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The influence of language on relationships between subsidiaries and headquarters

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Abstract

Effective communication is critical to enable the successful management of a multinational company. Without a shared language, effective communication is impossible. Previous research have not established what the role of language is in establishing strong relationships between subsidiaries and headquarters. It is argued that if effective communication is enabled through the use of a shared language and effective communication strengthens relationships between subsidiaries and headquarters, then a shared language should influence subsidiary headquarter relationships positively.

A mixed method approach was used to reflect the perspective from both headquarters and subsidiaries. Questionnaires were distributed to subsidiaries and semi-structured interviews were conducted with executives from headquarters based on the results from the questionnaire.

Language was found to have a profound influence on relationships between subsidiaries and headquarters but the extent of the influence varied depending on time, less hierarchical organisational structures and cultural background. Social identity theory suggested groups of ethnically similar people would cluster together and form strong personal relationships, language being one such an ethnic characteristic. The data collected challenged this theory by proving that a company identity can prove to be stronger and more influential over time, surpassing the impact of language and ethnicity. It was also found that a shared language promoted social networks and power within the organisation but that the influence is more prominent when the shared language is the official company language.

The research contributed to literature by adding to the current understanding of what influences subsidiary headquarter relationships. The contribution to business is also important as attention is a scarce resource and inter unit relationships are critical to the success of any multinational company.

Keywords: Subsidiary-headquarter relationships; language; multinational companies; power and influence; social networks; attention

Declaration

I declare that this research project 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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Signed: _____

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Table of Contents

Abstract.....	i
Keywords.....	i
Table of Contents.....	iv
List of Abbreviations.....	vi
List of Figures.....	vii
List of Tables.....	vii
Chapter 1: Introduction to research problem	1
1.1 Introduction	1
1.1.1 <i>Language as a source of social networking</i>	3
1.1.2 <i>Language as a source of power</i>	5
1.2 Research scope	7
1.3 Research motivation	8
1.4 Problem statement.....	9
1.5 Research questions	10
Chapter 2: Literature review	11
2.1 An introduction to language, subsidiary attention and subsidiary-HQ relationships.....	11
2.1.1 <i>Subsidiary attention</i>	11
2.1.2 <i>Subsidiary-HQ relationships</i>	13
2.1.3 <i>Language</i>	14
2.2 Language as a source of social networking	16
2.2.1 <i>Social networks</i>	16
2.2.2 <i>Expatriates</i>	19
2.2.3 <i>Ethnocentrism</i>	20
2.2.4 <i>Hypothesis</i>	22
2.3 Language as a source of power.....	22
2.3.1 <i>Achieving legitimacy</i>	24
2.3.2 <i>Access to critical resources</i>	25
2.3.3 <i>Gaining centrality</i>	26
2.3.4 <i>Hypothesis</i>	28
2.4 Chapter conclusion	28
Chapter 3: Research questions and hypotheses	30
3.1 Introduction	30

3.2 Hypotheses statement	30
3.3 Hypotheses summary	31
3.3.1 <i>To what extent does language have an influence on subsidiary-HQ relationships and attention?</i>	31
3.3.2 <i>How does language shape the attention received from HQ?</i>	31
3.4 Chapter conclusion	32
Chapter 4: Research methodology	33
4.1 Introduction	33
4.2 Research design	34
4.3 Unit of analysis.....	35
4.4 Population	35
4.5 Research instrument.....	36
4.5.1 <i>Questionnaire design</i>	36
4.5.2 <i>Pilot testing the questionnaire</i>	38
4.6 Data collection	38
4.7 Data analysis	40
4.7.1 <i>Dependent variables</i>	40
4.7.2 <i>Independent variables</i>	40
4.7.3 <i>Statistical analysis methods</i>	41
4.8 Reliability tests	42
4.9 Ethical considerations	46
4.10 Limitations.....	46
4.11 Chapter conclusion	47
Chapter 5: Results	48
5.1 Introduction	48
5.2 Population and demographic characteristics	49
5.3 Results from the analysis of data collected	52
5.3.1 <i>Introduction</i>	52
5.3.2 <i>H₁: A shared language will influence the subsidiary-HQ relationship positively</i>	53
5.3.3 <i>H_{2a}: Subsidiaries that have a common language with HQ (not official language), will have greater social networks with HQ</i>	56
5.3.4 <i>H_{2b}: Greater social networks based on common language will positively influence HQ attention on the subsidiary</i>	60
5.3.5 <i>H_{3a}: Subsidiaries that have a common language with HQ (not official language), will have greater power in the organisation</i>	62

5.3.6 <i>H_{3b}: Greater power based on common language will positively influence HQ attention on the subsidiary</i>	68
5.4 Chapter conclusion	70
Chapter 6: Discussion of results	73
6.1 Introduction	73
6.2 The extent to which a shared language influences subsidiary-HQ attention and relationships	75
6.2.1 <i>Attention and subsidiary-HQ relationships</i>	75
6.2.2 <i>Language</i>	76
6.3 How language shapes attention received from HQ	80
6.3.1 <i>The relationship between language and social networks in subsidiary-HQ relationships</i>	81
6.3.2 <i>The relationship between language and power in subsidiary-HQ relationships</i>	85
6.4 Chapter conclusion	90
Chapter 7: Conclusion	91
7.1 Main findings	91
7.2 Implications for literature	92
7.3 Implications for business	94
7.4 Recommendations for future research	94
Reference List	96
Appendices	102
Appendix 1: Sample questionnaire	102
Appendix 2: Results	108
Appendix 3: Interview consent form template	117
Appendix 4: Interview transcription	118

List of Abbreviations

HQ	Headquarters
MNC	Multinational corporation or company
IB	International Business
SPSS	IBM Statistical Package for the Social Sciences
GLOBE	Global Leadership and Organisational Effectiveness Project

List of Figures

Figure 1: Language based organisational structure	18
Figure 2: The power of language	27
Figure 3: Illustration of hypotheses	30
Figure 4: Means comparison for Hypothesis 1 based on a split of respondents between Spanish and non-Spanish primary language	54
Figure 5: Biggest barriers to subsidiary-HQ relationships and voice	54
Figure 6: Means comparison for Hypothesis 2 _a based on a split of respondents between Spanish and Non-Spanish primary language	57
Figure 7: Means comparison for Hypothesis 2 _a based on a split of respondents per nationality	58
Figure 8: Means comparison for Hypothesis 3 _a based on a split of respondents between Spanish and non-Spanish primary language	63
Figure 9: Means comparison for Hypothesis 3 _b based on a split of respondents between Spanish and Non-Spanish primary language	68
Figure 10: Summary of findings	73

List of Tables

Table 1: Cronbach's alpha for Hypothesis 2 _a	43
Table 2: Cronbach's alpha if item deleted for Hypotheses 2 _a	44
Table 3: Cronbach's alpha for Hypothesis 2 _b	44
Table 4: Cronbach's alpha for Hypothesis 3 _a	45
Table 5: Cronbach's alpha if item deleted for Hypothesis 3 _a	45
Table 6: Cronbach's alpha for hypothesis 3 _b	45
Table 7: Population description	49
Table 8: Regional Director composition	50
Table 9: Languages spoken in subsidiaries	50
Table 10: Respondents whom can speak Spanish	50
Table 11: Respondents whom can speak English.....	51
Table 12: Formal positions of respondents	51
Table 13: Country of respondents	51
Table 14: Nationalities.....	52
Table 15: Ranking of factors influencing power.....	64
Table 16: Correlations Hypothesis 3 _a	64
Table 17: Subsidiary's perception of top management composition	65

Table 18: Real composition as showed by percentages of total whom are Spanish	66
Table 19: Means comparison for hypothesis 1 split by primary language	108
Table 20: Means comparison for hypothesis 1 split by nationality.....	108
Table 21: Means comparison for hypothesis 1 split by formal position	108
Table 22: Means comparison for hypothesis 2a split by primary language	109
Table 23: Means comparison for hypothesis 2a split by nationality.....	109
Table 24: Means comparison for hypothesis 2a split by formal position	109
Table 25: Means comparison for hypothesis 2b split by primary language	109
Table 26: Means comparison for hypothesis 2b split by nationality.....	110
Table 27: Means comparison for hypothesis 2b split by formal position	110
Table 28: Means comparison for hypothesis 3a split by primary language	110
Table 29: Means comparison for hypothesis 3a split by nationality.....	111
Table 30: Means comparison for hypothesis 3a split by formal position	111
Table 31: Ranking of influencers on power	111
Table 32: Means comparison for hypothesis 3b split by primary language	112
Table 33: Means comparison for hypothesis 3b split by nationality.....	112
Table 34: Means comparison for hypothesis 3b split by formal position	112
Table 35: Correlation analysis on social networks	113
Table 36: Correlation analysis on power	114
Table 37: Multiple regression summary for social networks variable	114
Table 38: ANOVA for social networks variable.....	114
Table 39: Coefficients for social networks variable	115
Table 40: Multiple regression summary for power variable	115
Table 41: ANOVA for power variable	115
Table 42: Coefficients for power variable	116

Chapter 1: Introduction to research problem

1.1 Introduction

One of the key issues when studying multinational companies (MNCs) is how to manage relationships between subsidiaries and headquarters (HQ) effectively (Nohria & Ghoshal, 1994; Birkinshaw, Holm, Thilenius & Arvidsson, 2000). It has also become more prevalent in recent years to view a MNC as an intricate web or as an inter-organisational network (Birkinshaw et al., 2000; Luo & Shenkar, 2006; Bouquet & Birkinshaw, 2008a). This proposes a web of relationships within the MNC that needs to be managed. Since subsidiaries and HQ rarely have the same motives it becomes even more important to study the power and influence these web of relationships hold. Social Identity theory explains the phenomena that people prefer other people of a similar ethnicity which includes language, culture, norms and values (Barner-Rasmussen & Bjorkman, 2007). The literature on Social Identity theory describes how a shared identity fosters trust, communication and a shared understanding which enables stronger relationships between subsidiaries and HQ. It is argued that a shared language will influence relationships between subsidiaries and HQ positively.

Much research has been conducted on the control problem in subsidiary-HQ relationships (Nohria & Ghoshal, 1994), but very little research has been conducted to establish whether language can influence the control mechanisms in these relationships. One of the principles identified by Ocasio (1997) alluded to the structural distribution of attention. A question was raised on how an organisation distributed and controlled the allocation of issues, decisionmakers and answers within its practices, procedures and communications. It further stated that it is dependent on the context in which decision-makers find themselves.

Attention structures include the various values, norms, belief systems and controls that are central to the way the organisation conducts business (Bouquet, 2005, p. 24). The literature argues that the allocation of an organisations time and effort is explained by the attention structures in an MNC. The Attention Structure theory, therefore, requires further research to assess

whether language impacted on the distribution of these allocations and how it affects the subsidiary-HQ relationship.

Previous research has identified various factors that can impact subsidiary voice (attention) which include:

- initiative taking (Bouquet & Birkinshaw, 2008a)
- profile building or impression management (Dutton & Ashford, 1993; Bouquet & Birkinshaw, 2008a; 2008b; de Carcenac, 2010)
- distance (Bouquet & Birkinshaw, 2008a; Balogun, Jarzabkowski & Vaara, 2011; Dellestrand & Kappen, 2012; Vidal-Suarez & Lopez-Duarte, 2013)
- downstream competence (Bouquet & Birkinshaw, 2008a)
- developed versus developing market status (de Carcenac, 2010)
- bounded rationality (Luo & Shenkar, 2006)
- power (Bouquet & Birkinshaw, 2008b)
- ethnocentrism (Birkinshaw, Bouquet, & Ambos, 2007; Balogun et al., 2011).

Of all the factors identified, profile building, downstream competence, bounded rationality, and ethnocentrism are mainly built around trust and the sharing of ethnic characteristics that are fostered by identity, communication and a shared understanding (Barner-Rasmussen & Bjorkman, 2007). Language is suggested to be an identity-building tool which can be an important driver of subsidiary attention. Managers are said to spend up to 90% of their time on verbal activities (Morand, 2000). For this reason, it again highlights the importance of studying the impact of language on subsidiary-HQ relationships in MNCs.

For subsidiaries, the capturing of attention is important because it is seen as a scarce resource in MNCs (Ocasio, 1997; Birkinshaw et al., 2007; Bouquet & Birkinshaw, 2008a; 2008b). Opportunities for both the subsidiary and headquarters can be lost if the right attention is not received or given at the right time. This can significantly influence the MNCs ability for future growth and development (Bouquet & Birkinshaw, 2008a). A core issue studied in international business (IB) is that of the relationship between subsidiaries and HQ and more recently, perception gaps in this relationship were explored (Birkinshaw et al., 2000).

Perception gaps can become prevalent when the subsidiary and HQ views one another's roles differently in the organisation. One effect of insufficient attention from HQ is the weakening of the subsidiary-HQ relationship. This happens through a widening of perception gaps between HQ and subsidiaries when subsidiaries underestimate or overestimate their role due to the attention they receive. Therefore, it is important to study the various factors, and more specifically the language factor, that can influence the subsidiary voice in their relationship with HQ.

Transaction Cost theory is usually used to describe these relationships from an economic perspective but neglects to examine the phenomena using psychology and sociology disciplines (Galunic & Eisenhardt, 2001). Two perspectives to be tested in this paper includes language as a source of social networking and as a source of power to influence subsidiary-HQ relationships.

1.1.1 Language as a source of social networking

The psychological definition of attention suggests the choosing of familiar objects (Ocasio, 1997) and is also complemented by Social Identity theory (Barner-Rasmussen & Bjorkman, 2007) and Psychic Distance theory (Dow & Karunaratna, 2006). Social Identity theory explains the phenomena that people prefer other people of a similar ethnicity (Barner-Rasmussen & Bjorkman, 2007). Ethnicity includes language, culture, norms and values. The literature shows that a shared identity fosters trust, communication and a shared understanding.

The Social Identity theory further suggests that members find ways in which to distinguish themselves and to degrade or dominate out-groups. The clustering or forming of in-groups alludes to the Social Identity theory (Barner-Rasmussen & Bjorkman, 2007; Luring, 2007; Vidal-Suarez & Lopez-Duarte, 2013). It is argued by these researchers that individuals sharing a language are more likely to share the same norms, rules, perceptions and values, which, as a result, will increase trust among each other. It is also suggested that a shared identity could increase trust which is a function of attention. In the context of an MNC it will then be expected that sharing a language with headquarters will foster trust and so will increase the attention it receives.

Previous research has suggested that language differences can get in the way of an effective flow of information as well as constrain relationship-building between HQs and subsidiaries (Marschan-Piekkari, Welch & Welch, 1999; Luo & Shenkar, 2006; Barner-Rasmussen & Bjorkman, 2007). These studies explained that the higher the language differences were, the more difficult it became to foster solid relationships and trust. The range between language differences also extends to studies of language distance. Language distance was not identified by Hofstede or the Global Leadership and Organizational Behaviour Effectiveness Project (GLOBE) in its own right (House, Javidan, Hanges & Dorfman, 2002; Vidal-Suarez & Lopez-Duarte, 2013).

Both Hofstede and the GLOBE study examined cultural dimensions in leadership. The GLOBE study focused on the impact of culture on leadership and highlighted the need for leadership theories to be expanded to include more variables such as language, religion, ethnicity and political systems (House et al., 2002). Although the authors expressed the need, neither study (Hofstede or GLOBE) included language *per se* but rather culture as a whole. To address the gap in literature, therefore, a need exists to further study language as an influencer of social networks and its impact on subsidiary-HQ relationships.

Language distance occurs when a subsidiary felt disconnected due to its inability to speak the company language or parent-country language (Marschan-Piekkari et al., 1999). Parallels can be drawn between language distance and earlier concepts of business distance and psychic distance explained by Marschan-Piekkari et al. (1999). Language is a key ingredient in internal knowledge flow that can shape the way a MNC conducts business (Luo & Shenkar, 2006). It is important for MNCs to understand how language distance can influence the attention they receive and the relationships they build in order to set a strategy that will manage possible conflict or neglect which can cause it to miss critical opportunities.

The role of culture in MNCs has also been researched extensively and includes studies of the impact of cultural variables on leadership and organisational processes (House et al., 2002), cultural distance and its impact on subsidiary-HQ relationships (Hofstede, 2006), and the role of expatriates in cultural

integration (Peltokorpi, 2010). Some research has also alluded to language as the epitome of culture (Welch, Welch, & Marschan-Piekkari, 2001) and as such it has many times been seen as a salient or implicit theme in the research or has been understated through inclusion under the culture umbrella (Kogut & Singh, 1988; Marschan-Piekkari et al., 1999; Welch et al., 2001; Luo & Shenkar, 2006; Harzing, Koster & Magner, 2011; Dellestrand & Kappen, 2012; Vidal-Suarez & Lopez-Duarte, 2013).

The main difference between language and national culture is that language is a choice, whereas national culture is embedded (Luo & Shenkar, 2006). The GLOBE study defined culture as “*shared motives, values, beliefs, identities, and interpretations or meaning of significant events that result from common experiences*” (House et al, 2002, p. 5). It has been confirmed that this study has not taken language into account as a separate indicator but it does acknowledge this as a field that must be further examined (House et al., 2002). Thus, the limited research conducted has constrained a deeper understanding of the impact of language in MNCs and more specifically its influence on subsidiary voice and subsidiary-HQ relationships.

1.1.2 Language as a source of power

One research study attempted to examine the role of language in MNC inter-unit communication and its impact as a source of power (Marschan-Piekkari et al., 1999). It suggested that language can be an important source of influence through which power can be exercised in MNC's. Yet, it has not attempted to quantify the role language has on subsidiary-HQ relationships. The company being studied for this project has a less hierarchical structure with flexible inter-unit communication which is similar to the study conducted by Marschan-Piekkari et al. (1999). The only difference is that the company being studied for this project has a parent language of Spanish and company language that is English. Marschan-Piekkari et al. (1999) studied language as a barrier, a facilitator and as a source of power.

Balogun et al. (2011) build on this literature by introducing political tensions within organisations that are influenced by subsidiary attention. The authors explore the level of organisational power, conflict and resistance in MNCs

affected by the level of independence or dependence of subsidiaries. This approach draws from Social Network theory and views the subsidiaries as autonomous entities with sources of power and influence (Bouquet & Birkinshaw, 2008b). Power can be obtained through the achievement of legitimacy, controlling of critical resources and by becoming central to the strategic networks in the organisation (Bouquet & Birkinshaw, 2008b). These studies have focused mainly on gaining power through networks, performance and having access to physical resources (assets) or intangible resources (contacts, talent, knowledge).

How language influences power has not been explored in the context of subsidiary-HQ relationships (Marschan-Piekkari et al., 1999). Language could cause political tensions when clusters or in-groups are formed between individuals sharing a language (Barner-Rasmussen & Bjorkman, 2007; Luring, 2007). This can be both a barrier and a source of power for players in the subsidiary-HQ network (Marschan-Piekkari et al., 1999). Agency theory is also said to contribute to power. It is argued that an agent speaking a different language can escape monitoring by the principal when each others messages cannot be understood (Eisenhardt, 1989; Luo & Shenkar, 2006).

Two main theories have been used to explain the role of language in MNCs, Resource Dependence theory and complementing it, the Resource-Based theory of the Firm (Luo & Shenkar, 2006). The first theory indicates that there may be a role for language beyond just effective communication where as the latter theory explains that the choice of language can strengthen control, performance and strategy in a MNC.

Sociolinguistic and political science studies have indicated that conflict can arise when there is interaction between different language groups (Kumar & Jain, 2013). The research by Kumar & Jain (2013) illustrates how five civil wars have been caused by ethnocentrism (religion, culture) and highlights its relevance to the business world. The fear of a loss of linguistic identity, when part of a MNC with a common corporate language, can cause subsidiaries to fight for attention (Kumar & Jain, 2013). This fear is also believed to cause clustering when subsidiaries feel that they are losing the attention of headquarters. Therefore, it

is critical for the success of a MNC to understand the impact of language on its inter-unit relationships as well as its repercussions.

From the literature it is clear that there are no common views on the role of language in subsidiary-HQ relationships. Owing to the fact that language has been overlooked or studied as part of culture, it is critical to distinguish the two for the purposes of this study. Language and culture are interlinked and this is not disputed. Language can also be seen as the way culture is expressed (Comu, Unsal, & Taylor, 2011). Hence, research suggests that for a real cultural understanding to occur, the minimum requirement is a shared language (Comu et al., 2011). This follows on from the discussion earlier about the theory of Social Identity (Barner-Rasmussen & Bjorkman, 2007).

The debate on culture argues that culture incorporates language and that it is impossible to separate the two effectively (Comu et al., 2011) while the counter argument of this is that language comprises 90% of management's time and should be studied on its own due to the major impact that miscommunications can have on business activities (Marschan-Piekkari et al., 1999). It is evident, therefore, that there is an opportunity to conduct research into the specific role of a common language in HQ-subsidiary relationships for attention seeking purposes. This study will address this factor as new research.

1.2 Research scope

The scope of this research is limited to the following concepts and their respective definitions:

1. **Multinational Company (MNC):** Their headquarters are situated in one country (parent country) with widely dispersed subsidiaries (wholly or partly owned) across the world.
2. **Parent country:** The country in which headquarters are based.
3. **Parent language:** The national language of the country in which the headquarters are based and the main language spoken (in the case of this study, this is Spanish) within the company on a day-to-day basis and at operational level.

4. **Official company language:** The official language in which the MNC has chosen to conduct business in, namely English in the case of this study.
5. **Subsidiary voice:** The positive attention a subsidiary is able to receive from its headquarters.
6. **Subsidiary-HQ relationship:** Includes both the relationship between a subsidiary and its headquarters and between headquarters and its subsidiaries.

1.3 Research motivation

The MNC used for the purposes of the current study is a company with widely dispersed subsidiaries and a HQ based in Spain. It is understood that the more the company grows in size and complexity, the harder it will become for HQ management to prioritise their attention equally amongst subsidiaries. As such, it becomes increasingly important to understand what factors influence this relationship. As subsidiaries are situated in more than a hundred countries worldwide, differences in language and the ability of subsidiaries to convey their messages to HQ seem to indicate that language plays a pivotal role in subsidiary voice and therefore the relationships with HQ.

Therefore it is argued that the role of language in subsidiary-HQ relationships should be further investigated for a deeper understanding of the impact it can have on MNCs. It is hoped that the current study will add to international business research by combining theories from various disciplines such as sociology, linguistics and international business to clarify the premise of whether language plays a role in subsidiary-HQ relationships. This study is also an attempt to add value to business by illustrating language as a possible tool to gain subsidiary voice.

Two further contributions will be made relating to language as a source of social networks and as a source of power. It has been noted that the GLOBE study only included the cultural dimension and neglected to include the impact of language on communication and leadership. Furthermore, Marschan-Piekkari et

al. (1999) have done exploratory research on the role of language on inter unit communication. They did not quantify their findings with empirical research.

