The development and evolution of the HQ-Subsidiary relationship in an emerging market MNC: the case of UTi Worldwide Inc.

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Abstract

The study deals with the relatively unexplored area of the evolution of HQ-subsidiary relations in emerging market Multinational Corporations (MNCs). The study uses a framework proposed by Harzing, Sourge and Paauwe (2001) to study the evolution of four components of the relationship over a ten year period, namely: control mechanisms, expatriate assignments, level of interdependence and degree of local responsiveness. The paper also assesses the impact of two additional factors on the relationship, namely *subsidiary evolution* and the *country-of-origin effect*.

The study analyses the case of a South African MNC, UTi Worldwide Inc. (“UTi”) a leader in the global network of freight forwarding and contract logistics and distribution services. Seven propositions are tested by means of the case study method to analyse the factors that contribute to the said evolution in the MNC.

The study found that there was indeed an evolution in most aspects of the MNC’s HQ-subsidiary relationship over that last ten years. In addition, the subsidiary themselves had evolved and the nature of the country-of-origin effect had significantly changed over the same period. This evolution process was influenced by a number of factors specific to and circumstances unique to the MNC.

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Declaration

I declare that this research is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

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1 Introduction

1.1 Introduction to Research Problem

Birkinshaw e*t al*. (2000) state that one of the core issues in the study of multinational corporations (MNCs) is how to structure and manage the relationship between headquarters and foreign subsidiaries. In most recent years it has become more and more prevalent to talk about the MNC as an inter-organisational network (Ghoshal and Bartlett, 1990), and to think in terms of the web of relationships that the subsidiary has with other actors in its corporate network. They add, within this perspective, it should not be forgotten that although resources and competencies are distributed among several foreign subsidiaries, the headquarters(HQ)–subsidiary relationship remains crucial as subsidiaries are organised through interdependent exchange. Thus, co-ordination within the inter-organisational MNC is a main issue and consequently elements like control and cooperation in the HQ–subsidiary relationship (Ghoshal and Bartlett, 1988). Birkinshaw *et. al*. (2000) conclude that the HQ–subsidiary relationship is never a simple one. In essence, the relationship can be modelled as a ‘mixed motive dyad’ in which the interests and perceptions of the two parties are frequently not aligned with one another (Ghoshal and Nohria, 1989). Where the subsidiary desires autonomy, headquarters prefers control; where subsidiary managers see entrepreneurial endeavour, headquarters see opportunism; and where the subsidiary is acting primarily in the interests of the local business, headquarters is far more concerned about the MNC's worldwide profitability. The authors refer to this misalignment of perception as *perception gap*.

Furthermore, Hamel and Prahalad (1982) advocate that an issue that confronts the top management of every multinational company is that of determining where in the organization basic strategy decisions should be made. The firm may concentrate responsibility for a broad range of strategic tasks at headquarters, or cede strategic responsibility to foreign affiliates. This again highlights the complexities facing most MNCs in managing HQ–subsidiary relations. Therefore, the structuring and management of the HQ-subsidiary relationship is a key strategic decision for all MNCs.

Jakobsen and Rusten (2003) argue that as global conditions of competition have changed, there has been a shift away from the “hierarchical” view on MNCs towards perspectives of the MNC as a web of inter- and intra-firm relationships. Concepts such as ‘interorganizational networks’ (Ghoshal and Bartlett, 1990) and ‘knowledge environment’ (Amin and Cohendet, 1999) have been introduced to characterise MNCs as global networks of subsidiary operations. These scholars go on to say that HQ-subsidiary relations and the autonomy of subsidiaries vary among MNCs, and this heterogeneity reflects the different structures and strategies of firms operating in an international economy.

However, although a few studies have looked at HQ-subsidiary relationships for relatively large samples of MNCs (e.g., Birkinshaw *et al*. 2000) or between MNCs from different countries of origin (e.g., Harzing *et al.* 2001), few empirical studies have examined the development and evolution of the HQ-subsidiary relationship for a particular Emerging Market MNC over a period of time. Malnight (1995) developed an evolutionary perspective of the globalisation process based on an extensive study of Eli Lilly and Company, a traditionally ethnocentric pharmaceutical firm. He suggests in his study that globalisation involves a complex mix of strategic objectives over time as the company responds to changing external and internal challenges and opportunities. It is within this context that this paper studies the evolution of the HQ-subsidiary relations in an Emerging Market MNC.

Based on the above motivation, this study examines the development and evolution of a South African MNC's HQ-subsidiary relationship between 1999 and 2009. Specifically, the study examines how the HQ-subsidiary relationship of UTi Worldwide Inc. ("UTi") has evolved overtime. The study focuses on the development and evolution of the four key elements of the HQ-subsidiary relationship as proposed by Harzing *et al.* (2001). These are: (i) the types of control mechanisms – tools headquarters have to achieve alignment between HQ and subsidiaries' goals; (ii) the role and level of expatriate presence in subsidiaries; (iii) the level of interdependence between HQ and subsidiaries and between subsidiaries; and (iv) the level of local responsiveness / standardisation - in terms of production, R&D, adaptation of products and marketing. Therefore, the study attempts to answer the following main questions:

- How has the MNC's HQ-subsidiary relationship evolved from 1999 to 2009 based on Harzing's (2001) framework?
- To what extent was this relationship evolution influenced by the *country-of-origin effect* and *subsidiary evolution*? and
- What recommendations can be made for future research based on the findings of the study?

1.2 Rationale of the Research

The purpose of this research is to make an academic contribution to the body of knowledge of HQ-subsidiary relations looking specifically at the relatively unexplored area of the evolution of the HQ-subsidiary relationship for a particular Emerging Market MNC over a period of time. Moreover, an understanding of this development and evolution in the HQ-subsidiary relationship in UTi could provide some insight, guidance and a possible framework to Emerging Market firms considering globalisation for the first time or those who have failed to globalise before and would like to try again.

The research report begins by providing some background information on UTi and the supply chain industry globally. It then reviews the theory on HQ-subsidiary Relations, Control Mechanisms, Expatriate Assignments, Knowledge Flows, Local Responsiveness, Country-of-origin Effects and Subsidiary Evolution, respectively. After the theory is reviewed, the report explains the research methodology used for the study. This is followed by a presentation of the study's results, then a discussion on the findings. Finally, some conclusions and recommendations to managers are proposed, followed by some recommendations for future research.

2 UTi

2.1 History and Development of the Company

UTi is an international, non-asset-based supply chain services and solutions company that provides services through a network of offices and contract logistics centers. UTi was incorporated in the British Virgin Islands on 30 January, 1995 under the International Business Companies Act as an international business company and operates under the British Virgin Islands' legislation governing corporations. Up until 2005, UTi was the only investment of the United Service Technologies Limited (UNISERV), a listed company on the JSE Securities Exchange ("JSE"). UNISERV subsequently delisted from the JSE following the listing of UTi on the NASDAQ, USA in November 2000. Currently headquartered in Long Beach, California, U.S.A., UTi formed its current business from a base of three freight forwarders which UTi acquired between 1993 and 1995. Currently, UTi operates a global network of freight forwarding offices and contract logistics and distribution centers in a total of 64 countries. In addition, UTi serves its clients in 78 additional countries through independent agent-owned offices. The company business is managed from six principal support offices in Frankfurt, Shanghai, Johannesburg, and Sydney and in the United States in Long Beach, California and Columbia, South Carolina. (UTi Annual Report, 2009).

2.2 Business Overview

Through its supply chain planning and optimization services, UTi assists its clients in designing and implementing solutions that improve the predictability and visibility and reduce the overall costs of their supply chains. The company's primary services include air and ocean freight forwarding, contract logistics, customs brokerage, distribution, inbound logistics, truckload brokerage and other supply chain management services, including consulting, the coordination of purchase orders and customized management services.

Freight Forwarding Segment. As a freight forwarder, UTi conducts business as an indirect carrier for its clients or occasionally as an authorised agent for an airline or ocean carrier. UTi typically acts as an indirect carrier with respect to shipments of freight unless the volume of freight to be shipped over a particular route is not large enough to warrant consolidating such freight with other shipments. In such situations, UTi usually forwards the freight as an agent of the client.

UTi does not own or operate aircraft or vessels, and consequently, contracts with commercial carriers to arrange for the shipment of cargo. UTi arranges for, and in many cases provides, pick-up and delivery service between the carrier and the location of the shipper or recipient. When UTi acts as an authorized agent for an airline or ocean carrier, UTi arranges for the transportation of individual shipments to the airline or ocean carrier. As compensation for arranging for the shipments, the airline or ocean carrier pays UTi a commission. If UTi provides the client with ancillary services, such as the preparation of export documentation, UTi receives an additional fee. Airfreight forwarding services accounted for approximately 36% in each of the group's fiscal years ended 2009, 2008 and 2007 consolidated revenues, (which UTi refers to as fiscal 2009, 2008 and 2007, respectively). Ocean freight forwarding services accounted for approximately 26%, 25% and 26% of its fiscal 2009, 2008 and 2007 consolidated revenues, respectively.

As part of its freight forwarding services, UTi provides customs brokerage services in the United States (U.S.) and most of the other countries in which UTi operates. Within each country, the rules and regulations vary, along with the level of expertise that is required to perform the customs brokerage services. UTi provides customs brokerage services in connection with a majority of the shipments which it handles as both an airfreight and ocean freight forwarder. UTi also provides customs brokerage services in connection with shipments forwarded by its competitors. In addition, other companies may provide customs brokerage services in connection with the shipments which UTi forwards.

As part of its customs brokerage services, UTi prepares and files formal documentation required for clearance through customs agencies, obtains customs bonds, facilitates the payment of import duties on behalf of the importer, arranges for payment of collected freight charges, assists with determining and obtaining the best commodity classifications for shipments and performs other related services. UTi determines its fees for its customs brokerage services based on the volume of business transactions for a particular client, and the type, number and complexity of services provided. Revenues from customs brokerage and related services are recognized upon completion of the services. Customs brokerage services accounted for approximately 2% of its consolidated revenues in each of its fiscal 2009, 2008 and 2007.

UTi believes that its Freight Forwarding segment, net revenue (the term used by the company to describe revenue less purchased transportation costs) is a better measure of growth in its freight forwarding business than revenue because its revenue for its services as an indirect air and ocean carrier includes the carriers' charges to the group for carriage of the shipment. Its revenues are also impacted by changes in fuel and similar surcharges, which have little relation to the volume or value of its services provided. When UTi acts as an indirect air and ocean carrier, its net revenue is determined by the differential between the rates charged to the group by the carrier and the rates UTi charges its customers plus the fees UTi receives for its ancillary services. Revenue derived from freight forwarding generally is shared between the points of origin and destination, based on a standard formula. Its revenue in its other capacities includes only commissions and fees earned by the group and is substantially similar to net revenue for the Freight Forwarding segment in this respect. (UTi Annual Report, 2009).

*Contract Logistics and Distribution Segment***.** UTi's contract logistics services primarily relate to the value added warehousing and subsequent distribution of goods and materials in order to meet its clients' inventory needs and production or distribution schedules. Its services include receiving, deconsolidation and decontainerisation, sorting, put away, consolidation, assembly, cargo loading and unloading, assembly of freight and protective packaging, storage and distribution. Its outsourced services include inspection services, quality centers and manufacturing support. Contract logistics revenues are recognised when the service has been completed in the ordinary course of business. Contract logistics services accounted for approximately 15%, 14% and 13% of its fiscal 2009, 2008 and 2007 consolidated revenues, respectively.

UTi also provides a range of distribution and other supply chain management services, such as domestic ground transportation, warehousing services, consulting, order management, planning and optimization services, outsourced management services, developing specialized client-specific supply chain solutions, and customized distribution and inventory management services. Distribution services accounted for approximately 12%, 14% and 15% of its fiscal 2009, 2008 and 2007 consolidated revenues, respectively. Other services consisting predominately of supply chain management services accounted for approximately 8%, 8% and 6% of its fiscal 2009, 2008 and 2007 consolidated revenues, respectively.

The Contract Logistics and Distribution segment includes the distribution operations in the Africa region, previously reported under Freight Forwarding, as this operation has evolved from an air express to a road distribution business over the last few years. In contrast to the Freight Forwarding segment, UTi believes revenue is a better measure of the growth in its contract logistics and distribution business because this segment does not incur carrier costs (and related fuel surcharges) in the same manner as freight forwarding, and purchased transportation costs under this segment primarily relate to the truck brokerage operation in the Americas region.

A significant portion of UTi's expenses are variable and adjust to reflect the level of its business activities. Other than purchased transportation costs, staff costs are its single largest variable expense and are less flexible in the near term as UTi must incur staff costs to meet uncertain future demand. (UTi Annual Report, 2009).

2.3 Acquisitions

As a key part of the group's growth strategy, UTi regularly evaluates acquisition opportunities. During the year ended 31 January 2008, UTi completed a number of acquisitions but none for the year ended 31 January 2009. On 20 September 2007, the Company acquired 50% of the issued and outstanding shares of Newlog Ltd; on 16 October 2007, the company acquired certain assets and liabilities of Transclal Trade Ltd., an Israeli company involved in freight forwarding and customs brokerage, for a purchase price of approximately $34.6 million in cash; on 6 September 2007, UTi acquired 100% of the issued and outstanding shares of Chronic Solutions Company (Proprietary) Limited and its subsidiaries, which UTi collectively refer to as CSC, for an initial cash payment of approximately $5.2 million, net of cash received. CSC is a distributor of specialized and chronic pharmaceuticals located in Johannesburg, South Africa. As a result of this acquisition, the Company has increased its range of services to the pharmaceutical industry in South Africa; and on 17 August, 2007, UTi acquired the remaining outstanding shares of its South African subsidiary, Co-ordinated Investment Holdings (Pty) Ltd and its subsidiaries Co-ordinated Materials Handling (Pty) Ltd. and UTi CMHSub Assembly (Pty) Ltd., of which UTi had already owned 50%, for a total consideration of approximately $12.7 million. These acquisitions, along with its other acquisitions over the past five years, have had, and will have, a significant effect on the comparability of the group's operating results over the respective prior periods. Historically, UTi has financed acquisitions with a combination of cash from operations and borrowings. UTi may borrow additional money or issue ordinary shares in the future to finance acquisitions. From time to time UTi enters into non-binding letters of intent with potential acquisition targets, which are often in various stages of due diligence and preliminary negotiations with those potential acquisition targets. (UTi Annual Report, 2008).

2.4 Organizational Structure

UTi Worldwide Inc. is a holding company and all of its operations are conducted through regions. The Company operates in four geographic segments (regions) comprised of Europe, the Americas, Asia Pacific and Africa, which offer similar products and services. They are managed separately because each segment requires close client contact by senior management, individual requirements of clients differ between regions and each region is oftentimes affected by different economic conditions. Corporate includes the corporate office, eliminations and other entities. The proportion of voting power that UTi holds for each subsidiary is equivalent to its percentage ownership.

As at January 31, 2009, UTi had a total of 20,415 employees of which, approximately 2,700 of these were subject to collective bargaining arrangements in several countries - which are renegotiated annually, but primarily in South Africa. (UTi Annual Report, 2008).

2.5 Industry

The global supply chain services and solutions industry consists of air and ocean freight forwarding, contract logistics, domestic ground transportation, customs clearances, distribution, inbound logistics, warehousing and supply chain management. UTi believes that companies in its industry must be able to provide their clients with supply chain services and solutions. Among the factors that UTi believes are impacting its industry are the outsourcing of supply chain activities, increased global trade and sourcing, increased demand for time definite delivery of goods, and the need for advanced information technology systems that facilitate real-time access to shipment data, client reporting and transaction analysis. Furthermore, as supply chain management becomes more complex, UTi believes companies are increasingly seeking full service solutions from a single or limited number of partners that are familiar with their requirements, processes and procedures and that can provide services globally. UTi believes it is becoming increasingly difficult for smaller regional competitors or providers with a more limited service or information technology offering to compete, which UTi expects to result in further industry consolidation. UTi seeks to use its global network, proprietary information technology systems, relationships with transportation providers and expertise in outsourced logistics services to improve its clients' visibility into their supply chains while reducing their logistics costs. (UTi Annual Report, 2008).

2.6 Competition

Competition within the freight forwarding, contract logistics, distribution, and supply chain management industries is intense. There are a large number of companies that compete in one or more segments of the industry. However, there are a relatively small number of international firms that have the worldwide capabilities to provide the breadth of services that UTi offers. UTi also encounters competition from regional and local third-party logistics providers, integrated transportation companies that operate their own aircraft, cargo sales agents and brokers, surface freight forwarders and carriers, airlines, ocean carriers, associations of shippers organized to consolidate their members' shipments to obtain lower freight rates, and Internet-based freight exchanges. Following the acquisition of Market Transport Services, UTi has expanded its presence in the competitive and fragmented domestic ground transportation services business in North America. With respect to the services provided in this business, UTi competes primarily with truckload carriers, intermodal transportation service providers, less-than-truckload carriers, railroads and third party broker carriers. UTi competes in this business primarily on the basis of service, efficiency and freight rates. UTi believes that the ability to develop and deliver innovative solutions to meet clients' global supply chain needs is a critical factor in the ongoing success of the Company. UTi achieves this through the appropriate use of technology and by leveraging its industry experience across the globe. This experience was obtained through strategic acquisitions and by attracting, retaining, and motivating highly qualified personnel with knowledge in the various segments of global logistics. Generally, UTi believes that companies in its industry must be able to provide their clients with integrated, global supply chain solutions. Among the factors that UTi believes are impacting the industry are the outsourcing of supply chain activities, increased global trade and sourcing, and the need for advanced information technology systems that facilitate real-time access to shipment data, client reporting and transaction analysis. Furthermore, as supply chain management becomes more complicated, UTi believes that companies are increasingly seeking full service solutions from a single or limited number of partners that are familiar with their requirements, processes and procedures and that can provide services globally. UTi seeks to compete in its industry by using its global network, proprietary information technology systems, relationships with transportation providers and expertise in contract logistics services to improve its clients' visibility into their supply chains while reducing their logistics costs. (UTi Annual Report, 2008).

