Australia, but low cultural control [see Table 5].

Table 5.24: Control Mechanisms Used by Company L in its Australian Subsidiary

<table>
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<tr>
<th>Indian Multinational Corporation</th>
<th>Control Mechanisms in Australian Subsidiary</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Behaviour Control</td>
</tr>
<tr>
<td>Company L</td>
<td>High</td>
</tr>
</tbody>
</table>

(Source: Interview Data)

To manage the behaviours originating within the Australian affiliate, the HQ of Company L has appointed expat managers at key subsidiary positions. These managers are responsible for personally observing and checking the activities of their subordinates, whilst measuring them against HQ’s corporate standards. The manager of the subsidiary says:

‘The Australian entities are much smaller than the Indian counterparts, so there is a lot of direct relationship between the managers and the junior staff or the mid-level staff’.
The manager further adds:

‘The managers keep a very close relationship with the employees because the idea is to create a good chain of command and to have proper reviews and processes in place’ (Interview Company L Manager, 07/06/2011).

Cultural control mechanisms were not evident in the management of HQ-subsidiary relations in Company L. Data reports that the company’s core focus remains to be its business side of operations rather than close integration through normative measures. This is explained by the subsidiary manager:

‘The corporate culture exists up to some level, however the relationship of the Indian head office is pretty much focused globally, as they don’t just manage Australia’ (Interview Company L Manager, 07/06/2011).

Finally, Company L considers it important to extend its presence in the Australian region. Consequently, evaluation criteria like market share, profitability and growth in employee numbers play a key role in the way the subsidiary is managed and operated; thereby demonstrating high output control. This is explained by the subsidiary manager:

‘At the end of the day it’s not a zero sum game, because the Indian counterparts understand that it’s very market driven. So, figures do play a very important role as the company really wants to keep its presence in Australia’.

He further adds:

‘The Australian entity is run like a profit centre, so we rely on our Indian counterparts for approvals on all decision making matters’ (Interview Company L Manager, 07/06/2011).
5.13.2 HR Policies and Practices in Company L

The approach towards HR policies and practices at Company L’s Australian subsidiary indicates a mix of parent country transfer of HR policies and practices with low level of host country localisation [see Table 5.25].

Table 5.25: HRM Practices Found in the Australian Subsidiary of Company L

<table>
<thead>
<tr>
<th>Indian Multinational Corporations</th>
<th>Transfer of HR Policies and Practices</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Recruitment &amp; Selection</td>
</tr>
<tr>
<td>Company L HQ</td>
<td>HQ</td>
</tr>
</tbody>
</table>

(HQ) Managed by Headquarters
(S) Conducted by Subsidiary
(Source: Interview Data)

For instance, when it comes to recruitment and selection, HQ is the main source of employment, as it transfers expatriate managers and professional staff to its Australian subsidiary; as part of its wider global staffing practice. However when it comes to the staffing of clerical/support staff, all employees are hired locally and are outsourced through local business centres. The manager of the Australian subsidiary states:

‘There is a policy in place right from the recruitment till the person coming on-site in Australia and it is managed by the HQ’ (Interview Company L Manager, 07/06/2011).
For training and development of employees at the Australian subsidiary, on-the-job training methods appear to be most frequently used by Company L. For instance, the HQ is responsible for providing training of senior managers employed at the subsidiary-level, but this HQ-based training is more strategic in nature than in corporate norms and values. Professional staff are trained at the subsidiary, through the help of local Australian training firms. That is, the local Australian training firm provides credit points to the subsidiary staff for completing training within a specified period of time. This is expressed by the subsidiary manager:

‘Our Indian HQ pays for the entire training budget. However, besides the head office we also provide subsidiary-level training to our employees and the decision making regarding its structure and duration is done in Australia’ (Interview Company L Manager, 07/06/2011).

When it comes to the pay and performance practices and policies of Company L, data despite showing a reliance on ‘low-cost’ skilled labour being used in the Australian subsidiary, reports all employees being paid according to local awards without any variance in the category of employees. For instance, the HQ is responsible for measuring performance of individual employees at the Australian subsidiary. This is usually done on a yearly basis. Furthermore, KPIs such as client feedback, employee attendance, number of leaves, employee communication as well as their commitment levels are constantly used in reviewing the progress of the affiliate’s staff members.

Lastly, with regards to the subsidiary’s employee involvement and communication policy, staff members were not formally briefed about the affiliate’s business strategy or financial performance and only general company-wide information is supplied using electronic means [such as emails and newsletters]. The manager of the subsidiary says:

‘We don’t really discuss much with employees because at the end of the day the decision making process still happens there’ (Interview Company L Manager, 07/06/2011).
5.13.3 Determinants of Control in Company L

Interview data leads to the presence of both external and internal determinants of control in the adaptation of HR policies and practices at the Australian subsidiary of Company L. For instance, when it comes to the external factors, Company L’s country of origin and its host country legal framework are factors that influence the HQ-subsidiary relationship at the Australian subsidiary. Speaking about the two influential factors, the manager of the subsidiary states:

‘It’s purely to do with the skill because you have to understand the way projects are executed and what are the kind of models in which they are executed’ (Interview Company L Manager, 07/06/2011).

The manager further adds:

‘All the Australian regulations affect us because the rules, the guidelines, the contractual relationship, everything are with effect and with relation to the Australian norms as such’ (Interview Company L Manager, 07/06/2011)

On the other hand, when it comes to internal, industry-specific determinants of control all factors [such as, management style, mode of entry, role of subsidiary and transfer of technology], to a degree, affect the HQs ability to transplant its parent HR practices at the Australian subsidiary of Company L. For example, speaking about the Australian subsidiary’s dependence on its parent technology; the subsidiary manager states:

‘The Australian entity relies very heavily on the Indian counterpart as it acts as a heart and support for the Australian entity; from a technology perspective the subsidiary in Australia is very much in touch and connected to our clients so the requirement is there in terms of next future technology’ (Interview Company L Manager, 07/06/2011).
5.14 Conclusion of Chapter

This chapter aims at briefly describing the twelve case studies, the control mechanisms the respective HQs use over their Australian subsidiaries and their association with their HR policies and practices. More particularly, this chapter has focused on finding consistency across each case site through the data reduction and pattern matching techniques. Results from the twelve individual case studies report a strong presence of parent country transfer of HR policies and practices with low degrees of host country localisation at the Australian subsidiaries.

The case studies revealed that due to the global staffing practices adopted by each MNC, Indian MNCs mostly rely on high behaviour and output control as well as moderate cultural control mechanisms to manage their overseas subsidiaries in Australia. Additionally, the control determinants also played an influential role in dictating the type and intensity of control measures exerted by the HQs in the adaptation of their HRM practices and policies. Hence both external and internal factors were influential in shaping the choice regarding control and HR in Indian MNCs.

While this chapter has presented a brief within-case analysis of the twelve individual case studies, the next chapter will compare these cases against each other. In doing so, the chapter will provide a more detailed account of the control mechanisms used by HQs of Indian MNCs to transfer their HR policies and practices over to their Australian subsidiaries.
CHAPTER 6:

CROSS-CASE ANALYSIS, DISCUSSION AND CONCLUSION

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6.1 Introduction of Chapter

This chapter will analyse the findings from the twelve case studies in an integrated manner and will compare them with both the theory and other empirical studies [as discussed in Chapter 2] using thematic analysis. It will provide aggregate evidence on the control mechanisms used by HQs of Indian MNCs and the related transfer of their HR policies and practices to their Australian subsidiaries. The chapter will therefore engage in cross-case analysis to list the commonalities and differences between each case. This is important as it allows for accurate depiction of the various factors that have contributed to the formation of case studies. It further helps our understanding of why one case is different to the other. Thus cross-case analysis will assist in finding consistencies across cases by matching them with the conceptual framework used in this study. This chapter will examine all the control topics discussed in detail in the case studies description chapter [Chapter 5]. More specifically, it will cross-examine the cases as a collective to verify and even contradict the conclusions drawn from the data provided in the individual cases. Hence through cross-case analysis, this chapter will aim to:

1. Analyse the control mechanisms present in the Australian subsidiaries of Indian MNCs and related transfer of their HR policies and practices using our conceptual framework.

2. Analyse the reasons for the use of relevant control mechanisms exerted by the HQs to the overseas subsidiaries based on cross-case analysis.

3. Examine the transfer of HR policies and practices within Indian MNCs relative to control needs.

4. Analyse the presence of the external and firm-specific determinants that influence the choice of control and HRM practices by comparing cases against each other.

5. Relate the findings of cross-case analysis based on exemplar quotations of key informants to illustrate the grounds for the conclusions been drawn from the data; and

6. Discuss the limitations and implications of this study and provide suggestions for future research.
6.2 Control Mechanisms in Indian MNCs

Looking at the literature reviewed in Chapter 2, it was identified that there are three main control mechanisms used by MNCs to control their overseas subsidiaries – behaviour, cultural and output control. After analysing the case studies it was found that HQs of Indian MNCs in the services sector exercise all three mechanisms of control in varying capacities to manage their subsidiaries in Australia. Results show that in all twelve cases, Indian MNCs implement high degrees of behaviour and output control across their Australian subsidiaries by placing expatriates and putting in cost control measures. Additionally, 8 out of 12 cases suggest that HQs further implement moderate degrees of cultural control in their subsidiaries through employee acculturation and socialisation. Given the form of industry the subsidiaries are engaged in [IT services such as consulting, BPO, customised software development etc.]; data from interviews indicate that input [i.e. tasks] and output [i.e. performance] activities of the subsidiaries are accurately measurable. By applying the framework outlined in Chapter 2 [especially section 2.4], this chapter will now analyse the twelve cases along the major themes to list the commonalities and differences between them. In unison with this aggregated depiction of organisational control mechanisms, this chapter will articulate the people-centric components of each category of control and in turn, the HR practice implications, which are examined in detail in the second half of this chapter.

6.2.1 Behaviour Control

According to the definitions adopted in Chapter 2, behaviour control refers to the appointment of home country managers to key management positions at the foreign subsidiary (Chung, Gibbons and Schoch, 2000). In MNCs it further involves expatriate managers constantly evaluating and monitoring the activities of the subsidiary (Baliga and Jaeger, 1984; Egelhoff, 1984). This is consistent with the findings of this study as data indicates that across all twelve cases, Indian MNCs staff their Australian subsidiaries with high numbers of knowledgeable and committed expatriate employees [PCNs] and they are clearly central to control and coordination. As validated by a subsidiary manager:
‘Ninety percent of our employees include managerial and professional staff that are expatriates and largely come out of India (Interview Company H Manager, 03/06/2011).

Another manager also stressed the scale of expatriate use:

‘Only ten percent of the people hired are local employees, rest all are expatriates’ (Interview Company A Manager, 25/07/2012).

These expatriate managers typically hold senior roles within the subsidiary such as account, engagement and project managerial positions. Their job is to look after the IT operations of their company in Australia by ensuring delivery of their core services. They also handle their subsidiary’s growth and business development by staying in touch with existing clients as well as seeking new customers thus acting as a bridge between the head office in India and the subsidiary in Australia. As reported by one of the country managers:

‘My current role and day-to-day responsibilities comprises of handling the entire projects of the company. This includes ensuring that these projects are managed by our team of project managers and are profitable whilst maintaining adequate staff numbers. As we follow the onsite-offshore model we have a set of team that works in India and does the execution of our services but onsite I look after all the project related requirements’ (Interview Company L Manager, 07/06/2011).

Accordingly, the HQs are directly involved in assigning top-level expatriates and adopting a hands-on approach in maintaining high controlling behaviours at their Australian subsidiaries. Such description accurately matches with the concept of behaviour control as mentioned in the literature as a direct means of subsidiary behaviour development. Chang, Mellahi and Wilkinson (2009) have therefore labelled it as ‘Input’ form of control where parent country managers impose specific task-related decisions to monitor and evaluate subsidiary behaviours whilst reporting the outputs back to the HQ.
For example, project managers across all twelve subsidiaries monitor the amount of
time a technical employee spends working on their individual IT project or the
number of clients an employee looks after etc. Thus expatriate managers were
constantly supervising and evaluating subsidiary behaviours while relying on
standards of comparisons derived from the parent organisation (Egelhoff, 1984).
Data from the interviews further justifies this conclusion as results indicate that
expatriates managers in the Australian subsidiaries are well-versed with their
respective HQ’s ‘way of doing things’ thus relying on parent standards at every step
of the way. As told in the words of a manager:

‘In terms of our governance and processes we derive out of the Indian operations
and all our decisions are made at the HQ but in terms of our customer interaction
and needs, those decisions are made jointly’ (Interview Company H Manager,
03/06/2011).