Birkinshaw and Bouquet's (2008) research used control variables in their testing that included homogeneous cultural groups who share a common language. The current study, therefore, will contribute to the literature by analysing the different languages spoken in MNCs and their impact on subsidiary attention. An investigation will be conducted to prove whether language has been neglected in prior research or if the expectation of language's impact on business is overstated.

Through the distribution of questionnaires, this study will analyse responses from the subsidiaries' senior management directly dealing with headquarters and other subsidiaries. After the findings have been analysed, interviews will be conducted with executive HQ managers focusing on the key results from the questionnaires. This mixed method approach will ensure a balanced insight into the field of subsidiary voice and subsidiary-HQ relationships by documenting the views of both the subsidiary units and corporate headquarters. The methodology will be explained in more detail in Chapter Four of this paper.

Two main research questions have been developed from the literature. The first question is to what extent language has an influence on subsidiary voice and subsidiary-HQ relationships. The second question is how language shapes attention from HQ and will be tested against the following two premises:

1. Language as a source of social networks that influences subsidiary-HQ relationships
2. Language as a source of power that influences subsidiary-HQ relationships

1.4 Problem statement

The extent of the influence language has on subsidiary-HQ relationships, and the attention a subsidiary will enjoy as a result, has not been conducted specifically in previous research. An understanding of the matter is critical if

subsidiaries are to exploit the maximum amount of opportunities, irrespective of their significance within the organisation.

1.5 Research questions

Two main research questions are developed from the literature:

1. *To what extent does language have an influence on subsidiary-HQ attention and relationships?*
2. *How does language shape the attention received from HQ?*
 - a. *What is the relationship between language and social networks in subsidiary-HQ relationships?*
 - b. *What is the relationship between language and power in subsidiary-HQ relationships?*

The next chapter of this report will review the literature that support each of the research questions.

Chapter 2: Literature review

2.1 An introduction to language, subsidiary attention and subsidiary-HQ relationships

2.1.1 Subsidiary attention

MNCs are complex organisations known for their geographical and cultural dispersion combined with an intricate web of markets, structures and functions (Luo & Shenkar, 2006; Bouquet & Birkinshaw, 2008a). This not only illustrates the scarcity of attention available to subsidiaries, but also the importance for both HQ and subsidiaries to give or attract attention to the right matters. A critical question subsidiaries should focus on is how they could attract the most positive attention in the MNC to meet their objectives and establish their long term position in the company (Bouquet & Birkinshaw, 2008a).

Bouquet & Birkinshaw (2008a) identified two factors that affect the attention a subsidiary can attract from HQ executives, weight and voice. The weight of a subsidiary is dependent on its strategic importance or significance in the local market and its overall strength in the MNC web. Its foundation lies in the hierarchal structure and where the subsidiary is strategically positioned. Subsidiary voice on the other hand is a relationship-based perspective that is determined by the entrepreneurial effort of the subsidiary and by its ability to manage its reputation within the MNC network. It is argued that the intensity of a subsidiary's voice can be moderated by its strategic isolation. In this study, strategic isolation is said to be affected by a subsidiary's geographical location (the further away from headquarters, the softer its voice) and its competence in support versus operational functions (the lower the operational function competence, the softer the voice) (Bouquet & Birkinshaw, 2008a).

A salient component of Bouquet & Birkinshaw's (2008a) study is that voice and weight are not mutually exclusive, but rather heavily influenced by one another. Thus if an organisation does not have strategic significance due to its location in a saturated market, it can gain strength within the MNC by exercising its voice by impression management or initiative taking. Subsidiary voice can also be viewed in relation to two other theories or perspectives, namely Agency theory and Attention-Based theory.

Agency theory explains social relationships as interactions between a principle and an agent (Roth & O'Donnell, 1996). The agency problem arises when there is a misalignment between the principal and its agent's goals due to the difficulty or costly nature of monitoring the behaviour of the agent (Eisenhardt, 1989). Eisenhardt (1989) also suggested that this conflict can be mitigated by a high level of socialisation. A shared language facilitates relationships and increases socialisation between HQ and subsidiaries which is expected to mitigate conflict and strengthen the subsidiary-HQ relationship (Marschan-Piekkari et al., 1999).

The second theory applicable to subsidiary-HQ attention is the Attention-Based theory. The Attention-Based theory view organisations as systems where the attention is distributed and where actions and reasoning of individuals becomes unpredictable (Ocasio, 1997). The same author also defined attention as the *"noticing, encoding, interpreting and focusing of time and effort"* (Ocasio, 1997, p. 189). Other research has also defined attention as foreign subsidiaries that occupy the consciousness of managers (Bouquet & Birkinshaw, 2008a). The focusing of time and effort as described by Ocasio (1997) is also referred to as attention structures.

These attention structures include the various values, norms, belief systems and controls that are central to the way the organisation conducts business (Bouquet, 2005, p. 24). The literature argues that the allocation of an organisations time and effort is explained by the attention structures in a MNC. One of the principles identified by Ocasio (1997) alluded to the structural distribution of attention. A question was raised on how an organisation distributed and controlled the allocation of issues, decisionmakers and answers within its practices, procedures and communications. It further stated that it is dependent on the context in which decision-makers find themselves. The way attention is defined in a psychology context has been explained as attention that is given to familiar things and it is argued that it will be given to subsidiaries with a shared ethnicity and more specifically, language (Ocasio, 1997). The Attention Structure theory therefore requires further research to assess whether language impacts on the distribution of these allocations and how it affects the subsidiary-HQ relationship.

The level of attention a subsidiary enjoys is also impacted by the global mindset of the individuals within the organisation (Bouquet, 2005, p. 11). This author also defined attention as a condition of selective awareness (Bouquet, 2005, p. 16). Bouquet (2005, p. 18) further suggested that the choice of attention given to individuals is mostly silent and not done in a conscious state of awareness. This silent choice also refers to the ability of people to recognise patterns which are made possible through the use of mental schemes stored in one's long-term memory. This complements the concept of attention structures and the earlier definition given above by the discipline of psychology.

2.1.2 Subsidiary-HQ relationships

One of the key issues when studying MNCs are how to manage the subsidiary-HQ relationship effectively (Nohria & Ghoshal, 1994; Birkinshaw et al., 2000). It has also become more prevalent in recent years to view a MNC as an intricate web or as an inter-organisational network that needs to be managed (Birkinshaw et al., 2000; Luo & Shenkar, 2006; Bouquet & Birkinshaw, 2008a). Since subsidiaries and HQ rarely have the same motives it becomes even more important to study the power and influence these web of relationships hold. Much research has been conducted on the control problem in subsidiary-HQ relationships (Nohria & Ghoshal, 1994), but very little research has been conducted to establish whether language can influence the control mechanisms in these relationships.

Subsidiary voice can also be influenced by the evolution of the subsidiary's role in the MNC. Balogun et al. (2011) highlight the gap in the research that moves beyond the traditional view of control and resistance in subsidiary-headquarter relationships to focus on a deeper understanding of the nuances of subsidiary roles and voice. The role of language as a potential barrier to inter-organisational communication, cross-border team building and overall subsidiary-HQ relationships have not been sufficiently attended to in literature (Nohria & Ghoshal, 1994; Marschan-Piekkari et al., 1999; Harzing et al., 2010). However, research was conducted about the cultural behaviours of managers or subsidiaries across different countries that focused on coping mechanisms or factors influencing behaviours such as power or cultural distance. Nevertheless,

language as a source of power has been left somewhat unexplored (Marschan-Piekkari et al., 1999; Harzing et al., 2010).

2.1.3 Language

Misunderstandings can be caused by language when conducting business across multiple cultural and linguistic borders. Marschan-Piekkari et al. (1999) suggested that cultural and language differences not only get in the way of an effective flow of information but also constrain relationship-building between HQ and subsidiaries. Their study showed resistance from Finish HQ to visit Spanish subsidiaries due to the language barrier. The implication for such resistance are that subsidiaries had less opportunity of interaction with senior executives, which constrained profile-building within the subsidiary. A possible solution can be found in MNCs where expatriates from the home country are seconded to the various subsidiaries.

Marschan-Piekkari et al. (1999) suggested that these expatriates are used by local teams as conduits or mediators and alternatively sent by HQ to build informal communication networks within the organisation. In their case study of a MNC with HQ in Finland, the findings showed that although this practice could increase the source of power for the expatriate employee it was evident that non-Finish employees felt disconnected from decision-making processes as it created the perception that only Finnish nationals were promoted to top positions (Marschan-Piekkari et al., 1999). Language was found to be a powerful source of influence within the organisation often placing managers with Finnish language skills as intermediaries or gatekeepers, therefore, language can be a source of power that can increase the attention a subsidiary receives from HQ.

Another reason for a feeling of disconnection is language distance. Language distance occurs when a subsidiary feels disconnected due to its inability to speak the company language or parent-country language (Marschan-Piekkari et al., 1999). As explained in this study, parallels can be drawn between language distance and earlier concepts of business distance and physic distance.

A third concept that is critical to understand is what impact social networks have on subsidiary-HQ relationships and subsidiary voice and whether language has an impact on this. The fact is that various hierarchies can be created through languages in the organisation to influence the strength of a subsidiary's voice outside of its structures of control. Most globalised companies introduce a company or corporate language but even though there is a formal language in the organisation, it is found that the parent-language still takes precedence (Marschan-Piekkari et al., 1999)

However, these authors also clearly identified the need for further research into the influence of language on a MNCs decision-making, powerbases and performance. Harzing et al. (2010) indicated in their research that a study has not been performed with a parent company being from the origin of the company used for the current study and could provide a different context to the existing literature.

Effective communication is critical to enable the successful management of a MNC. Without a shared language, effective communication is impossible (Harzing & Pudelko, 2013). This highlights the important aspect of language as a topic for further study and thus it is argued here that it is critical for both business and literature studies on international business to look beyond geographic distance, control mechanisms and culture and explore the role language has in its own right on subsidiary-HQ relationships. Therefore, it is argued if effective communication is increased through the use of a shared language and effective communication strengthens subsidiary-HQ relationships, then a shared language should influence subsidiary-HQ relationships positively.

The first hypothesis proposed is:

H₁: A shared language will influence the subsidiary-HQ relationship positively.

The next sections will provide a review of the current literature and will create the context within which this study will be conducted. To answer the two research questions, a specific hypothesis will be identified. Language will be studied as an influence on subsidiary-HQ relationships through two lenses:

1. Language as a source of social relationships

2. Language as a source of power

2.2 Language as a source of social networking

This section will look at language as a means by which social networks and connections can be used to influence the strength of subsidiary-HQ relationships. As previously stated above, part of Social Identity theory describes how social networks influence HQ through the informal structures in a company. Language distance also influences a company's sense of closeness or connection to HQ. This results in an informal shadow structure being formed based on a company's language distance and social network that could increase its influence and thus relationship with HQ (Marschan-Piekkari et al., 1999).

Language differences can also influence the chosen communication methods used in MNCs (Harzing & Pudelko, 2013). The choice of communication methods can impact the social relationships within the MNC when for example a face-to-face conversation is preferred over an e-mail conversation. Thus language is a great tool for subsidiaries and HQ to form relationships and increase their sense of closeness within the dispersed MNC, no matter the geographical distance. Social Identity theory describes how social relationships can be used and it can be analysed through three components:

- social or informal networks
- expatriates
- ethnocentrism

Each of these components will be discussed in the following section as a justification and construction of a hypothesis.

2.2.1 Social networks

A shared language facilitates the personal relationships between subsidiaries and HQ (Marschan, Welch, & Welch, 1997). This shared language is expected to be more effective if it is shared between people speaking their primary (home) language and not necessarily both speaking a learned official company language. Owing to these language inadequacies in subsidiaries or HQ,

clusters are often formed to act as a tool to stay connected. It is also done when fears of a loss of status or values arise (Kumar & Jain, 2013). The clustering or formation of in and out groups is also described as Social Identity theory.

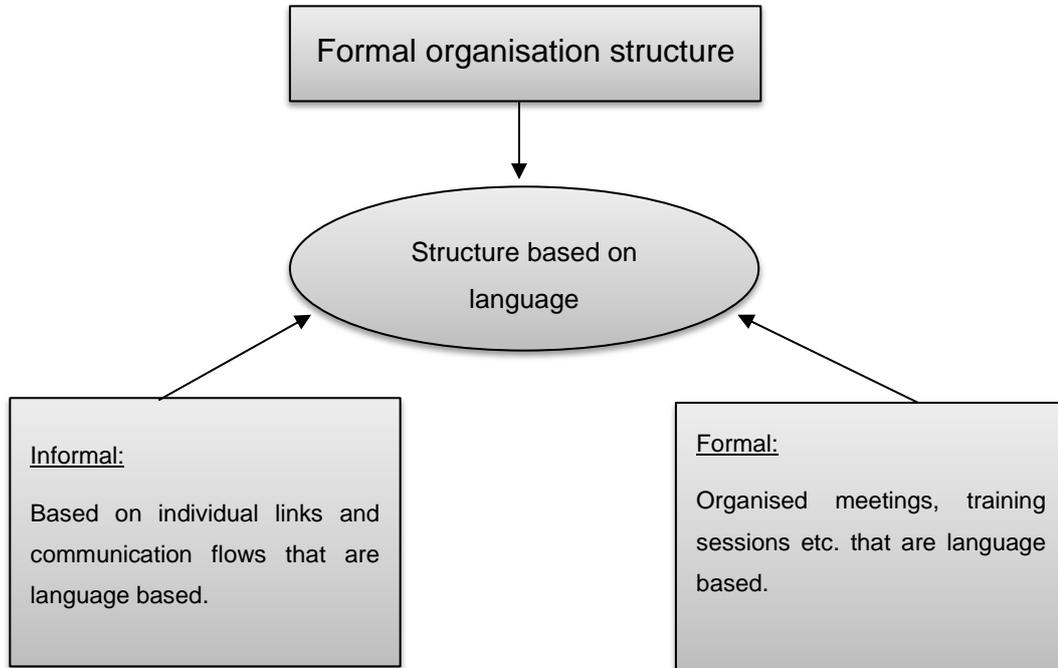
The Social Identity theory literature has shown that trust is nurtured by a shared identity (Barner-Rasmussen & Bjorkman, 2007) which refers to language, ethnicity, values or beliefs. Barner-Rasmussen & Bjorkman (2007) have established that language fluency and socialisation techniques are central to identity building which drives inter-unit trust. This notion of identity building is also one of the factors affecting subsidiary voice as identified by Bouquet & Birkinshaw (2008a). Therefore, language fluency and socialisation would help a subsidiary to build a profile that would attract more positive attention and strengthen the subsidiary-HQ relationship. Socialisation and clustering can result in the creation of informal structures within the MNC based on a shared language.

Ocasio (1997) studied the importance of organisational structures and its role in directing attention to the best growth opportunities in MNCs. Expanding on this research, Dutton & Ashford (1993) illustrated how key individuals can participate in or bypass these structures to attract the attention of executive management. The study conducted by Marschan-Piekkari et al. (1999) followed this suggestion and introduced the second structure or bypass mechanism formed in MNCs, namely shadow structures. Their findings indicated that staff with proficiency in certain languages were exposed to valuable networking opportunities and higher positions much more despite occupying lower positions in the formal structures of the company. Thus it is evidenced that language can impose its own structure within the company.

The same study performed by Marschan-Piekkari et al. (1999) set forth a diagrammatic model to illustrate how an official organisational structure can be converted into a shadow structure based on language clusters and also language distance (Figure 1). The shadow structure creates language clusters that enable individuals to act as mediators or nodes based on their language speaking abilities. Although Marschan-Piekkari et al. (1999) commented that

their analysis of Kone Company might not be generalised, it highlights the importance of testing the assumption on other MNCs. This study therefore, will attempt to contribute to the literature by aiming to fill this gap.

Figure 1: Language based organisational structure



(Source: Marschan-Piekkari et al., 1999)

Previous research has indicated that executive attention is gained through a combination of resourcefulness of key individuals and the organisational heritage or historical background (Galunic & Eisenhardt, 2001). In addition, people also interpret communication differently based on their individual frames of reference. Since this context of bounded rationality is influenced by one’s traditions, heritage, and experiences (Luo & Shenkar, 2006), such ethnic differences, therefore, distort the flow of critical information in an organisation (Marschan-Piekkari et al., 1999) which creates linguistic barriers that are said to impede relationship building within MNCs (Lauring, 2007).

Social Identity theory has proved that a shared identity fosters trust which in turn strengthens relationships between individuals or organisations (Barner-Rasmussen & Bjorkman, 2007) since individual language and accent have been a proven determinant of people’s reactions and can cause the formation of clusters within organisations. Previous research on language in MNCs has also established that a high degree of variance in language differences causes a

sense of disconnect which can cause the exclusion of certain units or individuals from each other's view (Barner-Rasmussen & Bjorkman, 2007). Consequently, it is suggested that a subsidiary that lacks the full comprehension and fluency of the official company or parent company language can feel disconnected from the organisation and then become excluded from important decision making processes. Moreover, this feeling of disconnection can weaken relationship-building within the organisation and as such decrease the trust between units or individuals.

Alternatively, it has been found that continuous, long term interactions between subsidiaries and their headquarters can bridge the language barrier by improving an understanding of one another and of inter unit trust (Barner-Rasmussen & Bjorkman, 2007). This can be made operational through regular visits, face-to-face interactions or expatriate deployment.

2.2.2 Expatriates

Expatriates (expats) are individuals that are sent to foreign countries to work. These individuals are mostly chosen in an organisation for their language skills that can be used to bridge the challenges of working with different language groups (Harzing & Pudelko, 2013). Although it is important for a MNC to send an expat with a high level of technical skills, knowledge transfer will be unlikely if there is no shared language.

Harzing (2001) identified three main roles an expat can play in an organisation namely a bumble bee, spider or bear. The bumble bee function is one of socialisation, the spider relates to informal communication and the bear function alludes to formal direct control (Harzing, 2001). The spider function is of particular interest to this study due to the importance established in the literature of the creation of informal communication networks used to influence information flows. Social Identity theory states that similar groups trust each other more quickly and thus it is suggested that expats have an inherent form of trust from headquarters based on these qualities. Moreover, it is these qualities that are central to the reason that expats are sent to foreign countries to embed the organisational culture, corporate policies and procedures and strategy.

Gatekeepers are people within the organisation who have access to and control over critical information through their ability to speak a certain language (Marschan-Piekkari et al., 1999). Expatriates can also act as gatekeepers but unfortunately the use of expats in foreign subsidiaries is not always beneficial. Language is said to have a big impact on the ability of gatekeepers to maintain their power (Marschan-Piekkari et al., 1999; Vaara, Tienari, Piekkari, & Santti, 2005). When parent country expatriates are deployed to subsidiary units in a management position, it can cause feelings of disconnection towards decision making and information exchanges for host country nationals (Marschan-Piekkari et al., 1999). This is mainly owing to the influence the expat exercised with his language competence and because of the host country nationals' feeling of exclusion from important discussions. In this way, language can enable expats to exert important means of influence and more power than is captured in their official job titles (Marschan-Piekkari et al., 1999). Employees may also perceive the role of the expat as an employee who is preferred for the senior position based on his ethnicity.

2.2.3 Ethnocentrism

To follow Social Identity theory, ethnocentrism is a belief that one's ethnicity is better than another person's ethnicity. Ethnocentrism can influence subsidiary-HQ relationships when HQ believes that people from their own country are better than others from foreign countries and *vice versa*. Studies have indicated that a perception is often created among foreign nationals that certain information exchanges of a confidential nature are communicated only in the parent-country language (Marschan-Piekkari et al., 1999). It was termed, the 'native mafia' and is known for the direct channel this group has to the top decision-makers. This type of ethnocentrism can lead to a block in inter-organisational communication and thus influence the voice of the subsidiary.

Ethnicity is referred to as relationships between members of a group who view themselves as unique. Moreover ethnicity is often ranked within society in social anthropological studies (Lauring, 2007) which is known as ethnocentrism. Some disagreement exist to the factors that make up ethnicity but most researchers agree that language groups, race or nationality create an ethnic

belonging (Lauring, 2007). Most research also agree on one point that ethnicity is based on the affiliation with social categories. It has been proved that people tend to have positive beliefs with their own groups and feelings of distrust towards other groups (Barner-Rasmussen & Bjorkman, 2007). It is also suggested that people associate themselves with certain characteristics in their surroundings that are familiar to them and where they feel comfortable as it reduces the uncertainty and complexity in their environment. This alludes to the difficulties faced in a dispersed MNC with varying levels of language differences.

As stated above, clusters are formed based on certain group identification criteria which have been suggested as part of the Social Identity theory (Kumar & Jain, 2013):

1. Cognitive components related to a sense of awareness of being part of a cluster or in-group
2. Evaluative components related to notions of value
3. Emotional components related to the emotional share in a and b

Some civil wars that broke out as a result of language met all three criteria listed (Kumar & Jain, 2013). A theoretical example to illustrate the concept would be if one country was divided in two due to the difference in ethnicity. Nationals of that country are aware to which group they belong depending on the language they speak and physical features that have. Owing to their heritage, they have a deep sense of value for the group. A war is started due to the combination between feeling part of something bigger and valuing it above all else. The presence of wars over language elucidates the importance of language and language differences in a globalised world. The more subsidiaries and headquarters can communicate fluently with one another, the higher the probability of finding commonalities that could increase perceived trust (Barner-Rasmussen & Bjorkman, 2007) and reduce conflict (Schotter & Beamish, 2011).

2.2.4 Hypothesis

This study will aim to build on the Social Identity theory to examine the influence of language on the formation of social networks that positively influence subsidiary-HQ relationships. The research question ask what the relationship between language and social networks is in subsidiary-HQ relationships. This can be tested through the following hypotheses:

1. *H_{2a}: Subsidiaries that have a common language with HQ (not official company language), will have greater social networks with HQ.*
2. *H_{2b}: Greater social networks based on common language will positively influence HQ attention on the subsidiary.*

2.3 Language as a source of power

Resource Dependency theory proposed that power comes from the control of scarce and critical resources (Schotter & Beamish, 2011). Interpersonal sources can also give rise to power in organisations as much as structure or resource dependency. Although subsidiaries are structurally dependent on headquarters, these entities possess the ability to influence and control certain situations within the MNC network (Luo & Shenkar, 2006; Bouquet & Birkinshaw, 2008b).

A clear distinction has been made between the goals (objectives pursued) and means (strategy and tactics pursued to meet objectives) (Bouquet & Birkinshaw, 2008b) to gain power in MNCs. Their conceptual framework included three main tools for subsidiaries to gain power – (a) achieving legitimacy, (b) access to resources and (c) gaining centrality. Two subsets of tools that can enable the means are challenging the status quo and entering political games. This framework helps to visualise the flow of power between the various players in the MNC, for our purposes, the headquarters and subsidiary units.