An important note to make with regard to the evolution of UTi is, the MNC was founded in South Africa some thirty four years ago, then subsequently expanded globally, forming four regions as explained above. The group is managed through the four regional presidents who in turn manage various subsidiaries in their respective regions. The group's global expansion was followed by a move of its HQ from Johannesburg, South Africa to Long Beach, CA, and its primary listing to the NASDAQ Stock Market in the USA in November 2000. Such change in location for UTi's HQ has significant implications on the relations between UTi's HQ and its subsidiaries.

3 Theory and Literature Review

3.1 Introduction

Malnight (1995) argues that there has been a rapid escalation in research on the topic of globalisation, associated with changes in how MNCs structure and manage worldwide activities. These studies, he adds, have collectively led to a rich descriptive and normative understanding of the complex strategic, organisational, and administrative issues involved with managing MNCs in an increasingly complex global competitive environment. It is in this context that this theory will review the literature on various aspects on the HQ-subsidiary relations as proposed by Harzing *et. al*. (2001).

3.2 HQ-Subsidiary Relationships

Harzing *et. al*. (2001) propose that the relationship between headquarters and subsidiary can be seen as a classical control problem, whose attributes are similar to principal-agent relationships (Nohria and Ghoshal, 1994). Headquarters, the principal, cannot make all the decisions because it does not possess all the necessary knowledge or resources, but it cannot leave all the decisions to the subsidiaries because the interest of the subsidiaries might be different from that of the headquarters or the MNC. Therefore, the key aspect of the HQ-subsidiary relationship is the way in which headquarters ensure that subsidiaries are working towards common organisational goals. In their paper, Harzing *et al*. (2001) look at four specific elements of this relationship: control mechanisms, expatriate presence, level of interdependence and level of local responsiveness; which will form the basis of this research.

Ghoshal and Nohria (1993) propose that HQ-subsidiary relationships can be described in terms of three basic governance mechanisms that underlie them. The first of these is *centralisation*, which concerns the role of formal authority and hierarchical mechanism in the company's decision-making process. The second is *formalisation*, which represents decision-making through bureaucratic mechanisms such as formal systems, established rules, and prescribed procedures. The third is *normative integration*, which relies neither on direct headquarters involvement nor on impersonal rules but on the socialisation of managers into a set of shared goals, values, and beliefs that then shape their perspectives and behaviour.

Marcati (1989) contends that relations between subsidiaries and headquarters have been traditionally viewed in terms of a mono-centered model, in which guidance and resources come, generally speaking, from headquarters, the center, to subsidiaries, the periphery, and the latter are seen as a way into foreign markets and tools for the development and expansion of the multinational. Such a model has a market orientation and strong organisational overtones. He adds, within the framework provided by the model, the main problem is one of extracting competitive advantage and exploiting national markets to do so, rather than one of building competitive advantage and "harvesting". Therefore, the subsidiary is regarded as a "delivery pipeline" and the focus is very much upon the ability of the subsidiaries to exploit in each local market the competitive edge headquarters have built worldwide or each individual subsidiary has secured one-by-one in each single market. Within such a framework, no reference whatsoever is usually made to the mission of subsidiaries, because a market orientation is taken for granted, and only occasionally the positions and roles subsidiaries fulfil in the international network are fully analysed. But reality has changed dramatically and the phenomena mentioned above require new concepts and new models of analysis (Marcati,1989).

Marcati (1989) further argues that the traditional mono-centered model of HQ-subsidiary relations referred to above is being superseded by a new model of the multinational, where roles are differentiated and responsibilities are dispersed among subsidiaries. In such a “diversified network” model, subsidiaries may carry worldwide responsibility and, at times, become proponents of new actions and play the leading role in devising and implementing specific “bits” of the overall strategy. He adds, managing the international network isn’t any longer just a problem of control; it becomes, primarily, a problem of deployment and allocation of resources within the internal network, to take advantage of country potentials and of establishing the right transfer mechanisms to move resources where fit.

The above argument by Mercati (1989) must be contextualised because, as proposed by Harzing *et. al*. (2001), managing HQ- subsidiary relations would involve managing various aspects of the ‘international network’ such as control mechanisms, international transfers, level of interdependence and localisation strategy; and it not “primarily” about resource allocation as suggested by the earlier scholar.

3.3 Control Mechanisms

Chang *et al*. (2009) define control as the processes by which headquarters of a MNC determines or intentionally affects what subsidiaries do (or don’t do). In addition, Chang and Taylor (1999) state that MNCs exercise a degree of control over their subsidiaries to ensure that they allocate their resources and direct their efforts towards the attainment of the objectives of the MNC. They also state that a number of approaches have been used to categorise control mechanisms. Harzing (1999, 2001) categorises MNCs' control mechanisms using two dimensions (Table 4-1): personal versus impersonal control, and direct versus indirect control. These two dimensions produce four dominant control mechanisms (Legewie, 2002): (1) personal and direct form of control, labelled as *personal centralised control*, where decisions are taken by headquarters and executed by direct personal control methods through expatriates or home country nationals using methods such as surveillance and direct supervision; (2) direct and impersonal form of control, labelled as *bureaucratic formalised control*, aiming to control the behaviour of employees at overseas subsidiaries through written manuals and formal procedures with little use of expatriates; (3) personal and indirect forms of control referred to as *control by socialisation and networks* making extensive use of expatriates where the emphasis is put on sharing the parent's company's norms, values and objectives; and (4) impersonal and indirect form of control labelled as *output control* where the emphasis is put on evaluating and measuring the outputs against specified targets with little use of expatriates.

Table 3-1: Classification of control mechanisms on two dimensions

	Personal/Cultural (founded on social interaction)	**Impersonal/Bureaucratic/Technocratic (founded on instrumental artifacts)**
Direct/Explicit	Centralization, Direct Supervision	Standardization, Formalization
Indirect/Implicit	Socialization, Informal communication, Training & task forces	Output control, Planning

Source: Harzing and Noorderhaven (2001)

Harzing (1999:372) found that most MNCs differentiated their application of control mechanisms for different types of subsidiaries. Larger subsidiaries were more strongly controlled than smaller subsidiaries, especially through control by socialisation and networks. Subsidiaries that were highly integrated by within the company network were also more strongly controlled, especially through the two direct control mechanisms, personal centralised control and bureaucratic formalised control, than their less integrated counterparts. Overall, the autonomous subsidiaries with strong links with the local environment experienced less control than receptive subsidiaries that had a predominance of internal rather than external links.

In terms of coordination mechanisms (defined as the process of integrating activities that remain dispersed across subsidiaries), Martinez and Jarillo (1991) identify two forms of exercising control in organisations, namely output control and behavioural control. They define output control as based on the evaluation of files, records and reports submitted by organisational units to corporate management, also referred to as "performance control" by Mintzberg (1979); and behavioural control as based on direct, personal surveillance of the subordinate's behaviour (Mintzberg, 1983).

Furthermore, Chang *et al*. (2009) identify and split key determinants of control of subsidiaries in MNCs into external and firm-specific factors. External factors include factors such as country of origin/home country factors; host country environment (openness versus closeness, legal framework, governance, human resources practices, host institutions, cultural environment) and the sector of activities. Firm-specific factors include affiliate strategy roles, methods of subsidiary establishment, subsidiary absorptive capacity, centre's diffusion capacity, management practice throughout its network of subsidiaries and importance of the subsidiary to the centre.

In a recent study, Chang *et al*. (2009) found that a dual control mechanism (reliance on output control and behaviour control) was favoured by MNC emerging economies in developed countries.

Based on a study conducted on the sharp reduction in expatriates' assignments in U.S. MNCs, Kobrin (1988) identifies four issues for strategic management and control: (1) identification with firm-wide rather than local objectives; (2) knowledge of, and identification with, the global organisation; (3) corporate control of local subsidiaries; and (4) acquisition of international expertise by home country nationals. The author argues that strategic control in a mature multinational depends on control over personnel and the informal organisation.

3.4 Expatriate Assignments

Tan and Mahoney (2006) define expatriates as home-country nationals (i.e. citizen of the country in which the multinational firm is headquartered) who are sent by the headquarters to the foreign positions. They suggested the extensive amount of literature on the deployment of expatriates available illustrates three main perspective: (i) the resource-based perspective; (ii) the agency perspective; and (iii) the transaction costs perspective. While the resource-based theory suggests that the firm can increase its economic revenue by assigning managers to tasks in which they are more capable, agency and transaction costs theories suggest that a firm can reduce economic costs by choosing managers that the firm incurs comparatively lower contractual costs in influencing managerial behaviours. However, Tan and Mahoney (2006) suggest that firms focus on economic value creation, and thus these firms will deploy their managerial resources to enhance their value.

Widmier *et al.* (2008) advocate that another framework used to explain the subsidiary expatriate staffing strategies is Dunning's eclectic framework, which improves on the transaction cost framework by including ownership-specific, location-specific and transaction costs variables in the strategy decision (Dunning and McQueen, 1982; Tse *et al*. 1997). The framework includes three sets of advantages that influence the firm's strategy: (i) Ownership advantages (O), which include firm-specific tangible and intangible assets; (ii) Internalization advantages (I), which include costs savings derived from choosing between internal firm hierarchies and host country efficiencies; and (iii) Location advantages (L), which include host country specific factors such as inputs (for instance cheap labour) or barriers (such as market risk factors).

Caligiuri and Colakoglu (2007) argue that the future of MNCs' competitiveness in the global market is contingent on those MNC's ability to change and adapt their resources strategically to the nuances of the broadening global playing field. Within this context, she argues that human resources (HR) managers have a challenging task: the need to develop practices to manage human talent which will maintain congruence with the overall strategic plan of their respective firms - while at the same time balancing the economic, social, political, and legal constraints of the various host countries (Milliman *et al*., 1991). Caligiuri and Colakoglu (2007) propose that expatriates assignments can be categorised based on two underlying continua: (1) the extent to which the assignment will require intercultural competence, and (2) the extent to which the assignment is intended to be developmental for the employee (Caligiuri, 2006). Using Caligiuri's (2006) typology, four major categories of expatriates are identified: technical, functional, developmental and strategic. Table 3-2 summarises the main differences among these categories of expatriate assignments.

Table 3-2: Categories of expatriate assignments

	Technical assignments	Functional assignments	Developmental assignments	Strategic assignments
Developmental component	None	Not a stated goal	The primary goal is to gain a stated set of competencies	Gaining new skills can be a secondary goal
Required intercultural component	Few, if any required	Required since interaction with host nationals is necessary	Not a prerequisite, but develops while on assignment	Strongly required to be successful on the job
Main responsibilities	To complete a job and return home	To complete a job and return home	Sent to other countries, diverse markets, across functions to perform various jobs on a rotational basis	Fill very senior and critical international positions
Typical positions	Individual contributors (e.g. engineers,	Mid-level functional managers (e.g.	Mid-level or junior-level managers	Country managers

	information technology professionals)	sales, training and marketing managers)		

Source: Caligiuri (2006)

Based on a relatively recent research, Caligiuri and Colakuglu (2007) found that while the number of expatriates did not differ across firms representing different international management strategies (local, centralised or global), the use of developmental and technical assignments differed based on strategy. Under all strategies, firms had a similar proportion of expatriates executing those strategies in host countries. The study also found that centralised strategy MNCs use technical expatriate assignments to a greater extent to ensure consistency around the world. Examining the developmental aspect of expatriate assignment, the study found that global leadership development is integrated for firms operating under a global strategy – where collective global competence is critical for firm success. This finding is consistent with the general trend towards expatriate assignments as a developmental tool in organisational learning, especially within global strategy firms.

Bolino (2006) explains that expatriate assignments not only enable multinational firms to carry out their global initiative, but also serve as an important tool for developing the global managers who will lead these organisations in the future (Kobrin, 1988; Shay and Baack, 2004: Takeuchi *et al*., 2005).

Shay and Baack (2004) argue that expatriate assignment are most often used either as a source of managerial development or as source of of overseas subsidiary control

(Edstrom and Galbraith, 1977; Adler and Ghadar, 1990; Harzing, 2001). They add, as a source of managerial development, overseas assignments allow individuals to initially or further develop the requisite international skills thereby become a more valuable resource to their MNC (e.g., Adler an Ghadar,1990). As a source of control, MNCs assign expatriates to ensure HQ-subsidiary consistency in terms of strategy, managerial practices, and operational policies (Adler and Ghadar, 1990). These scholars further argue that managerial development reasons for the assignment will foster expatriate personal change and role innovation, whereas control reasons will focus attention on the expatriate making personal changes and on role innovation in subordinates.

Belderbos and Heijltjes (2004) suggest that, when conceptually examining the reasons behind the expatriate decision, two strands of research appear to have developed rather independently of each other (Delios and Björkman, 2000). On the one hand, there are studies that use control and coordination framework to explain the choice between parent country nationals (PCN) and host country nationals (HCN). These operate on the assumption that the parent seeks ways to align the affiliate's objectives with its own, and the use of expatriates is one way to control operations abroad. On the other hand there are studies that apply a perspective rooted in knowledge creation and learning (e.g., Downes and Thomas, 2000). This starts from the premise that the organisation and the expatriates are both bases of knowledge that by means of learning develop the competitive position of the organisation.

Harzing (2001) argues that in the field of International Human Resources Management, the management of expatriates, headquarters' employees working abroad in one of the firm's subsidiaries for a limited period of usually two to five years, often takes up a dominant role. Built on the work done by Edström and Galbraith (1977), she identifies the three general motives for making international transfers. The first is to *fill positions,* which mainly concerns the transfer of technical knowledge to developing countries, where qualified local nationals are not available. The second major motive is *management development*. The transfer gives the manager international experience and develops him or her for future important tasks in subsidiaries abroad or with the parent company. For the third reason, the final motive is not individual development but *organization development*. In this case, international transfers are used as a co-ordination and control strategy. This strategy, she adds, consists of two elements: socialization of both expatriates and local managers into the corporate culture and the creation of a verbal information network that provides links between subsidiaries and headquarters.

Building on the above argument, Harzing (2001) groups expatriates into three main categories: "**bears**" - expatriates who are used to effectuate personal/cultural control, in both a direct (explicit) and an indirect (implicit) way. They serve to replace or complement HQ centralization of decision-making and direct surveillance of subsidiaries by HQ managers; "**bumble-bees**" – expatriates used to realize control based on socialization and the creation of informal communication networks as described by Edström and Galbraith (1977); and "**spiders**" – expatriates who are used to weave an informal communication network.

Harzing (1999:373) found that expatriate presence in (top positions in) subsidiaries differs considerably across countries and industries. The largest number of expatriates could be found in Asian and Latin American subsidiaries of Japanese or German MNCs in the automobile industry. The lowest expatriate presence could be found in Scandinavian subsidiaries of American or British MNCs in the food industry. In addition, she found that subsidiary characteristics such as size, age and entry mode function had an impact on the level of expatriate presence in subsidiaries. Furthermore, her research revealed that in addition to being a means of knowledge transfer and position filling, when no qualified locals were available international transfer played a role in both management and organisation development. In addition, expatriates were shown not only to exercise direct control, but also to facilitate indirect control over subsidiaries. Moreover, the results of the correlation analysis between the level of expatriate presence and the different types of control demonstrate that there is a very significant positive correlation between the level of expatriate presence and the three types of control: direct expatriate control, socialisation and informal communication. The analysis concluded therefore that expatriates do indeed play a role as bears, bumble bees, or spiders.

3.5 Interdependence in MNCs

Robinson (1995) defines interdependence as the "extent to which work processes are interrelated so that changes in the state of one element affect the state of other." Harzing (2000) proposes that interdependence indicates the extent to which various units of a MNC are dependent on each other and so suggests the level of integration within the MNC as a whole. Therefore interdependence is an important element of subsidiary structure. She distinguishes three different levels of dependencies. First, independence: the subsidiary is barely or not at all dependent on HQ or other subsidiaries and operating as a stand-alone company. Second, dependence: the subsidiary is mainly dependent on HQ. Third, interdependence: the subsidiary, HQ and other subsidiaries all form part of an interdependent network; they are all dependent of each other. Harzing and Noorderhaven (2006) measure the level of interdependence between HQ and subsidiaries and between subsidiaries in terms of their level of intra-company purchases and knowledge flow. This research proposal will however only focus on the latter as the former is less applicable to UTi.

Davenport and Prusak (1995: 5) define knowledge as "*a fluid mix of framed experiences, values, contextual information and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knowers. In organizations, it often becomes embedded not only in documents or repositories but also in organizational routines, processes, practices and norms*".

Štrach and Everett (2006) observe that knowledge is often associated with learning. Learning and managing knowledge of both individuals and organisations plays a central role in the competitive edge of firms (Pisano, 1994). From an organisational perspective, learning describes a problem-solving process targeted at filling the gaps between actual and potential performance. These scholars argue that not all resulting ideas are worth pursuing; some, however, will be discussed, transformed into knowledge, and implemented – constituting an active knowledge generation and transfer process. Furthermore, such a process depends on the abilities of the respondents to learn and to teach; knowledge transfer is affected by individual characteristics of the source, recipient, context, nature of the task, and the type of transferred knowledge (e.g., Dixon, 2000). The ability to transfer knowledge enables an organisation to develop itself and to evolve towards achieving its potential.