Another operations manager says:

‘Our Australian subsidiary complies with all the necessary standards derived
from the HQ but we also make sure that we are fully compatible with the
Australian industry and legal standards’ (Interview Company I Manager,
15/07/2011).

These measures have allowed Indian HQs to regulate the transformation process and
closely monitor the internal activities of their Australian subsidiaries. It also permits
replication of HQs operating procedures thereby reducing uncertainty whilst
increasing predictability. As per Baliga and Jaeger (1984) and Chang and Taylor
(1999) expatriates allow for duplication in HQs operating procedures, policies and
standards. This allows the HQ to influence subsidiary operations through clearly
defined rules and procedures (Doz and Prahalad, 1984) which is exactly the case in
the Australian subsidiaries of Indian MNCs. This demonstrates that HQs in India
command a high degree of centralisation over their Australian subsidiaries in making
sure that behaviours originating within these subsidiaries are appropriately managed.
It was apparent from the data that the organisational structure and expatriate staffing policies were closely aligned. As noted by country manager:

‘More than eighty percent of our operations are centralised and this really limits our ability to provide any input to the Indian HQ from an Australian subsidiary perspective’.

He further says:

‘If you look at the linkage between the sources of our employees and the control structure; our employees come from India, our policies are set there and whether they make sense or are appropriate for an overseas subsidiary is not looked enough’ (Interview Company D Manager, 06/09/2012).

Behaviour control prohibits subsidiary discretion by imposing functional limits through formal reporting structures and procedures and in these cases those with reporting responsibilities are more often than not Indian expatriates. Again this use of behaviour control is found in previous studies, but not previously to the scale found in this study. For instance, Chang and Taylor’s (1999) study found that American MNCs used behaviour control by heavily staffing their Korean subsidiaries with expatriates. Similarly, Ferner (2000) also found that British and German MNCs relied on behavioural control measures to manage their overseas subsidiaries through formal reporting systems and appointment of expats.

Findings from the study therefore not only correspond with other studies on Western MNCs but they also match some of the recent studies that have examined control within EMNCS. For instance, Wang, Jaw and White (2004) found that Taiwanese MNCs used behaviour control in their US subsidiaries to bring stability and integration to their overseas operations. Chang, Mellahi and Wilkinson’s (2009) study also found how Taiwanese MNCs heavily controlled the behaviour of their British counterparts through expatriation.
In summary, the first major finding based on this cross-case analysis is that in the Indian MNCs in this sample, the use of expatriates is widespread and these expatriates fulfil a traditional role of control and coordination (Edstrom and Galbraith, 1977; Harzing, 2001). Consistent with the proposition that were raised in Chapter 2, global staffing is inextricably intertwined to behavioural control in these subsidiaries. Although not envisaged at the outset, the behavioural control function expatriation plays in the subsidiaries are direct i.e. expatriates are used in key management and technical positions to such a degree that their indirect influence on the behaviour of other colleagues [through supervision] is less significant than the behavioural control they represent as a category of staff themselves. This widespread use of expatriates also conditioned the findings related to other forms of control – such as cultural controls.

### 6.2.2 Cultural Control

In Chapter 2, cultural control mechanisms were defined as the promotion of organisation-wide culture in controlling and coordinating the activities of foreign subsidiary (Leung et al, 2005; Pucik and Katz, 1986). Appropriate behaviour is thus attained through employee’s acculturation into organisational norms and values (Selmer and De Leon, 1996). Again, the proposition at the outset of this study was that cultural controls are a people-centric form of control and should impact people-management directly, such as through socialisation efforts but also through aligned HR practices. The first component of this proposition was evident in the study as results show 8 out of 12 Indian MNCs using moderate levels of cultural control in the central control and coordination of their Australian subsidiaries [the second component of this proposition is discussed later in the chapter].

In these cases, socialisation was achieved by offering limited training in corporate norms and values where employees from the Australian subsidiaries were sent to the headquarters back in India for a short duration of time. As described by a manager:

“For most people we have an orientation when they join the subsidiary however for some local employees who particularly work in areas where client interaction
is high we have something called a boot camp where they go to India for a three week course and there they are educated in terms of our values and a whole lot of other things’ (Interview Company C Manager, 20/09/2012).

This helped employees in familiarising themselves with norms and values of their parent organisation. It also allowed Indian MNCs to transfer their internal value systems to their overseas subsidiaries. This is congruent with the idea that MNCs use cultural control mechanisms to such a degree that they export and duplicate the national and physical characteristics of their HQ to their overseas subsidiary (Selmer and De Leon, 2002). This is illustrated best in the words of two managers:

‘We don’t consider our subsidiary as a separate entity and are very much dependent on the HQ for our needs; the corporate culture therefore gets well replicated in our Australian subsidiary’ (Interview Company C Manager, 20/09/2012).

Another manager says:

‘There is definitely a reflection of our organisational culture in the Australian subsidiary and it does flow through largely because there is interdependence on our Indian operations’ (Interview Company K Manager, 19/09/2012).

Such a manifestation of unified corporate culture helps control the subsidiary in informal and subtle ways (Chang, Mellahi and Wilkinson, 2009). Data from the study clearly shows that across 8 out of 12 cases, managers used moderate levels of socialisation to maintain informal linkages with their employees where they offered them with knowledge, experience, emotional, social and practical help. This is rightly put by two subsidiary managers with one of them saying:

‘Our employees go through a major induction process upon joining but other than that we also have a lot of team outings, events, mentoring and so forth’ (Interview Company I Manager, 15/07/2011).
Another manager adds:

‘The communication between the management and employees within our subsidiary is quite informal and there is a fair bit of socialisation going on as well’ (Interview Company A Manager, 25/07/2012).

When integrated with the findings presented on behavioural control, it is apparent that the findings relating to cultural control were to a substantial degree conditioned by global staffing practice; a conclusion consistent with extant understanding. For example, Harzing (2001) stresses how expatriates facilitate cultural control by weaving informal networks flying from plant to plant. This was also found across eight cases with expatriates making up the bulk of staff; they travelled on short-term projects and constantly moved between subsidiaries engaging in cross-pollination and hence the existence of cultural controls due to global staffing. In fact, subsidiaries that rely on expatriates do not require cultural control as they are already inculcated with parent norms and values (Edstrom and Galbraith, 1977). In light of this finding, the need for socialisation and the findings relating to it were to some degree subsumed by the use of ethnocentric staffing through expatriates and clan control so the ‘fit’ within the culture of the MNC was a given when arriving at the Australian subsidiary from India. This is expressed well by a subsidiary manager:

‘A lot of our employees come from overseas so they have to fit in with our subsidiary otherwise they would not come out here’ (Interview Company I Manager, 15/07/2011).

Interestingly, the four MNCs that did not report using socialisation-based cultural controls instead reported greater degrees of vertical centralisation of decision-making so that HQs authority over key decision-making overpowered the viability of corporate culture as MNC control mechanism i.e. to the degree that they did not report other forms of socialisation [therefore it appears that cultural controls beyond the use of expats and centralised decision-making seemed redundant].
Previous research has already acknowledged that MNCs apply cultural control across their foreign subsidiaries in some capacity (Marschan, Welch and Welch, 1996; Paik and Sohn, 2004; Selmer and De Leon, 2002). However, no study so far has examined its presence in the context of EMNCs managing and operating their subsidiaries in developed countries. Findings from this study provide valuable insight on Indian MNCs illustrating that cultural control is primarily applied through the use of expatriates.

In summary, although cultural controls were envisaged as a potentially important mechanism to control Indian MNC employees in Australian subsidiaries; the finding that key decision-makers and the subsidiary leadership team included many Indian expatriates evidently lessened the need to use socialisation interventions to control subsidiaries. These findings illustrate that staffing culturally distant subsidiaries with committed expats exerts implicit controls over foreign subsidiaries (Colakoglu and Caligiuri, 2008; Gong, 2003). The common use of output controls evident in the data will have also influenced the use of softer normative measures. The next section looks at this more measurable form of control.

6.2.3 Output Control

As per the literature in Chapter 2, output control refers to the measurement of subsidiary performance through quantitative evaluation (Andersson, Bjorkman and Forsgren, 2005). In other words, it relies on performance reporting systems to measure a subsidiary’s output (Chang and Taylor, 1999). Data from the study shows that Indian MNCs largely relied on this form of control to measure the success and performance of their Australian subsidiaries. The implications from a HR practice perspective are discussed later in this chapter, but at the organisational-level there was a common theme relating to what was measurable. This is explained by a manager who said:

‘The focus is always more on quantitative measures than qualitative because you can only improve what you can measure’ (Interview Company D Manager, 06/09/2012).
Given Australia was a relatively new and growing market for many of these Indian IT MNCs, evaluation criteria’s like market share, profitability and growth in employee numbers were key to how the subsidiaries were controlled. As described best in the words of two subsidiary managers:

‘Our major KPIs are measured against criteria’s such as sales figures, market share and profitability and these hard numbers are always there’ (Interview Company F Manager, 04/09/2012).

Another manager says:

‘We benchmark ourselves against our growth figures such as revenue, profit and even employee headcount and for us these criteria’s are extremely important’ (Interview Company J Manager, 13/08/2012).

These evaluation criteria’s thus allowed Indian MNCs to accurately measure the success and level of performance in their Australian subsidiaries. Consistent with the findings presented above, coordination with HQ was commonly reported as the motivation to use output controls. As one country manager commented:

‘Our HQ prepares a business plan every year and provides us with targets, if we don’t meet those targets then the head office will review it again and set new target for us to achieve’ (Interview Company I Manager, 15/07/2011).

The data across cases also indicated that the motivation for coordination and control through outputs measures were closely related to being cost-effective, the importance of which was stressed by managers:

‘We are an organisation that likes to run lean and save cost where we can because that is largely in the interest of our shareholders and that is very important to us’ (Interview Company H Manager, 03/06/2011).
HQs in India therefore kept detailed account of their subsidiaries spending’s while asking them to provide explanation for all affiliate-related expenditure. This is again explained by two expat managers as one of them says:

‘Everything gets approved through India for our expenses and we have to show a proof of everything’ (Interview Company H Manager, 03/06/2011).

Another manager emphasises:

‘Our HQ is very cost conscious and we have to give justifications and fight our battles and everything is monitored very closely’ (Interview Company B Manager, 14/09/2012).

Interestingly, research on output control so far suggests that MNCs should not use output control where the cultural distance between the home and host country is high as it reduces HQs ability to measure subsidiary performance due to a lack of information which makes subsidiary activities harder to interpret (Gong, 2003). However, the analysis suggests that despite a significant cultural distance between India and Australia, Indian MNCs were successfully able to implement tight output control mechanisms in their Australian subsidiaries. This was possible due to the Indian MNCs use of its country-specific capabilities [such as using expats through frequent flyers, cheap labour costs, highly knowledgeable workers with strong English-speaking skills etc.] and firm-specific capabilities [such as well-developed technological platforms in the form of web portal, LAN intranet, teleconferencing etc.]. As such, despite a significant cultural gap, Indian MNCs were able to keep transaction costs down whilst accurately defining outputs and hence the implementation of output control.
Table 6.1: Control Mechanisms Used by Indian MNCs in their Australian Subsidiaries

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<tr>
<th>Indian Multinational Corporations</th>
<th>Control Mechanisms in Australian Subsidiaries</th>
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<td></td>
<td>Behaviour Control</td>
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<td>Company A</td>
<td>High</td>
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(Source: Interview Data)
6.3 Summary and Implications of Findings on Control Mechanisms

Findings from this study extend the notion that MNCs only implement some level of behavioural [input] and output [performance] based controls to manage their overseas subsidiaries (Chang, Mellahi and Wilkinson, 2009). Recent studies on control in EMNCs operating in developed countries have supported such claims; for example, Taiwanese MNCs use both behaviour and output control to a certain degree to manage their subsidiaries in the UK (Chang, Mellahi and Wilkinson, 2009).