In following the research from Bouquet & Birkinshaw (2008b), Schotter & Beamish (2011) identified six types of power that stems from interpersonal sources, and these included legitimacy, reward, coercive, expert, referent and information power. Legitimacy, reward and coercive power stems from

authority and an individual's formal function in an organisation. Contrasting these types of power is expert, referent and information power. Expert power arises from an individual's ability to influence others through the knowledge he possesses. Language has been found as an informal source of expert power in MNCs (Marschan-Piekkari et al.,1999). Referent power is obtained via admiration by others and information power is obtained either through control over information accessibility and flow or the perceived ability to gain access to critical information during uncertain times. For the purposes of this study, the focus will remain on legitimacy, expert, referent and information power.

The traditional view in international business seems to be that subsidiaries must be (a) coordinated and controlled due to the large investments made by HQ and (b) the assumption that subsidiaries are inherently self-motivated (Dorrenbacher & Gammelgaard, 2011). The reality is that subsidiaries do hold some influential power within the MNC network (Mudambi, Pederson, & Andersson, 2013). Three types of subsidiary power are identified by Dorrenbacher & Gammelgaard (2011):

1. micro-political bargaining power
2. systemic power
3. resource-dependence power

The use of **micro-political bargaining power** follows the theories of Bouquet & Birkinshaw (2008a) around subsidiary voice. Subsidiaries use identity building and issue selling techniques to increase their voice in the MNC. Dorrenbacher & Gammelgaard (2011) highlights the weaknesses of this type of power as being short lived and easily countered by the strength of the bargaining ability of their HQ.

Systemic power stems from a subsidiary's capability in a specific part of the value chain and also supplements Bouquet & Birkinshaw's (2008a) moderator of strategic isolation discussed earlier in this paper. This type of power is also not particularly strong as HQ can transfer this to another subsidiary but it will be more difficult due to the knowledge and investment required (Dorrenbacher & Gammelgaard, 2011).

Three examples of **resource-dependence power** are: (a) Obtaining specialised knowledge, (b) the ability to solve complex problems and (c) local opportunities (Dorrenbacher & Gammelgaard, 2011; Mudambi et al., 2013). The ability of a subsidiary to gain control over critical resources in the MNC makes this type of power exceptionally strong.

In all three types of power, however, the role of language has not been explored specifically. How does language impact the micro-political bargaining power? Is language a critical resource? There is a need to gain a deeper understanding on these important questions. The three objectives integrating with the means of exercising power will be discussed in the next sub-section. Their relevance to the role of language in subsidiary voice and subsidiary-HQ relationships will also be explained.

2.3.1 Achieving legitimacy

Legitimacy has been defined as a perception that the actions of an entity are appropriate and desirable within a “socially constructed system of norms, values, beliefs and definitions” (Bouquet & Birkinshaw, 2008b). The authors also alluded to a possible reason for a lack of legitimacy when subsidiary units lie on the fringes of the world economy which follows on the thinking behind psychic distance.

Bouquet & Birkinshaw (2008a) indicated that a problem may arise whereby initiatives from subsidiaries are rejected because executives are reluctant to trust the ideas not directly received from HQ. Such a situation can cause a decline in subsidiary attention. Their study also suggested that a subsidiary can build a profile that demonstrates its credibility and reputation in the MNC network. Building on this notion is the research conducted by Dutton & Ashford (1993) and Galunic & Eisenhardt (2001). Both these latter studies showed that subsidiaries that can create a perception of strategic importance and legitimacy can increase the level of attention they attract from executive management.

The concepts of trust and legitimacy seem to be interrelated. Research suggests that political games are played in MNCs where groups that share certain similarities, and as result a sense of trust, support each other with

building legitimacy through impression management (Marschan-Piekkari et al., 1999; Bouquet & Birkinshaw, 2008b). Therefore, the use of specific languages, included as a factor for sharing similarities, at a subsidiary level can also help to establish legitimacy (Luo & Shenkar, 2006).

Following on the Social Identity theory, the literature showed that a shared identity fostered trust, communication and a shared understanding (Barner-Rasmussen & Bjorkman, 2007). As explained previously, the theory suggests that members find ways in which to distinguish themselves within groups. It is argued that individuals sharing a language are more likely to share the same norms, rules, perceptions and values which will increase trust amongst each other as a result. This increase in trust, therefore, could increase the perceived legitimacy which can lead to an increase in subsidiary attention.

2.3.2 Access to critical resources

Executive attention from headquarters has been explained as a scarce and critical resource (Bouquet & Birkinshaw, 2008a). The implication of this is significant for the strategic direction and growth opportunities for both the HQ and the subsidiaries. In a multilingual MNC, having access to key languages and information can also be seen as a scarce resource (Luo & Shenkar, 2006). Bouquet & Birkinshaw (2008b) explains three factors that become important when assessing if something is a critical resource:

1. It must be important to those controlling the power at present
2. It must be scarce
3. There must be a high level of competition for control

Power games fill the decisions of MNCs during budgeting, head count decisions and the allocation of critical resources (Bouquet & Birkinshaw, 2008b). Subsidiaries can decide whether to involve HQ through good citizen behaviour (legitimacy) or act as gatekeepers who control the flow and representation of information or resources to HQ. Using a specific language can limit or enable a subsidiary's ability to communicate, negotiate and it lowers its access to critical information which in turn leads to a reduction in its power (Luo & Shenkar, 2006). This influences the amount of power a subsidiary holds in the MNC

network. Linguistic distance, therefore, has shown to have a significant effect on the way HQ allocate resources (Dellestrand & Kappen, 2012).

It is argued here that using the parent company language will increase trust between subsidiaries and HQ which will enable their ability to communicate, negotiate and increase its access to critical information. This is expected to lead to an increase in power and an increase in subsidiary attention.

2.3.3 Gaining centrality

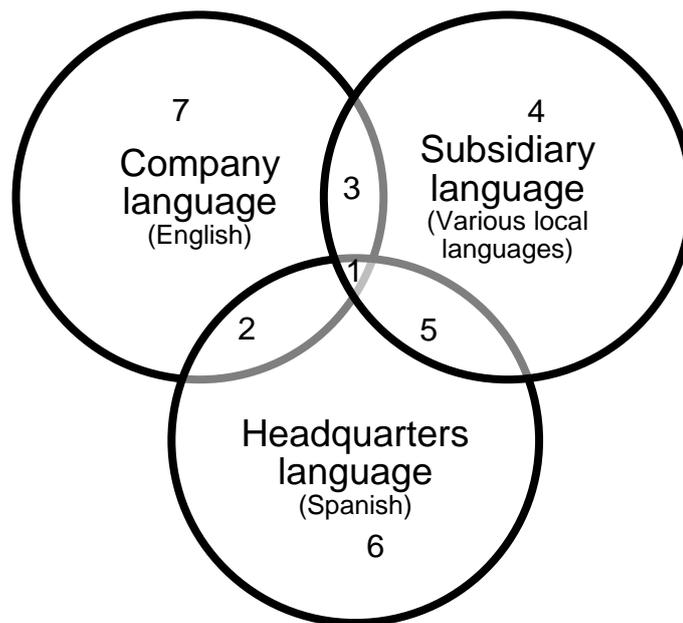
In a complex MNC it is critical to understand the importance of networks and social relationships that exist (Bouquet & Birkinshaw, 2008b). Parties that are central to the organisation are said to have better channels to control the flow of information. These parties need to be intertwined to gain power as it is not necessarily the ownership of critical resources that is valuable, but rather their social network that is the critical resource. This also links to the literature on gatekeepers and expatriates. Expatriates are often used as mediators in MNCs where the subsidiary language is not the same as the parent language. These nationals are also deployed to subsidiary countries in many instances to overcome the language problem (Marschan-Piekkari et al., 1999). The composition of top management also provide an indication of centrality within the organisation.

HQ recruits staff for top positions, whether based in HQ or subsidiaries, due to their boundary spanning abilities. Schotter & Beamish (2011) identified individuals that are boundary spanners who are critical for conflict management and the fostering of subsidiary-HQ relationships. These individuals have the ability to transfer knowledge and group organisations from various hierarchical and functional levels together which can enable the bridging of perception gaps. According to previous research, boundary spanners often take up the position of Subsidiary General Manager and have a balanced view on both HQ and subsidiary perspectives. Previous research has shown that it is a recurrent phenomenon that parent companies appoint parent country nationals in top management positions (Schotter & Beamish, 2011) but owing to their length of service and boundary spanning abilities. For the subsidiary, therefore, this is

expected to increase the attention it receives as well as increase its subsidiary voice.

Marchan-Piekkari et al. (1999) expanded on this notion (see Figure 2 below) by creating a diagrammatic model that depicted the power of language in a few different ways:

Figure 2: The power of language



(Source: Marschan-Piekkari et al., 1999)

It can be seen from the model, the ideal power for any player in the MNC to obtain is that of position 1 in Figure 2. This will enable the player to speak all three languages of importance. The worst position is that of position 4 which is prevented from conducting any non-subsidiary tasks. Language competence can thus provide a strong means of power in an organisation (Welch, Welch, & Marschan-Piekkari, 2001).

Although the power of individuals has been discussed, the sum of all individuals' language competencies will be the organisations language competency. In linking centrality to the underlying principles of trust and the Social Identity theory, it can be inferred that the trust given to individuals in an organisation can increase its centrality not just in the subsidiary but in the MNC network. This centrality is expected to lead to an increase in subsidiary voice.

2.3.4 Hypothesis

The literature review in this chapter justifies the great need to understand the impact language has on the ability of a subsidiary to gain power in the MNC network. In building on this notion, two hypotheses are proposed:

1. *H_{3a}: Subsidiaries that have a common language with HQ (not official company language), will have greater power in the organisation.*
2. *H_{3b}: Greater power based on common language will positively influence HQ attention on the subsidiary.*

2.4 Chapter conclusion

The complexity of MNCs contribute to the scarcity of attention given by HQ to subsidiaries. An important objective for all subsidiaries should be on how they could attract the most positive attention from HQ to ensure they capture all opportunities in the market, meet their objectives and establish their long term position in the company.

Perception gaps between the role of the subsidiary and HQ in attracting and providing attention could influence the subsidiary-HQ relationship. These perception gaps can cause great conflict between subsidiaries and HQ if not understood and managed appropriately. The literature argues that an organisation's ability to allocate attention to certain issues is explained by the attention structures in the organisation which include the various values, norms, belief systems and controls central to the operation. Similar to the attention structures, the Social Identity theory explained that the allocation of attention is influenced by one's familiarity with another party's ethnicity. Ethnicity could include language, therefore, it is important to examine the influence language has on the constructing of subsidiary-HQ relationships and attention.

Effective communication is critical to enable the successful management of a MNC and can provide a subsidiary with a manner to establish social networks or positions of power in the organisation. These two factors determine the extent to which language influences subsidiary-HQ relationships positively. Social networks include the relationships built due to ethnic clustering that is formed through ethnocentrism, expatriate deployment and gatekeeping. Power

is established through achieving legitimacy, gaining centrality and access to critical resources. Language have not been studied as an influence on subsidiary attention or subsidiary-HQ relationships and the literature review has proved the gap in the literature. This study aim to contribute to literature by filling this gap and providing deeper insights into language as a factor to be considered in MNCs and subsidiary-HQ relationships. The following Chapter will summarise the research questions and hypotheses constructed from the literature review in a diagrammatic model.

Chapter 3: Research questions and hypotheses

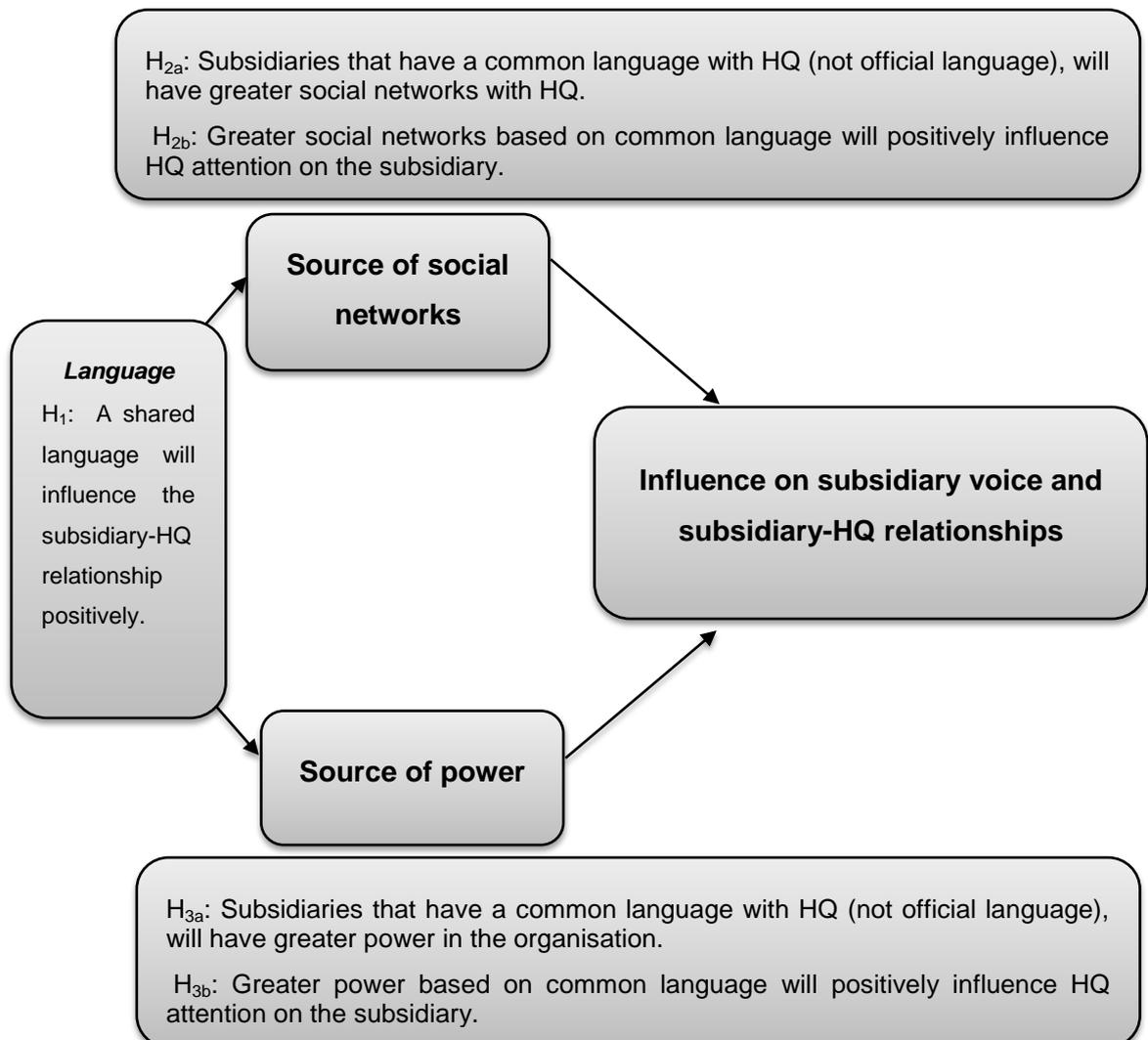
3.1 Introduction

The research problem seeks to investigate whether language has an influence on subsidiary voice and subsidiary-HQ relationships. Five hypotheses are put forward in this study with the aim of finding answers to the research questions. They stem from the literature review in Chapter Two of this study that discussed language as a source of social networking and power and its influence on subsidiary voice and subsidiary-HQ relationships.

3.2 Hypotheses statement

The hypotheses can be illustrated by Figure 3 below:

Figure 3: Illustration of hypotheses



3.3 Hypotheses summary

3.3.1 To what extent does language have an influence on subsidiary-HQ relationships and attention?

A core issue studied in international business (IB) is that of subsidiary-HQ relationships and more recently perception gaps in this relationship was explored (Birkinshaw et al., 2000). Perception gaps can become prevalent when there is a difference in how the subsidiary and HQ views one another's roles in the organisation. An effect of getting insufficient attention from HQ can cause a weakened subsidiary-HQ relationship. This happens through a widening of perception gaps between HQ and subsidiaries when subsidiaries underestimate or overestimate their role due to the attention they receive. Therefore, it is important to study the various factors that can influence subsidiary voice and the subsidiary-HQ relationship, more specifically language. The first hypothesis is:

H₁: A shared language will influence the subsidiary-HQ relationship positively.

3.3.2 How does language shape the attention received from HQ?

What is the relationship between language and social networks in subsidiary-HQ relationships?

Previous research suggested that language differences can get in the way of an effective flow of information as well as constrain relationship building between headquarters and subsidiaries (Marschan-Piekkari et al., 1999; Luo & Shenkar, 2006; Barner-Rasmussen & Bjorkman, 2007). These studies explained that the higher the language differences were, the more difficult it became to foster solid relationships and trust. This, therefore, makes it critical to explore the influence of language on social networks and subsidiary-HQ relationships through asking the following:

1. *H_{2a}: Subsidiaries that have a common language with HQ (not official language), will have greater social networks with HQ.*
2. *H_{2b}: Greater social networks based on common language will positively influence HQ attention on the subsidiary.*

What is the relationship between language and power in subsidiary-HQ relationships?

Power can be obtained through the achievement of legitimacy, controlling of critical resources and becoming central to the strategic networks in the organisation (Bouquet & Birkinshaw, 2008b). These studies have mainly been focused on gaining power through networks, performance and having access to physical resources (assets) or intangible resources (contacts, talent, knowledge). How language influences power have not been explored in the context of subsidiary-HQ relationships. Therefore, it is important to answer the following two questions:

1. *H_{3a}: Subsidiaries that have a common language with HQ (not official language), will have greater power in the organisation.*
2. *H_{3b}: Greater power based on common language will positively influence HQ attention on the subsidiary.*

3.4 Chapter conclusion

The above hypotheses enabled the researcher to effectively answer the research questions and to solve the research problem.

This study aims to understand the influence language has on the subsidiary-HQ relationship and the attention HQ allocate to subsidiaries. It is hoped that the understanding of these concepts will extend the literature to a field not widely researched and also assist businesses to understand how attention is allocated and the impact language has on these relationships.

The following chapter explains the method that was used to answer the hypotheses proposed in this chapter.

Chapter 4: Research methodology

4.1 Introduction

To enable an understanding and test the proposed hypotheses from the previous chapter, a mixed method approach was taken to reflect a balanced view both from subsidiaries and from headquarters. Osborne (2008) suggested that a fact or occurrence is best understood when examined from various perspectives. A mixed method approach is one that combines a quantitative and qualitative research design (Sale, Lohfeld, & Brazil 2002; Johnson & Onwuegbuzie, 2004; Leech & Onwuegbuzie, 2009). The research problem explained that language will have an impact on subsidiary-HQ relationships and therefore, it is important to gain the perspective both from subsidiaries and from HQ.

The amount of subsidiaries within the company and the time constraints within which the research had to be conducted, called for a quantitative approach through the distribution of questionnaires. Executives from HQ were more willing to engage in a one hour interview than to complete a questionnaire, thus more reliable data could be collected by conducting interviews. The sensitive nature of questions, specifically for HQ was also best thought to be asked in an interview where terms could be explained better. In this manner some of the limitations of the research could be reduced. Therefore, a mixed method approach proved to be more value adding to the literature.

An online questionnaire was distributed to general and functional level managers from subsidiaries. Semi-structured interviews were conducted with headquarter executives after all questionnaires were received and analysed. Data from one MNC was collected and included responses from subsidiaries from 21 different countries. The parent company is situated in Spain. The official company language is English, the parent language is Spanish and over 15 various languages are spoken within subsidiaries.

This chapter will be used to introduce and explain the reasoning behind choosing the various methods of analysis and research design. The population will be described as well as the unit of analysis. The chapter will conclude with

a description of the reliability and validity of the research as well as its limitations.

4.2 Research design

Most research conducted in this area has been qualitative, case based research due to the exploratory phase of the topic (Harzing & Pudelko, 2013). Although qualitative research provides deeper insights into fields such as in the current study, a need existed to test the impact a shared language has on subsidiary-HQ relationships through power and social networks quantitatively. Harzing & Pudelko (2013) argued that research on language themes in MNCs have reached a maturity level that was in need of quantitative testing. Other researchers agreed that there was a great need to conduct quantitative analysis on language that can advise on the validity of claims made in qualitative research conducted (Barner-Rasmussen & Aarnio, 2011; Harzing & Pudelko, 2013).

Subsidiary-HQ relationships should be analysed from both sides of the relationship (Hurmerinta-Peltomaki & Nummela, 2006). For this reason, a partially mixed, sequential, quantitative dominant mixed method approach will be used to solve the hypotheses (Leech & Onwuegbuzie, 2009). This mixed method approach is best suitable when various viewpoints and perspectives are to be explored and it is considered a popular method when conducting social or behavioural studies (Sale et al., 2002; Hurmerinta-Peltomaki & Nummela, 2006; Johnson, Onwuegbuzie, & Turner, 2007). The reason for choosing a mixed method design (Johnson, Onwuegbuzie, & Turner, 2007) was that it would be to:

- enable confirmation of findings (triangulation)
- provide richer data (complementarity)
- increase confidence levels

Quantitatively dominant mixed method research relies on a “*quantitative, post-positivist view of the research process*” (Johnson et al., 2007, p.124) while simultaneously acknowledging that the addition of qualitative data will provide breadth to the research findings. There are many benefits in using a mixed

method approach. If a hypothesis have been confirmed by more than one measurement process, it reduces the uncertainty surrounding its interpretation greatly (Johnson et al., 2007). Other benefits for using the mixed-method approach in the current study lay in the fact that the bias and possible error from the data sources would be reduced or eliminated through the use of between-method triangulation (Johnson et al., 2007; Saunders & Lewis, 2012). A further more salient benefit was the exploring of perception gaps between subsidiaries and headquarters (Birkinshaw et al., 2000). For the purposes of this study, sequential triangulation was used where the results from the questionnaire formed a basis for defining the questions used for the in-depth interviews.

Quantitative analysis was conducted through self-administered online questionnaires to gain the perspective of subsidiaries whereas a qualitative, interview-based method was used to gain insights from the HQ perspective on the proposed research problem. The interviews conducted followed the same questions as for the online questionnaire but was guided by the results received from the subsidiaries. The interviews allowed one to collect data on a proposed problem from the individual perspective and as such provided depth to the findings from the quantitative analysis (Peltokorpi, 2010). The questionnaire is included in Appendix 1.

4.3 Unit of analysis

The chosen unit of analysis was the relationship between headquarters and its subsidiaries.

4.4 Population

A single MNC was chosen on which to conduct the study as this would remove possible confounding variables such as organisational culture, industry and operating models. All the top level management staff was e-mailed a questionnaire. A full list of all the members of the population was known (Saunders & Lewis, 2012) and respondents from the whole sampling frame participated. Although only one MNC was used, the fact that respondents came from 21 different countries, both developed and emerging, increased the

generalisation of the findings while it also allowed the analysis of the differences between responses (Barner-Rasmussen & Bjorkman, 2007).

The MNC under review has subsidiaries in over 40 countries worldwide. To avoid errors in response due to translations, it was decided that all Regional Directors would be sent the questionnaire and it was imperative that they all responded (they are all proficient in English) on behalf of all the countries they oversee. Although there were limitations to this approach, it was the best method of data collection that could be used in such a large company with such diversity. This method was also widely used in studies of international business and more specifically subsidiary-HQ relationships (Harzing & Pudelko, 2013). Other respondents invited to participate included the executive management teams from subsidiaries as they are in most direct or indirect contact with HQ.