Extending from the resource-base view (RBV) literature of knowledge theorists such as Grant (2006), Lee *et al*. (2008) advocate that though knowledge constitutes a strategic asset, knowledge in itself cannot lead to sustainable competitive advantage. Rather, the configuration and integration of knowledge is the key to success (De Luca and Atuahene-Gima, 2007). Lee *et al* (2008) argue that traditionally, MNCs' headquarters assume the role of acquiring and synthesizing knowledge of global activities through the flow of knowledge and information to and from their subsidiaries (Ghoshal and Bartlett, 1990). Because each entity in a MNC network resides in a unique market condition and is equipped with different competencies, an intensive transfer of knowledge between a MNC's headquarters and its subsidiaries can benefit the MNC as a whole (e.g., Luo, 2003) and its new product outcomes in particular (Hensen and Nohria, 2004). Lee *et al*. (2008) further advocate that the effectiveness of knowledge transfer in a MNC depends on the strength of the MNC's network and its global environmental turbulence such as global market turbulence and global technological turbulence.

Noorderhaven and Harzing (2008) advocate that acknowledgement of the importance of knowledge sharing within the MNC has led to a number of studies of the factors promoting intra-MNC knowledge flow. One factor that has repeatedly come out as conducive in intra-MNC knowledge sharing is what the authors refer to as "social interaction". Bjӧrkman *et al.* (2004), for instance found that interunit trips and visits, international committees, teams and task forces, and training involving teams from multiple units, positively influence knowledge outflows from a focal subsidiary. Persson (2006) found positive influences of liaison mechanisms and temporary teams with members from different subsidiaries on knowledge flow between subsidiaries. Schultz (2003) looked at knowledge inflows (both vertical and lateral) at a focal subsidiary, and found that informal relations between the units have positive effect. Subramaniam and Venkatraman (2002) discovered that cross-national teams positively influence cross-border knowledge flows. In all cases the informal, face-to-face nature of the social interactions promoted by the focal mechanisms stands out (Noorderhaven and Harzing, 2008). In their paper, Noorderhaven and Harzing (2008) use two conceptual frameworks to explain the importance of knowledge flow in MNCs: (i) the *sender-receiver model*, which identifies the basic elements of a transfer as being source, channel, message, recipient, and context (Szulanski, 2000:11); and (ii) the *social learning approach*, which explicitly emphasizes that knowledge is not an object that is "passed physically from one to another" (Dewey, quoted in Plaskoff 2003:163); rather, knowledge "is socially constructed through collaborative efforts with common objectives or by dialectically opposing different perspectives of dialogic interaction" (Plaskoff 2003:163). Publications on the sender-receiver model focus on one or more of the following factors: characteristics of the sender unit, characteristics of the receiving unit, characteristics of the relationship between sender and receiver, and characteristics of the knowledge transferred (Noorderhaven and Harzing, 2008). The authors also advocate that with regards to the characteristics of the sender unit, the most important assumption is that the sender needs to be relatively well endowed with knowledge, and with respect to the characteristic of the receiving unit, the receiver must be able to absorb the knowledge transmitted by the sender. In terms of the social learning approach, Noorderhaven and Harzing (2008) propose that with regard to intra-MNC knowledge flows, these flows are to be expected predominantly where individuals from different MNC units are engaged in shared practices (i.e., where there is strong operational integration between units).

Mudambi and Navarra (2004) advocate that the pattern of intra-MNC knowledge flows is closely related to subsidiary bargaining power. Moreover, Gupta and Govindarajan (2000) argue that knowledge flows into and out of subsidiaries depend crucially on the motivation of the subsidiaries to acquire knowledge and to share it. This places a great deal of emphasis on firm organization, where the incentive structure of the unit managers needs to be carefully designed. Mudambi and Navarra (2004) identify four characteristics of knowledge flows: (i) flows from subsidiary to parent, also referred to as *knowledge transfer*; (ii) flows from location to subsidiary, which consist of subsidiary learning, local competence exploitation, and local resource utilization; (iii) flows from subsidiary to location also called *spillovers*, which are outflows from the subsidiary to local partners, customers and suppliers; and (iv) flows from parent (and other MNC units) to the subsidiary also referred to as *numeraire*.

Gupta and Govindarajan (1991) argue that knowledge flow patterns can be either tended or realised (Mintzberg, 1978). In addition, the nature of strategic control over subsidiaries has a major impact on the realisation of intended knowledge flows. The authors define intracorporate knowledge flow as the transfer of either expertise (e.g., skills and capabilities) or external market data of strategic value. The type of expertise transferred could refer to input processes (e.g., purchasing skills), throughput processes (e.g., marketing know-how, distribution expertise). Similarly, the transfer of external market data could refer to the transfer of globally relevant information about key customers, competitors, or suppliers. They identify two factors to explain knowledge flow patterns (depicted in Figure 4-1) that result in four generic subsidiary roles (Global Innovator, Integrated Player, Implementor and Local Innovator). These are: (a) the extent to which the subsidiary engages in knowledge inflows from the rest of the corporation and (b) the extent to which the subsidiary engages in knowledge outflows to the rest of the corporation. These scholars propose that in the *Global Innovator* role, the subsidiary serves as the fountainhead of knowledge for other units. The *Integrated Player* role is similar to the Global Innovator because it also implies a responsibility for creating knowledge that can be utilised by other subsidiaries. However, unlike the Global Innovator, an Integrated Player subsidiary is not self-sufficient in the fulfilment of its own knowledge needs. In the *Implementor* role, the subsidiary engages in little knowledge creation of its own and relies heavily on knowledge inflows from either the parent or peer subsidiaries. This role is the theoretical obverse of the Global Innovator as is illustrated by the fact that, in early histories of most MNCs where the domestic unit served as the Global Innovator, the role of foreign units automatically became that of serving as Implementors. Finally, the *Local Innovator* role implies that the subsidiary has almost complete local responsibility for the creation of relevant know-how in all key functional areas; however, this knowledge is seen as too idiosyncratic to be of much competitive use outside of the country in which the Local Innovator is located. The authors contend that traditional multidomestic MNCs have consisted almost entirely of subsidiaries with Local Innovator roles.

Figure 3-1: Variations in Subsidiary Strategic Contexts: A Knowledge Flows-Based Framework.

Outflow of knowledge from the local subsidiary to the rest of the corporation

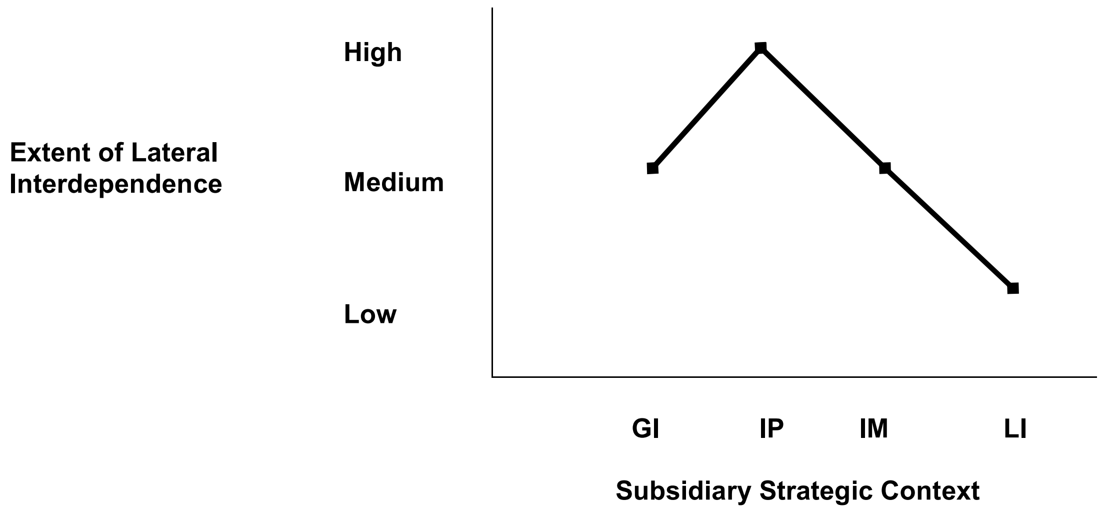
High	Global Innovator	Integrated Player
Low	Local Innovator	Implementor
	Low	**High**

Inflow of knowledge from the rest of the corporation to the local subsidiary

Source: Gupta and Govindarajan (1991)

Furthermore, Gupta and Govindarajan (1991) argue that in terms of the task demands imposed by different strategic roles it is obvious that the degree of literal interdependence (i.e., interdependence on peer subsidiaries) will vary across roles as depicted in Figure 4-2.

Figure 3-2: Subsidiary Strategic Context and Lateral Interdependence



GI = Global Integrator; IP = Integrated Player; IM = Implementor; LI = Local Innovator

Source: Gupta and Govindarajan (1991)

3.6 Local Responsiveness in MNCs

Harzing (2000) defines local responsiveness as the extent to which subsidiaries respond to local differences in customer preferences and is, therefore, an important element of subsidiary strategy/role. There are several ways in which responsiveness to local differences can be conceptualised. First of all, products can be actively adapted to differences in local tastes and preferences.

Pudelko and Harzing (2007) argue that on the company level, the question whether global management practices converge or remain different due to persistent differences in cultural and institutional contexts is closely related to one on the oldest debates in the literature on MNCs: the standardization vs. localization/adaptation or integration versus responsiveness debate. The terms integration and responsiveness are mostly used to characterize general MNC strategies (e.g., Prahalad and Doz, 1987; Bartlett and Ghoshal, 1989), while standardization versus localization/adaptation are more commonly employed to refer to functional areas such as marketing and HRM. Pudelko and Harzing (2008) suggest that one of the central questions in the literature on MNCs is the extent to which their practices resemble those of the parent company (standardization) versus the extent to which their subsidiaries act and behave as local firms (localization).

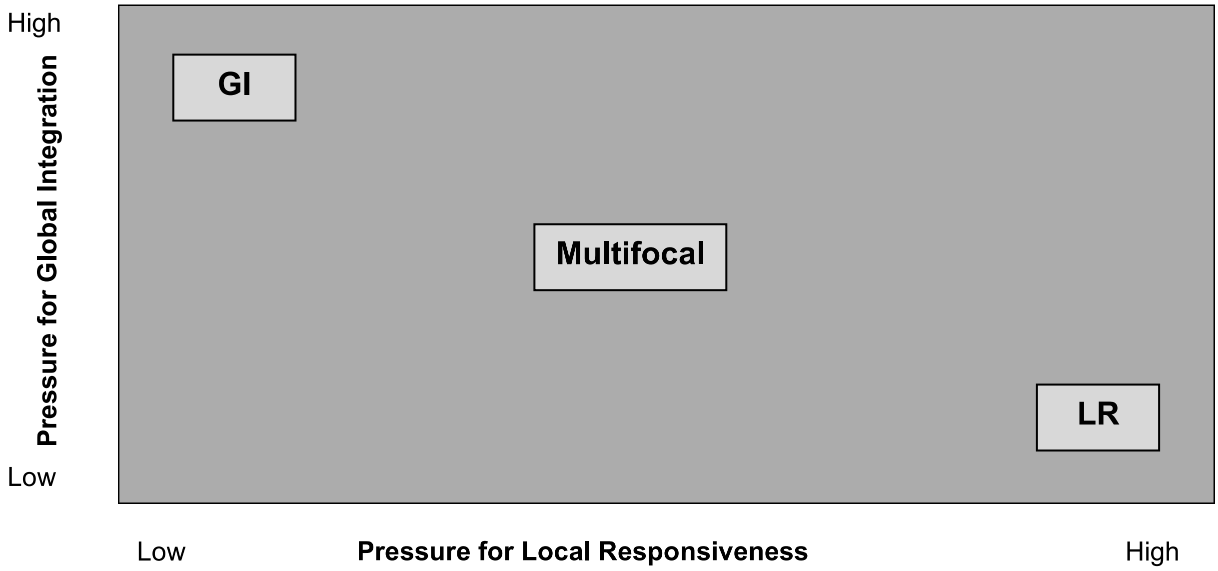
Harzing and Pudelko (2008) argue that standardisation versus localisation is the terminology commonly employed to refer to functional areas such as marketing and human resources management (HRM). Standardisation of MNCs is usually defined as standardisation of overseas subsidiaries' management practices towards HQ practices. In contrast, localisation refers to the adoption by overseas subsidiaries of those management practices commonly employed by domestic companies in the respective host countries. Most MNCs will, for instance localise promotion and distribution practices, even if they have a global advertising strategy. They add, in order to remain competitive in a truly globalised world, MNCs are required to integrate these opposite approaches into one overall strategy. Furthermore, the dichotomy between standardisation towards HQ practices and localisation is an oversimplification. They claim that companies are not only confronted with the two opposing challenges of standardisation towards HQ practices and localisation, but that there is in fact a third factor in play they call "standardisation towards global best practices". Moreover, they argue that it is standardisation towards global best practices that is often more relevant than either standardisation towards HQ practices or localisation. Consequently, they propose that the standardisation-localisation debate requires a major extension as the successful management of MNCs is not about a dual but a triangular challenge. And since, they believe that meeting this challenge is the to MNC success they call it the Golden Triangle of MNCs or more specifically the Golden Triangle between standardisation towards HQ practices, standardisation towards global best practices and localisation.

Martinez and Jarillo (1991) discuss the concept of integration and differentiation quite extensively. On the one hand, these scholars argue that Increasing economies of scale in many industries, improvements in transportation and communications, and increasing homogenisation of tastes and market structure among countries, have all contributed to the globalisation of markets (Levitt, 1983). In this context, they add, MNCs can attain a sustainable competitive advantage by integrating the value chain activities (Porter, 1985) performed in their subsidiaries around the world. Integrating these activities means raising the level of interdependence among subsidiaries: designing narrow product lines to be sold worldwide; concentrating production in a few plants in order to capture economies of scale; reducing input sources to the most efficient ones; etc.

On the other hand, these scholars argue that together with these “globalisation” pressures, and pulling in another direction, MNCs face what could be called “localizing” pressures. First, national government press for MNCs to invest locally, create employment, improve the host country’s trade balance, transfer advanced technology, and so forth (Doz, 1986). But it is not only government pressures that pull MNCs towards a strategy of localisation: tastes differ for many products across countries, as do market structures (channels of distribution, communication media, local regulations, national standards, etc.).

Fan *et. al*. (2008) propose a model that relates to global integration (GI) and local responsiveness (LR). They argue that as applied to the realities of business, if managers perceive the high pressure for "global integration", they may emphasize a global strategic coordination. Alternatively, if managers perceive the high pressure for "domestic affairs", they may seek more "locally responsive" strategies. Moreover, Prahalad and Doz (1987) propose that when perceptions of environmental pressures indicate a need to respond simultaneously to integration and responsiveness demands, managers may adopt multifocal business strategies to co-ordinate their collective operations while maintaining a high level of responsiveness to each local context. This is represented in the IR framework comprising a 2 x 2 matrix as illustrated Figure 4-3. Within this paradigm, Prahalad and Doz (1987) claim that three sub-groups or sub-classifications of international business strategy may exist: global integration (GI), multifocal and local responsiveness (LR).

Figure 3-3: The IR framework



Source: Prahalad and Doz (1987)

Theodosiou and Katsikeas (2001) however, propose three MNC strategy perspectives: Standardisation, Adaptation and Contingency perspectives. They argue that arguments in favour of marketing program standardisation emphasise two main aspects. The first involves the drivers of standardisation, defined as the developments in the international business environment that make standardisation a feasible or even inescapable strategy. The second aspect refers to the potential advantages that may result for a company that pursues a strategy on international marketing program standardisation, advantages that makes standardisation a desirable alternative. These scholars propose that technological developments in the areas of communication and transportation, as well as increasing international travel by tourists and business people, are considered driving forces behind the creation of a global village and thus a global market place. In addition, the growth of international market segments with similar needs and preferences, are some reasons for Standardisation. Moreover, the proponents of standardisation, they argue, also emphasise several important benefits associated with the pursuit of this strategy. The most significant advantage of Standardisation is its contribution to the achievement of economies of scale and cost savings in production, research and development and marketing (e.g., Keegan, 1969). Other advantages of Standardisation proposed in the literature include the potential for rapid introduction of new products in international markets (Harvey, 1993), the ability for worldwide exploitation of new and innovative ideas (e.g., Quelch and Hoff, 1986), and better coordination and control of international operations (Douglas and Craig, 1986).

Proponents of the Adaptation school of thought refute the reasons given for Standardisation. In particular, they argue that cross-cultural empirical research has found significant differences in customer characteristics, preferences, and purchasing behaviour among different countries; they have questioned the significance of economies of scale and cost savings underlying the standardisation approach; they suggest that there is no evidence to prove that customers have become more price conscious or that they are willing to trade off specific product feature for lower prices as low price strategy is a vulnerable strategy that may not lead to the achievement of sustainable competitive advantage; and the decision whether to standardise depends on a number of factors (such as environmental, market, industry, organisational structure and processes) , that may limit the degree of standardisation the firm is able to apply. Furthermore, several important benefits that are likely to result from adapting international marketing programs to local market conditions include, deeper penetration of foreign markets and thus increased market share and sales volume for the firm; enhanced motivation and morale of local managers; and augmentation of the firms' capabilities in analysing and understanding foreign markets, monitoring market development overseas, and quickly responding to shifts in customer preferences (Craig and Douglas, 1996).