Results from this study show that Australian subsidiaries of Indian MNCs are controlled through all three measures i.e. behaviour, cultural and output control. This indicates that in fact, all three forms of control are interlinked and that organisations can implement behaviour, cultural and output control simultaneously without substituting one for another. Also, while these mechanisms play different control roles, they complement, interact and reinforce each other without the need to compromise either forms. For instance, the degree of standardisation increases the need for results-based performance. Similarly, using expatriates and global staffing promotes the spread of organisation-wide culture. Thus giving us an account of how the use of one control mechanism might affect the use of another in foreign subsidiary control. The study therefore supports the idea that soft control mechanisms help to implement formal centralised MNC control systems. This is because while these controls are analytically different, they do not exclude each other’s existence [i.e. they do not exist and work in isolation] (Alvesson and Karreman, 2004).

Findings from this study also indicate that Indian MNCs were able to implement all three forms of control mechanisms due to greater interdependence of their Australian subsidiaries with their respective HQs in India. For instance, the research shows that in all twelve cases, the subsidiaries were heavily dependent on their parent MNC for provision of labour, knowledge and technology while maintaining close ties with other subsidiaries within the geographically dispersed MNC network. This allowed Indian MNCs to retain centralised control and coordination over the activities of their Australian subsidiaries whilst giving importance towards alignment of shared
values between HQ-subsidiary members. As a result, they were able to implement high degrees of behaviour and output control mechanisms followed by moderate degrees of socialisation-based cultural control evident as a result of global staffing practices.

These findings certainly support the idea that as subsidiary’s level of integration with HQ increases its need to implement high degrees of formal as well as informal control also increases (Gomez and Sanchez, 2005; Martinez and Jarillo, 1991). Accordingly, the parent firm builds a close identification and commitment [i.e. shared vision] to the entire corporation rather than a single subsidiary (Gupta and Govindarajan, 1991). MNCs are thus able to achieve an optimal mix between both formal and informal control systems (Fenwick, De Cieri and Welch, 1999).

The findings in this study are in line with findings relating to developed country MNCs. For example, Gomez and Werner (2004) found US MNCs to be relying on both formal and informal controls while transmitting their management style to their Mexican subsidiaries. Similarly, Myloni, Harzing and Mirza (2007) also found American and European MNCs using both expatriate and social control in their Greek subsidiaries.

From an EMNC operating in a developed country perspective, past studies have failed to provide sufficient insight on the presence and use of cultural controls. For instance, while some studies simply focus on how informal controls are executed (Wang, Jaw and Huang, 2008; Wang, Jaw and White, 2004); others do not adequately explain why cultural controls are not used by EMNCs (Chang, Mellahi and Wilkinson, 2009). Results from this study show that through the traditional use of expats in key positions and a centralised organisational model, which can be measured by output – searching for cultural controls is actually not necessary in this context. This is because other forms of control such as behaviour and output controls never exist in a culture-free context (Alvesson and Karreman, 2004). For example, expatriates invariably carry their MNC corporate culture thus facilitating control by socialisation and networks (Harzing, 2001).
Hence each formal control mechanism also carries a significant informal dimension as it cannot be created or destroyed. These justifications explain why more and more multinational corporations including EMNCs are increasingly relying on social, informal and subtle [i.e. soft] mechanisms of control as part of their suite of their control mechanisms (Barnard, 2011; Egbe, Tsamenyi and Said, 2012; Gomez and Sanchez, 2005; Johnston, 2005; Kostova and Roth, 2003; Martinez et al, 2005).

6.4 HR Policies and Practices in Indian MNCs

In Chapter 2, it was forwarded that while a considerable amount of extant work has examined the degrees to which MNCs management of employment relationship revolves around the distinct features of their nationality [i.e. COO effect], international norms or by conformance to the system prevalent in the host country (Ferner, 1997; Ferner and Quintanilla, 1998; Innes and Morris, 1995; Muller, 1998; Purcell et al, 1999; Roche and Geary, 1996), studies for the most part have not integrated this discussion with control [Ferner et al, 2004 being an exception]. However, in this study it was proposed that control mechanisms that rely on people [i.e. global staffing – behavioural control and/or induction, socialisation and training – cultural controls] could be expected to have a direct impact on employment practices in the MNC. International scholars have long recognised that MNC factors, such as degrees of centralisation would impact discretion on issues around ER/HR (Almond and Ferner, 2006; Edwards, Marginson and Ferner, 2013; Ferner et al, 2004) but have not explicitly in turn linked this to a discussion of people-centric control mechanisms. In light of this, this study reports on HR practices and the transfer or not of HR practices from India within the control context outlined so far in this chapter.

The first conclusion to note is that data from the twelve case studies suggest that HQs in India have majority decision-making authority with respect to their HRM practices. Managers from the Australian subsidiaries further report that there is little to no discretion on subsidiaries over HR decisions. This is expressed well by a subsidiary manager who says:
'We have a very conservative way of doing business where if we want to hire ten employees we have to explain our business case to the HQ however if this was an Australian organisation, they would go ahead and do that’ (Interview Company B Manager, 14/09/2012).

There is also the presence of ‘pull’ and ‘push’ force that affects the overall HRM choices at the subsidiaries i.e. factors that are not directly related to control choices. The pull effects in the subsidiaries are not just a result of host country institutional environment but also consequent to the nature of the industry and the type of work the subsidiaries are engaged in. For instance, the pull forces are evident in the areas of HR function implementation such as career development, training and PA methods. The push forces on the other hand are more evident in the areas of HR policies and practices such as workforce allocation, salaries and payroll.

6.4.1 Recruitment and Selection

In line with recent research indicating the continued and increasing use of international assignments in MNCs (Mercer HRC, 2006; PWC Report, 2005; Reiche and Harzing, 2011), our sample featured global staffing practices that required international recruitment and selection of key staff. For instance, research has shown that Indian MNCs in the IT sector are known to follow a highly formalised and structured recruitment system which relies on sending managerial and professional staff from their parent to their affiliates (Budhwar et al, 2006; Mathew and Jain, 2008). Due to the high attrition rate among employees, Indian software firms often rely on internal transfers to fill overseas subsidiary vacancies (Ghosh and Geetika, 2007).

While not ruling out other explanations from the extant literature, based on the evidence in the cases in this study, the scale of expatriate recruitment is rationally explained by the role of expatriates in control and coordination of the MNC, an enduring research agenda in the global staffing field (Collings et al, 2009; Dowling et al, 2008). Data from the twelve case studies reflected the use of parent recruitment practice – i.e. ethnographic staffing to fill positions in their Australian subsidiaries in
line with the high levels of centralisation and standardisation required in the twelve subsidiaries in this sample. These employees mainly come from the company’s Indian operations and also occasionally through MNCs global network via internal transfers and ‘word of mouth’. Following some of these companies rotation policy, the employees are brought on contractual short-term business visas [subclass 457] for a period of 2 to 4 years. While some of the managerial staff stays permanently, professional employees are sent back upon completion of their relevant projects. As one manager explained:

‘We do a lot of internal transfers where people come here on assignments for duration of two to four years to fill particular projects and then go back so it’s more of a staffing practice than a recruitment policy’ (Interview Company J Manager, 13/08/2012).

As such, 10 out of 12 cases report senior management positions from country directors to project managers being overwhelmingly occupied by expatriates from Indian operations. Xiang (2001) supports this finding as his study on migration patterns of Indian IT professionals in Australia found similar results. As explained in the words of another manager:

‘Most of our expatriate managerial staff holds positions such as project or engagement managers to drive out the delivery of our core services’ (Interview Company H Manager, 03/06/2011).

Additionally, there is a growing notion that Indian IT organisations have moved beyond ‘Body-Shopping’ - i.e. sending people abroad for on-site services due to their high value chain activities being done cheaply by technical expats (Agrawal and Thite, 2003; Arora and Athreye, 2002; Saxenian, 2002). Results however, indicate that the practice of body-shopping is very much alive among Indian IT MNCs. Data from all twelve cases report that Australian subsidiaries of Indian MNCs are filled with contract IT workers that come from India and often work at client space or premises to drive the on-site delivery of their company’s core IT services. This is explained by a subsidiary manager who says:
‘We have specialised people who come from India with special skills and that’s what our customers demand and that’s when the HQ decides to send them here keeping our Australian customers into loop’ (Interview Company G Manager, 10/06/2011).

This finding indicates that the expatriates evident are not just managerial, but also technical with expats being recruited and selected for a variety of positions at Australian subsidiaries. Moreover, while their recruitment and selection is skill-based, their role in integrating the Australian subsidiary should not be overlooked. It is well recognised that knowledge transfer and control and coordination functions of such assignments are not mutually exclusive (Bonache and Brewster, 2001). However, based on the findings across these cases they might be better understood as mutually reinforcing as the close control of every aspect of subsidiary activity and the need to integrate knowledge and practice are both served by internal recruitment and selection for key positions.

In summary, the findings in this data demonstrated that the control needs of these MNCs and subsequent recruitment, selection and staffing choices were very closely aligned. Indeed global staffing practices emerged as a central form of control in these Indian MNCs, and therefore, decisions relating to these HR practices – recruitment and selection [and international job rotation], were unsurprisingly centralised at HQ-level.

### 6.4.2 Training and Development

Scholars have found variance in international training and development programs across Indian organisations depending on their nature, size and corporate philosophy (Yadapadithaya, 2000). For instance, Upadhya (2006) in his study of IT professionals in the Indian Software Industry found employees travelling to their corporate for training purposes. Thite, Wilkinson and Shah (2012) in a study of HRM practices in Indian MNCs also found parent to be in charge of international training at managerial-level.
Analysis from this study indicates similar results as all twelve cases report HQs to be in-charge of international training for employees at the senior management level where they were briefed and coached for their overseas assignment. This is done on a yearly and half-yearly basis as per the training needs of the subsidiary. Suggestively, Indian MNCs have moved away from target-based training towards a more need-based approach of training (Yadapadithaya, 2001). A manager at the Australian subsidiary says:

‘From a strategic perspective, our training is largely driven from India because our solutions are driven from there and so is our centre of excellence’ (Interview Company H Manager, 03/06/2011)

Similarly, HQ is responsible for providing individual training to professional staff where employees who have not expatriated and/or who are not in senior positions go through a major induction as well as complete an online training module. These findings correspond with an earlier study that found training among Indian BPOs to be highly formalised and structured (Budhwar et al, 2006). This is further expressed by two subsidiary managers, one of them states:

‘There is a whole online system in place that provides self-service training but other than that we don’t provide any face-to-face training in our subsidiary’ (Interview Company E Manager, 09/09/2011).

Another manager adds:

‘Most of our subsidiary training can be done at the back-end, which is mostly conducted through web-based learning or teaming up with our staff back in India’ (Interview Company I Manager, 15/07/2011).

This later example exemplifies the sentiment across cases in that training practices, both formal and informal were well aligned to the level of control being used. Socialisation through induction and industry-specific training by sitting next to a colleague, as well as back-end training all ensures a close alignment of staff
development with existing practices in India, thus illustrating the alignment of training practice with control and centralisation needs.

There were examples [6 out of 12 cases] where additional services are taken from local Australian training providers referred to as ‘in-house consultants’. These providers offer credit points to employees for completing skills and domain based training within a specified period of time. Thus there is also the presence of moderate-level of physical face-to-face group training being conducted across subsidiaries in Australia that could not be directly attributed to control and coordination needs.

However, across the cases, the core focus was on alignment with HQ. For example, HQs also looked after the career development of staff employed at the Australian subsidiaries, even in these six cases. This was done through a number of techniques such as promotion, job rotation, succession planning, coaching and mentoring etc. illustrative of the interdependencies between HR practices and coordination needs. For example, Company B suggested that it actually rewarded its employees with expatriation – i.e. opportunities to work in other parts of the world and learn more about the MNC. Similarly, Company D runs career development programs such as ‘mentorship’ and ‘home-grown leaders’ that uses coaching and succession-planning to identify internal talent. Company F maintained a database of talent pool, which allowed them to identify outstanding employees across their network of subsidiaries. Managers from the subsidiaries have therefore found a resemblance in parent and host country career planning systems. This is confirmed by a subsidiary manager:

‘Whether its certification courses or succession planning or coaching, all of these programs are attestable to our subsidiary employees and the idea is that it’s all linked in with the aspirational roles and future careers of our employees regardless of where they are located’ (Interview Company J Manager, 13/08/2012).