4.5 Research instrument

The following section will explain the process followed to design and distribute the questionnaire as well as the reasoning behind the interview questions.

4.5.1 Questionnaire design

The study required the collection of data about the impact of language on subsidiary-HQ relationships and the attention given by HQ to subsidiaries. Very little research has been conducted on the topic as described in Chapter Two, thus questions used in the survey were developed based on the literature study. It also included questions from studies conducted by Marschan-Piekkari et al., (1999), Barner-Rasmussen & Bjorkman (2007); Harzing et al., (2011), Harzing & Pudelko (2013) and the GLOBE project that was adapted to fit this research problem (House et al., 2002).

The first eight questions were demographic questions used to describe the population. Although it was advised that these questions ought to be answered last in a questionnaire (Saunders & Lewis, 2012), the contentious nature of the questions that called for informative questions to be asked first overrode the advice in order to put the respondents at ease (Rattray & Jones, 2005). These questions enabled the split of data between Spanish and non-Spanish

respondents, nationalities and positions with the aim of analysing the differences in responses.

From the literature review, social networks and power were identified as two factors that can explain the extent of influence language has on subsidiary-HQ relationships. The questionnaire was mainly focused on examining these two factors. Questions were mixed between these two factors to reduce respondents' irritability or complacency when answering questions. A five-point Likert scale was used for all non-demographic questions. This is the recommended scale when trying to measure attitudes or opinions (Rattray & Jones, 2005). These scales measured the levels of agreement or disagreement with certain statements. The option of neutral was included to reduce respondents' irritability and non-response bias. Allowance was made for free-text (open-ended) answers to provide more breadth in certain areas.

The questions relating to power were broken down into themes of:

- credibility and legitimacy
- centrality in terms of formal position and success
- access to critical resources

The themes listed above were aligned to the literature review in Chapter Two. A total of 15 questions were asked on these themes to test whether power was influenced by a shared language and how this impacted on the subsidiary-HQ relationships. The questions were also mixed to test specifically what the impact of sharing the parent language (Spanish) was compared to sharing the official company language (English). Questions were also phrased to test the perspective of an individual compared to a subsidiary unit.

Social networks were tested using themes of:

- trust
- ethnocentrism
- shadow structures
- gatekeepers
- expatriate deployment

These themes were also identified in Chapter Two. A total of 15 questions were asked on these themes to test whether social networks were influenced by a shared language and how this influenced the subsidiary-HQ relationships. The questions were mixed in a similar way to the questions relating to power.

An online tool, Survey Monkey, was used to develop the questionnaire into a user-friendly, internet based tool. Prior to sending the online link to all respondents via e-mail, one of the HQ executives sent out an introductory e-mail to all managers at subsidiary level encouraging them to participate in the study. A reminder was sent out after two weeks to all respondents that had not responded with the aim of increasing response rates.

4.5.2 Pilot testing the questionnaire

The questionnaire was sent to four individuals to test before officially launching it to potential respondents. This pre-testing of the questionnaire enabled the researcher to check for any possible errors in the design and the comprehension of questions and instructions (Saunders & Lewis, 2012). The pilot survey did not indicate any misunderstandings, and feedback received from respondents revealed that the tool was easy and quick to use.

4.6 Data collection

A questionnaire was used to obtain similar information from a potentially large number of respondents (Saunders & Lewis, 2012). The questionnaire was developed using the literature study discussed in Chapter Two as a framework and designed in English only. It was developed into a self-administered online-version through the use of an electronic survey tool. The online tool made the collection of data and analysis easier as it already contained coding required for analysis purposes. The tool also ensured anonymity.

To increase the response rate, an e-mail was sent out as an introduction to the impending questionnaire by an executive from HQ encouraging managers to participate (Harzing, 2000; 2009). Questionnaires were initially sent out and a reminder was distributed to all respondents who had not yet completed the questionnaire. The time-frame for the questionnaire was made over a month from the initial distribution but as this overlapped with the company's summer

holidays, it negatively affected the response rates within the deadline. The deadline was therefore extended to allow more respondents to complete the survey. Incentives to complete the survey included an offer to view the results and an e-mail from an executive HQ manager stating the importance of the research to the company. The overall response rate was 61%. After excluding incomplete responses, the response rate decreased to 49% which was well above the average response rate in international surveys of between 6% and 16% (Harzing & Pudelko, 2013).

The questionnaire included a Likert-scale combined with some open-ended questions to increase breadth of the data collected. The five-point Likert-scale was used in the following format:

1 – Strongly disagree

2 – Disagree

3 – Neutral

4 – Agree

5 – Strongly agree

The questionnaire can be found in Appendix 1.

The interview questions were guided by the findings from the questionnaire and posed similarities to the questionnaire (sequential triangulation) (Leech & Onwuegbuzie, 2009). Semi-structured interviews were conducted and were directed jointly by predefined topics and the answers obtained from participants (Saunders & Lewis, 2012, p. 151). As all executives were fluent in English, all interviews were conducted in English. Six of the nine executive managers from HQ were interviewed, including the Chairman of the company for the last 20 years. Qualitative data was not coded and analysed but rather used in a supporting role to the quantitative analysis to provide breadth and depth to the research findings (Rattray & Jones, 2005).

4.7 Data analysis

Demographic information was obtained using the first eight questions from the questionnaire and produced descriptive data in a quantitative form. The statistical tool from IBM, Statistical Package for the Social Sciences (SPSS) was used to analyse all data. A file was extracted from Survey Monkey (online questionnaire tool) and imported into SPSS. All coding was completed by SPSS and verified as accurate and complete. All variables were renamed and clear labels were added which made the analysis easier. The data matrix was checked for illegitimate codes and illogical relationships (Saunders & Lewis, 2012).

The data collected was numerical and described using the means (central tendency) (Saunders & Lewis, 2012). The hypotheses aimed to measure the relationship between certain variables:

- Shared language and subsidiary-HQ relationships
- Social networks and the parent language
- Social networks and a shared language
- Power and the parent language
- Power and a shared language

Because more than one variable existed, the analysis was extended to include correlation analysis and multiple regressions for hypotheses on power and social networks (Saunders & Lewis, 2012). This coincides with previous quantitative analysis conducted on the language and subsidiary-HQ relationships theme (Birkinshaw et al., 2000; Morand, 2000).

4.7.1 Dependent variables

Subsidiary-HQ relationships were used as the dependent variable. Subsidiary-HQ relationships in this context were defined as the influence of positive attention a subsidiary receives from its HQ.

4.7.2 Independent variables

Three independent variables were used in the analysis of data:

1. **Shared language** that included the sharing of either the parent or company language and included all levels of proficiency.
2. **Power** that was measured through legitimacy, access to critical resources and gaining centrality.
3. **Social networks** that included ethnocentrism, informal or shadow structures, the use of expatriates, clustering, identity building and the fostering of trust and social relationships.

4.7.3 Statistical analysis methods

Three main statistical analysis methods were used to prove the hypotheses, a means comparison between groups, a Pearson's correlation analysis and a multiple regression analysis. These will be discussed in detail in the following subsections.

Means comparison

Respondents were split between Spanish and non-Spanish speaking individuals (based on their primary language). Specific questions were chosen from the questionnaire in order to answer the hypotheses. The mean score for each question was split between these two groups and compared. A comparison of means were best suited to explain and describe a phenomenon where one has numerical data that is split into two groups using a categorical variable such as language (Saunders & Lewis, 2012). A full t-test was not conducted due to the whole population being tested rather than a random sample in each group (Saunders & Lewis, 2012). SPSS was used to calculate the means for both groups. This type of analysis also enabled the researcher to address perception gaps between groups.

Correlation analysis

The research questions and hypotheses aimed to measure the relationship between a subsidiary-HQ relationship and shared language, power and social networks. A Pearson correlations coefficient was calculated for both the independent variables (power and social networks) to establish the strengths of the relationship between each of them and the dependent variable (Osborne,

2008; Weiers, 2011). It is assumed that the data underlying the rating scale is normally distributed. A significance level of $p=0.05$ was used.

If r was positive, it would indicate that the dependent and independent variable was directly related, thus if shared language increases, power and/or social networks will increase. The correlation also aimed to measure the strength of this relationship. The closer r was to an absolute one (positive or negative), the stronger the linear relationship between the dependent and independent variables (Weiers, 2011). SPSS was used to calculate the correlation matrix.

Multiple regression analysis

The research must go beyond only reviewing the strength of the relationship between variables to one that aims to determine the linear relationship between variables. A multiple regression model was used as opposed to a simple linear regression due to the multiple independent variables present in the current study (Weiers, 2011). The significance test was conducted based on an ANOVA test. The ANOVA test included the degree of freedom and F-statistic. A significance level of $p=0.05$ was used.

4.8 Reliability tests

A Cronbach's alpha was used to measure the internal consistency and reliability of the questions used for each construct (Osborne, 2008). When using Likert scales, it is imperative to use Cronbach's alpha to measure internal consistency (Galiem & Galiem, 2003). If the Cronbach's alpha is above 0.7, this implies that the majority of the variance in the total combined score is due to true score variance and not due to error variance (Galiem & Galiem, 2003). The advantage of using the Cronbach's alpha is that one score can be obtained for the inter-related reliability of multiple questions from the questionnaire. The major drawback is that any question with a missing answer will be excluded from the analysis (Osborne, 2008).

Hypothesis 1: A shared language will influence the subsidiary-HQ relationship positively.

The extent to which language has an influence on subsidiary-HQ attention and relationships was measured using the responses from an open-ended question

combined with a question from the questionnaire. As so few questions were used to test the hypothesis, a Cronbach's alpha was not required to measure reliability (Osborne, 2008).

Hypothesis 2_a: Subsidiaries that have a common language with HQ (not official language), will have greater social networks with HQ

The Cronbach alpha for those questions testing hypothesis 2_a was 0.806 which was above the accepted score of 0.7 (see Table 1 below) which indicated a high level of internal consistency in the scale used.

Table 1: Cronbach's alpha for Hypothesis 2_a

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0,806	0,806	11

The statistics were run on all variables to validate how the Cronbach's alpha score could be improved further if a variable was removed (Table 2). It showed that the Cronbach score could be increased to 0.812 if the question on the use of mediators was removed as a variable. It is important to compare the means for this specific question to establish the perceptions of the various groups and for that reason it was decided to retain the questions as part of the analysis.

Table 2: Cronbach's alpha if item deleted for Hypotheses 2_a

	Cronbach's Alpha if Item Deleted
Individuals sharing a common language are more likely to share the same norms, values, rules and perceptions	0,774
Sharing a common language increases trust between individuals	0,795
In this organisation a person's influence is based on: their relationship with important individuals	0,797
The trust relationship between headquarters and subsidiaries will strengthen if both parties spoke the same language	0,775
I trust people more that look like me and speak like me	0,783
People speaking Spanish have a closer relationship with headquarter executives	0,805
Spanish national expatriates are deployed to subsidiaries to build an informal communication network	0,782
Spanish national expatriates are deployed to subsidiaries to act as mediators or gatekeepers	0,787
Spanish national expatriates are deployed to subsidiaries to overcome the language barrier	0,790
There are gatekeepers in my organisation	0,789
When staff cannot communicate in Spanish, they often make use of Spanish speaking contacts to convey their message	0,812

Hypothesis 2_b: Greater social networks based on common language will positively influence HQ attention on the subsidiary

The questions combined to test Hypothesis 2_b, indicated a Cronbach alpha of 0.743 which was above the accepted norm of 0.7 (Table 3). Due to the number of questions used to test the hypothesis, it was not required to run the impact on the Cronbach's alpha if one variable was to be removed.

Table 3: Cronbach's alpha for Hypothesis 2_b

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0,743	0,743	2

Hypothesis 3_a: Subsidiaries that have a common language with HQ (not official language), will have greater power in the organisation

The questions relevant to test hypothesis 3_a, indicated a Cronbach alpha of 0.919 which was above the accepted norm of 0.7 (Table 4). If the question testing the perception of respondents on the top management structure was deleted (Table 5, the score could be increased to 0.926 but for the purposes of this study it was important to view these perceptions.

Table 4: Cronbach's alpha for Hypothesis 3_a

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0,919	0,920	9

Table 5: Cronbach's alpha if item deleted for Hypothesis 3_a

	Cronbach's Alpha if Item Deleted
In this company, legitimacy / credibility is mostly affected by a shared language	0,920
Your ability to speak Spanish will increase your credibility / legitimacy within the company	0,905
In this organisation a person's influence is based on their ability to understand the Spanish way of doing business	0,908
In this organisation a person's influence is based on their ability to speak and understand Spanish	0,900
Being unable to speak Spanish can influence your access to critical resources from headquarters	0,906
Your power is higher in the organisation if you can speak Spanish	0,900
In this organisation, Spanish nationals are more likely to serve in a position of high office	0,908
Speaking Spanish will enable success in the organisation	0,908
Senior management positions perceived to be filled by Spanish nationals	0,926

Hypothesis 3_b: Greater power based on common language will positively influence HQ attention on the subsidiary

The questions required to test hypothesis 3_b, indicated a Cronbach alpha of 0.645 which was below the accepted norm of 0.7 (see Table 6 below). No considerable improvement could be obtained if an items was deleted. The score was found to be acceptable for the purposes of this study as it was not far from the accepted norm of 0.7.

Table 6: Cronbach's alpha for hypothesis 3_b

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
0,645	0,645	2

4.9 Ethical considerations

Due to the sensitive nature of the research, all respondents' names and their responses were kept confidential. Both for the questionnaire and interview, respondents signed a consent form. These can be found in Appendices 1 and 3.

4.10 Limitations

It is recognised that the findings of this report were based on a single case company, which limited the generalisation that may be drawn from the conclusion. To mitigate the effect of this limitation, the findings were compared to the findings from Marschan-Piekkari et al.'s (1999) research for commonalities.

As the language used in the questionnaire was English, it might have impacted the quality of the data collected as 93% of respondents' primary language was not English. This means that the richness and quality of the interview might also have been impacted since it was conducted in a language not native to the respondent (Harzing et al., 2010) and this could also reduce its reliability. According to a study, the response styles are also different between countries which can increase response errors (Harzing, 2009). Response bias could be reduced through standardisation but important and true differences between countries and languages would also then had to be eliminated from the study.

Owing to the sensitive nature of the research, response errors could also have been encountered because of some intentional falsification. For instance, a fear could have been experienced by subsidiaries that power play or preferential treatment might have been exposed through their answers. Questions were, however, framed in such a manner that it was neutral, objective and sensitive to political interpretation.

The semi structured interviews could have been influenced by the presence of the researcher. Since the research problem was a potentially contentious one, people could behave differently because they knew they were being researched (Peltokorpi, 2010). One concern of the researcher was that being from a non-

Spanish subsidiary her ethnicity and nationality could possibly influence the respondents' bias and the results.

4.11 Chapter conclusion

This chapter elaborated on the research methodology used to test the proposed hypotheses. The research methodology defined the research design, sampling frame, research measurement tool (questionnaire design, pilot test), statistical analysis techniques employed and also tested the reliability of data collected and the tools used. The limitations of the research were discussed to reflect the researcher's awareness of the implications on the results and interpretations thereof.

The results of the questionnaire and interviews will be presented in the next chapter.

Chapter 5: Results

5.1 Introduction

This chapter highlights the main findings from the data collected and aims to address the following hypotheses:

1. H_1 : A shared language will influence the subsidiary-HQ relationship positively.
2. H_{2a} : Subsidiaries that have a common language with HQ (parent language) will have greater social networks with HQ.
3. H_{2b} : Greater social networks based on a common language will positively influence HQ attention.
4. H_{3a} : Subsidiaries that have a common language with HQ (parent language) will have greater power towards HQ.
5. H_{3b} : Greater power based on a common language will positively influence HQ attention.

This chapter firstly provides descriptive statistics relating to the population after which results obtained from a means comparison between Spanish and non-Spanish respondents will be discussed. In addition, the Pearson's correlation will be presented. The main analysis will be based on mean comparisons between various groups such as:

- primary or home language
- nationality
- position

This will be done to examine the differences in perception from respondents belonging to the various groups and to try and identify the extent of the influence of language on subsidiary-HQ relationships. Open-ended questions and data collected from interviews will also be presented with the aim of providing depth as well as a balanced perspective on the proposed hypotheses. The various tests for each hypothesis will be discussed under the heading of the relevant hypothesis, followed by a brief conclusion.

5.2 Population and demographic characteristics

The respondent population that took part in the questionnaire included respondents from 21 countries. Although the company has a presence in over 40 countries, the Regional Directors responded to the questionnaire, providing representation for all countries in the population. Table 7 indicates the responses by country and information is provided regarding the subsidiary language and primary language spoken as well as the respondent's ability to speak the official company (English) and parent languages (Spanish).

Table 7: Population description

<i>Country of subsidiary</i>	<i># of respondents</i>	<i>Primary languages spoken</i>	<i>Subsidiary language spoken</i>	<i>Ability to speak company language (English)</i>	<i>Ability to speak parent language (Spanish)</i>
Australia	3	Catalan, Spanish, Polish	English	Yes	Yes
Bolivia	3	Spanish	Spanish	Yes	Yes
Brazil	3	Spanish, Portuguese, Latvian, German	Portuguese	Yes	Yes
Chile	2	Catalan, Spanish	Spanish	Yes	Yes
France	1	French	French	Yes	Yes
Germany	2	German	German	Yes	No
Ghana	2	Spanish, English	English	Yes	Yes
Hungary	1	German, Russian	English	Yes	No
Italy	1	Italian	Italian	Yes	No
Mongolia	2	English, Mongolian	English	Yes	No
Norway	2	Spanish, Norwegian	English	Yes	Yes
Peru	2	Spanish	Spanish	Only one respondent	Yes
Portugal	1	Portuguese	Portuguese	Yes	Yes
Romania	1	Romanian	Romanian	Yes	Yes
Slovakia	1	Slovak	English	Yes	No
South Africa	5	Afrikaans, Spanish	English	Yes	Only one respondent
Spain	5	Spanish, English French	Spanish	Yes	Yes
Sweden	1	Swedish	English	Yes	No
Turkey	1	Turkish	English	Yes	No
USA	2	English, Spanish	English	Yes	Yes
Uzbekistan	3	Uzbek, Russian, Spanish	Russian	Yes	Only one respondent
Total	44				

Table 8 below illustrates the language composition of the Regional Directors. Only one of these respondents spoke a primary language apart from the parent language (Spanish) or official company language (English). Three of respondent's first (primary) language was Spanish or a variation of it (Catalan). Only one of the respondents' primary language was English.

Table 8: Regional Director composition

<i>Area</i>	<i>Primary languages spoken</i>	<i>Subsidiary language spoken</i>	<i>Ability to speak company language (English)</i>	<i>Ability to speak parent language (Spanish)</i>
Africa	Afrikaans	English	Yes	No
Australia	Catalan	English	Yes	Yes
Europe	Spanish	Spanish	Yes	Yes
America	Spanish, English	English	Yes	Yes

Table 9 below reveals that 52.3% of all subsidiaries' main language is English which is aligned to the company's official language policy. Only 25% of subsidiaries share the parent country language. There is also still a large portion of the subsidiaries that speak a different language to the company or parent country language.

Table 9: Languages spoken in subsidiaries

	<i># Respondents</i>	<i>%</i>
Other	10	22,7
Spanish	11	25,0
English	23	52,3
Total	44	100,0

Table 10 and 11 below indicates the percentage of the population can speak the parent and company language. Some 63.6% of the population can speak a level of Spanish whereas 97.7% can speak a level of English.

Table 10: Respondents whom can speak Spanish

	<i># Respondents</i>	<i>%</i>
Spanish	28	63,6
No Spanish	16	36,4
Total	44	100,0

Table 11: Respondents whom can speak English

	# Respondents	%
English	43	97,7
No English	1	2,3
Total	44	100,0

The questionnaire was distributed to the senior management of subsidiaries as it was expected that they have the most interaction and experience with headquarters. Some 61.4% of the respondents are in functional management (Table 12).

Table 12: Formal positions of respondents

	# Respondents	%
Regional Director	4	9,1
General Manager	7	15,9
Functional Manager	27	61,4
Other	6	13,6
Total	44	100,0

Interestingly, Table 13 below shows that only 4 (9.1%) of the respondents are currently working inside of Spain while 45.5% of respondents have a primary language of Spanish and 36.4% of respondents are Spanish nationals (see Table 14).

Table 13: Country of respondents

	# Respondents	%
Spain	4	9,1
Other	40	90,9
Total	44	100,0

Table 14: Nationalities

	# <i>Respondents</i>	%
Spanish	16	36,4
Other	17	38,6
German	1	2,3
French	1	2,3
American	5	11,4
African	4	9,1
Total	44	100,0

5.3 Results from the analysis of data collected

5.3.1 Introduction

The results from the quantitative analysis will be presented in this section. The main forms of quantitative analysis that were conducted was a means comparisons and correlation analysis. Qualitative data was collected through open-ended questions and semi-structured interviews. Open-ended questions were analysed to provide more depth on the subsidiary perspective whereas interview data were used to provide insights on the HQ perspective.

All questions from the questionnaire analysis in the means comparison and correlation analysis included answers according to a five-point Likert scale. The five-points were:

- 1 Strongly disagree
- 2 Disagree
- 3 Neutral
- 4 Agree
- 5 Strongly agree

For the means comparison, data were split between Spanish and non-Spanish speaking (primary/home language) respondents. The results have been presented mostly in a graphical format to illustrate the differences in responses in a visual manner that is more apparent to the reader. The detailed tables can be found in Appendix 2.

Each hypothesis has been presented individually, to (a) provide a brief explanation of the aim; (b) explain the results of tests conducted; (c) provide HQ perspectives through quotes from interviews; and (d) summarise the findings with a conclusion.

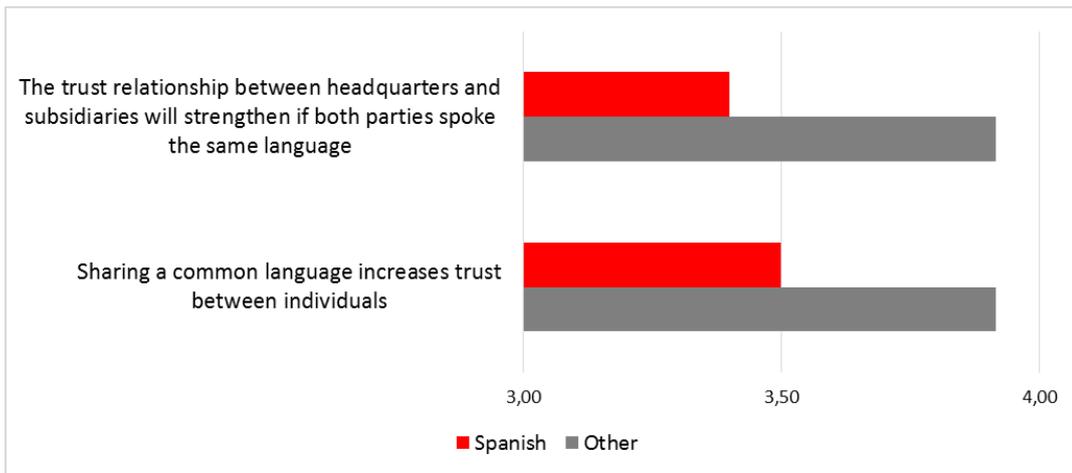
5.3.2 H₁: A shared language will influence the subsidiary-HQ relationship positively

This hypothesis aims to test whether sharing a common language (Spanish or English), will strengthen subsidiary-HQ relationships. Data collected from the questionnaires were used to calculate a means comparison whereas insights from the interviews conducted were used in support of the means comparison.