Lastly, according to Theodosiou and Katsikeas (2001) recent standardisation literature has followed a more fruitful research avenue by supporting the Contingency perspective. According to this perspective, the difference between Standardisation and Adaptation is in the degree rather than in kind, and the two perspectives are viewed as occurring along a continuum on a bipolar scale (Onkvisit and Shaw, 1987). Therefore, the challenge facing international marketing managers for example is to decide which marketing-mix elements they should standardise or adapt, under what conditions, and to what degree (Buzzel, 1968; Jain, 1989).

Birnik and Bowman (2007) argues that a review of different stances regarding the standardisation debate reveals four possible overall positions in relation to standardisation; these have been described by Mitchell *et. al.* (1998) as: (1) standardisation, (2) clustering/regionalisation, (3) middle of the road and (4) adaptation. Standardisation and adaptation occupy opposite ends of the spectrum. Clustering/regionalisation strategies seek to standardise the marketing mix, to a substantial extent, across clusters of similar markets. This strategy would thus yield a range of heterogeneous market clusters but with a higher degree of marketing mix standardisation within each cluster. Middle of the road strategies in contrast, advocate flexibility which lead to case-by-case decisions regarding standardisation and adaptation for each market and each market mix element.

Chen and Cannice (2006) argue that in the global integration model, management power in the MNC is primarily centralised at the MNC HQ. MNC subsidiaries have little flexibility or autonomy. In the localisation model, on the other hand, the MNC HQs do not standardise the business activities of their subsidiaries, and therefore enjoy more freedom and autonomy than that in the integrated model. Furthermore, based on a research conducted by these scholars, it was found that MNC subsidiaries in emerging markets suffer from cost disadvantages when they source (or rely upon suppliers) from centralised corporate networks and when HQ exert control through sending expatriates to the subsidiaries. On the other hand, if the subsidiaries are able to use their parents' networks to export products to foreign markets or to sibling subsidiaries, the subsidiaries are able to reduce their costs.

Sorenson and Wiechmann (1975) contend that the mistake of standardising when market conditions are significantly dissimilar is generally more serious than not standardising under highly similar market conditions. They add, speaking of MNCs involved in consumer packaged goods, the important thing is that the process through which programs are developed is standardised rather than standardisation of the programs themselves.

The HQ-subsidiary relations must be studied within a certain context applicable to all MNCs. The context for this study covers two areas of literature on MNCs. First, the study reviews the literature on the impact the *Country-of-origin Effect* has on UTI's HQ-subsidiary relations. Second, the study provides a literature review on *Subsidiary Evolution* to understand how the level of evolution of UTi's subsidiaries impacts on their relations with HQ.

3.7 Country-of-origin Effect

Noorderhaven and Harzing (2003) define country-of-origin effect 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. The authors argue that there is a growing recognition of the influence of the country-of-origin on important aspects of MNCs. However, empirical findings are not always consistent. This may be caused by the fact that the concept of country-of-origin effects' remains ill-defined, and is used by different authors to refer to different aspect of MNCs. They further state that the sources of the effect are seen to lie in the culture and institutions of the home country of the MNC. The mechanisms through which the effect manifests itself are the (continued) hiring of home-country nationals by the MNC, and the embeddedness of the administrative preferences of these home-country nationals in the organisation structures, procedures and processes of the MNC. In their findings, the scholars conclude that the strength of the country-of-origin effect is expected to be moderated by factors relating to the home country and to the MNC. The more homogeneous the home-country culture, the stronger the country-of-origin effect. A large power distance and/or strong uncertainty avoidance of the home country culture are also expected to positively moderate the strength of the country-of-origin effect. In addition, the size and openness on the home country are expected to be of importance, with smaller and more open country economies being associated with weaker country-of-origin effects.

Ferner (1997) suggests that a considerable body of evidence exists to suggest that MNCs of different national origins behave in significantly different ways, specifically in respect of the cross-national management of personnel and IR issues. He further contends that the starting point for analysing the country-of-origin factor is based on the notion that MNCs are anchored in a set of nationally-specific characteristics which together make up national business systems. These characteristics are likely to influence the way in which MNCs mange HR internationally.

Hayden and Edwards (2001) argue that MNCs continue to be firmly embedded in, and strongly influenced by, their country of origin. They argue that in many cases, MNCs benefit from this because the depth of their contacts in the domestic business system enables them to exploit its strengths. Thus expertise concerning systems and practices with which the firm has familiarity in its home base can constitute a source of competitive advantage for international firms (Porter, 1990). This embeddedness, therefore, results in a distinctive country of origin effect in the management of HRM.

3.8 Subsidiary Evolution

Birkinshaw and Hood (1998) define subsidiary evolution in terms of (1) the enhancement/atrophy of capabilities in the subsidiary and (2) the establishment/loss of the commensurate charter. They define subsidiary development as consisting of capability enhancement and charter establishment; and subsidiary decline as consisting of capability atrophy and charter loss. They also suggest that subsidiary evolution is influenced by three factors: head office assignment, subsidiary choice and local environment determinism. Moreover, they propose that capability change may lead or lag the change in the commensurate charter, but, for evolution to have occurred, the charter must eventually reflect the underlying capabilities of the subsidiary. These scholars identify five generic subsidiary evolution processes (Table 3-3): parent-driven investment (PDI); subsidiary-driven charter extension (SDE); subsidiary-driven charter reinforcement (SDR); parent-driven divestment (PDD) and atrophy through subsidiary neglect (ASN). These are defined as follows:

- PDI consists of one clearly defined event - that is, the decision to enhance the subsidiary's charter – preceded by a period of negotiation and deliberation by the parent and the subsidiary followed by a period of capability enhancement by the subsidiary in order to deliver satisfactorily on the new charter.
- SDE involves a long and often slow process of capability building followed by an extension to the subsidiary's charter.
- SDR, as with the previous process is driven entirely by the actions of subsidiary managers.
- PDD is the mirror image of PDI. The typical scenario is that the parent company has made the decision to rationalise its international operations and/or to exit certain businesses but that the decision regarding which ones to divest has not been finalised.
- ASN is the final process in which the subsidiary's capabilities gradually atrophy while the charter is still retained.

Table 3-3: Five Generic Subsidiary Evolution Processes

Contextual Factors	*Action*	*Outcome*
Parent company factors • Competitive internal resources allocation • Decentralisation of decision making • Ethnocentrism of parent management Subsidiary factors • Track record of subsidiary • Credibility of subsidiary management • Entrepreneurial orientation of subsidiary employees Host country factors • Strategic importance of country • Host government support • Relative cost factor inputs • Dynamism of local business environment	Parent: Decision to make investment; evaluation of various locations Subsidiary: Lobbying	**PDI** Establishment of new charter in subsidiary (CC); gradual development of commensurate capabilities (CB)
	Subsidiary: Identification of new opportunities; building capabilities (CB); proposal to parent Parent: Judgement on subsidiary proposal	**SDE** Extension of charter in subsidiary (C)
	Subsidiary: Competitiveness-driven search; upgrading of existing capabilities (CB)	**SDR** Reinforcement of existing charter in subsidiary
	Parent: Decision to divest; evaluation of various locations Subsidiary: Lobbying	**PDD** Loss or diminution of charter (CC) in subsidiary; atrophy of existing capabilities (CD)
	Subsidiary: Inaction; atrophy of capabilities (CD) Parent: Judgement on subsidiary's lack of competitiveness	**ASN** Loss or diminution of charter in subsidiary (CC)

Key: CC: Charter Change; CB: Capability Building; CD: Capability Depletion

Source: Birkinshaw and Hood (1998)

Tavares (2002) adopts Birkinshaw and Hood's (1998) definition of subsidiary evolution as well as the three main drivers identified by the two scholars as being of varying importance during the evolution process: the parent firm, the subsidiary itself and the host country environment. The author however suggests that the latter should be extended to encompass the supranational competitive environment, and all the relevant institutions at overlapping levels impinging on subsidiaries' activities.

This theory review is followed by conclusions and propositions on each aspect of MNCs' HQ-subsidiary relationship between 1999 and 2009.

3.9 Conclusions and Propositions

The above literature must be considered in the context of the proposed longitudinal study over a ten year period and from the HQ and subsidiary perspectives. Therefore, for each element of MNCs' HQ-subsidiary relationship discussed above, the propositions are stated based on scholars' findings at the beginning and at the end of the period under study, respectively.

HQ-Subsidiary Relationships:

The above literature demonstrates how critical the HQ-subsidairy relationship is to the success of MNCs (e.g., Birkinshaw *et. al*., 2000). The main reason the study uses the typology proposed by Harzing *et. al*. (2001) to understand the development and evolution of MNCs' HQ-subsidiary relations is that of all the literature considered, this particular typology gives the most comprehensive definition on the nature of HQ-subsidiary relations.

Control Mechanisms:

The literature suggests that the control of MNC's subsidiaries broadly falls under two categories: 'behavioural' or direct control (e.g., Mintzberg, 1983) and 'output' or impersonal control (e.g., Martinez and Jarillo, 1991). However, earlier literature suggests that larger subsidiaries were more strongly controlled than smaller subsidiaries, especially through control by socialisation and networks. Subsidiaries that were highly integrated by HQ within the company network were also more strongly controlled, especially through the two direct control mechanisms, personal centralised control and bureaucratic formalised control, than their less integrated counterparts (Harzing, 1999, p.372). Recent literature suggests that MNCs' HQ today makes use of a combination of output control and behavioural control (Chang *et.al.*, 2009). Based on this conclusion, the following is proposed:

Proposition 1:

Earlier control mechanism adopted by MNCs HQ was behavioural control for their larger subsidiaries and output control for its smaller subsidiaries, whereas a combination of behavioural and output control is currently used regardless of the size of the subsidiary.

Expatriate Assignments:

With regard expatriate assignments, although four views (resource-based view, agency view, transaction costs view and Dunning's eclectic framework) have been proposed by different scholars, the literature tends to support the typology suggested by Edström and Galbraith (1977) on the role of expatriates in MNCs namely, to fill positions, management development and organization development. Earlier research suggests that expatriate assignments were mainly used to fill positions and to ensure organisation development (e.g., Harzing, 1999). However, most recent literature suggests a trend towards expatriate assignments as a developmental tool in organisational learning, especially within global strategy firms (e.g., Caligiuri and Colakoglu, 2007; Bolino, 2007). This leads to the second proposition:

Proposition 2:

MNCs earlier expatriate assignments were done predominantly to fill positions and ensure organisation development. Today, MNCs' expatriates are assigned as a developmental tool in organisational learning.

Interdependence in MNCs:

In terms of the level of interdependence and focusing on knowledge flow specifically, the literature suggests that it is a very important element of subsidiary structure (e.g., Harzing, 2000; Noorderhaven and Harzing, 2008). Furthermore, the literature proposes three levels of dependencies: independence, dependence and interdependence (e.g., Harzing, 2000). These are supported by corresponding levels in knowledge flows (flows from subsidiary to parent, location to subsidiary, subsidiary to location and parent to subsidiary) as proposed by Mudambi and Navarra (2004). However, based on earlier literature it appears that intra-corporate knowledge flows into and out of subsidiaries depended crucially on the role of each subsidiary in the MNC (Gupta and Govindarajan, 1991), on the one hand. On the other hand, the latest literature suggests that with regards to intra-MNC knowledge flows, the flows are to be expected predominantly where individuals from different MNC units are engaged in shared practices (e.g., Noorderhaven and Harzing, 2008). Hence the following are proposed:

Proposition 3:

Early knowledge flows in MNCs between subsidiaries depended on the role of each subsidiary in the MNC, whereas today, there is greater knowledge flow between subsidiaries because of shared practices.

Proposition 4:

Similarly, early knowledge flows between HQ and subsidiaries depended on the motivation of each subsidiary to acquire knowledge, whereas today there are greater knowledge flows from HQ to subsidiaries and from subsidiaries to HQ resulting from acquisitions and the need to share best practices.

Local Responsiveness in MNCs:

As mentioned previously, there is an extensive amount of literature on management strategies of MNCs with regards to global integration (GI) / standardisation and local responsiveness (LR) (e.g., Fan et. al., 2008; Harzing and Pudelko, 2008; Theodosiou and Katsikeas, 2001; Martinez and Jarillo, 1991). Although earlier literature advocates a 'middle ground' (between GI and LR) strategy, referred to as 'Multifocal' (Prahalad and Doz, 1987) or 'Contengency' (Theodosiou and Katsikeas, 2001), most recent literature proposes a trend towards standardisation towards global best practice (Harzing and Pudelko, 2008). Therefore the following is proposed:

Proposition 5:

MNCs' earlier management practices were less standardised but mostly adapted to local conditions. However, current management practices evolve towards global best practice because of economies of scale and shared best practices.

Country-of-origin Effect:

Noorderhaven and Harzing (2003) found that MNCs operating in a greater diversity of cultural or institutional environments are expected to show weaker country-of-origin effects. These scholars further propose that MNCs that have internationalised predominantly though start-ups are expected to show stronger country-of-origin effects than MNCs that have grown predominantly through international acquisitions. Given the fact that a large number of emerging market MNCs have grown through international acquisitions over the last ten years, the following is proposed:

Proposition 6:

MNCs show weaker country of origin effects in its subsidiaries and hence the effect of the country-of-origin on the relationship between HQ and subsidiaries is not significant.

Subsidiary Evolution:

Although Birkinshaw and Hood (1998) give a detail account on the subsidiary evolution process, however they fail to explain the time it takes for each stage of the evolution process to be completed. Therefore, for the purposes of this study, and given the acquisitive nature of most emerging market MNCs' growth over the last ten years, we would assume that most MNC's subsidiaries fall under two very close subsidiary evolution processes: (1) subsidiary-driven charter extension (SDE) for recently acquired subsidiaries and (2) subsidiary-driven charter reinforcement (SDR) process for earlier acquired subsidiaries (Birkinshaw and Hood, 1998); each of which requires a different management style and hence a different HQ-subsidiary relationship. The following is therefore proposed:

Proposition 7:

The HQ-subsidiary relationship in MNCs is affected by the stage of subsidiary evolution. Less evolved subsidiaries would have a different relationship with HQ than more evolved ones.

The next chapter discusses the research methodology used to test the above propositions.

4 Research Methodology

4.1 Methodology

The methodology for this research was a *single case study,* which is a qualitative research method. This qualitative method was preferred for this particular study because of the *explanatory* nature of the topic (Yin, 2002). The key question asked in the proposed research is 'how' has the MNCs HQ-subsidiary relationship evolved between 1999 and 2009? Yin (2002) states that "How" and "Why" questions are more explanatory and likely to lead to the use of *case studies*, histories and experiments as the preferred research strategies. This is because such questions deal with operational links needing to be traced over time, rather than mere frequencies or incidence. Yin (2002) further states that the case study method is preferred in examining contemporary events, but when the relevant behaviours cannot be manipulated. Furthermore, Gillham (2001) defines a case study as a unit of human activity embedded in the real world; which can only be studied or understood in context; which exists in the here and now; that merges in with its context so that precise boundaries are difficult to draw. Gillham (2001) also suggests that *qualitative* methods are essentially descriptive and inferential in character and, for this reason, are often seen as 'soft'.

Moreover, this methodology allowed for an in-depth qualitative analysis, for the following reasons as proposed by Gillham (2001): (i) the ability to carry out an investigation where other methods - such as experiments – are either not practical or ethically justifiable; (ii) the ability to investigate situations where little is known about what is there or what is going on; (iii) the ability to explore complexities that are beyond the scope of more ‘controlled’ approaches; (iv) the ability to ‘get under the skin’ of a group or organisation to find out what really happens – the informal reality which can only be perceived from the inside; (v) the ability to view the case from inside out: to see it from the perspective of those involved; and (vi) the ability to carry out research into the process leading to results, rather than the ‘significance’ of the results themselves.

All of these reasons proved very relevant for this study, given the unique history of the UTi as an Emerging Market MNC.

4.2 Data Collection and Content Analysis

4.2.1 Data Collection and Data Gathering

The data for the study was collected in two phases. Phase one: collection of data via research publications, company’s website, other company’s publicly available documents and archival documents such as press releases and annual reports for the last ten years. Phase two: semi-structured interviews to gather data on subsidiaries to gain a substantive understanding on the four aspects of MNCs’ HQ-subsidiary relationship evolution as discussed above. These aspects were: the types of control mechanisms used in UTi over time; the role(s) played by expatriates in UTI’s subsidiaries over time; the level of interdependence between UTi’s HQ and its subsidiaries and between subsidiaries over time; and the level of local responsiveness versus the level of standardisation found in UTI’s subsidiaries over time. Interviews of 30 to 60 minutes each were conducted with nine senior managers and functional managers. (See sampling method and sample size below).

Lindlof and Taylor (2002) advocate that one of the greatest benefit of semi-structured interviews is that they allow for a degree of freedom that can help interviewers to tailor their questions to the interview context/situation, and to the other people they are interviewing. The interviews were made up of open-ended questions to ensure that the context was captured. Furthermore, Gillham (2001) argues that the semi-structured interview is the most important form of interviewing in case study research, and it can be the richest single source of data as it was proven with UTi. A combination of notes and recording were taken during the interviews and later transcribed. Data collected through these interviews were supplemented with observations.

4.2.2 Formulation of the Interview Guide

The interview guide was prepared using the main elements proposed by Gillham (2001):

- Identification of key topics: This was done to ensure focus and consistency with the six key aspects of HQ-Subsidiary relations discussed in chapter four. For each of these topics a proposition was formulated.
- Framing of questions: Each proposition was tested with relevant questions ranging from five to ten questions per proposition/topic, all of them contributing to the main questions posed at the beginning of the study.
- Nature of questions: The type of questions asked was mostly open-ended. These questions were checked to ensure that they were genuinely *open*, i.e. that they let the interviewee determine the answer without the researcher having to indicate a preferred answer.