The findings in this study support the notion that MNCs are adopting a more flexible ‘Boundaryless Career’ approach towards career development (Arthur and Rousseau,
2001) but based on this data, that boundaryless career is internally focused and aligned with the needs of these EMNCs. From the extant literature in the field we also know that American MNCs rely on the use of talent pools and worldwide assignments when looking after the career development of their overseas subsidiary employees (Hartmann et al, 2010). Perhaps the findings overall support extant research that found career planning activities within Indian organisations to be at crossroads between developing and developed country practices (Budhwar and Baruch, 2003) however, it certainly supports the contention that the practice is well aligned to the control mechanisms and needs of these well-integrated MNCs. Data from the study also suggests this being the possibility of industry effect rather than voluntary adoption of Western management practices by Indian IT MNCs. This conclusion is drawn based on the comments of interviewees that highlight the shortage of such talent globally in the IT industry. This is best illustrated in the words of a subsidiary manager:

‘The reason we bring employees from India is because Australian employees do not have a lot of experience on the onsite-offshore development model and the way projects are executed, they don’t understand that concept so it’s nothing to do with biasness but purely to do with the skills’ (Interview Company L Manager, 07/06/2011).

6.4.3 Pay and Performance

For MNCs to successfully manage international compensation there has to be an understanding of host country employment laws such as taxation, immigration, physical environment, currency fluctuation and so on (Dowling, Welch and Schuler, 1999). In light of this, the ‘pull’ factors in the HR practices adapted in this area are likely to be significant.

As MNCs internationalise, differences not only manifest and present themselves across countries but they also vary as per industries (O’Donnell, 1999). For instance, traditionally, Indian organisations have offered lifetime employment and seniority-based pay to their employees (Venkata Ratnam, 1995). Nevertheless, differences
have been found in pay and performance-related practices across public and private Indian organisations (Budhwar and Khatri, 2001).

For example, a study conducted by Som (2007) found Indian firms to be relying on performance related pay and compensation policies. Similarly, Budhwar et al (2006) also found Indian IT BPOs to be relying on individual bonus schemes while implementing performance and skills based appraisal practices. With some extant literature specially examining pay and compensation in Indian firms, it was unsurprising to find evidence of such across these cases; however, when reflected on through the lens of MNC control, findings relating to where responsibility was held were of note. That is, 7 out of 12 cases report head-office to be in-charge of payroll while in only five cases payroll was managed locally in Australia. As explained by a subsidiary manager:

‘Our payroll is looked after by our compensation team in India, the Australian subsidiary’s role is mainly to provide market intelligence around salaries for various roles and skills’ (Interview Company E Manager, 09/09/2011).

Again the interdependency with global staffing policies was of note. For instance, it is believed that MNCs design pay and rewards practices similar to their home country operations to suit expatriates employed in overseas subsidiaries (Roth and O’Donnell, 1996). That HQ controls pay and compensation in a sample with such heavy use of expatriates is a consistent finding.

By contrast, for locally hired staff, payment of salaries and allowances for all employees was done according to local awards. This is stated by a manager who says:

‘We take services from local Australian payroll and taxation consultants who advise our finance team in India regarding the local salaries and awards’ (Interview Company K Manager, 13/08/2012).
Interestingly, a discussion paper on 457 visa program released by the Department of Immigration and Border Protection [formerly Department of Immigration and Citizenship ] (2013) state overseas workers to be employed on much lower salaries as compared to Australian counterparts prompting a government-wide crackdown on 457 visas. Similarly, Sydney Morning Herald [SMH] published a report on Indian IT MNCs employing under-paid IT workers from India to maximise profits, labelling it as ‘the biggest rort in the system’ (Pennington, 2013). Though the article does not relate to this sample, it certainly raises questions with the claims made above in respect to respondent’s interpretation of ‘local awards’, which stands contrary to the cost-cutting onsite-offshore model adopted by Indian MNCs.

In addition, other HR practices such as individual performance evaluation programs were also transferred from Indian MNCs corporate offices and were in fact, global. This is explained by a manager who says:

‘Our performance management criteria’s and framework are global but our reviews are done locally at the subsidiary’ (Interview Company A Manager, 25/07/2012).

They were also linked to the achievement of specific goals, again consistent with the type of measurable control systems implemented by Indian MNCs. For example, Indian MNCs use role and merit based 360-degree performance matrix that relies on timesheets and scorecard index. This is justified by two managers; one of them states:

‘We have a very strict performance management system where we try and reward our high performers; it’s a combination of individual and group but mostly individual through a ranking system that determines how an employee is ranked against other employees in terms of achieving his targets and other attributes’ (Interview Company J Manager, 13/08/2012).
Another manager adds:

‘It’s a measure across both, an employee performance and his performance against his peers’ (Interview Company H Manager, 03/06/2011).

As the outputs are generated, they are sent back to the HQ for benchmarking indicating a company-wide presence of pay-for-performance review system in place, which according to Brenner (2009) is the most output-oriented form of control. This is further supported by a manager’s statement:

‘Pay is directly proportionate to the level of performance that derives out of each and every employee based at the Australian subsidiary’ (Interview Company H Manager, 03/06/2011).

These findings support the idea that performance evaluation is closely aligned to formal controls systems [such as output control] (Kretschmer, 2009). Cases therefore indicate that Indian MNCs give high weightage towards the achievement of financial-based HR and other subsidiary goals [such as pay for performance, profitability, market share, client billings, retention and number of leaves etc.] and see them as key yardsticks of performance. These goals are broken down according to product lines and business units and are timely measured as per the subsidiary manager’s target agreements approved by the HQ.

Interestingly, qualitative measures [such as employee utilisation and feedback, customer satisfaction] are not neglected altogether however as compared to quantitative measures, they are given significantly less consideration due to their subjective nature of measurability (Pun and White, 2005). This is emphasised by a subsidiary manager:

‘The focus is always more on quantitative measures than qualitative because you can only improve what you can measure’ (Interview Company D Manager, 06/09/2012).
6.4.4 Employee Involvement and Communication

Managing international employee involvement and communication in MNCs requires not only an understanding of country-specific HR practices but also its national business systems (Looise and Van-Riemsdijk, 2001) as they can lead to different models being adopted for worker participation (Looise and Drucker, 2001). That is, while some MNCs adopt formalised approach, others rely more on informal ways when engaging and communicating with employees at the subsidiary-level. For instance, Indian value system promotes employees not speaking against one’s supervisor as it may disrupt supervisor-subordinate harmony (Saini and Budhwar, 2008). Employee involvement and participation within Indian firms therefore remains to be at an all-time low (Rao et al, 1999) due to the high power distance and strong collectivist culture (Budhwar and Sparrow, 2002; Budhwar et al, 2006; Gopalan and Rivera, 1997). Moreover, with the relative importance of centralisation identified in these cases the consequence for voice mechanisms at subsidiaries might be expected to be negative.

Results from the study indicate that in all twelve cases, employee engagement and participation was found to be almost non-existent. For example, due to the centralised decision-making, Australian subsidiaries were not allowed to encourage employee participation, again consistent with the high levels of behaviour control found in these affiliates. Although there was a slight hint of managers informally interacting with employees to motivate them, no formal mechanism was found.

In addition, across all twelve case sites, employees were not formally and regularly briefed regarding business strategy or financial performance of their respective subsidiaries. Communication thus takes a downward route and most of the information is provided using tools such as newsletters, memos and emails. For example, much of the information supplied to the Australian staff was posted through the company’s intranet portal by their respective HQs. This is explained by two subsidiary managers with one of them stating:
‘It’s not on the top of our agenda but most of the general information like business targets is shared with our employees’ (Interview Company A Manager, 25/07/2012).

Another manager state:

‘Technology has enabled our Australian subsidiary staff to communicate well with the Indian HQ so we don’t have to go out of the way to do things differently’ (Interview Company H Manager, 03/06/2011).

Once more the global staffing practices adopted by Indian MNCs were evident as with expatriates coming and going out of the subsidiary [like bumble-bees], the HQ did not find the need to engage with employees locally. Moreover, with moderate cultural controls [evident by corporate-based training and socialising of subsidiary staff] already present in these subsidiaries, the MNCs did not emphasise employee participation, in part as consequence of the influence of other company policies [i.e. the high levels of bureaucratic measures such as centralised decision making and standardised policies and guidelines] (Lumley and Misra, 1994).

These findings stand contrary to the claims that most MNCs adopt a polycentric approach when managing employee involvement and communication in their foreign subsidiaries (Looise and Drucker, 2001). That is, they design employee involvement and communication practices and policies to suite the local conditions. It also justifies the conclusion that due to the growing need for integrated HR policies and practices, MNCs are developing their own approach towards employee participation and communication in MNCs.

The table below shows the transfer of HR policies and practices at the Australian subsidiaries of Indian MNCs. A deeper analysis reveals that specific practices of recruitment and selection, training and development, pay and performance and employee involvement and communication have been mainly adopted from the parent company of these MNCs.
Table 6.2: Similarities in HRM Practices Found in the Australian Subsidiaries of Indian MNCs

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<th>Indian Multinational Corporations</th>
<th>Transfer of HR Policies and Practices</th>
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<td>Recruitment &amp; Selection</td>
<td>Training &amp; Development</td>
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<td>Employee Involvement &amp; Communication</td>
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(HQ) Managed by Headquarters
(S) Managed by Subsidiary

(Source: Interview Data)
6.5 Summary and Implications of Findings on HR Policies and Practices

In summary, findings from the data demonstrate that the HR policies and practices found at the Australian subsidiaries are well aligned to the control mechanisms exerted by Indian MNCs. For instance, behaviour control is evident through the recruitment, selection and placement of employees in the form of international assignees. Cultural control is manifested through socialisation-based training and output control is prominent in performance-reward systems implemented by these MNCs. However, consistent among the HR practices was the theme of global staffing that came forth as a key control device in the adaptation of HRM as managed centrally from the parent HQ of these MNCs. This is emphasised by two subsidiary managers:

‘We have global HR policies and the default is those policies head to Australia because that’s where our majority of our people are based [i.e. India]’ (Interview Company C Manager, 20/09/2012).

Giving more of an insight, another manager says:

‘Because we are an IT firm we look at all the HR policies and practices that govern our employees working across the company be it our managerial staff or professional and support staff; we look at the kind of work they do and the kind of processes they have to follow and around those functions most of our organisation-wide HRM policies are formulated’ (Interview Company F Manager, 04/09/2012).

Past research has shown EMNCs adopting a dual approach in the adaptation of their HRM practices. For instance, Taiwanese MNCs adopt a blend of home and host country HRM practices across their subsidiaries in the UK (Chang, Wilkinson and Mellahi, 2007). This is not exactly the case as in-depth analysis of the data reveals that Indian MNCs prefer to transmit their home-grown HR policies and practices whilst tweaking some of them to fit into their Australian subsidiary context. This is explained by two senior managers:
‘I do not directly frame any policies, I only provide inputs from a local perspective and all policies are governed from India’ (Interview Company D Manager, 06/09/2012).

Another manager says:

‘All HR policies and practices are made in India however we provide Australia with a local flavour of HRM practices as we follow the Australian employment regulation laws’ (Interview Company H Manager, 03/06/2011).

Examples of this include Indian MNCs spending a percentage of their subsidiary’s revenue towards local training needs as it was required by law. Similarly, Indian MNCs also hired a fixed number of local clerical and support staff as Australian law required that companies cannot recruit people from overseas if they can find skilled labour within the local labour market. However, case evidence suggests that some of these changes were not just imposed as a result of host country institutional constraints but were also present due to industry standards. For example, since training was largely driven from the HQ, Indian MNCs hired Australian training specialists to provide occasional in-house training that revolved around client’s needs and requirements. Furthermore, Indian MNCs could afford to hire few local staff as the bulk of their important technical employees including key decision makers came from India. These instances clearly demonstrate that Indian MNCs are doing the bare minimum when it comes to following the host country laws and regulations.