5.3.2.1 Means comparison

Figure 4 below illustrates the variances in responses by the two groups. Respondents that did not have a primary language equal to the parent language (Spanish) agreed more aggressively with the statements made. Both statements were suggested to be true (confirmed by respondents) by both groups. The first statement tested whether a shared language would influence the HQ-subsidary relationships from an organisation level whereas the second statement tested the hypothesis from an individual level; both perspectives were confirmed. It is suggested from the responses that a shared language, which is not necessarily the parent language but can be the official company language, will increase the trust between subsidiaries and / or subsidiary individuals and HQ.

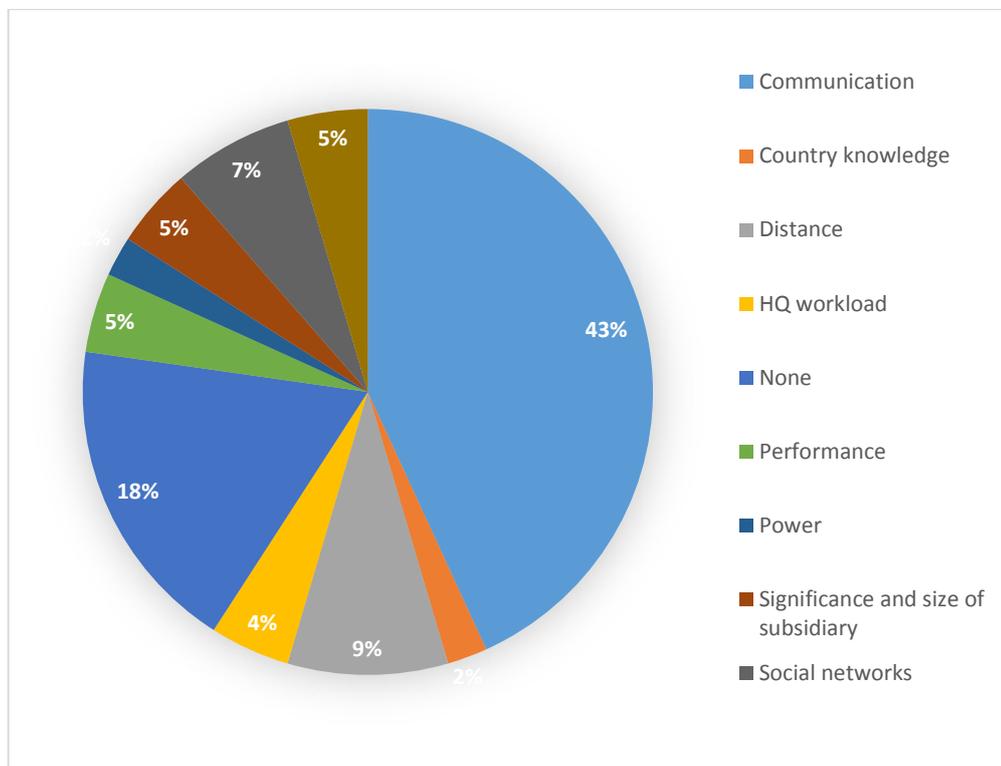
Figure 4: Means comparison for Hypothesis 1 based on a split of respondents between Spanish and non-Spanish primary language



5.3.2.2 Open-ended questions

An open-ended question was given to respondents to list the main barriers for a subsidiary to gain attention from HQ. Figure 5 below illustrates that 43% of respondents felt that communication was the biggest barrier.

Figure 5: Biggest barriers to subsidiary-HQ relationships and voice



Specific comments made towards communication included the understanding from both HQ and subsidiaries of issues in a common language which can prevent unnecessary misunderstandings or a feeling that HQ does not comprehend the challenges that face subsidiaries. These types of perception hamper the overall relationship between HQ and subsidiaries and also confirms the findings from Figure 4. Respondents that did not have a primary language equal to the parent language (Spanish) agreed more aggressively with the statements made. Both statements were suggested to be true (confirmed by respondents) by both groups. The first statement tested whether a shared language would influence the HQ-subsidiary relationships from an organisation level whereas the second statement tested the hypothesis from an individual level; both perspectives were confirmed. It is suggested from the responses that a shared language, which is not necessarily the parent language but can be the official company language, will increase the trust between subsidiaries and / or subsidiary individuals and HQ.

5.3.2.3 Interviews

Executive managers from HQ were interviewed and asked similar questions to those posed to the subsidiary respondents. The full transcripts from the interviews have been provided in Appendix 4.

From the subsidiary perspective, it was confirmed that language has an influence on subsidiary-HQ relationships and the attention a subsidiary will receive. HQ executives confirmed this notion and explained the extent of the influence. Various executive HQ managers stated that a shared language increased trust and helped to foster relationships, but only in the short term. In the long term, a person's true character becomes apparent. One HQ executive specifically commented on a question asked about what will determine his trust and help foster relationships:

“Keeping the promises. If you deliver on your promises. This will build my trust. More than language, more than history and more than friendship.”

Executives also stated that it is imperative for the General Manager and Regional Director to have a proficiency in the official company language

(English) as they are seen to be the main communicators to HQ. An HQ executive stated:

“It is critical for the General Manager and Regional Director to speak the company language, English. It is not that important for them to speak Spanish. They are the main communicators with HQ and it is important for them to be able to bring their message across. If this is not possible, a relationship between subsidiaries and HQ becomes impossible.”

It was found that communication extends beyond language. The example used to explain this was that of two Spanish speaking employees, one from South America and the other from Spain. South Americans are perceived to be more polite and relationship-orientated whereas people from Spain are seen to be assertive and task orientated. One executive made a statement confirming this notion:

“Communication [extends beyond language] but [is] not limited to language. We need to engage and become thinking partners. Top management may speak English but still have a different way of thinking and might not always be aware of their bounded rationality. This limits attention and constrains subsidiary-HQ relationships.”

5.3.2.4 Conclusion to H₁

A shared language will influence the subsidiary-HQ relationships positively but it was found that the extent to which it influences the relationships appears only relevant in the short term and must take into account the impact of the General Manager and Regional Director and their bounded rationality.

5.3.3 H_{2a}: Subsidiaries that have a common language with HQ (not official language), will have greater social networks with HQ

This hypothesis aims to test whether sharing the parent language (Spanish), will enable greater social networks with HQ. Data collected from questionnaires were used to calculate means comparisons, correlation analysis and a multiple regression. Data from interviews will be used to support the arguments from the

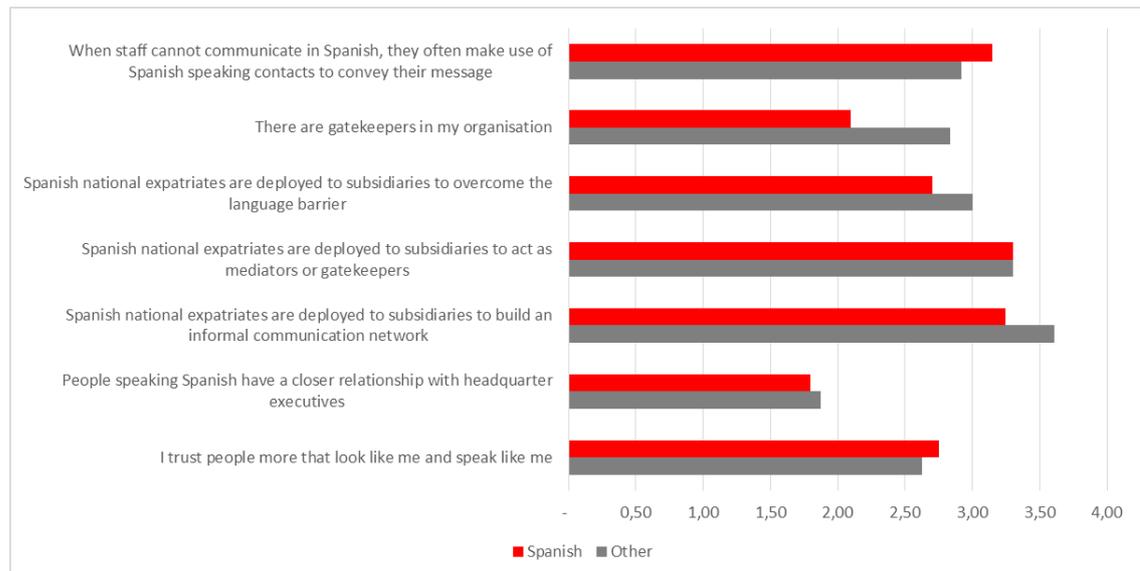
quantitative analysis. The analysis can be found in detailed tables in Appendix 2.

5.3.3.1 Statistical analysis

Figure 6 below shows that respondents disagreed with most statements made. There were quite a few contradicting responses. One such contradiction was that Spanish respondents felt that there were not gatekeepers in their organisation whereas they agreed that expats are deployed to act as gatekeepers. Non-Spanish respondents' answers to these two questions were closer, which might indicate that the question could be misunderstood in the context it was asked or due to English being their second or third language.

Most of the statements revealed correlations below 0.5 on most variables but some did indicate statistical significance at the 0.05 confidence level (Table 35, Appendix 2). The correlation between the two variables, shared language increases trust and shared language leads to ethnocentrism, was statistically significant ($r=0.670$, $p=0.000$) and therefore, the hypothesis is rejected.

Figure 6: Means comparison for Hypothesis 2_a based on a split of respondents between Spanish and Non-Spanish primary language

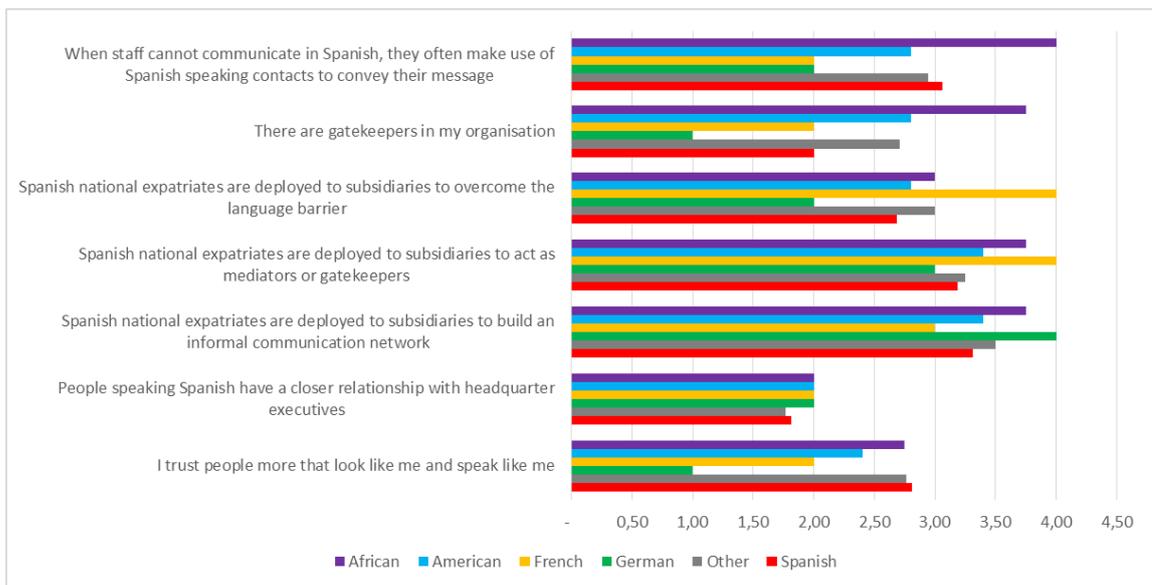


Both groups of respondents disagreed that sharing the parent language with HQ (both parties can speak Spanish) can foster closer relationships between subsidiaries and HQ. Non-Spanish respondents agreed that having Spanish

expats in their subsidiaries does assist to build informal networks. Figure 7 below illustrates a means comparison between nationalities and not language in order to analyse whether the differences in responses could be more between nationalities, thus taking into account differences as described earlier, e.g., between Spanish speaking individuals from Latin America compared to those from Spain.

Bigger differences became apparent when analysing responses per nationality (Figure 7). Most agreement was found with the statement “people speaking Spanish will have a closer relationship with HQ executives” between both groups and all nationalities. It was evident that the whole population felt that sharing the parent language (Spanish) does not foster a closer relationship (social network) with HQ executives.

Figure 7: Means comparison for Hypothesis 2_a based on a split of respondents per nationality



In analysing the data from all respondents, the multiple regression analysis revealed a high correlation within variables which indicates that 55.3% of the variance in subsidiary-HQ relationships can be explained through the relationship between shared language and social networks ($p=0.003$, $r=0.744$, $r^2=0.553$) (Table 37 and 38, Appendix 2). The significance level was below 0.05 (95% confidence level) and therefore is statistically significant ($p = 0.003$). Therefore the hypothesis is rejected.

5.3.3.2 Open-ended questions

In Figure 5 communication was revealed as the biggest barrier in subsidiary-HQ relationships. Specific comments from respondents indicated the need to speak the common language. In commenting on the question of identifying specific barrier, one respondent said that it was,

“not speaking [the] Spanish language...”

Another respondent agreed with this statement by commenting:

“I don't feel [a] barrier, but in my subsidiary we [are] speaking Spanish and our General Manager is ... Spanish”

Two other respondents had a more balanced view by moving away from the need to speak the parent language to having the ability to sharing a common language by commenting:

“sharing information in a common language (English or Spanish)”

“the language must be Spanish or English”

These contradicting views provides insights on the differences of opinions on Hypothesis 2_a.

5.3.3.3 Interviews

Numerous executives interviewed confirmed that it is important for relationships if a common language is spoken but prefer this common language to be English (official company language) and not Spanish (parent language). An HQ executive stated:

“It is critical for the General Manager and Regional Director to speak the company language, English. It is not that important for them to speak Spanish.”

Another executive from HQ commented:

“It is not a question of language but more of relationships. Language makes relationships easier, but as time goes by and the relationship grows stronger, language does not matter. I have better relationships with people at subsidiaries that people at HQ.”

It was evident from the HQ perspective that sharing the parent language is not important for relationship-building and that it is possible for them to have stronger relationships with non-Spanish speaking colleagues.

5.3.3.4 Conclusion to H_{2a}

Based on the findings of the various analysis, it has been established that subsidiaries that share the parent language (Spanish) with HQ will not necessarily have greater social networks with HQ.

5.3.4 H_{2b}: Greater social networks based on common language will positively influence HQ attention on the subsidiary

This hypothesis aims to test whether social networks influenced by the sharing of a common language (English or Spanish) will strengthen HQ-subsiary relationships. As Hypothesis 1 was confirmed, it can be accepted that a shared language does influence the subsidiary-HQ relationships positively. However, can a greater social network be due to the influence a common language can have on this relationship?

5.3.4.1 Interviews

HQ executives provided rich insights into their perspectives on how social relationships are established and how language plays a role. An executive explained how difficult it had been to foster relationships with Asian subsidiaries as language and a common understanding have been difficult to establish. When asked if a common language had an impact on social networks and trust, the respondent answered in the affirmative by saying:

“...communication is easier so it can be less time consuming to foster a trust relationship...”

Another HQ executive confirmed that communication tended to be more problematic where a common language was not spoken. The strategy of the company in terms of overcoming the language barrier was explained. It has been very important to recruit and appoint Regional Directors that were proficient in the official company language (English). The second area of focus for company strategy was to set up a very flat structure to enable a quick and

effective flow of information, either in verbal or written form. The respondent further commented on his view of the strategy as follows:

“The company has gone through an aggressive growth phase, and continues in this phase currently. The company has acquired more than 20 companies in the last 15 years and have engaged in over 20 Green Field projects in this period. This evolution has made it challenging to build and retain solid relationships between subsidiaries in dispersed countries and HQ. It has been a merge between numerous nationalities, cultures and languages and although it is still a Spanish-dominant company it is quickly becoming a global company....one of the main challenges was to put the right people in place to enable easier communication in English. It has been a drive of the company to adopt English as the official company language to conduct business in. The board is also conducted in English, although all members are Spanish....the aim is also to have all systems in English....this transparency fosters trust which helps to build strong relationships”.

A common understanding and transparency were indicated as strong influencers on trust, which in turn, helped establish greater social networks. Language plays a big role in both these influencers as found in the comments above. Another respondent agreed with the previous comment made by stating:

“The flat structure in this company helps relationship building that helps a great deal to overcome language and cultural barriers. Anyone can most likely schedule a meeting with top management at HQ without much difficulty and provide ideas or suggestions for change or improvement....building personal relationships with individuals are a key factor to overcome these barriers when striving to become thinking partners”.

From these responses it appears that one cannot bond with another or establish a social network of relationships without a common understanding and language.

5.3.4.2 Conclusion to H_{2b}

Data collected from conducting interviews with HQ executives explained how important a shared language was to build a common understanding, transparency and as a result, trust and social networks in the organisation. The common language referred to here was not the parent language, but rather the official company language. Hypothesis 1 proved to be true and holds meaning for Hypothesis two in that a shared language influences the HQ-subsidary relationship positively. Hypothesis 2_b explains the extent to which this is true by investigating the impact of social networks due to language on subsidiary-HQ relationships. The theory only holds if the shared language is a language shared by all and is mostly referred to as the official company language (English) and not the parent language (Spanish) as proved by Hypothesis 2_a and confirmed by the interview data for Hypothesis 2_b.

5.3.5 H_{3a}: Subsidiaries that have a common language with HQ (not official language), will have greater power in the organisation

This hypothesis aims to test whether sharing the parent language (Spanish) will cause an increase in power or influence for a subsidiary within the organisation. Data collected from questionnaires were used to calculate means comparisons, correlation analysis and a multiple regression. Data from interviews will be used to support the arguments from the quantitative analysis. The analysis can be found in the detailed tables in Appendix 2.

5.3.5.1 Statistical analysis

Figure 8: Means comparison for Hypothesis 3_a based on a split of respondents between Spanish and non-Spanish primary language

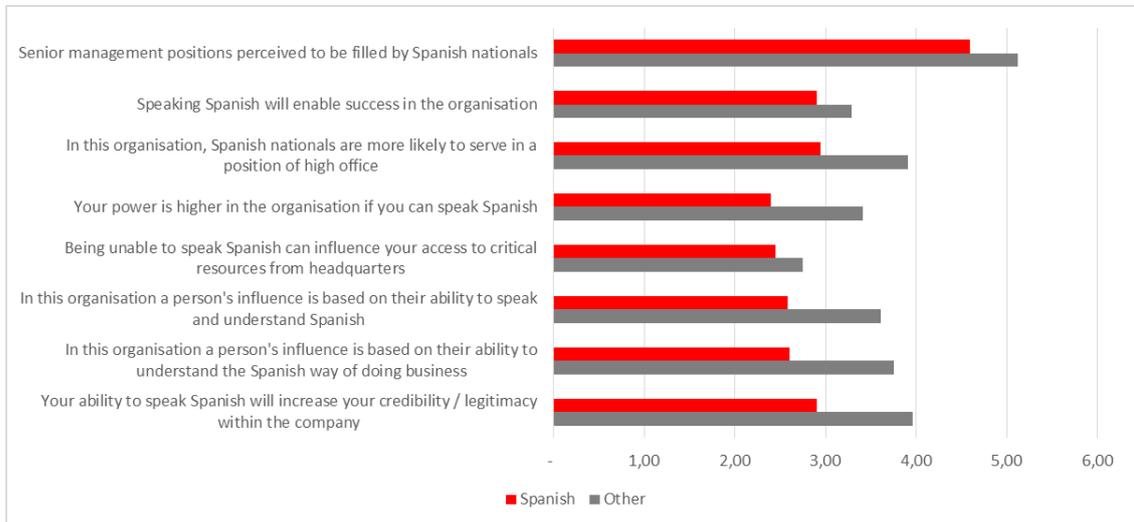


Figure 8 above reveals differences of opinions between Spanish and non-Spanish respondents when asked about their perception of the relationships between power and a common language, specifically the parent language (Spanish). Non-Spanish respondents indicated clearly that the ability to speak Spanish will increase the power or influence one holds in the organisation and is broken down into the following factors:

- central positions held
- credibility / legitimacy
- access to critical resources

In most cases, Spanish speaking respondents disagreed, which can be an indication of bias. On all three factors namely legitimacy, centrality and access to critical resources, non-Spanish respondents clearly agreed that sharing the parent language will increase power in the organisation. These factors can also be ranked in order of importance according to the mean score (Table 15):

Table 15: Ranking of factors influencing power

	Other	Spanish
Centrality	4,11	3,48
Credibility	3,93	2,95
Access to resources	2,75	2,45

According to the respondents' scores, formal position is often seen to be related to language ability and has the most prominent influencer on power in the organisation. Secondly, speaking the parent language is seen to increase one's credibility within the organisation which is another source of power. The factor with the lowest score is access to critical resources. It is perceived by subsidiaries that their ability to speak the parent language is not likely to influence their access to critical resources. These findings are confirmed by the correlation analysis that was conducted. Table 16 below presents the analysis of the three factors that driver power.

Table 16: Correlations Hypothesis 3_a

Factor	Correlation	p value	Confidence level
Access to critical resources	0,424	0,004	0,01
Credibility	0,420	0,005	0,01
Centrality	0,383	0,011	0,05

In this analysis access to critical resources are ranked as the most significant and centrality as least significant in terms of all responses (correlations closer to one), but all three remain significant. It is evident from the correlation matrix, therefore, that subsidiaries sharing the parent language with HQ (Spanish) will have greater power in the organisation.

Analysing all the data from all respondents, the multiple regression analysis revealed a lower correlation within variables which indicated that 35.5% of the variance in subsidiary-HQ relationships can be explained through the relationship between shared language and social networks ($p=0.054$, $r=0.596$, $r^2=0.355$) (Table 40 and 41, Appendix 2). The significance level was above 0.05 (95% confidence level) and therefore was not statistically significant ($p = 0.054$). Therefore the hypothesis is supported.

5.3.5.2 Open-ended questions

A few questions posed the opportunity for respondents to answer freely. One such question was whether other factors could influence one’s credibility. Respondents answered that the strength of their top management determines the credibility of the subsidiary. When asked what other factors could influence an individual’s power in the organisation, one respondent commented that being seen as a team player could increase one’s influence.