- Length: The questionnaire was formulated to ensure that interviews did not exceed 60 minutes.

A copy of the questionnaire used for the study has been provided in Appendix 3.

4.2.3 Unit of Analysis

The unit of analysis for this research was UTi Africa Region (UTi Africa), a subsidiary of UTi Worldwide Inc., a South African MNC listed on the NASDAQ Stock Market and headquartered in 100 Oceangate, Suite 1500 Long Beach, CA 90802 USA. This particular subsidiary was chosen because it is the oldest subsidiary in the group and the one with the most intellectual capital as it relates to the origin and development of UTi.

4.2.4 Sampling Method and Sample Size

The sample drawn was nine decision-makers within the unit of analysis, all of whom were decision-makers at UTi Africa. Nine respondents because, out of a total of thirteen decision makers, only these nine were available for the interviews. It can be observed from the table below that the composition of the respondents for the study was fairly balanced, both from a level of seniority and number of years' point of view. In addition, the averaged number of years with UTi was above fourteen while the median number of years with UTi was nine, which was consistent with the longitudinal nature of the study. Moreover, these nine decision-makers were *key informants* who could provide information and insights relevant to the research question (s) and could facilitate contact with other helpful individuals (Leedy and Ormrod, 2001). The table below shows the profile of all the respondents who took part in the study.

Table 4-1: Profile of research respondents from UTi

Respondents	Current position	Years with UTi
1	Founder and Vice Chairman of the Board of Directors	34
2	President, Africa Region	7
3	Director, Marketing and Communications	14
4	Director, Sales and Solutions	8
5	VP, Contract Logistics and Distribution	28
6	VP, Enterprise Services	14
7	VP, SDi and Special Projects	5
8	VP, Diversity and Industry Partnerships	9
9	VP, People Partnerships	2

4.2.5 Data Analysis

Data collected for this study was accumulated through various methods using a multi-method approach (Gillham, 2001).

Data collected in Phase one was mostly made of archival documents from the last ten years, such as, analyst's reports, press releases and company's annual reports. However, these could only provide limited information on the key questions posed in the study because most of the information gathered in this phase related to the financial performance of UTi, the group's strategy, its competitive positioning, industry trends and future prospects. In contrast, Phase two appears to have provided a lot more meaningful and relevant information for the study.

In Phase two, data was collected using semi-structure interviews from nine willing respondents, blended with some 'élite' interviews to gain answers with insight based on a comprehensive grasp of what was being researched (Gillham, 2001). These interviews were focused on the main topics of the HQ-Subsidiary relationship in MNCs. However, a small degree of latitude was allowed to provide context to the study and to enrich the data. The data was collected using a voice recorder, and then transcribed. A content analysis was done to analyse substantive statements (Gillham, 2001). A summary of the analysis grid for content analysis is provided in Appendix 1.

To ensure consistency with all data collected in both phases, a triangulation process was applied.

4.3 Validity and Meaningfulness of Research

Miles and Huberman (1994) list the following criteria with respect to the assessment of the quality of conclusions:

1. Objectivity/Confirmability: The conclusions must depend on "subjects and conditions of the inquiry" rather that the inquirer (Guba & Lincoln, 1981).
2. Reliability/Dependability/Auditability: The process followed by the conclusions must be consistent, reasonably stable over time and across researchers and methods.
3. Internal Validity/Credibility/Authenticity: I.e. do the findings of the study make sense? Are they credible to the people we study and to the readers? And do we have an authentic portrait of what we are looking at?

4. External Validity/Transferability/Fittingness: Whether the conclusions of the study have any larger import. Are they transferable to other contexts? Do they "fit" (Lincoln & Guba, 1985)? How far can they be generalised?
5. Utilisation/Application/Action Orientation: Even if the study's findings are "valid" and transferable, what the study does for its respondents still need to be known, both for researchers and researched – and for its consumers.

The above criteria were consistently applied by the researcher during the study. However, some limitations were identified.

4.4 Research Limitations

The limitations with this particular research methodology are:

1. Completeness: Because UTi is a MNC with a global network of Freight Forwarding offices and Contract Logistics and Distribution Centres in 62 countries across five continents (Africa, Asia, Europe, Latin America, and North America), the validity of or data could have been enhanced if decision makers from other three regions were interviewed. Furthermore, the completeness of the study could be further questioned given the fact that HQ personnel were not interviewed.
2. Accuracy: The interviewer may have given out unconscious signals / cues that could have guided respondents to give answers expected by the interviewer. In addition, the depth and the quality of information may have been difficult to analyse in terms of deciding what information was relevant.
3. Consistency: The personal nature of interview may have made findings difficult to generalise because respondents may have answered different questions.

4. Validity: The researcher relied significantly on the responses provided by the respondents, given the relative unavailability of information of a qualitative nature from other sources mentioned.

(Adapted from www.sociology.org.uk/methfi.pdf)

In the next chapter, the results of the research will be discussed based on the above methodology.

5 Results

5.1 Introduction

The results for this study were generated through interviews and content analysis mentioned in the previous chapter. Substantive statements and information from Phase one of the data collection process have been combined with findings from semi-structured interviews in Phase two to provide a summary of key findings at the end of each topic.

The views expressed by each respondent on each aspect of UTi's HQ-subsidiary relationship are grouped below according the propositions or topics stated in chapter four, and using the content analysis. The data is reported on the basis of the longitudinal nature of the study.

A detailed grid of the content analysis is provided in Appendix 2.

5.2 Control Mechanisms in UTi

Between 1999 and 2003, UTi was managed in a very decentralised fashion. The Head Office (HO) of UTi Africa, and the CEO at the time, was seen to be the HQ. However, all regions operated as a portfolio of autonomous businesses. HQ was seen to have a "hands – off" approach for managing regions and subsidiaries. According to one of the respondents, subsidiaries were "left alone to be entrepreneurs". Despite this there was a common vision and value system shared between all regions. There was also a constant flow of communication and global collaboration.

The level of supervision applied to subsidiaries by HQ was viewed by most respondents as being minimal because of their high degree of independence. One of the respondents remarked that “there was a reliance on keeping individuals aligned. The focus was on the allocation of responsibilities and personal empowerment”.

With regard to reporting requirements, it was minimal due to a relatively flat organisational structure. The main reporting requirement was financial reporting. According to one of the respondents, reporting was “mostly financial packs, which could be different for each region” and the evaluation of files, reports and records “was not that visible. There was global reporting but at a very high level”.

Between 2006 and 2009 however, regions and subsidiaries became largely centre-led. As one of the respondents put it, there was “more of a centre-led approach not only in terms of the ‘what’ but also in terms of the ‘how’”. Subsidiaries often viewed themselves as being led and controlled by HQ and as implementers of HQ decisions. One respondent stated that, HQ used “more of an interventionist approach”. There was less regional autonomy and more global reporting. There were a lot more directives from HQ given to regions. According to another respondent, there was “a tendency from HQ to dictate what needs to happen at the subsidiary level”. “There was a move towards a hierarchical / steep structure with the focus being on positions and roles instead of the individuals”, according to another respondent. It was also mentioned that HQ’s intention was to manage its subsidiaries very closely and to centralise a lot of the decision making.

The level of supervision from HQ was viewed by most respondents as relatively high and visible. Some respondents were of the opinion that there was now close supervision form HQ both through 'dotted' and 'solid' reporting lines.

In terms of reporting requirements between 2006 and 2009, there was an increase in reporting requirements imposed on subsidiaries according to most respondents. As one respondent put it, "vigorous management systems are used and that is evolving. Monthly budgets/plans are coordinated". There were also more direct reporting structures in certain areas such as risk management and corporate governance, coupled with regular conference calls. One respondent observed: "HQ is a lot more interested in financial results and wants more details" and is "a lot more interested in assessing the group's corporate risks." The evaluation of files, reports and records was monitored and managed much closer than before, with a lot more regular performance reviews of all the regions taking place. These reviews, according to some respondents, were also done by way of increasing requirements for compliance and reporting.

5.3 Expatriate Assignments in UTi

Between 1999 and 2003, there were an early number of transfers from South Africa to other locations, as South Africa was considered to have the largest pool of qualified people. Early expatriate assignments were led by three of the four founding members who left South Africa to set up regional offices around the world. However, the company had no stated expatriate assignments policy to support its globalisation strategy. One of the respondents explained: "if someone wants to go, I would rather help him go than lose him." Early transfers were long-term and often permanent in nature. In addition, these early expatriate assignments tended to be for senior positions such as Regional Presidents and Senior Account Managers. Occasionally, assignments were made for relatively junior support functions.

In contrast, from 2006 to 2009, there were fewer expatriate assignments. Most recent expatriate assignments appeared to have been very occasional and project specific. They also appeared to have been short-term in nature as a result. As was the case for the early part of the study period, there was no clear strategy or programme with regard to expatriate assignments. Management's more recent stance on expatriate assignments was largely to let newly acquired subsidiaries be managed by local people. One respondent explained: "every acquisition is different and the founders did not force assignments to their subsidiaries but kept leaders in place." Another respondent observed: "The aim is to integrate rather than assign from a central pool of expatriates."

5.4 Interdependence in UTi

As it was discussed in the theory review in chapter 3, interdependence within the MNC is tested in terms of knowledge flows between subsidiaries and between HQ and subsidiaries.

5.4.1 Knowledge Flows between Subsidiaries in UTi

Between 1999 and 2003, knowledge flows between subsidiaries were not a priority for UTi managers and happened largely through informal means. According to a respondent, “not much focus was placed on knowledge management”. There were no formal structures in place to ensure flow between subsidiaries. In addition, the flow of knowledge between regions was done informally through networking meetings, training and regular communication between regional presidents. Most respondents also believed that knowledge flows were not managed at all and “happened naturally”. There was however, some knowledge flow between subsidiaries largely through people interactions, internal training programmes, and the sharing of business intelligence. Knowledge largely resided in different pockets of the organisation according to most respondents.

Between 2006 and 2009, the importance of knowledge management and knowledge flows between subsidiaries and regions was widely acknowledged. There was an acceptance that knowledge management was critical to the organisation, yet no formal structures were put in place. Attempts have been made to manage and share knowledge through initiatives such as the global intranet and a document management system yet to be implemented. More recently, there has been some knowledge shared informally between subsidiaries through corporate visits and sharing of ideas and notes; also formally through scheduled meetings, conference calls and reporting forums. There was a growing belief that knowledge flows were happening within regions but not shared across regions. There was also a belief that “pockets of excellence” existed within the organisation.

5.4.2 Knowledge Flows between HQ and Subsidiaries in UTi

As in the case with knowledge flows between subsidiaries, between 1999 and 2003, there were no formal structures to ensure that there was a flow of knowledge between HQ and subsidiaries. Knowledge flows of this nature happened based on the nature of the relationship between the four regional presidents, one of them being the Chief Executive Officer (CEO) of the Group. Although there was no visible emphasis placed on knowledge flows between HQ and subsidiaries, such knowledge flows happened informally through quarterly network meetings - which were often rotated from region to region, trade fairs and regular communications between regional presidents. This was also made possible due to the relatively flat organisational structure UTi enjoyed at the time.

Between 2006 and 2009, the picture changed significantly. There was less knowledge flows between HQ and subsidiaries. Instead, a top down or HQ to regions to subsidiaries communications was becoming prevalent due to the greater level of centralisation taking place within UTi in recent years. According to one respondent, the focus was more on top down communications (and “instructions”) as opposed to knowledge flows. In this regard, a lot more central meetings were held across the regions; information was disseminated through reporting functions, through ‘solid’ and ‘dotted’ lines, and through annual meetings. According to a respondent, HQ-subsidiary knowledge flow “has been reactive and based on requests”. Another respondent observed that communication was “more from HQ to subsidiary in terms of strategy...”

5.5 Local Responsiveness in UTi

Between 1999 and 2003, UTi's management practices were predominantly adapted locally. Most respondents reported that there was a huge amount of flexibility, which resulted in a high degree of local adaptation. Of all the management practices found in UTi during that period, it was reported by the majority of respondents that only financial management was standardised across regions and subsidiaries because of the financial discipline that existed in the company at the time.

However, between 2006 and 2009, there was a shift to an almost complete standardisation of most management practices. Also, an increasing number of processes were being standardised. A respondent noted that this was done to "get consistencies across" the company. Another respondent explained that standardisation was adopted to eliminate waste, drive down cost, improve quality and improve financial performance. Another observed that standardisation allowed the organisation to become more cost effective as it became a global company. In terms of the management practices being standardised, Information Technology (IT) and Finance were completely standardised; elements of Human Resources Management (HRM) were being standardised; most operating processes were also being standardised globally so was the service offering, while standardisation of Marketing was being considered.

5.6 Country-of-Origin Effect in UTi

Over that past ten years, there has been shift in the country-of-origin effect in UTi. Between 1999 and 2003, South Africa (the country of origin) was highly influential in the group. This reportedly had to do with the history of a Group founded in South Africa, by South Africans. The country of origin also played a significant role in the expansion and growth of UTi during the same period. In addition, because innovation predominantly took place in South Africa, many regions adopted solutions and processes born out of the home country. Moreover, as it was mentioned earlier, the CEO of the group was based in South Africa for many years, which meant that other regions looked to South Africa for strategic direction. Furthermore, a great deal of standardised internal training programmes such Sales Training for example were held in South Africa. For all of these reasons, the country-of-origin effect was a lot stronger in the early history of UTi.

More recently however, the country-of-origin effect had declined considerably. Some of the reasons suggested for this decline were the relocation of HQ to Long Beach, California, USA and a greater involvement of HQ in the management of regions and subsidiaries, both from a reporting/controls and supervision perspectives. Subsidiaries viewed themselves predominantly as implementers of HQ decisions regardless of the subsidiary's origin. As one of the respondents explained: "Today, if you had to compare it, we basically follow" instructions. Another noted that "there has been a tendency from HQ to dictate what needs to happen at the subsidiary level".

5.7 Subsidiary Evolution in UTi

This section of the results looks specifically at the Head Office (HO) for the UTi Africa region in Johannesburg. Because of the unique history of this particular subsidiary, which was once the group's HQ, we cannot infer that the evolution of this subsidiary would be similar to that of other subsidiaries in the Group.

Between 1999 and 2003, the subsidiary was viewed as a global and local innovator, and in many respects the 'anchor' of the group. In support for this, the following statements were made by some of the respondents: "South Africa was the 'laboratory' for the rest of the world"; "South Africa was the 'centre of gravity'"; "Earlier, much more of a local innovator. ... there was still global collaboration..."; "a lot of systems and culture came out of South Africa or Africa."; "towards the first part of my time with UTi we were more of a global innovator ... the guys were coming up with a lot of ideas and then running with them...".

Since 2006 however, this particular subsidiary's role has been changing to that of an "implementer" as was suggested by most respondents in the study: "the heart and soul of UTi is here [South Africa]...we are becoming an American company."; "I would say they were a local innovator and they are currently moving towards being a local implementer..."; "we are in transition at the moment..."; "we are more of an implementer now."; "they feel they are merely an implementer of Long Beach's decisions..."; and "it has become an American business."

The findings presented in this chapter are discussed in greater detail in the next chapter based on the literature review and formulated propositions.

6 Findings and Interpretations

This chapter discusses the findings of the UTi case against the propositions made earlier in this research report.

6.1 Summary of Findings

The findings of this study are summarised in the table below, according to tested propositions.

Table 6-1: Propositions and Findings

Proposition	Finding
Proposition 1: Earlier control mechanisms adopted by MNCs' HQ for the larger subsidiaries focused on behavioural control and those for the smaller subsidiaries on output control, whereas a combination of behavioural and output control is currently applied to all subsidiaries regardless of size.	*Limited support*
Proposition 2: MNCs' earlier expatriate assignments were done predominantly to fill positions and ensure organisation development. Today, MNCs' expatriates are assigned as a developmental tool in organisational learning.	*Limited support*
Proposition 3: Early knowledge flows in MNCs between subsidiaries depended on the role of each subsidiary in the MNC, whereas today, there are greater knowledge flows between subsidiaries because of shared practices.	*Not supported*
Proposition 4: Similarly, early knowledge flows between HQ and subsidiaries depended on the motivation of each subsidiary to acquire knowledge, whereas today there are greater knowledge flows from HQ to subsidiaries and from subsidiaries to HQ as a result of acquisitions and the need to share best practices.	*Not supported*
Proposition 5: MNCs' earlier management practices were less standardised but	*Supported*

mostly adapted to local conditions. However, current management practices have evolved towards global best practice because of economies of scale and shared best practices.	
Proposition 6: MNCs show weaker country of origin effects in its subsidiaries and hence the effect of the country-of-origin on the relationship between HQ and subsidiaries is not significant.	*Supported*
Proposition 7: The HQ-subsidiary relationship in MNCs is affected by the stage of subsidiary evolution. Less evolved subsidiaries had a different relationship with HQ than more evolved subsidiaries.	*Not supported*

6.2 Interpretations

6.2.1 Control Mechanisms

Proposition 1: Earlier control mechanism adopted by MNCs' HQ was behavioural control for its larger subsidiaries and output control for its smaller subsidiaries, whereas a combination of behavioural and output control is currently used regardless of the size of the subsidiary.

The findings show that at the beginning of the study period, an overwhelming number of respondents believed that the HQ managed their subsidiaries in a decentralised manner, with a lot of autonomy and very little supervision. The data also revealed that all the subsidiaries were treated the same way by HQ regardless of their size and geographical location. Hence neither behavioural control nor output control (Mintzberg, 1983) was used to manage subsidiaries. The type of control mechanism as described in the findings suggested that UTi's HQ used more of an Indirect/Implicit and Personal/Cultural control mechanism (Harzing and Noorderhaven, 2001), which includes socialisation, informal communication, training and task forces; most of which were mentioned in the study. This was further supported by the following statement from the former CEO of UTi: “The focus was on allocation of responsibilities and personal empowerment”.