Contrarily, it is also worth mentioning that while the HQ develops and manages HRM practices, not all HR policies and practices were found to be home-grown. For instance, given the collectivist culture of India, Indians prefer to not evaluate their performance as individuals but as members of a group. Individual performance appraisals are therefore not given much importance in India and are harder to implement (Dayal, 1976). However, results from the study found Indian MNCs to be relying on Individual performance appraisal practices which matched the
performance-based control found in their subsidiaries. As confirmed by a country manager:

‘It’s a three-sixty degree view of an employee performance which is directly proportional to three things i.e. performance against their individual goals, their fit into our organisation’s culture and their performance against their peers’ (Interview Company H Manager, 03/06/2011).

Similarly, historically in India employees are rewarded with promotion in return for their loyalty to the organisation while pay tends to be related more to seniority rather than their effort or skill (Dayal, 1976; Gopalan and Riviera, 1997). Nonetheless, data from the interview suggests that all cases implemented individual evaluation procedures with pay-for-performance being widely applicable in subsidiaries. This is again stated by a subsidiary manager:

‘We are a services company so if longevity in the workplace is a criteria for measuring an employee performance as opposed to his skill, we’ll be out of business fairly soon’ (Interview Company E Manager, 09/09/2011).

Indeed there is some low-level of localisation present across the Australian subsidiaries of Indian MNCs. Perhaps this is because given the kind of work the subsidiaries were engaged in [i.e. providing IT services and offshoring majority of work to centres of excellence in India]; HQ saw little need to invest too much into HRM at the subsidiary-level. This explains why Indian MNCs kept majority of their HRM practices intact while ‘fine-tuning’ some of them to fit into their Australian subsidiary. The study therefore counteracts the argument that EMNCs pursue a ‘two-way’ approach to the transfer of ‘best’ HR/IR practices in developed countries (Thite, Wilkinson and Shah, 2012; Zhang, 2003). That is, the idea that EMNCs prefer to hire host country managers, maintain high external consistency and transfer host country knowledge back to the HQ. On the contrary, results from the study clearly indicate that Indian MNCs prefer hiring PCN managers to bring high internal consistency in their subsidiary operations while engaging in ‘forward diffusion’ of HRM practices. This also undermines the idea that MNCs from less developed
economies always prefer to acquire management practices from more developed
countries due to a ‘dominance effect’ (Smith and Meiksins, 1995).

Finally, the HRM practices adopted by Indian MNCs also reflect their rationale
behind the choice of control present across the Australian subsidiaries. For instance,
pursuing ethnocentric staffing demonstrates Indian MNCs using highly skilled
knowledge workers and hence the presence of behaviour controls. Similarly,
providing HQ-based training to subsidiary management facilitates cultural control or
individual performance appraisals and pay-for-performance results in the presence of
output control mechanisms aligned to the HQ. The choice of control mechanisms
implemented by Indian MNCs thus matches the HR policies and practices adopted
by Indian MNCs in the IT services sector.

6.6 Determinants of Control Mechanisms in Indian MNCs

It has been established in Chapter 2 [section 2.5] that a number of external and
internal, home and host country factors potentially affect the presence of control
mechanisms in MNCs (Thite, Wilkinson and Shah, 2012). They are also known to
shape the transfer and adoption of HRM practices from their parent HQ to their
overseas subsidiary. For example, Ghoshal and Nohria (1989) found that a
subsidiary’s environmental complexity had negative effects on its centralisation of
decision-making but positive effects on its formalisation and normative integration.

As per Chapter 2, it is also recognised in the IM literature that EMNCs find it much
harder to transfer their HRM practices as compared to developed MNCs due to the
double-hurdle of liability of country of origin and liability of foreignness [explained
in section 2.5.1.1 and 2.5.1.3] (Chang and Taylor, 1999; Ferner, 1997; Ferner,
Almond and Colling, 2005; Gaur, Kumar and Sarathy, 2011; Smith and Meiksins,
1995). As such, they might be inclined towards adopting host country practices
(Edwards and Ferner, 2004).

Contrarily, results from the study indicate that despite being portrayed as potential
weaker MNCs in some extant literature, Indian MNCs centrally manage their HR
policies and practices from their parent country operations in India. This was possible due to the interaction between location-specific and firm-specific factors that shaped the control and transfer of parent HRM practices in these firms. For instance, labour-intensive technology and cheaper costs being ‘imported’ from India provided a major advantage. As such, the degree to which EMNCs overcome liability of COO and foreignness depends upon its relationship with its firm-specific resources and capabilities (Boehe, 2011). In this sample, EMNC factors gave the firms an advantage that they were exploiting through the onsite-offshore model and close integration of the MNC.

This finding also stands contrary to the idea that EMNCs face barriers to the standardisation of HR policies and practices when it comes to the management of workforce across national borders (Zhang and Edwards, 2003). They further support extant research that MNC home country factors help shape and influence its firm-specific advantage (Erramilli, Agarwal and Kim, 1997; Kim and Lynn, 1987; Lall and Siddharthan, 1982; Schroath, Hu and Chen, 1993; Shan and Hamilton, 1991).

6.6.1 External Factors

As per Chapter 2, 3 external [location-specific] factors have been identified that influence the control mechanisms and transfer of HRM practices in MNCs. These include MNCs home country of origin [COO], its home country national culture as well as its host country legal framework. After an in-depth analysis of these factors, it was found that the country of origin and legal framework most influenced the Australian subsidiaries. For instance, results show that Indian MNCs use country-specific capabilities to transfer their home-grown HR policies and practices to their Australian subsidiaries. Likewise, the host country legal framework did not limit the Indian MNC’s choice regarding the dissemination of their ‘best’ practices from their parent HQ to their overseas subsidiary. A more detailed account of the analysis of external MNC factors is given as below.
6.6.1.1 Country of Origin

Chapter 2 defines Country of Origin [COO] as ‘that part of the differences in internationalisation strategies and international control strategies of MNCs that can be ascribed to the different national origins of these MNCs, rather than to variations in their task environment’ (Noorderhaven and Harzing, 2003, p.54). That is, it includes factors that exhibit an MNC’s national characteristics such as: 1) Local contextual factors i.e. labour market conditions, unionisation and socio-political environment; and 2) Home country’s national culture (Ngo et al, 1998).

These factors can provide an MNC with a unique competitive advantage when compared with firms from countries that are less hospitable in these areas (Sethi and Elango, 1999) resulting in a ‘country of origin effect’ (Ferner, 1997). Evidently, this COO effect was found in this study as results indicate that the choice of control systems and transfer of HR practices within Indian MNCs was to a degree influenced by their country of origin. For instance, all twelve cases report that Indian MNCs have capitalised on their niche IT skills, PCNs familiarity with HQ operations and technology transfer [explained in internal factors] to speed up their internationalisation process. Specifically, based on the cases, the management within the Australian subsidiaries have described the following reasons for HQ’s decision behind staffing employees from India:

Cost-effectiveness; India provides an ideal destination for offshoring of IT services due to its low-cost talent pool and strong English speaking language skills (Athreye, 2005; A T Kerney, 2007, Thite, 2012). This has benefited Indian MNCs as they rely on this source of advantage to stay ahead with their competitors. As expressed by two subsidiary managers:

‘We get people from India due to the price and if you compare the price of hiring someone from Australia even US is more cost effective than Australia’ (Interview Company B Manager, 14/09/2012).
Likewise, another manager says:

‘There are economic reasons for this; the cost of labour source from India is lower than cost of hiring local people’ (Interview Company D Manager, 06/09/2012).

Flexibility; India provides a flexible labour market where employees are willing to work casually and on ‘contracts’ (Sharma, 2006; Xiang, 2001). This is a major advantage for Indian MNCs as it allows them to create value in the delivery of their services whilst efficiently and effectively managing their global operations through international division of labour. This is expressed by another manager who says:

‘Our employees move in and out all the time so our recruitment is designed more around the flexibility of our organisation’.

The manager further states:

‘For example, if we need six Java developers for six months for xyz client then after those six months we don’t need them’. ‘Now if these employees were local hires what do you do with them if we don’t have another project, then those employees are redundant which is not a good place to be at’ (Interview Company J Manager, 13/08/2012); and

Comfort and close relationships; Indian MNCs prefer employing IT workers from India as it allows them to build trust, and close working relationships with one another. Whilst this does not provide any major advantages to Indian firms, it helps in the resolution of work-related conflicts and avoids potential differences in the management of the day-to-day activities of the subsidiary. This is again confirmed by two managers, one of them says:

‘I think there is definitely an element of comfort in why Indian companies hire people from India; it wouldn’t be said anywhere or written down but I think there
is a comfort factor and it’s something we need to grow out of’ (Interview Company C Manager, 20/09/2012).

Another manager adds:

‘There is a comfort factor involved and the reason for that is our work ethic and fit into our culture so by that I mean our employee’s adjustment into our overall organisation’

These factors suggest that Indian MNCs have indeed transferred their national characteristics abroad due to their global staffing practices and that this has influenced the control and HR practice choice in these MNCs. Data therefore in this study does not detect any liability of country of origin [i.e. negative country of origin effect] that EMNCs must overcome to compensate due to emerging from a weaker economy and being a latecomer (Bell, Moore and Al-Shammari, 2008; Chang, Mellahi and Wilkinson, 2009; Thite, 2012). In other words, the Australian subsidiaries of Indian MNCs are tightly controlled by their parent companies resulting in a significantly lower autonomy in the discretion of their HR policies and practices.

This indicates that Indian MNCs do not face any hurdles, as such, when implementing control and transferring certain HR policies and practices [such as recruitment and selection] to their overseas subsidiaries in Australia.

6.6.1.2 Legal Framework

As noted in Chapter 2, we know that legal regulations of host country can create strong environmental pressures for a foreign subsidiary (Schuler et al, 1993; Taylor et al, 1996). That is, a subsidiary’s legal embeddedness may constrain the transfer of its parent HR policies and practices (Beechler and Yang, 1994). For example, dissimilarities in legal environments will either allow a subsidiary to adopt home country HRM practices or those from the host country (Taylor et al, 1996). Following this logic, it would be expected that EMNCs will evolve towards business
environment similar to Western MNCs and will give more preference towards host country legal framework (Marocote et al, 2010).

Findings from the study may suggest that the host country legal framework in fact, had a minimal effect on the Australian operations of Indian MNCs. Of course, certain policies were followed that impacted with their local subsidiary operations [i.e. prominent among these were immigration and fair work act laws]. For example, meeting all necessary obligations around employee sponsorship and visa requirements such as salary levels, travel and relocations costs etc. Or allotting number of sick leaves per year; employee reimbursement in case of termination of contract etc. This is described by two subsidiary managers that state:

‘When you look at our training and development policies for instance, it’s required by the Australian law that you have to spend a certain percentage of total revenue on training so it’s a law’ (Interview Company E Manager, 09/09/2011).

Another manager says:

‘If you look at our workplace harassment policy, we have global policies around whistleblowing or bullying which obviously applies to an employee; however at the same time we also have to define what it means in the Australian context as here that same policy has a strong link with occupational health and safety [OHS] practices so that’s how it is adjusted’ (Interview Company J Manager, 13/08/2012).

This indicates that Indian MNCs are merely following the required necessary host country legal obligations rather than voluntarily embracing them. Two subsidiary managers again note this; one of them says:

‘From a policy perspective we just make sure that we are compliant with the Australian laws’ (Interview Company E Manager, 09/09/2011).
Another manager also says:

‘HR in India decides everything and if we for some reason realise that they have stepped out of the Australian law than we will bring it to their attention and they will review it and re-structure the policy to suit local Australian conditions’
(Interview Company H Manager, 03/06/2011)

Apparently, research has shown that MNCs give more preference to their home country laws if employees working in their foreign subsidiaries are staffed with PCNs (Florkowski and Nath, 1993). Perhaps this sheds light on the parent-country HR policies and practices and the formal control mechanisms adopted by Indian MNCs i.e. due to their global staffing practice Indian MNCs have only followed Australian laws that they simply could not have avoided.

6.6.1.3 National Culture

In Chapter 2 [section 2.5.1.3] we have defined liability of foreignness [LOF] as the perceived gap in cultural and language difference in home and host country national cultures (Calhoun, 2002). Relatively, national culture shares a significant link to a company’s HRM systems and MNCs from different cultures have different effects on the choice of HRM in foreign subsidiaries (Schuler and Rogovsky, 1998). It is believed that MNCs from less developed countries tend to be less ethnocentric when managing their subsidiaries as compared to a developed country MNC (Hedlund, 1986). That is, they do not engage in ‘forward diffusion’ like their counterparts (Thite, Wilkinson and Shah, 2012) but instead use an adaptive approach to managing subsidiaries in the developed markets (Thite, Wilkinson and Budhwar, 2011).