Table 17 below illustrates the perception of subsidiaries about the composition of top management. Some 36.4% of respondents indicated that more than 75% of top management is Spanish.

Table 17: Subsidiary's perception of top management composition

Composition estimate	%
10% - 25%	4,5%
26% - 44%	9,1%
45% - 55%	15,9%
56% - 74%	34,1%
>75%	36,4%
Total	100%

The actual figures are shown in Table 18 below. This illustrates the number of Spanish managers occupying the various levels within the organisation as a percentage of total managers per the various levels. This was done to eliminate possible error in understanding by subsidiary respondents all of whom were top management. Both HQ company executives (CE) and Regional Directors (RD) appear within the estimate of respondents. Only the Subsidiary General Managers were well below estimates and also show more diversity.

Table 18: Real composition as showed by percentages of total whom are Spanish

Position	% Spanish
Total top management (Incl. RD, SGM and CE)	50%
CE	86%
RD	78%
SGM	35%
RD and SGM	
RD: Regional Directors	
SGM: Subsidiary General Managers	
CE: HQ executives	

Both quantitative data collected and secondary data sourced proves the theory that speaking the parent language provides a source of power through formal position in the organisation.

5.3.5.3 Interviews

Executives were not fond of the term “power” or of the suggestion that there is a relationship between power and language. Many executives saw this relationship as a natural outcome of existing as a human being. One executive manager commented:

“In its evolution, the company is at a MNC stage with Spanish dominancy and it hasn’t mutated to an English-speaking company. I am convinced that the company is evolving in that direction. It helps sharing a similar language with 100% fluency. It helps create trust and influence. More importantly, we live in a people world. So these things are natural and human.”

Another executive made a strong statement that this type of power is negative and elaborated by stating the following:

“The power comes from the party that is able to understand HQ instructions better and can implement them better than another party who has to work with 2nd degree translations and assumptions about the instruction. It may often look like the party is not competent in the task while it may only be a misunderstanding of the context or task.

This is where subsidiaries often make use of informal networks and mediators to clarify instructions. This then in turn gives the mediators some power over the individual and the situation.”

One executive commented boldly:

“If you want to have more influence you have to speak English as a minimum.”

One executive agreed to this statement by commenting:

“It is easier to speak to someone who speaks your language and more importantly are from your own culture. People then mostly share the way you think...”

Gaining power or influence in this nature is also seen as dangerous. An executive manager specifically stated that this type of influence should be kept to a minimum. From the interviews it is suggested that sharing a common language can increase one's power but that this common language can be the parent or official company language.

5.3.5.4 Conclusion to H_{3a}

Non-Spanish respondents indicated clearly that the ability to speak Spanish will increase the power or influence one holds in the organisation and ranked the factors in relation to their prevalence as centrality (most prevalent), credibility and access to resources (least prevalent). A correlation analysis was conducted which confirmed the hypothesis and the ranking as per the means comparison. Credibility was also seen to be influenced by performance and the quality of leadership at the subsidiary. Top management composition as a function of centrality was estimated by 36.4% of respondents to be more than 75% Spanish held. Actual figures revealed that 86% of top management positions were held by Spanish individuals.

Thus it can be argued from a subsidiary perspective that speaking the parent language will involve having a greater power in the organisation but one executive mentioned that this power was dangerous and should be kept to a minimum. From a HQ perspective it is more important that the common

language referred to should be the official company language (English) and not the parent language (Spanish).

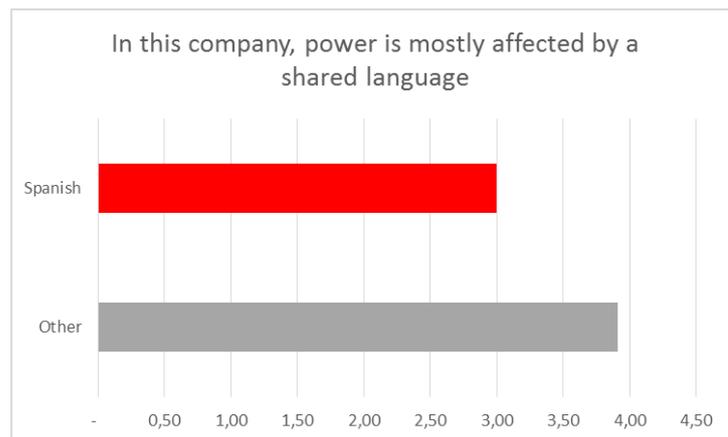
5.3.6 H_{3b}: Greater power based on common language will positively influence HQ attention on the subsidiary

This hypothesis aims to test whether power influenced by the sharing of a common language (English or Spanish) will strengthen HQ-subsidary relationships. As proven through Hypothesis 1, a shared language does influence the subsidiary-HQ relationship positively but can a greater or increased power due to a common language have an influence on this relationship?

5.3.6.1 Means comparison

Figure 9 below illustrates the difference in answers from Spanish and non-Spanish respondents that tested whether power is affected by a shared language. Non-Spanish respondents agreed with the statement while Spanish respondents were not convinced that the statement was true. This could be an indication of bias by Spanish respondents who might have understood the term “shared” for sharing the parent language (Spanish) and not any language.

Figure 9: Means comparison for Hypothesis 3_b based on a split of respondents between Spanish and Non-Spanish primary language



5.3.6.2 Interviews

From an HQ perspective, credibility can only be achieved through consistent performance. An executive commented:

“Consistent performance builds a track record and provides an individual with authority and a respected voice in the organisation”

Another executive stated that credibility can be acquired through:

“showing initiative, being appreciated by your team, providing satisfactory support to the General Manager, trust, implementation and management of proper systems and controls”

Thus HQ executives agree that a shared language has less of an influence on power than a consistent, solid track record. HQ executives were also asked how top position candidates are recruited. It was made clear that from a HQ point of view:

“The person’s communication capacity is critical. The person must have a satisfactory proficiency in English, not Spanish”

“The first requirement will be to speak English. In a key position the ability to speak Spanish will also be considered because you are in a Spanish corporation”

It is clear from the two responses above that English is one of the first critical criteria which must be met when appointing a senior manager or filling a top position, but that the ability to speak Spanish will be also favourably considered. There was not a clear indication from the interviews whether sharing a common language could gain any greater power that could influence HQ attention.

5.3.6.3 Conclusion to H_{3b}

Data collected from conducting interviews with HQ executives explained the importance of a shared language, specifically the official company language (English) when recruiting top management. If top management is a way of gaining centrality, then a common language does influence the power in the organisation. Hypothesis 1 proved to be true and holds meaning for Hypothesis 3_a in that a shared language influences the HQ-subsidary relationship positively. Hypothesis 3_b explains the extent to which this is true by investigating how much language in subsidiary-HQ relationships impacts power. The theory only holds if the shared language is a language shared by all and is mostly referred to as the official company language (English) and not the parent

language (Spanish) as proved by Hypothesis 3_a and confirmed by the interview data for Hypothesis 3_b.

5.4 Chapter conclusion

After presenting the results, a few themes have become apparent. It is important to summarise these findings before moving on to Chapter 6 which includes a discussion of the results.

H₁: A shared language will influence the subsidiary-HQ relationship positively

Hypothesis 1 was tested by means of an open-ended question. Responses indicated that the overall perceptions of subsidiaries are that the biggest barrier to receive adequate attention for HQ is communication (43.8%). This confirms Hypothesis 1 from a subsidiary perspective. The semi-structured interviews from a HQ perspectives agree to this. A shared language will influence the subsidiary-HQ relationships positively but it was found that the extent of this influence appears to be relevant only in the short term and must take into account the impact of the General Manager and Regional Director and their bounded rationality.

H₁ is supported.

H_{2a}: Subsidiaries that have a common language with HQ (not the official company language) will have a greater social network with HQ

Based on the findings of the various analysis presented, it has been established that subsidiaries that share the parent language (Spanish) with HQ will not necessarily have greater social networks with HQ.

H_{2a} is rejected.

H_{2b}: Greater social networks based on a common language will positively influence HQ attention towards the subsidiary

Data collected from conducting interviews with HQ executives explained how important a shared language is to build a common understanding, transparency and as a result, trust and social networks in the organisation. The common language referred to was not the parent language, but rather the official

company language. Hypothesis 2_b, which explained the extent to which a common language influences subsidiary-HQ relationships positively, investigated the impact of social networks through language on these relationships. The theory only holds if the shared language is a language shared by all and is the official company language (English) and not the parent language (Spanish) as proved by Hypothesis 2_a and confirmed by the interview data for Hypothesis 2_b.

H_{2b} is supported.

H_{3a}: Subsidiaries that have a common language with HQ (not the official company language) will have a greater social network with HQ

From a subsidiary perspective, speaking the parent language will cause a greater power in the organisation and one executive mentioned that this power is dangerous and should be kept to a minimum. From a HQ perspective it is more important that the common language referred to should be the official company language (English) and not the parent language (Spanish). This perspective is seen to be the ideal but does not eliminate the fact that this phenomena currently occurs in the organisation.

H_{3a} is supported.

H_{3b}: Greater power based on a common language will positively influence HQ attention on the subsidiary

Data collected from conducting interviews with HQ executives explained the importance of a shared language, specifically if it is the official company language (English) when recruiting top management. If top management is instrumental for gaining centrality, then a common language does influence the power in the organisation. Hypothesis 3_b explained the extent to which power influences subsidiary-HQ relationships positively by investigating the impact of power that language has on these relationships. The theory only holds if the shared language is a language shared by all and is mostly referred to as the official company language (English) and not the parent language (Spanish) as proved by Hypothesis 3_a and confirmed by the interview data for Hypothesis 3_b.

H_{3b} is supported.

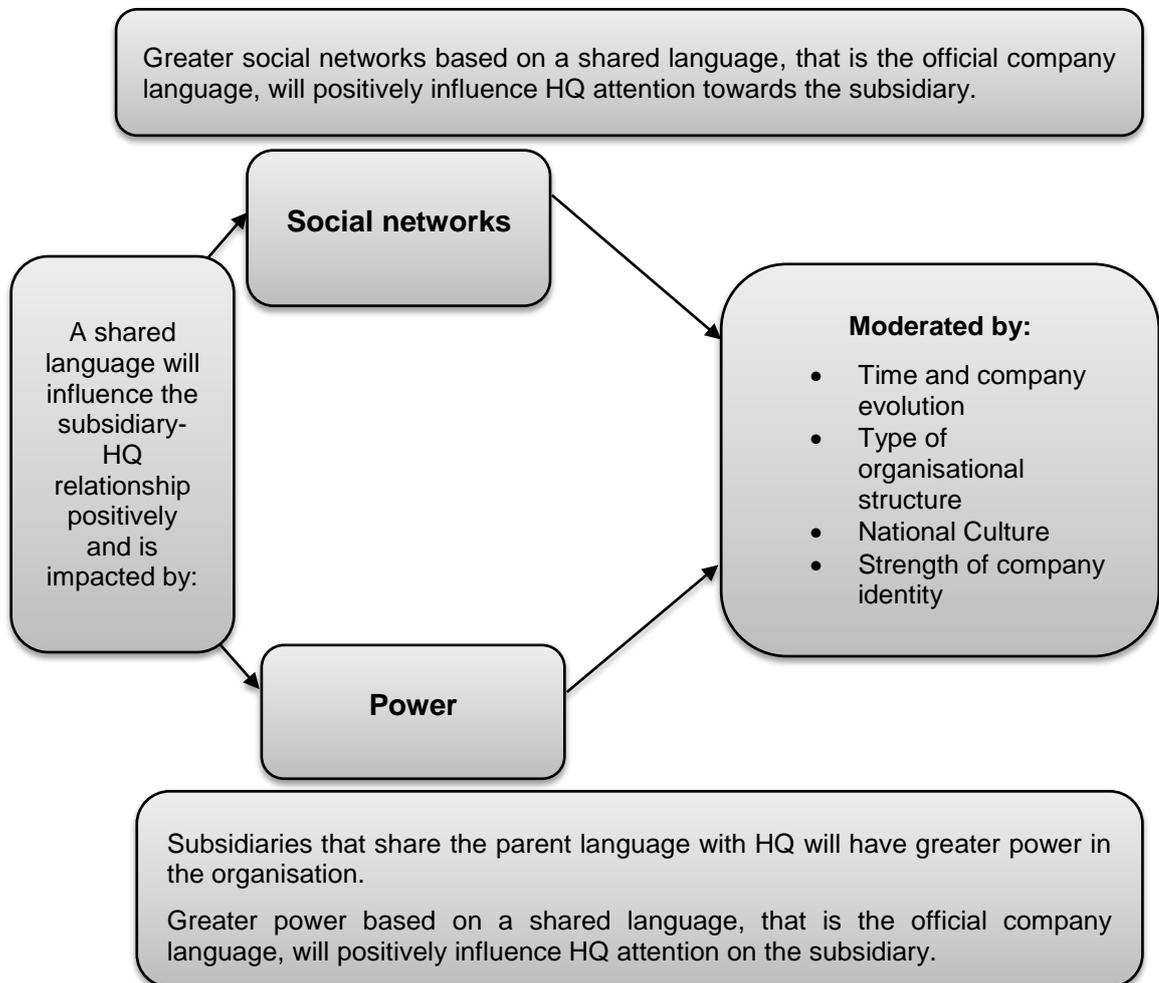
The results presented above will be discussed in detail in the following chapter and compared to the theories from the literature as discussed in Chapter Two.

Chapter 6: Discussion of results

6.1 Introduction

This section of the report will combine the literature from Chapter Two with the findings from Chapter Five and discuss the implications for the hypotheses presented. Each hypothesis will be discussed individually. A summary of the findings from Chapter Five can be found in Figure 10 below.

Figure 10: Summary of findings



The MNC used for the purposes of the current study is a company with widely dispersed subsidiaries and a HQ based in Spain. The more the company grows in size and complexity, the harder it will become for HQ management to prioritise their attention equally amongst subsidiaries. As such, it becomes

increasingly important to understand what factors influence this relationship. Being situated in more than 100 countries worldwide, differences in language and the ability of subsidiaries to convey their messages clearly indicates that language plays a pivotal role in subsidiary voice and relationships with HQ. One executive confirmed this by commenting:

“The company has gone through an aggressive growth phase, and continues in this phase currently....this evolution has made it challenging to build and retain solid relationships between subsidiaries in dispersed countries and HQ....it has been a merge between numerous nationalities, cultures and languages and although it is still a Spanish dominant company it is quickly becoming a global company....One of the main challenges was to put the right people in place to enable easier communication in English....[the] other challenge is understanding, accepting and learning the cultures of others. International experience shapes one’s mentality and assists in a better understanding of your colleagues. Personal contact through visits, face-to-face meetings also strengthens relationships between colleagues and should never be underestimated. The company is always open to knowledge sharing and relationship building. I believe these factors contributes to the challenges of building relationships and also provide some insights into how these can be overcome.”

Therefore, it is argued that the research on the role of language in subsidiary-HQ relationships should foster a deeper understanding of the impact it can have on MNCs. The current study has added to international business research by combining theories from various disciplines such as sociology, linguistics and international business to clarify whether language plays a role in subsidiary-HQ relationships. Hopefully, it has also added value to subsidiaries by illustrating language as a possible tool for gaining the positive attention from HQ.

Two main research questions were developed from the literature. Previous research suggested that language influences subsidiary-HQ relationships, thus the first question was: To what extent did language have an influence on subsidiary attention and subsidiary-HQ relationships? The second question was

if and how language shaped attention from HQ and this was tested against two premises:

1. Language as a source of networks that influences subsidiary-HQ relationships
2. Language as a source of power that influences subsidiary-HQ relationships

Prior research has not been conducted specifically on the extent of influence language has on subsidiary-HQ relationships and the attention a subsidiary ought to enjoy as a result. An understanding of the matter is critical if subsidiaries are to exploit the maximum amount of opportunities, no matter their significance within the organisation and its strategy. The next section will discuss the results from Chapter Five and explain the relevance to the theory by answering the first research question.

6.2 The extent to which a shared language influences subsidiary-HQ attention and relationships

The discussion of the results compared to the theory will be discussed in the next section.

6.2.1 Attention and subsidiary-HQ relationships

HQ attention is a scarce resource and subsidiaries must be aware of the factors that determine the allocation of attention to ensure opportunities are captured that benefit the MNC as a whole (Bouquet & Birkinshaw, 2007; Bouquet & Birkinshaw, 2008a; 2008b; Ocasio, 1997). Perception gaps exist in each relationship and in terms of a subsidiary and its HQ this refers to the difference between how the subsidiary and HQ views each other's roles in the organisation (Birkinshaw et al., 2000). Subsidiary-HQ relationships can be weakened due to perception gaps when subsidiaries underestimate or overestimate their role due to the attention they receive. For this reason it was important to study the various factors that influence subsidiary attention and the subsidiary-HQ relationships, and more specifically to focus on the role of language.

6.2.2 Language

Previous research suggested that language differences can get in the way of an effective flow of information as well as constrain-relationship building between headquarters and subsidiaries (Barner-Rasmussen & Bjorkman, 2007, Luo & Shenkar, 2006; Marschan-Piekkari, Welch & Welch, 1999). Hypothesis 1 aimed to test whether a shared language would influence the subsidiary-HQ relationship positively.

Some researchers have eluded to language as the epitome of culture (Welch, 2001) and as such it has been seen as a salient or implicit theme in the research or has been understated through inclusion under the culture umbrella (Kogut & Singh, 1988; Marschan-Piekkari et al. 1999; Welch et al., 2001; Luo & Shenkar, 2006; Harzing et al., 2011; Dellestrand & Kappen, 2012; Vidal-Suarez & Lopez-Duarte, 2013). The main difference between language and national culture is that language is a choice, whereas national culture is embedded (Luo & Shenkar, 2006). The GLOBE study defined culture as “shared motives, values, beliefs, identities, and interpretations or meaning of significant events that result from common experiences” (House, Javidan, Hanges, & Dorfman, 2002, p. 5) but has not taken language into account as a separate indicator but does acknowledge it as a field that must be further examined (House, Javidan, Hanges, & Dorfman, 2002). Hypothesis 1 provided deeper insights into the impact of language in MNCs and more specifically its influence on subsidiary voice and subsidiary-HQ relationships.

6.2.1 H1: A shared language will influence the subsidiary-HQ relationship positively

This hypothesis aimed to test whether sharing a common language with HQ, will strengthen subsidiary-HQ relationships. Figure 4 revealed the variances in responses by the two groups. Subsidiaries that did not have a primary language equal to the parent language, agreed more aggressively with the statements made. Two main statements were tested to determine the likelihood of Hypothesis 1 being correct. The first statement tested whether a shared language could influence the HQ-subsidary relationships from an organisational

level. The second statement tested the hypothesis from an individual level. Both were proven to be true.

The various levels were specifically tested according to the theories from Galunic and Eisenhardt (2001) who suggested that MNCs operate on social logic and not just purely on economic reasoning. The authors argued that business units have more long term and “path dependent” networks and can be viewed as social communities whose culture are informed by a shared value system and a shared identity. They also found that business units as a whole can capture executive and not just individual attention.

It is argued and supported by the responses to both statements (organisation and individual level), that a shared language, which is not necessarily the parent language but can be the official company language, will increase the trust between subsidiaries and / or subsidiary individuals and HQ. This finding confirms the theory from Barner-Rasmussen & Bjorkman (2007) who stated that individuals sharing a language will have more trust among each other (Barner-Rasmussen & Bjorkman, 2007).

The findings from the test contributes to the understanding of subsidiary-HQ relationships that need to interact and provide attention to one another as a social community and as individuals. The concept of trust as a requirement of relationship building was also tested. In the context of an MNC, the expectation was that sharing a language with headquarters will foster trust which will increase the attention it receives. This expectation was found to be true. Therefore, if a shared language increases trust and trust influences a subsidiary-HQ relationship positively, then it can be inferred that a shared language influences subsidiary-HQ relationships positively. The extent to which language influences subsidiary-HQ relationships are moderated by time (short term vs long term), the ability to communicate in the official company language and organisational structure.

Figure 5 illustrated that some 43% of respondents felt that communication was the biggest barrier for a subsidiary to gain attention from HQ. Specific comments made towards communication included the understanding from both HQ and subsidiaries of issues in a common language which can prevent

unnecessary misunderstandings or a feeling that HQ does not comprehend the challenges facing subsidiaries. These types of perception hamper the overall relationship between HQ and subsidiaries and also confirms the findings in Figure 4.

Harzing & Pudelko (2013) theorised that communication is impossible without a shared language and this agrees with the findings of this research. An executive provided insight from the HQ perspective which echoed the theories suggested by Harzing & Pudelko (2013):

“It is critical for the General Manager and Regional Director to speak the company language, English. It is not that important for them to speak Spanish. They are the main communicators with HQ and it is important for them to be able to bring their message across. If this is not possible, a relationship between subsidiaries and HQ becomes impossible.”

From the subsidiary perspective it was confirmed that language has an influence on subsidiary-HQ relationships and the attention a subsidiary will receive (Figure 4). HQ executives confirmed this notion in their interviews and explained the extent of the influence. A number of HQ executives stated that a shared language increases trust and helped to foster relationships only in the short term. In the long term, a person’s true character becomes apparent. Subsidiary-HQ relationships are known to be one of control and coordination and hierarchical in nature (Harzing & Noorderhaven, 2006). Data collected from the semi-structured interviews suggested that an increase in trust based on a sound, long term track record (profile building) will reduce control and coordination and allow for more autonomy. Various executives made the following comments:

“One of the main drivers [of allocating attention] is financial performance compared to budget. If a subsidiary meets these targets and manage other business activities (financial, safety, marketing etc) well, they will not attract more attention. HQ will focus their attention on areas where it is more needed.”

"...I focus on big issues because it is hugely more risky and costly to make a big mistake than miss a small opportunity. Unfortunately you have to have a big picture approach in top management and assess the risk of each situation if it is attended to or not. This is how I allocate my time"

The formal organisational structure was also found to be significant in fostering good subsidiary-HQ relationships. Language alone will not enable a strong relationship in the long term but can be strengthened by means of enforcing a flatter management structure within the company. If subsidiaries are free to communicate with HQ executives (in official company language), communication is easier which influences the subsidiary-HQ relationship positively. Two executives highlighted the importance of a flatter management structure:

"Regional directors are the main communicators to the top management at HQ. The structure has been set up to be very flat to enable communication and overall information to flow between subsidiaries and HQ in an efficient manner"

"The flat structure in this company helps relationship building that helps a great deal to overcome language and cultural barriers. Anyone can most likely schedule a meeting with top management at HQ without much difficulty and provide ideas or suggestions for change or improvement"

It was found that communication extends beyond language. The example used to explain this is that of two Spanish speaking employees, one from South America and the other from Spain. South Americans are perceived to be more polite and relationship orientated whereas people from Spain are seen to be assertive and task orientated. An executive made a statement that highlighted the importance of thinking partners:

"Communication [is important] but [it is] not limited to language. We need to engage and become thinking partners. Top management may speak English but still have a different way of thinking and might not always be aware of their bounded rationality. This limits attention and constrains subsidiary-HQ relationships."