With regard the latter part of the study period, the large majority of respondents believed that HQ applied a greater level of supervision on their subsidiaries while a large number believed that HQ increasingly made use of records and reports to monitor the performance of its subsidiaries. As proposed by (Martinez and Jarillo, 1991), the high level of supervision suggests that behavioural control was used as a control mechanism, while the use of records and reports suggests that output control was also used as a control mechanism.

Based on this analysis, Proposition one has limited support. The suggestion is that, at the beginning of the study period, MNCs’ HQ used Indirect/Implicit and Personal/Cultural controls regardless of the size of the subsidiary. Today however, MNCs’ HQ makes use of a combination of behavioural and output controls regardless of the size of the subsidiary, which is consistent with the second part of Proposition one.

6.2.2 Expatriate Assignments

Proposition 2: MNCs’ earlier expatriate assignments were done predominantly to fill positions and ensure organisational development. Today, MNCs’ expatriates are assigned as a developmental tool in organisational learning.

Based on the findings, UTi did not have a clear or active expatriate assignments' policy. Earlier assignments appeared to have been made as a result of the strategic decision taken by the company in the late 1990s to expand into other regions outside of Africa. This led to having three of the original four founding members going to head up regional operations. They were, MacFarlane in the Americas (North and South America); Thorringthon in Europe and Draper in Asia-Pacific. These transfers, together with others mentioned in the findings were long-term and permanent in nature. Moreover, the study showed that transfers were mostly for senior positions rather than of mid- to junior positions. The findings therefore appear to support the fact that earlier expatriate assignments were done mainly to fill positions and ensure organisation development as proposed by Harzing (1999).

However, after the earlier expatriate assignments mentioned above, the findings indicate that UTi subsequently had only occasional transfers as expatriate assignments were not an important part of the MNC's strategy. The company's leadership appeared to prefer that its operations be run by local people. Therefore, although recent literature suggests that expatriate assignments are used as a developmental tool in organisational learning (Caliguiri and Colakoglu, 2007; Bolino, 2007), the findings were not conclusive to support the literature in this regard.

Based on this analysis, Proposition two has limited support, as earlier expatriate assignments in UTi were used mainly to fill positions and ensure organisational development. However, there was no evidence to support the proposition that most recent expatriate assignments were used as a developmental tool in organisational learning.

6.2.3 Interdependence in MNCs

6.2.3.1 Knowledge flows between subsidiaries

Proposition 3: Early knowledge flows in MNCs between subsidiaries depended on the role of each subsidiary in the MNC, whereas today, there are greater knowledge flows between subsidiaries because of shared practices.

The findings show that knowledge management and knowledge flow between subsidiaries were not a focal aspect of UTi's business strategy at the beginning of the study period. The study also revealed that most knowledge flows between UTi's subsidiaries were done informally. This was the case regardless of the role of the subsidiary. UTi used annual conferences, rotated from region to region, to informally share knowledge. Other platforms used to share knowledge between subsidiaries were internal training programmes with the sales teams in particular, and random visits from various decision makers from their respective operations to others. All these informal initiatives built a very strong social capital within UTi, as suggested by the former CEO of UTi. Therefore, although knowledge flow was a very important element of subsidiary structure as proposed by Harzing (2000), there was no evidence in the case of UTi to support the literature suggesting that knowledge flow in and out of UTi's subsidiaries depended crucially on the role on each subsidiary in the MNC as proposed by Gupta and Govindarajan (1991).

In terms of the latter part of the study period, as highlighted in the study, although no formal structures were put in place to ensure that there were knowledge flows between subsidiaries, the data suggested that there was an increasing level of awareness of the importance of knowledge flows within the organisation. However, the data also showed that there were still limited knowledge flows between UTi's subsidiaries. Therefore, although there was evidence to show that UTi was moving towards shared practices, there was no evidence to support the literature that proposes that flows were to be expected predominantly from individuals from different MNC units engaged in shared practices (Noorderhaven and Harzing, 2008).

Based on the findings and the above analysis, Proposition three does not have support in this case. In can therefore be concluded that there is no evidence to support the proposition that early knowledge flows in UTi between subsidiaries depend on the role of each subsidiary in the MNC, and today, there are greater knowledge flows between subsidiaries because of shared practices.

6.2.3.2 Knowledge flow between HQ and subsidiaries

Proposition 4: Similarly, early knowledge flows between HQ and subsidiaries depended on the motivation of each subsidiary to acquire knowledge, whereas today there is greater knowledge flows from HQ to subsidiaries and from subsidiaries to HQ resulting from acquisitions and the need to share best practices.

With regard to knowledge flow between HQ and subsidiaries, based on the findings, this aspect of knowledge flows was almost inapplicable to UTi given the close relationship the regional presidents and founding members had during the early part of the study period. As one of the respondents put it "there was no HQ per se". This statement supports the point mad about UTi as having a relatively flat organisational structure. Therefore, the argument put forward by Gupta and Govindarajan (2000) that knowledge flows into and out of subsidiaries depended crucially on the motivation of the subsidiaries to acquire knowledge and share it cannot be confirmed in UTi's case.

However, with regards to knowledge flows between HQ and subsidiaries in the latter part of the study period, such flows were reported to be largely unstructured and were viewed by some respondents as mere flows of communications (and instructions) from HQ to subsidiaries.

Based on this analysis, Proposition four cannot be supported in UTi's case and therefore, it cannot be inferred that early knowledge flows between HQ and subsidiaries depended on the motivation from each subsidiary to acquire knowledge and that today there was greater knowledge flows from HQ to subsidiaries and from subsidiaries to HQ resulting from acquisitions and the need to share best practices. Early knowledge flows in this case were largely influenced by the nature of the relationship between regional presidents.

6.2.4 Local responsiveness

Proposition 5: MNCs' earlier management practices were less standardised but mostly adapted to local conditions. However, current management practices evolved towards global best practice because of economies of scale and shared best practices.

In terms of local responsiveness, the overwhelming majority of the respondents and other archival documents revealed that UTi had moved from a local adaptation strategy, at the beginning of the study period, to a standardisation of management practices strategy during the latter part of the study period. This could be explained by the fact that the organisation's earlier business strategy was to provide highly customised solutions to its customers. To support this point, the following statement was made repeatedly by the CEO of UTi in his annual reviews presented in some of the company's earlier annual reports: "First, we customise solutions for the clients' operational needs by thoroughly understanding their specific objectives, strategies and requirements." In 2004 however, UTi leadership identified inconsistent management practices as a potential risk for the organisation. The following statement was made in this regard: "Because we manage our business on a decentralized basis, our operations may be materially adversely affected by inconsistent management practices."

It was therefore not surprising to find that, more recently, UTi had adopted a standardisation approach for most of its management practices. This was further supported by the current President for UTi Africa, who explained that UTi needed to standardise its management practices to reap benefits from economies of scale and become cost effective as they become a global organisation. Moreover, Theodosiou and Katsikeas (2001) propose that the growth in international market segments with similar needs and preference was one of the reasons for standardisation. This view was supported by a statement made by one of the respondents that "operating processes and service offerings were all being standardised because the clients were all becoming global."

There could however be an argument for a multifocal strategy as advanced by Prahalad and Doz (1987), which is essentially a blend between global integration and local responsiveness. Some respondents and archival records support this argument, for example one such respondent referred to the current strategy as "standardisation with local customisation". Having said this, the findings largely support an almost total shift to standardisation for most management practices.

Based on this analysis, Proposition five is supported and it can, therefore, be concluded that UTi's earlier management practices were less standardised but mostly adapted to local conditions, and current management practices were standardised towards global best practice because of economies of scale and shared best practices.

6.2.5 Country-of-origin effect

Proposition 6: MNCs show weaker country of origin effects in its subsidiaries and hence the effect of the country-of-origin on the relationship between HQ and subsidiaries is not significant.

The results on the country-of-origin effect clearly showed that this effect was a lot stronger during the early part of the study period and has diminished significantly over the latter part. This shift in the country-of-origin effect could be explained by the fact UTi was founded in South Africa, where most of the processes and practices were developed and shared with the group, as already mentioned in this report. A number of statements made by some of the respondents confirmed this. South Africa, the country-of-origin in this case was referred to as "the laboratory for the rest of the world", "the heart and soul of UTi" and "the cradle if you like". All these statements supported the assessment of UTi as having a stronger country-of-origin effect at the beginning of the study period. Moreover, using the knowledge flows-based framework proposed by

Gupta and Govindarajan (1991), South Africa was often referred to as a global innovator, which also supports the strong country-of-origin effect argument.

However, the study found that more recently, the effect of the country-of-origin was diminishing because of the increased role HQ was playing in the MNC by using a more centralised management approach and a push towards complete standardisation of management practices.

Based on the above analysis, Proposition six is supported and can therefore be concluded that UTi shows weaker country-of-origin effects in its subsidiaries and hence the effect of the country-of-origin on the relationship between HQ and subsidiaries is not significant.

6.2.6 Subsidiary evolution

Proposition 7: The HQ-subsidiary relationship in MNCs is affected by the stage of subsidiary evolution. Less evolved subsidiaries would have a different relationship with HQ than more evolved subsidiaries.

The findings showed that there was evidence that UTi Africa HO as a subsidiary had evolved from being UTi's HQ to being a mere subsidiary after the listing of the MNC on the NASDAQ in November 2000. Using the definition proposed by Birkinshaw and Hood (1998), there was evidence that the subsidiary had experienced an atrophy of capabilities coupled with a loss of commensurate charter over the same period. During the early part of the study period, UTi Africa HO was still playing a significant role in the organisation, being the founding subsidiary for the group and hence sometimes referred to as “cradle” and “laboratory” of the group as a whole. However, by the end of the study period, the subsidiary’s role had changed to that of mere ‘implementer’. To use the framework proposed by Birkinshaw and Hood (1998), UTi Africa HO has evolved from what could be referred to as subsidiary-driven charter extension (SDE) to something between subsidiary-driven charter reinforcement (SDR) and parent-driven divestment (PDD).

Moreover, because of some of the research limitations mentioned previously, there was no data collected from other subsidiaries to study their particular evolution process. Therefore, the evolution of UTi Africa would be fundamentally different from that of other subsidiaries and so we could not infer that the subsidiary evolution for every subsidiary in the MNC was similar. Furthermore, there was no conclusive evidence to support any relation between the role of subsidiaries in UTi and the nature of each HQ-subsidiary relation.

Based on this analysis, Proposition seven has no support, and it can be concluded that there is no evidence to indicate that the HQ-subsidiary relationship in UTi is affected by the stage of subsidiary evolution, and earlier acquired subsidiaries would have a different relationship with HQ than newly acquired subsidiaries

The research report will now conclude and make some recommendations to MNCs’ managers on relevant and specific aspects of MNCs HQ-subsidiary relations discussed in this chapter. This is followed by a section on recommendations for future research.

7 Conclusion and Recommendations

7.1 Conclusion

Not all seven propositions were not supported in UTi's case. Propositions five and six had support while proposition three, four and seven were not supported at all. Propositions one and two had limited support.

The analysis has identified key aspects of MNCs' HQ-subsidiary relations that are critical to the organisation, namely knowledge flows, the process of change in management practices strategy and expatriate assignments. These will now reviewed by way of recommendations to emerging market MNCs' managers.

7.2 Recommendations to Managers

7.2.1 Knowledge Flow Must Become an Imperative for Emerging Market MNCs

A growing number of scholars have proven that the appropriate knowledge management strategy that ensures constant flows in and out subsidiaries is critical for the survival and competitiveness of any MNC. This in turns has been proven to significantly improve the quality of the HQ-subsidiary relations. In addition, MNCs are referred to by many as 'knowledge environments' (Amin and Cohendet, 1999). In UTi's case however, the study revealed that there was no appropriate structure to allow for such flows. As the MNC expands through a combination of organic and acquisitive growth, the business requirements in terms of systems and support functions would inevitably increase and become more complex. The organisation can only cope with such complexities if best practices were shared seamlessly throughout the organisation. To be effective with its knowledge management strategy, MNCs would need to: (i) develop a culture where knowledge sharing is promoted, encouraged and rewarded, and (ii) build an enabling environment throughout the organisation to facilitate the flow of knowledge. This might require an investment in the appropriate information technology infrastructure and system.

7.2.2 The Strategic Shift From Localisation to Standardisation Must be Managed Effectively

It became apparent in the study that most managers were not too clear about the rationale behind the organisation's need to move from traditionally localised to mostly standardised management practices. This has created a degree of misalignments between HQ and subsidiaries and a certain level of uncertainty for those managers who felt that this shift could result in the organisation losing its entrepreneurial culture, which has been one of the key ingredients in the success of UTi to date. To effectively manage this transition so that an alignment of purpose between HQ and subsidiaries could be achieved, a clear communication strategy would be required. This would ensure that all managers within the MNC understand the need and the benefits for standardisation. Such benefits could include: an alignment with global best practice, a reduction in operating costs resulting from economies of scale, an improved financial performance and the provision of a consistent service to global customers in particular. An effective communication strategy could also lead to a collaborative process between HQ and its subsidiaries, which will enhance the effective implementation of the standardisation process within the organisation.

7.2.3 MNCs Should Design a Clear Expatriate Assignments Plan and HR Policy

As it was found during the study the MNC had not had a clear expatriate assignment's policy and corresponding HR plan. As most emerging market MNCs grow and make more and larger acquisitions, a clear strategy in this regard becomes a necessity. Moreover, given the fact that most management practices are being standardised, newly acquired companies in the group would have to come in line fairly quickly with the "MNC way", and this creates a need for expatriate assignments.

7.3 Recommendations for Future Research

During this study, it has become apparent that the subject of the Development and Evolution of HQ-Subsidiary Relations in an Emerging Market MNC has a number of facets that could be used as areas of research. Some of the areas that could be of interest to future researchers include:

- The impact major changes in leadership have on the evolution of HQ-subsidiary relations.
- The impact a change in HQ's location has on HQ-subsidiary relations, particularly from an emerging market perspective.
- The role of culture in the evolution of the HQ-subsidiary relations in an emerging market MNC.
- The relevance of the size of the MNC in its decision to either adopt localisation or standardisation of management practices.
- The characteristics of HQ-subsidiary relations in Emerging Market MNCs, which have span off their HQs to developed markets.

- The implications of two different reporting strategies on MNCs' HQ-subsidiary relations: a comparative study of Emerging Market MNCs reporting along regional lines versus those reporting directly through subsidiaries.

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Appendices

Appendix 1: Summary of Content Analysis

Table 5-0-1: Respondents' Views on Control Mechanisms

Respondent	Period: 1999 – 2003	Period: 2006 – 2009
1	• We ran it on a very decentralised basis, with agreement on broad issues. • The focus was on allocation of responsibilities and personal empowerment. • Very little level of supervision because of the flat structure.	• There is a move towards a steep organisational structure. • The focus being on positions and roles instead of the individuals.
2	• There was autonomy, a common vision and value system. • Less supervision.	• Now HQ is using a centre-led approach and clarifying roles. • Vigorous management systems are used (e.g. financial packs).
3	• There was a great deal of regional autonomy and constant communication. • Minimal level of supervision.	• Less regional autonomy, more global reporting and uniform templates. • Files, reports and records are much more monitored and closely managed than before. • There is an increasing level of supervision.
4	• Subsidiaries were completely self-dependent. • Minimal level of supervision.	• There have been a lot more directives from HQ given to subsidiaries. • Files, reports and records are a lot more used to monitor performance. • The level of supervision is very visible to the entire management team.
5	• Subsidiaries were left alone to be entrepreneurs. • Limited supervision.	• HQ manages their subsidiaries in an autocratic fashion. • There is an increased requirement for compliance mainly in terms of financial information. • Now there is a lot of supervision

			through dotted and solid lines.
6	• Because of the founding members' culture, subsidiaries had more autonomy. • Minimal supervision.		• Certain aspects are led and controlled by HQ and there is more emphasis on compliance and reporting. • There is a relatively high level of supervision.
7	• UTi was managed as a portfolio of independent businesses. • Low to non-existent level of supervision.		• More centre-led approach, not only in terms of 'what' but also 'how'. • Less regional autonomy. • Now there are huge reporting requirements. • The level of supervision is changing from medium to high.
8	• There was no HQ *per se*, just four autonomous regional businesses reporting to the CEO. • Low level of supervision.		• There has been a tendency from HQ to dictate what needs to happen at the subsidiary level. • Financial reports as well as corporate governance reports are used to monitor performance. • There is some level of supervision on the subsidiary.
9	• Was not working for UTi at the time.		• It is HQ's intention to manage their subsidiaries very closely and to centralise a lot of decision making. • No process has been implemented to monitor performance.