Results from the study indicate that in all twelve cases host country’s national culture does not seem to have any effects on the control mechanisms and transfer of HRM practices in Indian MNC. Indian MNCs are fairly ethnocentric, implement tight controls and adopt an exportive approach to managing their subsidiaries in Australia. This is well explained by a subsidiary manager:
‘The way it works is that we have global policies and by default those global policies come to Australia so the head office likes things to be done a certain way and if we need any policy changes for the Australian environment then I have to put a case in to get the Australian view understood and accepted to put an exception to our predefined company policies’ (Interview Company C Manager, 20/09/2012).

However, considering the majority of workforce including top management in these subsidiaries are employees from the Indian subcontinent, eight cases found subtle influences of Indian national culture – i.e. again the COO effect was of note. For example, unlike Anglo-Saxon cultures [including Australia], Indians are driven by their cultural value of being ‘duty’ bound [i.e. theory of ‘Karma’] where work is viewed as an extension of life (Mariappanadar, 2005; Singh, 1990; Sinha and Sinha, 1990). Therefore, employees often do not differentiate in achieving a balance between work and private life. This sentiment was reflected in some of the cases and is interpreted by a subsidiary manager:

‘Our way of working sometimes can be unplanned and unstructured so for example if the need arises we can call our employee at nine-thirty pm at night or our employee won’t have a problem joining a conference call on a Saturday or Sunday afternoon so as you can see that Indian culture prevails in our organisation’ (Interview Company D Manager, 06/09/2012).

Hence from the results, it seems apparent that the Australian subsidiaries of Indian MNCs have low preference for host country cultural adaption, which is consistent with the control mechanisms finding. Results from the study therefore do not detect any liability of foreignness [LOF] that EMNCs face when managing their subsidiaries in foreign markets [including developed countries] (Gaur, Kumar and Sarathy, 2011; Thite, Wilkinson and Shah, 2012). This has resulted in Indian MNCs focusing on bringing internal consistency of operations rather than focusing on the subsidiary’s embeddedness with its local surroundings. It is however important to note that most of the cultural traits observed were more applicable to the personal
conduct and work patterns of employees rather than to the adaptation of HR functions at the Australian subsidiaries.

6.6.2 Internal Factors

In addition to the external factors, four internal [firm-specific] factors have also been identified in the literature review in Chapter 2. These relate to an MNC’s management style, its mode of entry into a foreign market, its strategic role of its foreign subsidiary and the resource dependence and transfer of technology to its overseas affiliates. After a thorough analysis of these factors, it was found that management style, mode of entry, role of subsidiary and transfer of technology, all to a degree influenced the control mechanisms and transfer of HRM practices in Indian MNCs. For instance, Indian MNCs utilised industry-specific capabilities of onsite-offshore global delivery model to reduce institutional gaps, which allowed them to transfer their HR policies and practices. Similarly, entering Australia through greenfield investments allowed HQs in having complete ownership of their foreign affiliates thereby executing tighter controls over their subsidiaries. These internal factors are explained in much greater detail as below.

6.6.2.1 Management Style

It is established in Chapter 2, that the management style employed by headquarters of MNC can influence the design and implementation of control mechanisms in foreign subsidiaries (Chung, Gibbons and Schoch, 2000). Similarities in management style can also allow [or prevent] a firm from exporting its home grown HQ policies [including HR practices] to its overseas subsidiaries (Banai, 1992). Based on extant literature, one would expect EMNCs to find it much harder to transplant their management practices and styles in other cultures and countries due to the liability of originating from an emerging economy (Chang, Mellahi and Wilkinson, 2009).

Results from the study indicate that in all twelve subsidiaries, Indian managers adopted a mix of authoritarian and participative approach in managing their
employees at the Australian subsidiary. For instance, data showed that Indian managers in the Australian subsidiaries are assertive and prefer centralisation of control but at the same time are somewhat tolerant and accessible to their peers and subordinates. This is expressed by two subsidiary managers with one of them stating:

‘Our management style is participative and no one is the boss here, I mean it’s well understood that I look after the subsidiary operations and so the employees know who to report to and so I don’t really impose my decisions on them all the time as far as small matters are concerned’ (Interview Company B Manager, 14/09/2012).

Another manager says:

‘I think the management style in the Australian subsidiary is more participative however our company overall is very hierarchical and so the closer you get to our HQ, the more controlling it becomes’ (Interview Company C Manager, 20/09/2012).

Clearly, the management style employed by Indian MNCs seems to have evolved into a hybrid approach with a primary mode of conduct supported by traditional Indian approach and a secondary mode supported by the Western influences (Neelankavil et al, 2000). In other words, Indian management is moving towards a blend of traditional Indian element of behaviour mixed with global ‘best’ management practices (Becker-Ritterspach and Raaijman, 2013). Despite coming from India, many Indian managers [including some of those interviewed in this study] have completed some education in the West or Indian Business Schools that have adopted a Western education system (Budhwar, 2001), but they are still embedded in traditional, social and cultural milieu of India to some degree (Upadhya and Vasavi, 2006).

This description of the fusion between eastern and western management style makes sense given the moderate cultural/informal controls and low-level of HRM localisation that has been found in these subsidiaries. Results therefore somewhat
match extant research that has found variance in management styles employed by Indian organisations (Singh, 1990). For instance, in domestic sector, Indian managers prefer centralised decision making, practice tight control and do not like to delegate authority (Budhwar, Woldu and Ogbonna, 2008). An expatriate Indian manager, by contrast, is participative and consultative, generally accessible and considers hierarchy to be a matter merely of convenience (Singh, 1990).

6.6.2.2 Mode of Entry

According to Chapter [section 2.5.2.2] MNCs can opt between a number of equity and non-equity based entry mode routes with each of these modes having different implications on the degree of control the HQ chooses over its subsidiary (Hill, Hwang and Kim, 1990). For example, MNCs with low levels of ownership advantage will either decide not to enter a foreign market or will choose a less risky mode of entry (Agarwal and Ramaswami, 1992). However, findings from the study suggest that in all twelve cases, Indian MNCs prefer greenfield Investments as their preferred entry mode to Australia. Furthermore, this entry route has not only allowed Indian MNCs to retain complete ownership over their Australian subsidiaries but also has resulted in the centralised management and adaptation of policies and practices at the subsidiary-level. As noted by one of the managers:

‘Our entry into the Australian market was purely to do with our company’s long term vision so we did not enter through merger or acquisition and it was purely a greenfield investment’ (Interview Company L Manager, 07/06/2011).

6.6.2.3 Role of Subsidiary

In Chapter 2 [section 2.5.2.3], it has been established that different subsidiaries play different strategic roles within the MNC environment and that this influences the use of different control mechanisms in managing HQ-subsidiary relations (Harzing and Noorderhaven, 2006). The role of the subsidiary can also be expected to influence the adaption of HR policies and practices - depending on the degree to which the subsidiary needs to be aligned to HQ or the MNCs global network (Chang, Mellahi
and Wilkinson, 2009). Following the different roles that subsidiary can play within an MNC global network; research has shown EMNCs adopting a more polycentric approach to managing their subsidiaries in developed countries (Thite, Wilkinson and Shah, 2012). This would suggest the expectation that the subsidiaries of EMNCs are fairly autonomous; they do not depend on their parent for resources and decision-making and are capable of innovating at the local level.

An analysis of the case studies however offers contradicting results as all twelve cases indicate that Australian subsidiaries of Indian MNCs are quite ethnocentric in their nature and very closely integrated with HQ. That is, these subsidiaries are much smaller in size, they heavily depend on their parent for resources and decision-making and their goal is to replicate their parent HQ services overseas. This is conveyed well by a subsidiary manager:

‘Whatever the Indian company does, we do the same set of activities but on a much smaller level’ (Interview Company L Manager, 07/06/2011).

These subsidiaries are not engaged in any innovative practices requiring high levels of discretion and are fully integrated with the value chain activities of their corporate HQs in India. As there is no reverse diffusion or two-way exchange of ‘best’ practices, the subsidiaries are heavily reliant on their centre of excellence to drive their parent business solutions. This has resulted in an exportive approach to the adaptation of HR policies and practices at the Australian subsidiaries leading to tighter levels of control [again consistent with our control mechanisms findings]. This is again described by a manager:

‘Our leadership team sits in India so therefore a large part of our governance gets formulated in India so there is an overlap and dependence on our team in India to make decisions’ (Interview Company K Manager, 19/09/2012)

The results therefore undermine the idea that EMNCs may want to emulate host country HRM practices rather than imposing their home country practices (Chang, Mellahi and Wilkinson, 2009). In fact, the results show that Indian MNCs give more
preference towards imposing their home country practices rather than emulating host country practices. Moreover, as Australian subsidiaries of Indian MNCs play limited role, this bear’s direct impact on their control mechanisms just as it does on their lack of autonomy.

6.6.2.4 Transfer of Technology

As per Chapter 2 [section 2.5.2.4], it has been acknowledged that transferring technological knowledge can be the most important element in shaping HQ-subsidiary relationship in MNCs. For instance, HQs often share technological information [such as patent, know-how, trade secrets etc.] with their affiliates established in other countries and vice versa (Tihanyi and Roath, 2002). As subsidiaries start to depend more towards HQ for the flow of knowledge and resources, their operations are much more likely to be influenced by their parent MNC (Chang, Mellahi and Wilkinson, 2009). Correspondingly, this may also impact the transfer of HR practices and policies as they either converge or diverge between MNCs home and host country HRM model (Quintanilla and Ferner, 2003). Extant literature suggests that large MNCs from developed countries have far superior technology and emerging economies can source from these countries to enjoy better quality and lower defect rate in their technological systems and processes (Cannice and Chen, 2006). In other words, it is believed that developed countries MNCs have better technological capabilities and EMNCs may be interested in acquiring them (Luo and Tung, 2007). This can in turn impact on how much the EMNC invested aboard might want to reverse diffuse to its HQ.

Data from this study indicates that instead of acquiring technology from the host country, Indian MNCs heavily rely on their parent HQ for the import of resources and technology. For instance, Indian MNCs use their niche onsite-offshore model to leverage their knowledge across industry verticals and domains. This model forms the very foundation for the near-location and global delivery of the company’s core capabilities. It may be a very IT-centric outcome, but based on this sample there is no question that the firms are transferring technology to the host environment.
[Australia] rather than absorbing new technological knowledge from it. Put simply by one manager:

‘We are an Indian headquartered organisation, a lot of our capabilities are created and invested in Indian operations and then we take those capabilities abroad’ (Interview Company F Manager, 04/09/2012).

This onsite-offshore global delivery model has enhanced the way information is transferred and is readily available via the company intranet connecting HQ with various subsidiaries across Australia and around the globe. For example, using the online project management tracking system the HQ is able to make decisions regarding its project requirements. This has allowed the employees to tap into HQ knowledge and expertise thus facilitating knowledge synthesis and organisational transformation. As a result, the subsidiaries are able to operate more efficiently since the HQ can supervise and is able to resolve problems in real-time. This is further emphasised by a subsidiary manager:

‘From a technology perspective our subsidiary in Australia is very much in touch and connected to our clients regarding their level of expectations and satisfaction’ (Interview Company L Manager, 07/06/2011).

To further strengthen this capability, Indian MNCs also rely on their highly skilled talent pool for the delivery of their IT skills and know-how of HQ operations. For instance, Indian MNCs rely on PCNs that assume the role of mobile knowledge workers having high levels of intellectual capital and are well versed with HQs range of products, services, protocols and operating procedures. This has allowed the head office in ensuring a smooth flow of communication and coordination of technology transfer activities to and from their Australian subsidiary. As explained by two managers:

‘The dependence on solutions are largely driven from our HQ in India and so our services are standardised across all our subsidiaries, which is consistent given we are an IT-services organisation’ (Interview Company H Manager, 03/06/2011).
Another manager adds:

‘Our employees are very familiar with our company’s operations and jobs therefore by definition he or she will be shaken loose within our bigger organisation’ (Interview Company A Manager, 25/07/2012).