The GLOBE report complements this notion. GLOBE also defined culture as a shared way of thinking (Javidan & House, 2001). According to the GLOBE report, Spain is allocated to the Latin Europe cluster together with Portugal, Italy, France and Israel. The cluster scored high on power distance (as is: 5.21) and family collectivism (as is: 4.8), future orientation (as is: 3.68) and gender egalitarianism (as is: 3.36) obtained the lowest scores (Jesuino, 2002). Spain also scored higher than all other Latin European countries and the GLOBE average on assertiveness (as is: 4.42, should be: 4.00). The GLOBE report scored Brazil 2.91 on assertiveness (by societal values: should be) compared to scoring Spain 4.00. Higher scores indicates greater assertiveness. These findings are confirmed by the statements made by executives from HQ. Spanish staff from Spain will be more assertive, direct, inclusive and high on power. Thus it remains important to not limit findings to language but to look for further nuances as per the GLOBE report or Hofstede's cultural dimensions.

The data presented proved that language increases trust which leads to better relationships. This is aligned to what has been suggested in the theory in Chapter Two. Therefore, this study concludes that a shared language will influence the subsidiary-HQ relationship positively but it was found that the extent of this influence appears to be moderated by:

- Time (short term versus long term)
- Cultural background (Spanish speaker from Latin America versus Latin Europe)
- Formal company structure (Flat versus hierarchical)

6.3 How language shapes attention received from HQ

The hypothesis suggested that attention is shaped by the relationship between social networks and/or power and language. These factors were examined to establish the extent of influence language has on subsidiary-HQ relationships by comparing the difference between parent and official company language.

6.3.1 The relationship between language and social networks in subsidiary-HQ relationships

An informal shadow structure is formed based on a company's language distance and social network that could increase its influence and thus relationship with headquarters (Marschan-Piekkari, 1999). Language differences can also influence the chosen communication methods used in MNCs (Harzing & Pudelko, 2013). The choice of communication methods can impact the social relationships within the MNC when for example a face-to-face conversation is preferred above an e-mail conversation. An executive stated during his interview:

"It is necessary to meet the people personally. Subsidiaries who travel with frequency to Madrid is great to please the relationship. Skype and phone is good but personal contact is essential. Thus a subsidiary can be present in the HQ life only by travelling to Madrid.... [if] it must be done by e-mail, then personal relationships get lost. Language and personal relationships [works] in synergy"

Thus language is a great tool for subsidiaries and headquarters to form relationships and increase their sense of closeness within the dispersed MNC, no matter the geographical distance. Social Identity theory can be used to explain social relationships and can be analysed through three concepts:

- social or informal networks (Marschan-Piekkari et al., 1999; Barner-Rasmussen & Bjorkman, 2007)
- expatriates (Harzing & Pudelko, 2013)
- ethnocentrism (Lauring, 2007)

Hypothesis 2_a aimed at establishing the impact of speaking the parent language whereas hypothesis 2_b was more focused on speaking a common language such as the official company language.

6.3.1.1 H_{2a}: Subsidiaries that have a common language with HQ (not official language), will have greater social networks with HQ

The hypothesis aimed to test whether sharing the parent language (Spanish), will enable greater social networks with HQ. Both groups of respondents (Spanish and non-Spanish) agreed that sharing the parent language with HQ (both parties can speak Spanish) will not enable the fostering of closer relationships and social networks between subsidiaries and HQ. Social Identity theory described that people having a shared identity, which includes language, will have a higher trust in one another and thus have stronger relationships (Barner-Rasmussen & Bjorkman, 2007). This theory does not hold for the hypothesis being examined.

Harzing & Pudelko (2013) argued that expatriates are sent to foreign countries from HQ to bridge the language gap. As discussed in Chapter Two, an expat can play the role of a spider who sets up informal communication networks (Harzing, 2001). This follows on the Social Identity theory and was of particular interest of this study. Non-Spanish respondents agreed that having Spanish expats in their subsidiaries does build informal networks with HQ. Figure 7 illustrated a means comparison between nationalities and not language in order to analyse whether the differences in responses could be more of a cultural nature than merely due to language differences. Bigger differences became apparent when analysing responses per nationality and was explained by the cultural differences between respondents as described in the GLOBE project discussed previously (House et al., 2002).

The data revealed that respondents felt people speaking Spanish will not have a closer relationship with HQ executives. It was evident that the whole population felt that sharing the parent language (Spanish) does not foster a closer relationship (social network) with HQ executives and therefore, the theory surrounding ethnocentrism which suggested that subsidiary-HQ relationships can be influenced when HQ believe that their own people are better than those from foreign countries (Lauring, 2007) was contradicted. This “native-mafia”, as it was referred to, can lead to a block in inter-unit communication and thus

reduce the subsidiary voice. From the data collected this does not seem to be true for the organisation being tested.

In Figure 5 communication was revealed as the biggest barrier in subsidiary-HQ relationships. Two respondents had a more balanced view by moving away from the need to speak the parent language to having the ability to sharing a common language. Numerous executives confirmed that it is important for relationships if a common language is spoken but prefer this common language to be English (official company language) and not Spanish (parent language). The data challenged the theory and it is concluded that sharing the parent language is not important for relationship-building and that it is possible for subsidiaries and HQ to have stronger relationships with non-Spanish speaking colleagues.

6.3.1.2 H_{2b}: Greater social networks based on common language will positively influence HQ attention on the subsidiary

This hypothesis aimed to test whether social networks influenced by the sharing of a common language (English or Spanish) will strengthen HQ-subsiary relationships. Hypothesis 1 was confirmed thus it can be accepted that a shared language does influence the subsidiary-HQ relationship positively but a question was posed on whether greater social networks due to a common language have an influence on this relationship.

HQ executives shared their perceptions and experiences on how social relationships are established and how language plays a role in the process of building solid relationships. Executives explained how difficult it had been to foster relationships and social networks with Asian subsidiaries as a common language have been difficult to establish. Another executive confirmed than communication tended to be more problematic where a common language was not spoken.

A common understanding and transparency have been indicated as strong influencers of trust, that in turn, help establish a greater social networks. Language plays a big role in both of these influences as found in the comments above. It is said that over a long period of time, principals and agents or

subsidiaries and HQ develop shared perceptions and mental maps, no matter what their respective cultural heritage may be (Nooteboom, 2002). This suggests that the social identity theory may also explain company identities that are formed and that this may, over the long term, become more important than ethnicity. When employees identify with a corporate identity it is said that they will act in alignment to the company's objectives (Sharpe, 2002) and this will influence the subsidiary-HQ relationship positively.

Another finding that was reaffirmed in the analysis of this hypothesis was that a flatter, more informal organisational structure enables a better flow of communication and information. Ocasio (1997) explained the important role of organisational structures when directing attention from HQ to subsidiaries. Shadow structures are informal structures in an organisation that are formed through various language clusters (Marschan-Piekkari et al., 1999). Gatekeepers are people within the organisation that has access to and control over critical information through the ability to speak a certain language (Marschan-Piekkari et al., 1999). Figure 6 showed that respondents felt there were gatekeepers present in their organisation and that these gatekeepers are often expats that are deployed to their units. Gatekeepers are a sign of shadow structures being present in the organisation.

Language can impose its own structure in a company and have been illustrated by Figure 1. 75% of subsidiaries have a subsidiary language that is different from the parent language and 47.7% of subsidiaries have a subsidiary language different to the official company language. Thus almost half of the subsidiaries communicate in a second or third language. If the organisation had to be informally organised based on language, a very different structure would appear that may provide insights into the informal networks within the organisation.

Data collected from conducting interviews with HQ executives explained how important a shared language is to build a common understanding, transparency and as a result, trust and social networks in the organisation. The common language referred to was not the parent language, but rather the official company language. Hypothesis 1 proved to be true and holds meaning for

Hypothesis 2_a in that a shared language influences the HQ-subsiidiary relationship positively.

Hypothesis 2_b explained the extent to which this was true and investigated whether the impact of social networks was due to language on subsidiary-HQ relationships. This only holds if the shared language is a language shared by all and is mostly the official company language (English) and not the parent language (Spanish) as proved by Hypothesis 2_a.

6.3.2 The relationship between language and power in subsidiary-HQ relationships

Three main tools were used to examine the power a subsidiary can obtain (Bouquet & Birkinshaw, 2008b):

- achieving legitimacy / credibility
- gaining centrality
- access to critical resources

The impact of language on these three factors has not been explored in the literature and the aim of the next section is to contribute to literature by filling this gap. Both agency theory (Eisenhardt, 1989) and resource dependency theory (Schotter & Beamish, 2011) confirm that a relationship between power and subsidiary-HQ relationships exist and that it is based on control and coordination of subsidiaries by HQ. This often causes conflict where a subsidiary wants autonomy and an HQ prefers monitoring and control (Schotter & Beamish, 2011). Data collected indicated 54% of respondents agreed that the lack of a shared language can cause misunderstanding which leads to conflict in the organisation.

Schotter & Beamish (2011) explained that power can also come from interpersonal sources such as personalities, experiences and talents. In chapter two it was established that legitimate power, referent power, information power and expert power is relevant to this study. Language is seen to be a valuable informal source of expert power in MNC's (Marschan-Piekkari et al., 1999) and subsidiary-HQ relationships.

The next sections will examine how sharing the parent language versus the official company language will cause greater power in the organisation.

6.3.2.1 H_{3a}: Subsidiaries that have a common language with HQ (not official language), will have greater power in the organisation

This hypothesis aimed to test whether sharing the parent language (Spanish) will cause an increase in power or influence for a subsidiary within the organisation. Figure 8 revealed differences in opinions between Spanish and Non-Spanish respondents when asked about their perception of the relationships between power and a common language, specifically the parent language (Spanish). Non-Spanish respondents indicated clearly that the ability to speak Spanish will increase the power or influence one holds in the organisation.

Spanish speaking respondents disagreed in most cases which can be an indication of bias. An executive also highlighted that the word “power” was perceived as negative in the organisation. On all three factors namely legitimacy, centrality and access to critical resources, non-Spanish respondents clearly agreed that sharing the parent language will increase power in the organisation. These factors can also be ranked in order of importance according to the mean score calculated.

According to respondents’ scores, one’s formal position is often seen to be related to language ability and is the most prominent influencer on power in the organisation according to the means between groups. The correlation tests revealed access to critical resources as the most prevalent factor. Schotter & Beamish (2011) identified individuals that are boundary spanners who are critical for conflict management and the fostering of subsidiary-HQ relationships. These individuals have the ability to transfer knowledge and group organisations from various hierarchical and functional levels together which can enable the bridging of perception gaps. According to previous research, boundary spanners often take up the position of Subsidiary General Manager and have a balanced view on both HQ and subsidiary perspectives. Building on this theory are responses from interviews held with executives. They reiterated the importance of having experienced, well-spoken regional directors and

subsidiary general managers in place to ensure solid subsidiary-HQ relationships are maintained. Centrality or the formal position held was indicated by a Pearson's correlation score of 0.383 ($p=0.011$). Thus centrality influences one's power in the organisation, formally and informally.

Research on shadow structures contradicts the notion that formal position alone provides power. Language is said to have an important channel of influence with which power can be exerted in an organisation through informal structures (Marschan-Piekkari et al., 1999). Figure 2 illustrates the power of language through the combination of language fluency in a subsidiary. The participants in the study revealed that 2% were in position five and could speak the parent and subsidiary language. However, 36% of respondents fell within position three and could speak the company and subsidiary language while 62% of respondents were in position one where they could speak the parent, company and subsidiary language. Respondents from position one with powerful communication skills were said to be an informal position of power well above their formal position in the organisation. The 2% within position five had the least amount of power and often had to make use of mediators to convey their message.

Table 17 illustrated the perception of subsidiaries about the composition of top management. There were 36.4% of respondents who indicated that more than 75% of top management was Spanish. The actual figures shown in Table 18 were close to the subsidiaries expectations with the exception of Subsidiary General Manager who showed more local diversity.

Secondly, speaking the parent language is seen to increase one's credibility within the organisation which is another source of power. Research suggested that the use of specific languages can help to establish legitimacy (Luo & Shenkar, 2006). Table 16 indicated legitimacy to have a statistical significance at a 99% confidence level of 0.420 ($p=0.005$), meaning parent language does increase one's credibility.

The third factor was access to critical resources. It is perceived by subsidiaries that their ability to speak the parent language could influence their access to critical resources. These findings are confirmed by a correlation analysis

conducted. Table 16 indicated legitimacy to have a statistical significance at a 99% confidence level of 0.424 ($p=0.004$) meaning parent language does increase one's access to critical resources. The use of a specific language can limit the ability of subsidiaries to communicate, negotiate and get access to critical and scarce resources. One such resource is information in the MNC (Luo & Shenkar, 2006).

The theory discussed in Chapter two, suggested that the use of the parent language could increase trust and power which will influence HQ-subsidiary relationships positively. It is evident from the correlation matrix that subsidiaries sharing the parent language with HQ (Spanish), will have greater power in the organisation through gaining legitimacy, access to resources or centrality as a result of the shared language.

Executives disliked the term "power" or of the suggestion that there is a relationship between power and language which could have affected their answers. Many executives saw this relationship as a natural outcome of existing as a human being. An executive from HQ made a strong statement that this type of power is negative. Gaining power or influence in this way is also seen as dangerous. An executive from HQ specifically stated that this type of influence should be kept to a minimum. From the interviews it was suggested that sharing a common language can increase one's power but that this common language must be the parent or official company language.

The data indicated clearly that the ability to speak Spanish will increase the power or influence one holds in the organisation and ranked the factors in relation to their prevalence as centrality (most prevalent), credibility and access to resources (least prevalent). A correlation analysis was conducted which confirmed the hypothesis but the ranking was somewhat different. Credibility was also seen to be influenced by performance and the quality of leadership at the subsidiary. Top management composition as a function of centrality was estimated by 36.4% of respondents to be more than 75% Spanish held. Actual figures revealed that 86% of top management positions was held by Spanish individuals.

Therefore, it can be argued from a subsidiary perspective that speaking the parent language will involve having a greater power in the organisation and one executive mentioned that this power is dangerous and should be kept to a minimum. The research named the influences on power to be through networks, performance and having access to physical resources. The finding of this hypothesis contributes to the literature by adding language as an additional influence on power.

6.3.2.2 *H_{3b}: Greater power based on common language will positively influence HQ attention on the subsidiary*

This hypothesis aimed to test whether power influenced by the sharing of a common language (English or Spanish) will strengthen HQ-subsidary relationships. Hypothesis 1 proved that shared language does influence the subsidiary-HQ relationship positively, but the question remains if a greater or increased power due to a common language can have an influence on this relationship?

Figure 9 revealed contradicting results between groups. Non-Spanish respondents agreed that a shared language will increase power while Spanish respondents were not convinced of the statement being true. This could be an indication of bias by Spanish respondents who might have understood the term “shared” for sharing the parent language (Spanish) and not any language. This confirms the view that subsidiaries hold power to influence within MNCs.

From an HQ perspective, credibility can only be achieved through consistent performance or “*showing initiative, being appreciated by your team, providing satisfactory support to the general manager, trust, implementation and management of proper systems and controls*” as explained by a key executive from HQ. HQ executives do not see a shared language as an influence on power, but rather a consistent, solid track record. The qualitative and quantitative data collected provided contradicting outcomes, thus it was not a clear indication from whether a greater power based on a common language will influence HQ attention. What it does indicate is the existence of perception gaps. HQ also disliked the term “power” which could have affected their responses.

Data collected from conducting interviews with HQ executives explained the importance of a shared language, specifically the official company language (English) when recruiting top management. If top management is a way of gaining centrality, then a common language does influence the power in the organisation. Hypothesis 1, therefore, proved to be true and holds meaning for Hypothesis 3_a in that a shared language influences the HQ-subsidary relationship positively. Hypothesis 3_b explains the extent to which this is true by investigating the impact of power due to language on subsidiary-HQ relationships. The theory only holds if the shared language is a language shared by all and is mostly referred to as the official company language (English) and not the parent language (Spanish) as proved by hypothesis 3_a and confirmed by the interview data for hypothesis 3_b.

6.4 Chapter conclusion

The data collected confirmed the following inferences made based on the literature review in Chapter Two:

1. A shared language will influence the subsidiary-HQ relationship positively. This is moderated by:
 - time (short term versus long term)
 - structure (informal versus formal)
 - cultural differences
2. A common language will promote greater social networks which will influence the subsidiary-HQ relationship positively.
3. Subsidiaries that share the parent language will have greater power in the organisation.
4. A common language will promote greater power which will influence the subsidiary-HQ relationship positively.
5. Social networks and power are influenced by a shared language, but more by the official company language than the parent language.
6. Social Identity theory holds in the short term whereas a company identity takes precedence in the long term.

Chapter 7: Conclusion

The following section of the report will summarise the main findings and provide the key implications, both for businesses and literature that evolved from this study. Recommendations for future research will also be briefly discussed.

7.1 Main findings

The data collected confirmed the majority of inferences made based on the literature review in Chapter Two. One of the key issues when studying MNCs is how to manage relationships between subsidiaries and HQ, and to manage these relationships, one needs to be cognisant of the factors that influence the relationship-building process. It was found that a shared language will influence the subsidiary-HQ relationship positively and that the extent of influence is determined by (a) time (short term versus long term); (b) structure (informal versus formal) (c) cultural differences and (d) the strength of the company identity.

Social networks and power were proposed as two influences of subsidiary-HQ relationships resulting from sharing a common language. This was found to be true, but with some surprises. Firstly, the parent language is not that important. The study found that sharing a level of fluency and understanding in the official company language will create stronger social networks and positions of influence in the organisation than that of the parent language. This might be different for companies during their various stages of evolution.

Secondly, a profound finding from the study was that Social Identity theory suggests that individuals choose people with ethnic familiarity to build relationships with. It was found that over the long term, the company identity becomes more important. If people can identify one with the values and principles of the company, one will start forming part of the in-groups no matter how big the cultural or language difference.

Thirdly, it was also found that the appointment of a boundary spanner is also influenced by language and the communication ability of the individual. Senior positions are kept for boundary spanners and mostly consist of Subsidiary General Managers who can easily comprehend the needs of both subsidiaries

and HQ and facilitate communication and implementation of new objectives as a result between both parties.

It was also found that the type of organisational structure has an impact on the extent language is a barrier in building inter-unit relationships. This challenged the theories of control and coordination in subsidiary-HQ relationships. The flatter the structure, the stronger relationships become due to improved communication and thus an increase in trust. This increase in trust allows HQ to provide subsidiaries with more autonomy in decision-making, which creates new forms of attention structures within the organisation.

It was confirmed that culture and language are interlinked, but the research has made good arguments that established the need for language to be studied separately while always taking into consideration the impact of cultural differences on the outcome of the results.

Theories from sociology and IB were combined and provided rich insights to deepen the understanding of what drives relationship-building between subsidiaries and HQ in MNCs. This understanding is critical, both for subsidiaries and HQ, if subsidiaries are to exploit the maximum amount of opportunities, irrespective of their position within the organisation.

7.2 Implications for literature

This study has provided a number of contributions to the literature:

The findings from this study extends the knowledge base by introducing another variable that shapes and influences subsidiary-HQ relationships and attention not identified before. The study introduced moderators affecting the extent of the influence language has on subsidiary-HQ relationships. Birkinshaw and Bouquet (2008a, 2008b) introduced voice as a new concept in IB. Language can also be added to a factor that influence the voice of the subsidiary. These factors have not been studied in previous research in the manner this study was conducted. Marschan-Piekkari et al. (1999) alluded to language as being a source of power and the building of social relationships but their study did not test these factors quantitatively nor did they examine the extent of the influence

it has on subsidiary-HQ relationships or the attention a subsidiary receive from or provide to HQ.

Marschan-Piekkari et al. (1999) categorised language as a barrier, facilitator and as a source of power. This study provides comparable results to the findings from their research. It was confirmed that language is a barrier to effective communication, but only in the short term. The stage of evolution in the company will determine the importance of the official company language compared to the parent or subsidiary languages and help to bridge the language barrier. Over the long term, the occurrence of ethnocentrism will diminish as the company identity becomes a more important driver of relationships than do personal actors such as ethnicity, impression management and profile building.

Language was also confirmed to be a facilitator in effective communication. Boundary spanners were found to be used to facilitate communication, relationship-building and to reduce conflict between subsidiaries and HQ. A proactive decision must be made by HQ to recruit boundary spanners for key positions such as that of a Regional Director or Subsidiary General Manager. These individuals can facilitate richer networking opportunities and neutralise individuals with power positions based on their language abilities.

The research by Marschan-Piekkari et al. (1999) also identified language as a source of power that can impose its own structure on the company. This was confirmed through both quantitative and qualitative data analysis but was true dependent on the type of formal organisational structure in the company. A hierarchical structure is more open to the formation of informal structures based on language, but the flatter the organisational structure is, the easier it becomes to reach key individuals without the need to form informal or shadow structures based on language. The openness of management in such a flat organisational structure enables communication and demotivates the use of gatekeepers in the organisation.

The biggest contribution to the literature is that Marschan-Piekkari et al. (1999) concluded that standardisation by means of implementing a global company language does not remove the language barrier and set up the space to create shadow structures within the organisation. This study challenges this finding by proposing that there are other factors that influence the impact language has in a MNC. These include the life-stage of the company, the strength of its company identity, the type of formal organisation structure it uses and the cultural differences between units and individuals. Nevertheless, it supports their argument that language should be studied further as a pertinent factor that influences relationships between subsidiaries and HQ in a MNC.

7.3 Implications for business

It is critical for MNCs to understand what drives subsidiary-HQ relationships and how each party can understand their role better to narrow perception gaps and reduce conflict in the organisation. It is also important for managers from subsidiaries and HQ to become aware of their bounded rationality to overcome conflict and misunderstandings.

It is imperative for business to develop proactive policies to overcome the language barrier through each of its life-stages during its evolution. It is also refreshing for business to know that language is suggested to be problematic only in the short term and that decisions such as its choice of formal organisational structure can overcome this barrier.

Business must be cognisant of the influence of its decisions on subsidiary-HQ relationships, for example how company visits are scheduled, how meetings are conducted and how communication is managed within the organisation as all of these issues can impact the MNC positively if correctly managed.

7.4 Recommendations for future research

The role of language in conflict coordination and adjustment processes is an area with the potential for further research. The contribution lies in the extension of the research conducted by Schotter & Beamish (2011) on boundary spanners and the impact of language thereon.

A question that arose in the study was about what the impact of an informal or flat organisational structure was on relationships compared to a hierarchical structure and how this changes through the stages of evolution of a big MNC. Future research could replicate this study on companies in the various stages of evolution to verify the validity and generalisation of the findings. A longitudinal study will prove interesting and provide greater insights on the applicability of the study on companies in different life-stages.