Table 5-0-2: Respondents' Views on Expatriate Assignments

Respondent	Period: 1999 - 2003		Period: 2006 – 2009
1	• No clear expatriate assignments policy. • Most people went on a voluntary basis. Some for a couple of years, others indefinitely.		• While the old model was that of an "explorer" the new model is that of and "exploiter".
2	• No clear strategy with regards to		• No clear strategy with respect to

	expatriate assignments.		expatriate assignments.
3	• Early in the life of the organisation, a number of South African went to other locations including three of the four original founding members. • Assignments were for two to three years and for branch managers.		• Expatriate assignments have been less important. • There is no expatriate assignment programme or agreed strategy.
4	• Initially, a number of people moved from South Africa to support the listing and HQ creation in the USA. • Assignments were for senior rather than mid to low level positions.		• Expatriate assignments are neither dominant nor significant.
5	• Expatriate assignments were not very important to the organisation and very limited. • Assignments were mostly permanent appointments for senior positions and sometimes support.		• In my experience, there have not been expatriate assignments recently.
6	• There was an element of expatriates' assignment when some of the founding members went to establish other three regions. • Assignments were indefinite and for more junior positions.		• Expatriate assignments have not been formalised and have been ad hoc.
7	• Expatriate assignments were not that important to the organisation. • There were a few assignments from South Africa to the rest of the world. • They were often permanent transfers for senior positions.		• In terms of expatriate assignments, the reverse has occurred, mostly with HQ staffed with people from operating regions.
8	• Not that relevant, there were very few movements in terms of		• There have been occasional assignments and no formalised policy

	expatriate assignments. • Assignments were for a year or two and for finance or accounts/sales positions.		with regard to such assignments.
9	• Was not working for UTi at the time.		• There has been no active policy or HR process regarding expatriate assignments.

Table 5-0-3: Respondents' Views on Knowledge Flow between Subsidiaries

Respondent	Period: 1999 – 2003		Period: 2006 – 2009
1	• Knowledge flow was based on personal relations due to a flat organisational structure. • Knowledge was generally shared from SA to other parts of the world.		• The implementation of more formal centralised structures to share knowledge across subsidiaries.
2	• There was very little knowledge flow between subsidiaries. • There were pockets of excellence throughout the organisation.		• Knowledge is not managed well. • Pockets of excellence exist but there is no relationship between regions.
3	• Knowledge resided in different pockets of the organisation and was shared through internal programs and based on relationships or collaboration.		• There is a reliance on processes and technology such as a global intranet and unstructured documentation.
4	• Not much focus was placed on knowledge management but the group had platforms such as knowledge sharing forums that have since been regionalised.		• It is becoming more coordinated and there is talk about centres of excellence. Knowledge is shared through reporting forums, although most of the knowledge sharing happens within pockets.
5	• Knowledge management was not as important as it is today.		• Knowledge flow is not happening although pockets of knowledge exist in the organisation.
6	• It was shared to some extent due		• Knowledge flow between subsidiary is

	to the expansion of African operations, but with less conscious efforts.		happening informally (e.g. corporate visits, sharing of ideas and notes) as well as formally through scheduled meetings and regular conference calls.
7	• It was not viewed as critical and there was no formal knowledge management process.		• There is no formal management system for knowledge management and flows between subsidiaries happens more out of necessity through conference calls and live links.
8	• It was not prioritised and there was no knowledge management so to speak. So there was very little knowledge shared between subsidiaries.		• Knowledge flow between subsidiaries is happening at a slow pace.
9	• Was not working for UTi at the time.		• There has been an element of knowledge flow between regions through training.

Table 5-0-4: Respondents' Views on Knowledge Flow between HQ and Subsidairies

Respondent	Period: 1999 – 2003		Period: 2006 – 2009
1	• Knowledge was shared through network meetings.		• More formal centralised structures are being implemented.
2	• There was very little knowledge flow.		• Very little knowledge flow.
3	• In terms of the African region, there was more knowledge shared from subsidiary to HQ.		• There is more flow from HQ to subsidiary in terms of strategy through solid and dotted lines.
4	• Not much focus was placed on knowledge flow between HQ and subsidiaries.		• HQ is taking a greater role to ensure that in terms of knowledge management and flow, it happens both ways through reporting functions.
5	• Very little knowledge flow between HQ and subsidiaries.		• There is a low level of knowledge flow.

6	• It happened naturally based on the nature of the relationship between the four founding members.	• It could happen through global initiatives such as that centralisation of IT.
7	• Knowledge was shared out of necessity.	• The focus is more on top-down communication as opposed to knowledge management.
8	• Knowledge between HQ and subsidiary was not managed.	• It happens though leadership, live links, newsletters and conferences.
9	• Was not working for UTi at the time.	• It has been very reactive and based on response to requests, through a lot more central meetings held across the regions.

Table 5-0-5: Respondents' Views on Local Responsiveness

Respondent	Period: 1999 – 2003	Period: 2006 – 2009
1	• Only agreements and output (not systems) were standardised.	
2		• Most back end functions are being standardised to allow the organisation to become more cost effective as it becomes a global company.
3	• Most management practices were localised at the exception of financial reporting that was standardised.	• Almost all management practices are leaning towards standardisation to eliminate waste, improve quality, drive down cost and improve financial performance.
4	• There was a huge amount of flexibility. • Mostly financial reporting was standardised.	• We are looking to standardise a lot more processes. • Back end operating processes and support functions are becoming a lot more standardised.
5	• There was a high degree of local adaptation. • Most management practices were	• Now, because it is about managing risks, most management practices are being standardised.

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	adapted.		
6	• Mostly local adaptation. • Most management practices were localised.		• We are moving towards standardisation of processes and procedures. • Elements of HR are being standardised. Finance and IT are standardised and we are moving towards standardisation for operations and marketing.
7	• Purely local adaptation. • Most management practices were localised at the exception of Finance.		• There is a push for standardisation towards best practice. • IT, HR and Finance, whereas logistics, distribution and operations are locally adapted.
8	• Local adaptation and the exception of Finance.		• Standardisation to get consistencies across. • IT has been standardised. HR is being standardised and Marketing is a possibility.
9	• Was not working for UTi at the time.		• We have standardisation with customisation. • Operating processes and service offerings are all being standardised because the clients are all becoming global.

Table 5-0-6: Respondents' Views on the Country-of-Origin Effect

Respondent	Period: 1999 – 2003		Period: 2006 – 2009
1	• South Africa was the "laboratory" for the rest of the world.		• Now we are centre-led and an implementer of HQ decisions.
2	• South Africa was the "heart" and "soul" of UTi. – A global innovator.		• We are centre-led.
3	• The training programmes have always been the mechanism we used to share knowledge. • That is why African trainers are in		• There is a lot more global reporting in terms of frequency and more. • There are more templates, more formats dictated so that everyone

	Europe right now.		reports in the same way.
4	• We were more of a global innovator. • We were the guys coming up with a lot of ideas.		• There have been a lot more directives from HQ given to the African region as well as other regions.
5	• We were left alone to be entrepreneurs and basically leaders.		• Today, if you had to compare it, we basically follow. • We have been told what to do from the States.
6	• UTi was founded by three South Africans this [South Africa] was the cradle if you like. • South Africa was relied on heavily in the early days to generate the cash and allow for the global expansion.		• It has become an American business
7	• There is quite a lot of people who have moved out of South Africa into other areas – into Europe, Australia.		• More centre-led approach, not only in terms of ‘what’ but also ‘how’.
8	• HQ was not really a concept. HQ was Tiger [founder, previous CEO of UTi and head of African operations].		• There has been a tendency from HQ to dictate what needs to happen at the subsidiary level.
9	• Was not working for UTi at the time.		• Their [HQ] plan is to centralise a lot of decision making.

Appendix 2: Grid for Content Analysis

Proposition 1	**Participant 3** Director, Marketing and Communications	**Participant 8** VP, Diversity and Industry Partnerships	**Participant 7** VP, SDi and Special Projects	**Participant 6** VP, Enterprise Services	**Participant 4** Director, Sales and Solutions	**Participant 1** Founder and Vice Chairman of the Board	**Participant 2** President, Africa Region	**Participant 9** VP, People Partnerships	**Participant 5** VP, Contract Logistics and Distribution
A. How would you broadly categorise the respective roles of your subsidiaries between 1999 and 2003?	Local Innovator with global collaboration including bottom up as well as top down communication	Autonomous	Autonomous	Autonomous	Global Innovator	Decentralised SA was the “laboratory” for the rest of the world. – Global innovator	Autonomous. Global innovator Almost no HQ effect	Local Innovator	Subsidiaries were left alone to be entrepreneurs
B. How would you broadly categorise the respective roles of your subsidiaries over the last three years?	More of a local implementer	Leaning towards a local implementer	More of an interventionist approach leading to local implementer role	Led and controlled by the HQ	Local Innovator	Centre-led. An implementer of HQ decisions	Centre-led	Moving towards a local implementer role	Subsidiaries are mostly followers now
Proposition 1A									
At the beginning of our study period, UTI’s HQ used behavioural control for its larger subsidiaries and output control for its smaller subsidiaries									
Q1. Please describe how HQ managed your subsidiaries between 1999 and 2003? Was that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Subsidiary left alone. A great deal of regional autonomy. Constant communication. The region with most revenue has the most say	Although ‘no’ HQ per se, but four autonomous regional businesses reporting to the CEO. Only the sales leadership was co-ordinated	MNC was managed as a portfolio of independent businesses	Because of the founding members’ culture, subsidiaries had more autonomy.	It was hands-off initially. Completely self-dependent.	There was a reliance on keeping individuals aligned. The focus was on the allocation of responsibilities and personnel empowerment. A very flat structure	South Africa was the heart and soul of UTi. There was a common vision, value system and autonomy. There was no big presence at HQ, which was more of a secretariat	Was not with UTi	Left alone to be entrepreneurs.
Q2. Please explain which tools and mechanisms were used by	Financial pack,	Consolidated	Budget process	Mostly financial	Predominantly	Financial controls were	Quarterly measures and	Was not with UTi	Not sure

HQ to manage your subsidiaries between 1999 and 2003? Were these used consistently across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	mostly.	financial reports.				tight	planning sessions (where the senior meet would meet every six weeks)		
Q3. Please explain the reporting process between HQ and your subsidiaries between 1999 and 2003? Was that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Reporting through regional president.	No formal reporting process, except for performance management	Done through budgeting as a central function for strategic services	Less prevalent in the past.	It was not that structured. The CEO at the time residing in Africa, was a lot more involved in terms of executive decisions.	There was an agreement on broad issues with a greater influence of South Africa, the country of origin	Relatively flat structure	Was not with UTi	The organisation had a flat structure.
Q4. What was the level of supervision applied by HQ to each subsidiary between 1999 and 2003? Was that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Minimal level of supervision. Decentralised operations. Higher level of supervision on subsidiaries with global connections	Low level of supervision because of a high degree of independence.	Low to non-existent	Minimal supervision	Minimal	Very little level of supervision because of the flat structure the organisation had.	Less supervision	Was not with UTi	Limited supervision
Q5. To what extend were evaluation of files, reports and records used by HQ to monitor the performance of your subsidiaries between 1999 and 2003? Was that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Was not that visible. There was global reporting but at a very high level. Mostly financial packs, which could be different for each region/subsidairy	Very minimal. Regional Managing Directors met on a quarterly basis to report back on their performance.	Not sure	Only financial reports	Not sure	Mostly financial reports	Used to be uncoordinated	Was not with UTi	Not sure
Proposition 1B									
Today, UTI's HQ makes use of a combination of behavioural and									

output control regardless of the size of the subsidiary									
Q1. Please describe how HQ has managed your subsidiaries over the last three years? Is that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Less regional autonomy. More global reporting, templates and uniform formats for reporting.	There has been a tendency from HQ to dictate what needs to happen at the subsidiary level.	More of a centre-led approach i.e. not only in terms of the "what" but also the "how". Less regional autonomy	Certain aspects are led and controlled by HQ. And there is more emphasis on compliance / reporting	There has been a lot more directives from HQ given to the African region as well as other regions. A lot less independent.	There in a move towards a hierarchical/steep structure with the focus being on positions and roles instead of the individuals as it was the case before	Now the HQ is using a centre-led approach and is clarifying roles. Bring in centre-led people. Now HQ are more involved	Currently HQ's intention is to manage its subsidiaries very closely and to centralise a lot of decision making	HQ manage their subsidiaries in an autocratic fashion
Q2. Please explain which tools and mechanisms are used by HQ to manage your subsidiaries? Are these used consistently across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	More reporting requirements from HQ. - Financial reporting. Global protocols. Regular conference calls. Standard operating procedures. Quarterly webcasts or "live links"	No formalised tools	Monthly corporate governance calls. Shared services. Documentations and financial controls.	More direct reporting structure in certain areas. Regular conference calls. Strategic appointments at HQ level and system integration	HQ are a lot more interested in financial results and want more details. A lot more interested in assessing the group's corporate risks	Very few tools due to the flat reporting structure	Vigorous management systems are used, and that is evolving. Monthly budget / plans are coordinated.	Currently implementing a central standard financial system, HR information system.	There have been mention of tools such as KPIs but no specific tools have been identified.
Q3. Please explain the reporting process between HQ and your subsidiaries? Is that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	'Matrix' reporting models with a lot more people with direct reporting lines to HQ.	Reporting done through the regional president	Quarterly executive board meetings. Monthly meetings for regional presidents and business units heads.	Global financial reporting on a quarterly basis. Monthly corporate governance sessions	UTi is becoming a bit more matrix. Finance reporting more into global		There are monthly performance calls. However, there is a limited understanding of the roles of the different subsidiaries	The process is being centralised specially for the support functions	The organisation has added a couple of layers in the reporting process
Q4. What is the level of supervision applied by HQ to each subsidiary? Is that consistent across all subsidiaries regardless of their size, their role,	Increasing level of supervision	Some level of supervision on the subsidiary; not very strong because of poor	Changing from medium to high.	Relatively high level of supervision	Very visible to the entire management team			Close supervision from the HQ	Now there is a lot of supervision through dotted and solid lines

time of acquisition or geographical location?		planning from the HQ							
Q5. To what extend are evaluation of files, reports and records used by HQ to monitor the performance of your subsidiaries? Is that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Much more monitored and closely managed than before with regular performance reviews from all the regions into HQ.	Mostly financial reports as well as corporate governance reports.	Mostly by way of a balanced scorecard and huge reporting requirements.	By way of increasing requirements for compliance and reporting	A lot more. There are monthly performance reports, monthly governance reports and monthly sales and business targets.		Monthly management and financial packs. Quarterly audited financials	No process has been implemented	Mostly financial information and compliance requirements by virtue of the fact that UTi is now an American company
Proposition 2									
UTI's earlier expatriate assignments were done predominantly to fill positions and ensure organisation development. Today, UTI's expatriates are assigned as a developmental tool in organisational learning									
Q1. How important was expatriate assignments to HQ between 1999 and 2003? Was that true for all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	In the early days a number of people went from SA to other locations, given the fact the SA had the largest pool of qualified people. Initially, three of the four original founding members went to head up the other three regional operations.	Not that relevant then. There were very few movements in terms of expatriate assignments.	Not that important.. A few assignments from South Africa to the rest of the world.	Nowhere near the extent of other MNCs. There was an element of expatriates' assignment when the founding members went on to establish other three regions.	Initially, a lot of people moved from SA to support the listing and HQ creation in the US.	Old model: Explorer No clear expatriate assignments policy. "If someone wants to go, I'd rather help him than loose him.	No clear strategy with regards to expatriate assignments	Was not with UTi	Not very important
Q2. How soon were such assignments made after every acquisition between 1999 and	Varied	Every acquisition was different and the founders did	Not sure	Not structured so mostly on a need	It was mainly part of the listing process. E.g. the		Not applicable	Was not with UTi	Expatriate assignments