While the Australian subsidiaries were equipped with various technological platforms like, these were ultimately configured and managed from their corporate HQ. That is, the entire IT repairs and maintenance at the subsidiary-level were looked after by the IT department located at the Indian centre of excellence in India. This led to the subsidiary-level core internalisation of parent technology where the subsidiaries were completely dependent upon parent for providing and sharing technological knowledge.

6.7 Limitations, Conclusions and Implications of this Study

This chapter has summarised the findings from all twelve cases in an integrated manner and reflected on these finding in the context of extant literature and the broad research questions guiding this research project. This final section reflects in summary, on the key insights gain through this exploratory study to articulate the contribution and to guide for future research. The first section provides a frank reflection of study limitations to acknowledge some boundaries on the theoretical and empirical conclusions that can be drawn from this study.

Study Limitations – Limitations within the chosen research design need to be acknowledged. While every effort was made to reduce the bias in data gathering, certain limitations [as described below] in this study can be reduced in the future studies.

The first limitation of this study is regarding one of its unit of analysis i.e. the Australian subsidiary of the Indian MNC. Considering the interview and documentary data that was gathered only from the overseas subsidiaries and not from
the parent HQs of Indian MNCs, the analysis of control and how it influenced the subsidiary’s autonomy around HR policies and practices may somewhat be restricted to the subsidiary’s view and interpretation of the phenomenon being investigated. Additional data would need to be gathered from the parent HQs of these MNCs, if a more complete understanding of the EMNC control mechanisms is required. This can be one of the avenues for future research.

The second limitation of this study is that the data was gathered only from single individual respondents in each case study and not multiple-respondents. Although the role of interviews was to ‘represent the subsidiary’ there are some implications on the breadth and scope of the data collected. Employing multiple participants in future case studies would provide more richness to the data.

The third limitation of this study is that it investigates control and HRM practices from a single country and a single industry perspective. This may have limitations with regards to the study’s transferability into other countries and other industry sectors. The study also looked at Indian IT firms and taking into account, the firm-specific factors that influence this industry and its major MNCs. Thus there are always going to be questions around if the answers from this study can be applied into other emerging economies and different industry sectors. More studies are required in other emerging economies and different industry contexts.

In summary, for the most part, the limitations of this study are those common to all qualitative studies, such as those relating to the representativeness of the sample and the generalisability of the findings. However, consistent with the discussion presented in the methodology chapter, the study design used was closely and appropriately associated with the level of theoretical development available to the researcher. With considerable literature on control mechanisms and HR practices of MNCs, but few explicitly examining interdependencies between the two, and a gap on research relating to EMNCs, despite some pre-existing theory to draw on, rigid statistical testing of extant ideas and theory was not appropriate. Rather the exploratory design allowed for the discovery of where extant theoretical
considerations were relevant and/or less important in this research context of EMNCs. With this study design the research questions set out were addressed.

**Study Conclusions** - On the question of the types and degrees of control mechanisms used by EMNCs to manage the activities of their subsidiaries in developed countries - in the case of Indian IT MNCs, this study supports Chang, Mellahi and Wilkinson’s (2009) concept of using EMNCs using ‘Input’ controls, where parent country managers impose decisions to monitor and evaluate subsidiary behaviours whilst reporting the outputs back to the HQ. On the question of the degree to which control mechanisms are widely used, the findings unambiguously demonstrates that HQs in India command a high degree of centralisation over their Australian subsidiaries through behaviour, cultural and output controls. Moreover, in this study, people-management was found to be central to these control mechanisms.

**Global Staffing and EMNC Control Mechanisms** - A principal finding from this study was that the use of expatriates was widespread and these expatriates fulfilled a traditional role of control and coordination (Harzing, 2001). Global staffing was shown to be inextricably intertwined to behavioural control in these subsidiaries i.e. expatriates are used in key management and technical positions to such a degree that their indirect influence on the behaviour of other colleagues [through supervision] is indistinguishable from the behavioural control they represent as a category of staff themselves. It was also found that this widespread use of expatriates conditioned the findings related to cultural controls as appropriate behaviour is attained through staffing the subsidiaries key positions with employees who embody the organisational culture, norms and values of the MNC. This lessened the need to use socialisation interventions to control subsidiaries more generally. These findings confirm that staffing culturally distant subsidiaries with expats exerts implicit controls over foreign subsidiaries (Colakoglu and Caligiuri, 2008; Gong, 2003). The relative importance of this practice in the EMNC sample explored in this study should now influence future research in this EMNC context as it reveals a significant and key aspect of EMNC behaviour and control of their subsidiaries in the management of human resources in developed countries.
Having illustrated the central role of global staffing in the control practices of EMNCs, the first contribution that can be articulated from this study relates to insights gained into ‘normative’ means of control and coordination in MNCs (Bartlett and Goshal, 1989). In recent years there has been a growing research interest in such ‘normative’ means of integration amongst international HRM scholars, especially in global staffing research (Collings and Scullion, 2009). Moreover, with an increased recognition in international management literature that formal structure has a limited capacity in the effective coordination of the distributed MNC; scholars such as Kostova and Roth (2003) have explicitly called for more research into softer coordination mechanisms. Based on this sample of EMNCs, international HRM scholars should be encouraged to place staffing practices at the centre of control and coordination discussions when examining the growing number of emerging economy MNCs operating worldwide i.e. as a central component in control rather than a facilitating ‘practice’ for formal organisational structures. Importantly, when staffing as a form of control is considered in unison with a business model that allows these EMNC to draw on centralised expertise and centres of excellence [COE] in a home country where such expertise can be soured at a considerable cost advantage [in this case India], then control through people can be understood by its role in controlling/protecting competitive advantage and not just the control of subsidiary behaviour and practice.

Future research on EMNCs outside the IT sector and those examining EMNCs from other source countries [such as China] should carefully consider first what country-specific sources of advantage the EMNC seeks to leverage in foreign markets and then the consequences for control mechanisms and HR practices.

**EMNC Control Mechanisms & HR Policies and Practices** - While a considerable amount of extant work has examined the degrees to which MNCs management of employment relationship revolves around the distinct features of their nationality [i.e. COO effect], international best practices or by conformance to the system prevalent in the host country (Ferner, 1997; Ferner and Quintanilla, 1998; Innes and Morris, 1995; Muller, 1998; Purcell et al, 1999; Roche and Geary, 1996), studies for the most part have not integrated this discussion with control [Ferner et al, 2004
being an exception]. Or they have done so by demonstrating an unexplained correlation between the two. Moreover, extant research has been primarily focused on the HR practices of MNCs from developed nations, in host environments [and even within research on the practices of developed nation MNCs such as US firms, COO effects has been given a disproportionate attention in extant research].

By contract, in this study it was proposed that control mechanisms that rely on people [i.e. global staffing – behavioural control and/or induction, socialisation and training – cultural controls] could be expected to have a direct impact on employment practices used in subsidiaries and subsidiary discretion over practices. International scholars have long recognised that MNC factors, such as degrees of centralisation would impact discretion on issues around ER/HR (Almond and Ferner, 2006; Edwards, Marginson and Ferner, 2013; Ferner et al, 2004) but have not explicitly in turn linked this to a discussion of people-centric control mechanisms. In light of this an empirical and conceptual contribution of this study can be articulated from the data that demonstrates in practice that control mechanisms [and their people-centric components], have a clear impact on the choice of, transfer of, and subsidiary discretion over, HR practices and policies. This integrated understanding of HR practices in subsidiaries and with control mechanisms more broadly, is exemplified in the findings on selection, recruitment and training.

Based on the evidence in this study, the scale of expatriate recruitment is rationally explained by the central role of expatriates in control and coordination of the MNC, an enduring research agenda in the global staffing field (Collings et al, 2009; Dowling et al, 2008). Data from the twelve case studies reflected the use of parent recruitment – i.e. ethnocentric staffing to fill positions in their Australian subsidiaries in line with the high levels of centralisation and standardisation required and consequently, HQ maintained control over these HR decisions. Furthermore, in light of the importance of transferring centralised expertise through the onsite-offshore model in Indian IT firms, recruitment and selection of many technical expats was skill-based. However, as noted in the discussion in this chapter, knowledge transfer and control and coordination functions of such assignments are not mutually exclusive (Bonache and Brewster, 2001).
With the focus on leveraging centralised expertise and the desire to carefully control subsidiaries to achieve this, socialisation through induction and training was also centralised in these firms i.e. back-end training ensured a close alignment of staff development with existing practices in India, thus illustrating the alignment of training practice with control and centralisation needs. This in turn, removed subsidiary discretion over these HR practices.

In a similar vein, the design of pay and rewards practices of key personal were set to be aligned to home country operations to ensure consistency between expatriates employed in overseas subsidiaries and skilled technicians in centres of excellence. As it has been recently argued that MNC’s reward strategies are in part aimed at ‘strategic alignment’ as a source of international efficiency (Bloom et al., 2003), future researchers must pay a greater attention to the interdependencies of HR practices and the need for strategic alignment - as articulated in the discussion of control in this study.

Moreover, also on the topic of pay and reward, it was noted that historically in India employees are rewarded with promotion in return for their loyalty to the organisation while pay tends to be related more to seniority rather than their effort or skill (Dayal, 1976; Gopalan and Riviera, 1997) and consequently a less individualist approach to reward could be expected. However, the evidence in this study suggests that international best practices, or specifically best practice that aligns most with the control needs of the EMNC, is the primary factor in explaining the approach taken in these MNCs. Therefore, expectations about EMNCs based on history may be misguided and future research should try to avoid to not making such assumptions.

Furthermore this study challenges the assumption apparent in more recent work that EMNCs pursue learning goals in host nations around international best practices (Thite, Wilkinson and Shah, 2012; Zhang, 2003). The evidence presented in this study undermines the idea that MNCs from less developed economies prefer to acquire management practices from more developed countries due to a ‘dominance effect’ (Smith and Meiksins, 1995). In the case of Indian IT firm, there is no evidence to suggest this is the case. Other determinates of the control mechanisms
and HR practices that were explored in this study [internal and external to the MNC] provide some interesting insights in this regard.

It was predicted that certain external factors [e.g. COO] and internal factors [e.g. subsidiary role] would influence control mechanisms, the HR practices used, and the subsidiaries discretion over them. However, some significant EMNC idiosyncrasies were of note in these findings.

**Determinants of Control Mechanisms & HR Policies and Practices** - As expected, it was found that management style, mode of entry, role of subsidiary and transfer of technology, to a degree all influenced the control mechanisms and HRM practices used and the subsidiary’s discretion over them. In light of this, the findings lends further empirical support to the notion that the strategic choices of the MNC [and EMNC] plays a substantial role in dictating the control mechanisms and HR practices used in MNC subsidiaries. However, the findings in this study also [perhaps unexpectedly] support the idea that the degree to which EMNCs overcome [or more accurately actually have] a liability of COO depends on our understanding of firm-specific resources and capabilities that stem from [and can be effectively leveraged from] their COO (Boehe, 2011).

In this sample of Indian IT firms, an important cost advantage was being effectively leveraged through the onsite-offshore model and consequently, close control of subsidiary practices and closely integrated HR practice were essential [i.e. that drew on the expertise of knowledge workers]. Significantly, this study does not detect any liability of country of origin [i.e. negative country of origin effect] that EMNCs must overcome as an emerging economy MNC or being a latecomer (Bell, Moore and Al-Shammari, 2008; Chang, Mellahi and Wilkinson, 2009; Thite, 2012). Of course, the generalisability of this conclusion is bound by the sample of IT firms and the business model. However, it is a significant findings in light of [perhaps out-dated] assumptions that MNCs from less developed countries tend to be less ethnocentric when managing their subsidiaries as compared to a developed country MNC (Hedlund, 1986), or that they use an adaptive approach to managing subsidiaries in the developed markets (Thite, Wilkinson and Budhwar, 2011).
In light of the findings from this study summarised above, for EMNCs seeking to leverage COO advantages in host nations, adaptations and/or a more polycentric approach would be counterproductive. This will certainly need to be given careful consideration in future research. Moreover, from a policy perspective in Australia, if the findings from this sample are representative of the full population of Indian IT firms operating in Australia, the visa and immigration programs, which facilitate the use of the onsite-offshore model, is perhaps being exploited to maintain a cost advantage [and at the cost of Australian employment]. Alternatively, the implications for other countries may be that foreign direct investment [FDI] legislation and work visas need to be capable of allowing EMNC the opportunity to leverage their cost advantages - assuming that countries seek to attract FDI from emerging nations who bring [and perhaps relay on] such cost advantages. Conclusions in this regard are beyond the scope of this thesis, however, the finding that control mechanisms and HR practices of some EMNCs are designed to facilitate the leveraging of such advantages opens up some tantalising opportunities for future research, from an EMNC internationalisation perspective, a variety of management [including HR] practices perspectives, as well as potential policy perspective at the host country-level.