2003? Was that consistent for all subsidiaries regardless of their size, their role, time of acquisition or geographical location?		not 'force' assignments to their subsidiaries but kept the leaders in place			[illegible] m [illegible] he listing.					were very limited
Q3. What were the top three instructions given to those expatriates assigned by HQ between 1999 and 2003? Were these similar for all subsidiaries regardless of their size, role or geographical location?	Get business. Build relationships. Develop relationships.	Not sure	Not sure	There was a requirement for specialised skills, such as IT for example.	Not sure but I would guess, very much business as usual.		Not applicable	Was not with UTi	Expatriate assignments played both a leading and support roles
Q4. What was the initial duration of expatriate assignments between 1999 and 2003? Under which circumstances could such duration be reduced? Or extended? Was that applied to all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Two to three years.	A year or two	These were often permanent transfers.	Indefinite	Not sure	Some a couple of years and some indefinite	Not applicable	Was not with UTi	Mostly permanent appointments
Q5. Which positions were primarily considered for expatriate assignments between 1999 and 2003? Was that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Operational branch manager.	Finance and accounts/sales. The purpose was to send an account solutions manager	Senior positions such as region president of CFO	More junior positions	Probably senior level rather than mid to low level		Not applicable	Was not with UTi	Senior positions and sometimes support functions
Q6. How important have expatriate assignments been to HQ over the last three years? Is that true for all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Less important. No expatriate assignment programme or agreed strategy.	Occasional assignments. No formalised policy with regards to such assignments.	The reverse has occurred, mostly with the HQ is staffed with people from operating regions.	Not formalised and ad hoc assignments	They are neither dominant nor significant.	New Model: Exploiter	No clear strategy with regards to expatriate assignments	There has been no active policy, or H.R. processes regarding expatriate assignments	In my experience, there has not been expatriate assignments recently
Q7. How soon are such assignments made after every acquisition? Is that consistent for	Unspecified	Every acquisition was different and the founders did	Largely, hardly any expatriates assignment has	Not applicable	There have been very few expatriate		Not applicable	It has not been structured. The aim is to	No applicable

all subsidiaries regardless of their size, their role, time of acquisition or geographical location?		not 'force' assignments to their subsidiaries but kept the leaders in place. This is followed by a gradual integration of the leadership overtime	taker recei [illegible] Operations preferably staffed by local management team.		[illegible] th [illegible] acquisitions.			integrate rather than assign from a central pool of expatriates.	
Q8. What are the top three instructions given to those expatriates by HQ? Are these similar for all subsidiaries regardless of their size, role or geographical location?	NA	Not sure	Not a formal process	Not formalised	Very much business as usual		Not applicable	It has been more on a need basis	Not applicable
Q9. What is the initial duration of expatriate assignments? Under which circumstances could such duration be reduced? Or extended? Is that applied to all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Short terms in nature; two to three weeks.	Not exceeding two years and according to the duration of the project.	Assignments are mainly project specific. Therefore, the duration for the assignment does not exceed that of the project.	Indefinite	Not sure		Not applicable	It varied. Some have been permanent and others project specific, so about three months.	Not applicable
Q10. Which positions are primarily considered for expatriate assignments? Is that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Assignment / task specific	Project specific like ground transportation for example	Senior positions except for project-specific assignments.	Mostly support projects	Not sure		Not applicable		No applicable
Proposition 3									
Early knowledge flows between subsidiaries depended on the role of each subsidiary in the MNC, whereas today, there is greater knowledge flows between subsidiaries because of shared									

practices.									
Q1. How important was knowledge management to the organisation between 1999 and 2003? What was the nature of such knowledge?	Critical.	Not prioritised. No knowledge management so to speak.	Was not as viewed as critical.	To some extent due to the expansion of African operations. With less conscious efforts	Not much focus was placed on knowledge management		Very little knowledge flow	Was not with UTi	Not as important as it is today.
Q2. How was knowledge managed by the organisation between 1999 and 2003?	Knowledge resided in different pockets of the organisation.	Was not managed.	No formal knowledge management process.	Happened naturally	It was not managed at all	Knowledge flow was based on personal relations due to a flat structure	Not managed well. There were pockets of excellence.	Was not with UTi	No applicable
Q3. How was such knowledge shared between subsidiaries between 1999 and 2003? How was that impacted by the role of each subsidiary in the group?	Through internal training programmes and based on relationships / collaborations	Very little knowledge shared between subsidiaries	Done through the use of an electronic system called “Inzalo”, which is a repository of electronic information. BUT the system was ineffective.	Business intelligence through people integration. Also sharing of best practice and organisational culture.	The group had platforms, such as knowledge sharing forums that have since been regionalised.	Flow from SA to other parts of the world. For example, centurion was the IT development centre for the group	No relationship between regions	Was not with UTi	Not applicable
Q4. What incentives were given to managers to share knowledge between subsidiaries between 1999 and 2003?	No formal incentive but recognition.	None	None	Not really	Not that I am aware of		Not applicable	Was not with UTi	Not applicable
Q5. What structures were put in place to ensure knowledge flows between subsidiaries between 1999 and 2003?	Annual conference and network conferences.	None	None	Informal structures	It was not structured at all. It was much more structured around people.	Informal, through Sales people training , IT and HR for example	No structure	Was not with UTi	No applicable
Q6. How important has knowledge management been to the organisation over the last three years? What is the nature	Very important	Becoming increasingly important.	It has been more about controls rather than knowledge	More conscious effort to manage knowledge	There is an acceptance that knowledge management is		Very little knowledge flow	Probably one of UTi’s key success factors.	Relatively more important

of such knowledge?			mana[illegible]	[illegible]	[illegible]					
Q7. How has knowledge been managed by the organisation over the last three years?	Reliance on processes and technology.	Every team / function is trying to develop their own systems for knowledge management	No formal management system exists. But there are attempts through initiatives such as the global intranet; document management system (to be implemented).	Sharing of ideas and note. Through organisational culture and sharing aspects of best practice.	It is becoming more co-ordinated. There is talk about centres of excellence.		Not managed well. There were pockets of excellence.	Knowledge flow has happened but within regions and not shared globally.	Not managed well. Pockets of knowledge exist in the organisation.
Q8. How is such knowledge shared between subsidiaries? How has that been impacted by the role of each subsidiary in the group?	More use of a global intranet and unstructured documentation	It is happening at a slow pace.	More out of necessity though emails, conference calls and ‘live links’.	Informally (such as corporate visits and sharing of ideas and notes) as well as formally through scheduled meetings and conference call	Through meeting forums and through reporting forums. However, most of the knowledge sharing happens within pockets.	To a certain extent but did not get some knowledge across.	No relationship between regions	There has been some element of knowledge flow between regions	It is not happening
Q9. What incentives are given to managers to share knowledge between subsidiaries?	No monetary incentives	Not directly	None	None	Not that I am aware of.		Not applicable	None. Although it is starting to happen.	None
Q10. What structures have been put in place to ensure knowledge flows between subsidiaries over the last three years?	Through regional reporting lines	MyUTi - Intranet	None	Mostly informal structures	No formal structures exist in terms of knowledge sharing. Although it starting to happen from a sales point of view	Implementation of more formal centralised structures	No structure	Knowledge has been shared through training.	There is no formal structure
Proposition 4										
Similarly, early knowledge flows between HQ and subsidiaries										

depended on the motivation of each subsidiary to acquire knowledge, whereas today there is greater knowledge flows from HQ to subsidiaries and from subsidiaries to HQ resulting from acquisitions and the need to shared best practices.									
Q1. How was knowledge shared between HQ and subsidiaries (and vice versa) between 1999 and 2003? How was that impacted by the role of each subsidiary in the group?	In terms of the Africa region, there was more knowledge shared from subsidiary to HQ.	Was not managed	Knowledge was shared out of necessity	Naturally based on the nature of the relationship between the four founding members	Not much focus was placed on knowledge management		Very little knowledge flow	Was not with UTi	Very little
Q2. What incentives were given to managers to share knowledge between HQ and subsidiaries between 1999 and 2003?	None	None	None	None. Practice encouraged and sometimes demanded	No incentives		Not applicable	Was not with UTi	None
Q3. What structures were put in place to ensure knowledge flows between HQ and subsidiaries between 1999 and 2003?	Regional reporting lines	None	No formal structures	No formal structures	It was not structured at all. It was much more structured around people	Through network meetings, which were ran in various ways. E.g. trade fairs on all services	Not applicable	Was not with UTi	No formal structure
Q4. How has such knowledge been shared between HQ and subsidiaries (and vice versa) over the last three years? How has that been impacted by the role of each subsidiary in the group?	More from HQ to subsidiary in terms of strategy	Through leadership	The focus is more on top-down communication as opposed to knowledge management.	Through global initiatives such as the centralisation of IT.	HQ is taking a greater role to ensure that in terms of management and the flow happens both ways.		Not applicable	It has been very reactive, based on response to requests.	Low level of knowledge flow
Q5. What incentives are given to managers to share knowledge between HQ and subsidiaries?	None	Part of management by objectives	None.	None	No incentives		Not applicable	None	No incentives

Q6. What structures have been put in place to ensure knowledge flows between HQ and subsidiaries (and vice versa) over the last three years?	Solid and dotted reporting lines	Live links. Global newsletter and conferences. MyUTi for Africa.	None	through annual meetings	functions, which are hard measures	Implementation of more formal centralised structures	Not applicable	A lot more central meetings held across the regions	No formal structure
Proposition 5									
UTI's earlier management practices were less standardised but mostly adapted to local conditions. However, current management practices are standardised towards global best practice because of economies of scale and shared best practices									
Q1. What was HQ strategic position on the role of subsidiaries with respect to local adaptation and standardisation between 1999 and 2003? Was that true for all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Mostly local adaptation.	Local adaptation	Purely local adaptation	Mostly local adaptation	There was a huge amount of flexibility.			Was not with UTi	A high degree of local adaptation
Q2. Which management practices were allowed to be adapted to the local environment and which ones were standardised towards HQ practices between 1999 and 2003? And Why? Was that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Most management practices were localised at the exception of financial reporting that was standardised.	Finance	Most management practices were localised at the exception of Finance.	Most management practices were localised	Mostly financial reporting.	Only agreements, output (not systems) were standardised		Was not with UTi	Most management practices were adapted locally
Q3. What incentives were given to managers in subsidiaries to encourage localisation vis-à-vis standardisation between 1999 and 2003? Was that applied	No formal incentives.	No incentives	No formal incentive	None	No incentives			Was not with UTi	No incentives

consistently across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?										
Q4. What has been HQ strategic position on the role of subsidiaries with respect to local adaptation and standardisation over the last three years? Is that true for all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Move towards complete standardisation	Standardisation to get consistencies across.	Push for standardisation towards best practice	Moving towards standardisation of processes and procedures	We are looking to standardise a lot more processes, particularly what makes sense and that's all work in progress.		Standardisation to allow the organisation to become more cost effective as it becomes a global company	Standardisation with localised customisation	Now a justification and sign-offs are required to do local adaptation and the process becomes bureaucratic – more standardisation
Q5. Over the last three years, which management practices are allowed to be adapted to the local environment, which ones are standardised towards HQ practices and which ones are standardised towards best practice? And Why? Is that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?	Almost all management practices are leaning towards standardisation to eliminate waste, improve quality, drive down cost and financial performance. Mostly benchmarking management practices against global best ractice.	IT has been standardised. HR is being standardised. Marketing is a possibility.	IT, HR, Finance have been standardised whereas logistics, distribution and operations are locally adapted.	Elements of HR are being standardised; Finance and IT are standardised. Moving towards standardisation for Operations and Marketing.	Back end operating processes are becoming more standardised. Corporate governance and back end support functions are also becoming a lot more standardised.	Today most management practices are standardised	Mostly back-end functions such as IT for example	Financial practices and business practices in terms of freight forwarding are being standardised into a one single platform. Operating processes and service offerings are all being standardised because the clients are all becoming global	Now because it is about managing risks, most management practices are being standardised. Now there are standard training conditions, payments and procurement
Q6. Over the last three years, what incentives are given to managers in subsidiaries to encourage localisation vis-à-vis standardisation between? Is that applied consistently across all subsidiaries regardless of their size, their role, time of acquisition and geographical location?	No formal incentives.	No incentives	No incentives but rather a business imperative.	More collaborative than incentive-driven.	It is a lot more about alignment and transformation than incentive.			No incentives given.	No incentive

Proposition 6										
UTi shows weaker country of origin effects in its subsidiaries and hence the effect of the country-of-origin on the relationship between HQ and subsidiaries is not significant.	The country-of-origin effect is becoming less relevant to UTi, where as in the past it was more relevant									
Proposition 7										
The HQ-subsidiary relationship in UTi is affected by the stage of subsidiary evolution. Earlier acquired subsidiaries would have a different relationship with HQ than newly acquires subsidiaries.	Very little evidence that HQ-Subsidiary affected by stage of subsidiary evolution									

Appendix 3: Questionnaire

Proposition 1	
A. How would you broadly categorise the respective roles of your subsidiaries between 1999 and 2003? ………………………………………………………………………………………… ………………………………………………………………………………………… ………………………………………………………………………………………… ………………………………………………………………………………………… ………………………………………………………………………………………… *B.* How would you broadly categorise the respective roles of your subsidiaries over the last three years? ………………………………………………………………………………………… ………………………………………………………………………………………… ………………………………………………………………………………………… ………………………………………………………………………………………… …………………………………………………………………………………………	
At the beginning of our study period, UTI's HQ used behavioural control for its larger subsidiaries and output control for its smaller subsidiaries Q1. Please describe how HQ managed your subsidiaries between 1999 and 2003? Was that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location? ………………………………………………………………………………………… ………………………………………………………………………………………… ………………………………………………………………………………………… ………………………………………………………………………………………… ………………………………………………………………………………………… Q2. Please explain which tools and mechanisms were used by HQ to manage your subsidiaries between 1999 and 2003? Were these used consistently across all subsidiaries regardless of their size, their role, time of acquisition or geographical location? …………………………………………………………………………………………	

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Q3. Please explain the reporting process between HQ and your subsidiaries between 1999 and 2003? Was that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q4. What was the level of supervision applied by HQ to each subsidiary between 1999 and 2003? Was that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q5. To what extend were evaluation of files, reports and records used by HQ to monitor the performance of your subsidiaries between 1999 and 2003? Was that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Today, UTI's HQ makes use of a combination of behavioural and output control regardless of the size of the subsidiary

Q1. Please describe how HQ has managed your subsidiaries over the last three years? Is that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q2. Please explain which tools and mechanisms are used by HQ to manage your subsidiaries? Are these used consistently across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q4. What is the level of supervision applied by HQ to each subsidiary? Is that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q5. To what extend are evaluation of files, reports and records used by HQ to monitor the performance of your subsidiaries? Is that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Proposition 2

UTI's earlier expatriate assignments were done predominantly to fill positions and ensure organisation development. Today, UTI's expatriates are assigned as a developmental tool in organisational learning

Q1. How important was expatriate assignments to HQ between 1999 and 2003? Was that true for all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q2. How soon were such assignments made after every acquisition between 1999 and 2003? Was that consistent for all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q3. What were the top three instructions given to those expatriates assigned by HQ between 1999 and 2003? Were these similar for all subsidiaries regardless of their size, role or geographical location?

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Q4. What was the initial duration of expatriate assignments between 1999 and 2003? Under which circumstances could such duration be reduced? Or extended? Was that applied to all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q5. Which positions were primarily considered for expatriate assignments between 1999 and 2003? Was that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q6. How important have expatriate assignments been to HQ over the last three years? Is that true for all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q7. How soon are such assignments made after every acquisition? Is that consistent for all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q8. What are the top three instructions given to those expatriates by HQ? Are these similar for all subsidiaries regardless of their size

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Q9. What is the initial duration of expatriate assignments? Under which circumstances could such duration be reduced? Or extended? Is that applied to all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q10. Which positions are primarily considered for expatriate assignments? Is that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Proposition 3

Early knowledge flows between subsidiaries depended on the role of each subsidiary in the MNC, whereas today, there is greater knowledge flows between subsidiaries because of shared practices.

Q1. How important was knowledge management to the organisation between 1999 and 2003? What was the nature of such knowledge?

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Q2. How was knowledge managed by the organisation between 1999 and 2003?

Q3. How was such knowledge shared between subsidiaries between 1999 and 2003? How was that impacted by the role of each subsidiary in the group?

Q4. What incentives were given to managers to share knowledge between subsidiaries between 1999 and 2003?

Q5. What structures were put in place to ensure knowledge flows between subsidiaries between 1999 and 2003?

Q6. How important has knowledge management been to the organisation over the last three years? What is the nature of such knowledge?

Q7. How has knowledge been managed by the organisation over the last three years?

Q8. How is such knowledge shared between subsidiaries? How has that been impacted by the role of each subsidiary in the group?

Q9. What incentives are given to managers to share knowledge between subsidiaries?

Q10. What structures have been put in place to ensure knowledge flows between subsidiaries over the last three years?

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Proposition 4

Similarly, early knowledge flows between HQ and subsidiaries depended on the motivation of each subsidiary to acquire knowledge, whereas today there is greater knowledge flows from HQ to subsidiaries and from subsidiaries to HQ resulting from acquisitions and the need to shared best practices.

Q1. How was knowledge shared between HQ and subsidiaries (and vice versa) between 1999 and 2003? How was that impacted by the role of each subsidiary in the group?

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Q2. What incentives were given to managers to share knowledge between HQ and subsidiaries between 1999 and 2003?

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Q3. What structures were put in place to ensure knowledge flows between HQ and subsidiaries between 1999 and 2003?

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Q4. How has such knowledge been shared between HQ and subsidiaries (and vice versa) over the last three years? How has that been impacted by the role of each subsidiary in the group?

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Q5. What incentives are given to managers to share knowledge between HQ and subsidiaries?

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Q6. What structures have been put in place to ensure knowledge flows between HQ and subsidiaries (and vice versa) over the last three years?

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Proposition 5

UTI's earlier management practices were less standardised but mostly adapted to local conditions. However, current management practices are standardised towards global best practice because of economies of scale and shared best practices.

Q1. What was HQ strategic position on the role of subsidiaries with respect to local adaptation and standardisation between 1999 and 2003? Was that true for all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q2. Which management practices were allowed to be adapted to the local environment and which ones were standardised towards HQ practices between 1999 and 2003? And Why? Was that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q3. What incentives were given to managers in subsidiaries to encourage localisation vis-à-vis standardisation between 1999 and 2003? Was that applied consistently across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q4. What has been HQ strategic position on the role of subsidiaries with respect to local adaptation and standardisation over the last three years? Is that true for all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q5. Over the last three years, which management practices are allowed to be adapted to the local environment, which ones are standardised towards HQ practices and which ones are standardised towards best practice? And Why? Is that consistent across all subsidiaries regardless of their size, their role, time of acquisition or geographical location?

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Q6. Over the last three years, what incentives are given to managers in subsidiaries to encourage localisation vis-à-vis standardisation between? Is that applied consistently across all subsidiaries

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Participant:

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UNIVERSITEIT VAN PRETORIA
UNIVERSITY OF PRETORIA
YUNIBESITHI YA PRETORIA

Appendix 4: Informed Consent Letter

[Participant's Full Name]

UTi (Africa)

39 Jones Road, Jet Park

Johannesburg

South Africa

1459

03 October 2009

Dear Sir or Madam

INFORMED CONSENT LETTER

I am conducting a study on the *Development and Evolution of HQ-subsidiary Relations in Emerging Market MNCs.* This is for the fulfilment of a critical requirement to complete my MBA programme with the Gordon Institute of Business Science (GIBS). My research methodology is a single case study on **UTi Worldwide Inc.** For this purpose, I need your consent for an interview. Each semi-structured interview is expected to last about an hour, and would help us understand how an emerging market MNC's HQ-subsidiary relations evolve overtime. Your participation is voluntary and you can withdraw at any time without penalty. Off course all data will be kept confidential. If you have any concern please contact me or my supervisor. Our details are provided below.

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Your signature: | Signature of researcher:

Date: | **Date:**