As MNCs are believed to ‘disproportionately influence the direction of change’ in employment practices worldwide (Batt et al, 2009), it is essential that researchers gain new insights into control mechanisms and their link to HR practices in all MNCs. This thesis has offered some rare insights into a new breed of MNCs from the emerging powerhouse of India’s IT industry.
6.8 Conclusion of Chapter

After carefully cross-examining and analysing the data as well as discussing the implications it has on this study, it is apparent that the Australian subsidiaries of Indian MNCs are closely controlled by their parent companies. That is, HQs in India centrally manage the activities of their Australian subsidiaries including the adaptation of their HR policies and practices. However, due to the global staffing practices used by Indian MNCs, the role of the people-centric control mechanisms in managing the subsidiaries cannot be emphasised enough. Furthermore, the control mechanisms deployed by these MNCs reflect well their needs in the adaptation of their HR policies and practices in their subsidiaries. That is, the high degrees of behaviour control through recruitment and selection, high degrees of output control through performance-reward links and moderate degrees of cultural control through socialisation-based training. In a sense, the people-centric control [global staffing – behavioural control and/or socialisation and training – cultural controls] have become the key in how they influence the HR/ER practices at the subsidiary-level.

The inter-relationship among the various external and internal [home and host country] factors also influenced the control choices in these MNCs and their subsequent transfer of their HR policies and practices. For instance, factors such as COO and technology transfer allowed Indian MNCs to bypass some of the weaknesses in their home country institutional environment. Thus despite originating from an emerging [and supposedly weaker] economy, Indian MNCs were able to capitalise on their home grown capabilities which resulted in high degrees of control and parent country adoption of HR practices at their Australian subsidiaries.

In conclusion, while control plays an important role in the international strategy and structure of MNCs from emerging economies, there is little doubt that as more and more EMNCs operates in developed countries; they may give significant importance towards the role of ‘people’ in maintaining their HQ-subsidiary relationships. This is an exciting prospect given the traditional organisational structures that control is usually associated with however more studies are required to further our understanding on the issue of people-centric control and their mechanisms in MNCs.
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APPENDIX A

Information Statement for the Research Project
(Case Study)

Date:

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

You and your organisation are invited to participate in the research project identified above, which is part of the Doctor of Philosophy [Management] studies of Mr. Parth Patel at the University of Newcastle. The project is supervised by Professor Mark Bray and Dr. Brendan Boyle from the Newcastle Business School in the Faculty of Business & Law.
Why is the research being done?

The purpose of the research is to examine the motives for and the mechanisms by which the headquarters of Indian-owned multinational companies (MNCs) monitor and control their Australian subsidiaries in the transfer of their human resource (HR) policies and practices.

The research is particularly important because much of the previous research has exclusively focused on Western MNCs managing and operating their subsidiaries in developing countries. This has neglected the increasingly important role of MNCs based in emerging economies (like India) and the relationship between headquarters and subsidiaries of these organisations.

Who can participate?

The research involves a small number of case study organisations, which will be Indian MNCs with significant subsidiaries in Australia. Information will be gathered through semi-structured interviews with 4–6 senior managers at the subsidiary level in each organisation.

What choice do you have?

Participation in this research is entirely at your organisation’s discretion. Your organisation will not be disadvantaged in any way if you choose not to participate. If you, on behalf of your organisation, do not give your consent, then other members in your organisation will not be asked to participate.

If you do decide to participate, you may withdraw from the project at any time without giving a reason.
**What would you be asked to do?**

To begin with, Mr. Patel will seek an initial appointment via telephone with you to discuss the research project in more detail, so as to provide you with a more complete picture of the project. He will also answer any questions you may have about the research project. Once you have fully understood the project and agree to participate, you will then be asked to meet for a semi-structured interview. Broadly, the interview will focus on asking various questions in the following areas:

- Background Information of MNC
- Nature and Role of Subsidiary
- HR Policies and Practices
- Control Mechanisms
- Home and Host Country Determinants

Mr. Patel will travel to meet you at your place of employment to conduct the interview at a date / time of your convenience and with your permission. Furthermore, he will request that you assist him in identifying and contacting other potential interviewee respondents by forwarding the Information Sheet (including the Consent Form) to them and asking for their cooperation for participating in the research. It will then be up to them to contact Mr. Patel if they choose to participate.

In addition, Mr. Patel will also request that you grant him permission to access documents/records relevant to your organisation that are not listed in the public domain, such as human resource reports etc. as part of the data gathering process.

**How much time will it take?**

The initial meeting to discuss the research project will last for approximately 30 minutes. It is expected that the main interview will last for approximately 60 minutes.
What are the risks and benefits of participating?

We do not foresee any significant associated risks with the participation of your organisation in this research project. On the other hand, your organisation may benefit from an objective analysis of a key element of your management system. Your organisation may also benefit from benchmarking your experiences with similar organisations. Please note that no remuneration can be provided to you or any individual interviewee respondents.

How will the information collected be used?

The semi-structured interviews will be recorded using audio equipment and will be fully transcribed by the researcher / chief investigator and will be sent to the interviewee participants for review and to ensure that they are fully satisfied with the accuracy.

Findings from the study will be used to produce an academic thesis and papers in scientific journals, book chapters and peer-refereed academic conferences/seminars. Individual respondents will not be identifiable in any scholarly papers that are published from this data.

Once the research is complete, your organisation will be offered a summary of the thesis and access to the whole, on special request.

How will your privacy be protected?

If your organisation chooses to participate, its identity will not be disclosed unless you consent. The only exception is where this is required by law. All information subsequently gathered will remain confidential. In particular, data related to interviewee respondent’s name and personal details will be deleted immediately upon completion of the research project, so as to preserve anonymity of respondents.
Data will be kept at the Newcastle Business School, Faculty of Business & Law, for 5 years after the completion of the proposed project before being destroyed. The doctoral thesis will be finally submitted to the University of Newcastle library upon its completion.

What do you need to do to participate?

Please read this Information Statement and be sure you understand its contents before you consent to participate. If you have questions, please contact the researcher / chief investigator, whose details are provided in this letter.

If you and your organisation would like to participate, then please complete the attached form and send it to Mr. Patel in the reply paid envelop provided within one week of your initial meeting. This will be taken as your and your organisation’s informed consent to participate. Once this has been received, Mr. Patel will contact you to arrange a date and time convenient to you for the main interview as well as to provide directions for the distribution of the information statements and consent forms to other potential interviewee respondents.

Further information

If you would like any further information, please contact the chief investigator or the student researcher on the details provided below:

Thank you for considering this invitation

Chief Investigators                      Student Researcher
Professor Mark Bray                      Mr. Parth Patel
Professor of Employment Relations        PhD Candidate in Management
SR137 – Social Sciences Building         SR237 – Social Sciences
Building                                Newcastle Business School
Newcastle Business School                Faculty of Business & Law
Faculty of Business & Law
Complaints about this research

This project has been approved by the University’s Human Research Ethics Committee, Approval No: H-2010-1330. Should you have concerns about your rights as a participant in this research, or have a complaint about the manner in which the research is conducted, it may be given to the researcher/chief investigator, or, if an independent person is preferred, to the Human Research Ethics Officer, Research Office, The Chancellery, The University of Newcastle, University Drive, Callaghan, New South Wales 2308, Australia. Telephone: +61 (02) 49216333, Email: Human-Ethics@newcastle.edu.au
Consent Form for the Research Project

Date:

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

I and the organisation I am employed in, agree to participate in the above research project and give my consent freely.

I understand that the project will be conducted as described in the ‘Information Statement’, a copy of which I have retained.

I understand I can withdraw from this project at any time and do not have to give any reason from withdrawing.
I agree to:

- Give my consent prior to participating in this research.
- Participate in the audio recorded interview.
- Provide the researcher with relevant company documentation [e.g. HR Reports etc.] relevant to this project.

I understand that my personal information will remain confidential to the chief investigators and the student researcher. I have had the opportunity to have questions answered to my satisfaction.

Name/Position/Company:

_____________________________________________________________

Telephone/Email:

_____________________________________________________________

Date/Signature:

_____________________________________________________________
APPENDIX B

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

Case Study Interview Guide

1. Background Information of Respondent

- What are the primary functions of your current role in this company [i.e. day to day responsibilities]?
- What is your involvement in the making and implementation of HR policies and practices in the Australian subsidiary?
- Who do you report to and where [i.e. command chain]?

2. Nature and Role of Subsidiary

- What can you tell me about the history of the Australian operations [i.e. mode of entry, purpose, size, other sites etc.]?
- Where does the Australian subsidiary fit within the competitive strategies of your global MNC?
- What are the main or primary business functions/activities of the Australian subsidiary?
- In what areas of the Australian subsidiary’s operations, do managers have the autonomy to make decisions exclusively for the Australian market?
- To what degree are the activities of the Australian subsidiary integrated with the activities of the Indian HQ within the MNCs global network [i.e. degree
to which products, services, processes, technologies etc. are shared between various units]?
• What are the main changes your Australian subsidiary has witnessed in the last five years [i.e. re-structuring, downsizing etc.]? Were these changes driven by the Indian HQ?

3. HR Policies and Practices

• What level of autonomy does the Australian subsidiary get from the Indian head office in determining [i.e. establishing or creating] policies and practices as well as formulating strategies in the following areas of HRM:
  ▪ Recruitment & Selection
  ▪ Training and Development
  ▪ Pay and Performance; and
  ▪ Involvement and Communication
• Is there a variance in the HR policies and practices according to the category of employees in the Australian subsidiary [i.e. general verses technical etc.]?
• What kind of subsidiary outputs is the Australian subsidiary required to report/sent back to the Indian HQ on a regular basis [i.e. KPIs etc.]? In what way do the Indian operations use this information?
• In your opinion, does this subsidiary have adequate decision making autonomy in the design and implementation of HR policies and practices? Are there any other management areas where less or more integration or localisation of practices would be required? Why?
• What is the total proportion of Indian expatriate managers as opposed to the Australian managers employed in your subsidiary?
• What are the kinds of positions held by the Indian/Australian managers? Is there a formal policy maintained by the Indian HQ or Australian subsidiary on staffing issues?
• How often do managers from the Indian HQ visit the Australian subsidiary? What is the purpose of their visit to the Australian subsidiary?
• In what capacity do managers from the Indian HQ intervene in the HR decisions/actions of the Australian subsidiary? Can you give any examples?
• Do HR managers from the Australian subsidiary visit Indian HQ/operations? Do they also maintain any form of contact with personnel function from other company subsidiaries [i.e. joint meetings, conferences, seminars, workshops etc.]?
• Are there any new practices in the above mentioned areas of HR that the Australian subsidiary has provided to the Indian operations [i.e. reverse diffusion]?

4. Control Mechanisms

• Do the Indian operations sponsor training in corporate norms and values at the Australian operations?
• How and to what degree is the HQ corporate culture replicated or needs to be replicated in the Australian subsidiary?
• How much of what the Australian subsidiary does is dictated by operating standards derived from the Indian HQ?
• What techniques are used in monitoring employee productivity and performance in the Australian subsidiary?
• How are the activities of the Australian subsidiary coordinated in maintaining a smooth flow of communication with the Indian HQ?
• How does the Australian subsidiary approves decisions relating to budgeting and other HRM expenses at the Australian subsidiary [i.e. cost control]?
• What performance related evaluation criteria’s are used in measuring the Australian subsidiary’s success and level of performance [i.e. market share, productivity etc.]?

5. Home and Host Country Determinants

• To what extent are the HR policies and practices of the Australian subsidiary determined by Australian laws, local culture, the supply and demand of labour in the Australian labour market, as well as the product/services market of Australia?
• What aspects of the Australian subsidiary’s HR policies and practices are attributable to the ‘Indian-ness’ of your international company? What is the prevailing management style in your Australian operations?