A theme that came through strongly when conducting the interviews was the impact of language on relationships between subsidiary and HQ staff at middle-management and operational level where international exposure is limited and boundary spanning constrained. Marschan-Piekkari et al. (1999) highlighted the difficulty in gaining access to interviewees at middle and operational level (below senior management) due to their inadequate proficiency in the official company language or parent language. The research suggested that more barriers are prevalent with individuals at this middle level than the top management structure examined in this study.

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Appendices

Appendix 1: Sample questionnaire

Consent form: Questionnaire

Dear Colleague,

I am doing research on how language impacts subsidiary voice in multinational companies. To that end, you are asked to answer the questions found in this questionnaire. This will help us better understand the role of language in multinationals and should take no more than 30 minutes of your time. Your participation is voluntary and you can withdraw at any time without penalty. The questionnaire is also anonymous and all data will be kept strictly confidential.

By completing the questionnaire, you indicate that you voluntarily participate in this research. If you have any concerns, please contact me or my supervisor. Our details are provided below.

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Thank you for your time.

Demographic information

1. What is your nationality?
 - a. Spanish
 - b. American
 - c. African
 - d. Australian

- e. If other please specify
2. On which continent were you born?
 - a. Africa
 - b. Antarctica
 - c. Asia
 - d. Australia
 - e. Europe
 - f. North America
 - g. South America
 3. In which country were you born?
 - a. Spain
 - b. Other (please specify)
 4. In which country are you currently working and living?
 - a. Spain
 - b. Other (please specify)
 5. Please describe what language(s) were primarily spoken in your childhood home?
 6. In what languages can you speak? (Check all that apply)
 - a. Arabic
 - b. Armenian
 - c. Chinese
 - d. English
 - e. French
 - f. French
 - g. Creole
 - h. German
 - i. Greek
 - j. Gujarati
 - k. Hindi
 - l. Italian
 - m. Japanese
 - n. Korean
 - o. Persian
 - p. Polish
-

- q. Portuguese
 - r. Russian
 - s. Spanish
 - t. Tagalog
 - u. Urdu
 - v. Vietnamese
 - w. Other
7. What is your level in the organisation?
- a. Regional Director
 - b. General Manager
 - c. Functional Manager
 - d. Other
8. What is the main language spoken in your subsidiary?
- a. French
 - b. Italian
 - c. English
 - d. Spanish
 - e. Russian
 - f. Portuguese
 - g. Other

Other questions

Please answer the following questions by choosing the most applicable answer (strongly disagree, disagree, neutral, agree, strongly agree) for the given question or statement.

9. In this company, legitimacy / credibility is mostly affected by:
- a. Shared language
 - b. Sustained performance
 - c. Being good at political games
 - d. Being part of key networks
 - e. Other (please specify)
10. Individuals sharing a common language are more likely to share the same norms, values, rules and perceptions
11. Sharing a common language increases trust between individuals.
-

12. Your ability to speak Spanish will increase your credibility / legitimacy within the company.
 13. Do you feel that the level of influence exercised over headquarters will be increased if you were able to speak Spanish?
 14. In this organisation a person's influence is based on:
 - a. Their ability to understand the Spanish way of doing business
 - b. Their ability to adhere to corporate policies and practices
 - c. Their performance
 - d. Their relationship with important individuals
 - e. Years of employment
 - f. Their ability to speak and understand
 - g. Other (please specify)
 15. Do you feel that the trust relationship between headquarters and subsidiaries will strengthen if both parties spoke the same language?
 16. Would you say people from Headquarters are:
 - a. Trustworthy
 - b. Somewhat trustworthy
 - c. Don't know
 - d. Not very trustworthy
 - e. Untrustworthy
 17. I trust people more that look like me and speak like me.
 18. Generally speaking, how would you describe the headquarter-subsidiary trust relationship?
 - a. People from headquarters can be trusted at all times
 - b. Some people at headquarters can be trusted
 - c. I trust people more if they can speak the same language as me
 - d. You can't be too careful when dealing with headquarters
 - e. Headquarters can't be trusted, they are opportunistic
 19. Would you say Headquarters try to be helpful or do they just look out for themselves?
 - a. Headquarters are always helpful
 - b. Headquarters are sometimes helpful
 - c. Don't know
 - d. Headquarters help sometimes when it is to their advantage
-

- e. Headquarters only look out for themselves
20. Headquarters keep promises made to subsidiaries.
21. In this organisation, power is:
- a. Shared throughout the organisation
 - b. Concentrated at the headquarters
 - c. Enjoyed by a selected number of subsidiaries
22. The attention you are able to receive from headquarters will affect the resources allocated to your subsidiary (e.g. capex, budgets, people).
23. Being unable to speak Spanish can influence your access to critical resources from headquarters.
24. Being able to speak the official company language (English) can influence
25. Your power is higher in the organisation if you can speak Spanish.
26. In this organisation, who is more likely to serve in a position of high office?
- a. Spanish nationals
 - b. Non-spanish nationals
 - c. A person of any nationality, they are treated equally
27. This organisation shows more loyalty towards Spanish employees
28. What percentage of senior management positions do you believe are filled by Spanish nationals?
- a. < 10%
 - b. 10% - 25%
 - c. 26% - 44%
 - d. 45% - 55%
 - e. 56% - 74%
 - f. > 75%
29. Speaking Spanish will enable success in the organisation.
30. People speaking Spanish have a closer relationship with headquarter executives.
31. Your subsidiary will receive more attention from headquarters if top management were Spanish nationals
32. Why do you think Spanish national expatriates are deployed to subsidiaries?
-

- a. Skills transfer
 - b. Knowledge sharing
 - c. To build an informal communication network
 - d. To act as mediators or gatekeepers
 - e. To overcome the language barrier
 - f. To keep an eye on the subsidiary
 - g. Other
33. Gatekeepers are individuals who can restrict access to information or resources due to their ability to speak a foreign language. There are gatekeepers in my organisation.
34. Internal instructions can be misunderstood due to the lack of a shared language.
35. Do you feel that these misunderstandings can lead to a reduction in the attention your subsidiary receives from headquarters?
36. When staff cannot communicate in Spanish, do they often make use of Spanish speaking contacts to convey their message?
37. Does the inability to speak Spanish cause conflict between headquarters and subsidiaries?
38. A shadow structure is an informal structure that is created through the networks formed in a company and can often be stronger than the formal structures in the organisation. Do you see the existence of shadow structures in your organisation?
39. Do you think the distance away from headquarters affects the attention your subsidiary enjoy?
40. What do you think is the biggest barrier in receiving attention from headquarters?
41. What do you think can your subsidiary do to get more attention from headquarters?

Appendix 2: Results

Means comparison detailed tables

H1: A shared language will influence the subsidiary-HQ relationship positively

Table 19: Means comparison for hypothesis 1 split by primary language

Primary Language	Sharing a common language increases trust between individuals	The trust relationship between headquarters and subsidiaries will strengthen if both parties spoke the same language
Other	3,9167	3,9167
Spanish	3,5000	3,4000
Total	3,7273	3,6818

Table 20: Means comparison for hypothesis 1 split by nationality

Nationality_ALL	Sharing a common language increases trust between individuals	The trust relationship between headquarters and subsidiaries will strengthen if both parties spoke the same language
Spanish	3,5000	3,4375
Other	3,8235	3,7647
German	4,0000	4,0000
French	4,0000	4,0000
American	3,8000	3,8000
African	4,0000	4,0000
Total	3,7273	3,6818

Table 21: Means comparison for hypothesis 1 split by formal position

Position	Sharing a common language increases trust between individuals	The trust relationship between headquarters and subsidiaries will strengthen if both parties spoke the same language
Regional Director	4,2500	4,2500
General Manager	3,5714	3,0000
Functional Manager	3,7037	3,8889
Other	3,6667	3,1667
Total	3,7273	3,6818

H2a: Subsidiaries that have a common language with HQ (not official language), will have greater social networks with HQ

Table 22: Means comparison for hypothesis 2a split by primary language

PrimaryLanguage	Individuals sharing a common language are more likely to share the same norms, values, rules and perceptions	Sharing a common language increases trust between individuals	In this organisation a person's influence is based on: their relationship with important individuals	The trust relationship between headquarters and subsidiaries will strengthen if both parties spoke the same language	I trust people more that look like me and speak like me	People speaking Spanish have a closer relationship with headquarter executives	Spanish national expatriates are deployed to subsidiaries to build an informal communication network	Spanish national expatriates are deployed to subsidiaries to act as mediators or gatekeepers	Spanish national expatriates are deployed to subsidiaries to overcome the language barrier	There are gatekeepers in my organisation	When staff cannot communicate in Spanish, they often make use of Spanish speaking contacts to convey their message
Other	3,6667	3,9167	3,7826	3,9167	2,6250	1,8750	3,6087	3,3043	3,0000	2,8333	2,9167
Spanish	3,4500	3,5000	3,6500	3,4000	2,7500	1,8000	3,2500	3,3000	2,7000	2,1000	3,1500
Total	3,5682	3,7273	3,7209	3,6818	2,6818	1,8409	3,4419	3,3023	2,8605	2,5000	3,0227

Table 23: Means comparison for hypothesis 2a split by nationality

Nationality_ALL	Individuals sharing a common language are more likely to share the same norms, values, rules and perceptions	Sharing a common language increases trust between individuals	In this organisation a person's influence is based on: their relationship with important individuals	The trust relationship between headquarters and subsidiaries will strengthen if both parties spoke the same language	I trust people more that look like me and speak like me	People speaking Spanish have a closer relationship with headquarter executives	Spanish national expatriates are deployed to subsidiaries to build an informal communication network	Spanish national expatriates are deployed to subsidiaries to act as mediators or gatekeepers	Spanish national expatriates are deployed to subsidiaries to overcome the language barrier	There are gatekeepers in my organisation	When staff cannot communicate in Spanish, they often make use of Spanish speaking contacts to convey their message
Spanish	3,3750	3,5000	3,6250	3,4375	2,8125	1,8125	3,3125	3,1875	2,6875	2,0000	3,0625
Other	3,5882	3,8235	3,5625	3,7647	2,7647	1,7647	3,5000	3,2500	3,0000	2,7059	2,9412
German	4,0000	4,0000	5,0000	4,0000	1,0000	2,0000	4,0000	3,0000	2,0000	1,0000	2,0000
French	2,0000	4,0000	3,0000	4,0000	2,0000	2,0000	3,0000	4,0000	4,0000	2,0000	2,0000
American	4,0000	3,8000	4,0000	3,8000	2,4000	2,0000	3,4000	3,4000	2,8000	2,8000	2,8000
African	4,0000	4,0000	4,2500	4,0000	2,7500	2,0000	3,7500	3,7500	3,0000	3,7500	4,0000
Total	3,5682	3,7273	3,7209	3,6818	2,6818	1,8409	3,4419	3,3023	2,8605	2,5000	3,0227

Table 24: Means comparison for hypothesis 2a split by formal position

Position	Individuals sharing a common language are more likely to share the same norms, values, rules and perceptions	Sharing a common language increases trust between individuals	In this organisation a person's influence is based on: their relationship with important individuals	The trust relationship between headquarters and subsidiaries will strengthen if both parties spoke the same language	I trust people more that look like me and speak like me	People speaking Spanish have a closer relationship with headquarter executives	Spanish national expatriates are deployed to subsidiaries to build an informal communication network	Spanish national expatriates are deployed to subsidiaries to act as mediators or gatekeepers	Spanish national expatriates are deployed to subsidiaries to overcome the language barrier	There are gatekeepers in my organisation	When staff cannot communicate in Spanish, they often make use of Spanish speaking contacts to convey their message
Regional Director	4,5000	4,2500	3,7500	4,2500	3,2500	1,7500	4,0000	3,5000	3,0000	2,7500	3,5000
General Manager	3,0000	3,5714	3,1429	3,0000	2,0000	1,8571	2,7143	2,8571	2,4286	2,4286	3,1429
Functional Manager	3,5926	3,7037	3,8462	3,8889	2,8148	1,8519	3,5769	3,3846	2,9231	2,5185	3,0000
Other	3,5000	3,6667	3,8333	3,1667	2,5000	1,8333	3,3333	3,3333	3,0000	2,3333	2,6667
Total	3,5682	3,7273	3,7209	3,6818	2,6818	1,8409	3,4419	3,3023	2,8605	2,5000	3,0227

H2b: Greater social networks based on common language will positively influence HQ attention on the subsidiary

Table 25: Means comparison for hypothesis 2b split by primary language

PrimaryLanguage	People speaking Spanish have a closer relationship with headquarter executive	Your subsidiary will receive more attention from headquarters if top management were Spanish nationals
Other	3,7500	3,2917
Spanish	2,8000	2,7500
Total	3,3182	3,0455

Table 26: Means comparison for hypothesis 2b split by nationality

Nationality_ALL	People speaking Spanish have a closer relationship with headquarter executive	Your subsidiary will receive more attention from headquarters if top management were Spanish nationals
Spanish	2,6250	2,6875
Other	3,6471	3,1765
German	4,0000	2,0000
French	4,0000	2,0000
American	3,6000	3,2000
African	4,0000	4,2500
Total	3,3182	3,0455

Table 27: Means comparison for hypothesis 2b split by formal position

Position	People speaking Spanish have a closer relationship with headquarter executive	Your subsidiary will receive more attention from headquarters if top management were Spanish nationals
Regional Director	3,7500	3,0000
General Manager	3,4286	2,8571
Functional Manager	3,2963	3,0370
Other	3,0000	3,3333
Total	3,3182	3,0455

H3a: Subsidiaries that have a common language with HQ (not official language), will have greater power in the organisation

Table 28: Means comparison for hypothesis 3a split by primary language

Primary Language	In this company, power is mostly affected by a shared language	Your ability to speak Spanish will increase your credibility/legitimacy within the company	In this organisation a person's influence is based on their ability to understand the Spanish way of doing business	In this organisation a person's influence is based on their ability to speak and understand Spanish	Being unable to speak Spanish can influence your access to critical resources from headquarters	Your power is higher in the organisation if you can speak Spanish	In this organisation, Spanish nationals are more likely to serve in a position of high office	Speaking Spanish will enable success in the organisation	Senior management positions perceived to be filled by Spanish nationals
Other	3,9091	3,9583	3,7500	3,6087	2,7500	3,4167	3,9130	3,2917	5,1250
Spanish	3,0000	2,9000	2,6000	2,5789	2,4500	2,4000	2,9500	2,9000	4,6000
Total	3,4762	3,4773	3,2273	3,1429	2,6136	2,9545	3,4651	3,1136	4,8864

Table 29: Means comparison for hypothesis 3a split by nationality

Nationality_ALL	In this company, legitimacy / credibility is mostly affected by a shared language	Your ability to speak Spanish will increase your credibility / legitimacy within the company	In this organisation a person's influence is based on their ability to understand the Spanish way of doing business	In this organisation a person's influence is based on their ability to speak and understand Spanish	Being unable to speak Spanish can influence your access to critical resources from headquarters	Your power is higher in the organisation if you can speak Spanish	In this organisation, Spanish nationals are more likely to serve in a position of high office	Speaking Spanish will enable success in the organisation	Senior management positions perceived to be filled by Spanish nationals
Spanish	2,9375	2,8750	2,6250	2,5333	2,3750	2,3750	3,0625	2,8750	4,8750
Other	3,8000	3,8824	3,6471	3,5000	2,7059	3,3529	3,6875	3,3529	5,0000
German	4,0000	4,0000	4,0000	4,0000	4,0000	3,0000	5,0000	4,0000	6,0000
French	3,0000	3,0000	3,0000	3,0000	2,0000	2,0000	3,0000	3,0000	3,0000
American	3,6000	3,6000	3,0000	3,0000	2,0000	3,0000	3,6000	2,4000	4,4000
African	4,2500	4,0000	4,0000	4,0000	3,7500	3,7500	3,7500	3,7500	5,2500
Total	3,4762	3,4773	3,2273	3,1429	2,6136	2,9545	3,4651	3,1136	4,8864

Table 30: Means comparison for hypothesis 3a split by formal position

Position	In this company, legitimacy / credibility is mostly affected by a shared language	Your ability to speak Spanish will increase your credibility / legitimacy within the company	In this organisation a person's influence is based on their ability to understand the Spanish way of doing business	In this organisation a person's influence is based on their ability to speak and understand Spanish	Being unable to speak Spanish can influence your access to critical resources from headquarters	Your power is higher in the organisation if you can speak Spanish	In this organisation, Spanish nationals are more likely to serve in a position of high office	Speaking Spanish will enable success in the organisation	Senior management positions perceived to be filled by Spanish nationals
Regional Director	3,5000	4,0000	3,7500	3,3333	3,5000	3,2500	3,7500	3,7500	5,2500
General Manager	3,2857	3,4286	3,1429	3,0000	2,8571	3,0000	3,5714	3,1429	5,1429
Functional Manager	3,7200	3,5185	3,1852	3,2308	2,4815	2,9259	3,4231	3,1111	4,7407
Other	2,6667	3,0000	3,1667	2,8333	2,3333	2,8333	3,3333	2,6667	5,0000
Total	3,4762	3,4773	3,2273	3,1429	2,6136	2,9545	3,4651	3,1136	4,8864

Table 31: Ranking of influencers on power

	Factor	Other	Spanish
Being unable to speak Spanish can influence your access to critical resources from headquarters	Access to resources	2,75	2,45
Average		2,75	2,45
In this organisation, Spanish nationals are more likely to serve in a position of high office	Centrality	3,91	2,95
Speaking Spanish will enable success in the organisation	Centrality	3,29	2,90
Senior management positions perceived to be filled by Spanish nationals	Centrality	5,13	4,60
Average		4,11	3,48
In this company, legitimacy / credibility is mostly affected by a shared language	Credibility	3,91	3,00
Your ability to speak Spanish will increase your credibility / legitimacy within the company	Credibility	3,96	2,90
Average		3,93	2,95

H3b: Greater power based on common language will positively influence HQ attention on the subsidiary

Table 32: Means comparison for hypothesis 3b split by primary language

Primary Language	The attention you are able to receive from headquarters will affect the resources allocated to your subsidiary (e.g. capex, budgets, people)	Your subsidiary will receive more attention from headquarters if top management were Spanish nationals
Other	3,3333	3,2917
Spanish	3,2000	2,7500
Total	3,2727	3,0455

Table 33: Means comparison for hypothesis 3b split by nationality

Nationality_ALL	The attention you are able to receive from headquarters will affect the resources allocated to your subsidiary (e.g. capex, budgets, people)	Your subsidiary will receive more attention from headquarters if top management were Spanish nationals
Spanish	3,1250	2,6875
Other	3,3529	3,1765
German	5,0000	2,0000
French	2,0000	2,0000
American	3,2000	3,2000
African	3,5000	4,2500
Total	3,2727	3,0455

Table 34: Means comparison for hypothesis 3b split by formal position

Position	The attention you are able to receive from headquarters will affect the resources allocated to your subsidiary (e.g. capex, budgets, people)	Your subsidiary will receive more attention from headquarters if top management were Spanish nationals
Regional Director	3,2500	3,0000
General Manager	3,5714	2,8571
Functional Manager	3,2593	3,0370
Other	3,0000	3,3333
Total	3,2727	3,0455

Correlation analysis detailed tables

Social networks

Table 35: Correlation analysis on social networks

		Shared language affects voice / sub_HQ relationship	Shared language leads to ethnocentrism	Shared language increases trust	Influence based on social networks	Trust relationship strengthen with shared language	Relationship between trust and ethnocentrism	Parent Language increase Social Network	Reason for Expats - improve Informal network	Reason for Expats - use as mediators	Reason for Expats - bridge language barrier	Gatekeepers in the organisation	Staff uses mediators to ease communication
Shared language affects voice / sub_HQ relationship	Pearson Correlation Sig. (2-tailed) N	1,000 44											
Shared language leads to ethnocentrism	Pearson Correlation Sig. (2-tailed) N	.418** 0,005 44	1,000 44										
Shared language increases trust	Pearson Correlation Sig. (2-tailed) N	0,276 0,070 44	.670** 0,000 44	1,000 44									
Influence based on social networks	Pearson Correlation Sig. (2-tailed) N	.503** 0,001 43	.351* 0,021 43	0,235 0,130 43	1,000 43								
Trust relationship strengthen with shared language	Pearson Correlation Sig. (2-tailed) N	.471** 0,001 44	.523** 0,000 44	.531** 0,000 44	.508** 0,001 43	1,000 44							
Relationship between trust and ethnocentrism	Pearson Correlation Sig. (2-tailed) N	0,195 0,205 44	.467** 0,001 44	0,288 0,058 44	0,224 0,149 43	.444** 0,003 44	1,000 44						
Parent Language increase Social Network	Pearson Correlation Sig. (2-tailed) N	.493** 0,001 44	0,090 0,563 44	0,143 0,354 44	0,234 0,132 43	.389** 0,009 44	0,191 0,214 44	1,000 44					
Reason for Expats - improve Informal network	Pearson Correlation Sig. (2-tailed) N	0,195 0,211 43	.314* 0,040 43	0,065 0,680 43	.397** 0,008 43	.377* 0,013 43	0,292 0,058 43	.331* 0,030 43	1,000 43				
Reason for Expats - use as mediators	Pearson Correlation Sig. (2-tailed) N	0,249 0,108 43	.304* 0,048 43	0,047 0,766 43	0,233 0,133 43	0,241 0,120 43	0,233 0,133 43	.338* 0,027 43	.593** 0,000 43	1,000 43			
Reason for Expats -bridge language barrier	Pearson Correlation Sig. (2-tailed) N	0,110 0,484 43	0,249 0,108 43	0,246 0,112 43	0,073 0,642 43	.317* 0,039 43	.307* 0,045 43	.402** 0,008 43	.421** 0,005 43	.434** 0,004 43	1,000 43		
Gatekeepers in the organisation	Pearson Correlation Sig. (2-tailed) N	.493** 0,001 44	0,285 0,061 44	0,152 0,325 44	0,266 0,084 43	0,268 0,079 44	0,270 0,076 44	.584** 0,000 44	0,290 0,060 43	.319* 0,037 43	.336* 0,028 43	1,000 44	
Staff uses mediators to ease communication	Pearson Correlation Sig. (2-tailed) N	0,231 0,131 44	0,093 0,548 44	0,030 0,848 44	-0,061 0,697 43	0,007 0,963 44	0,255 0,095 44	.472** 0,001 44	0,232 0,134 43	.361* 0,017 43	0,248 0,109 43	.420** 0,005 44	1,000 44

** . Correlation is significant at the 0.01 level (2-tailed).
* . Correlation is significant at the 0.05 level (2-tailed).

Power

Table 36: Correlation analysis on power

		<i>Shared language affects voice / sub_HQ relationship</i>	<i>Legitimacy mostly affected by shared language</i>	<i>Speaking the parent language increase legitimacy</i>	<i>Speaking the parent language increase influence</i>	<i>Influence mostly affected by shared language</i>	<i>Not speaking parent language affects access to critical resources</i>	<i>Parent language increases power</i>	<i>nationals more likely to serve in a position of high office</i>	<i>Speaking the parent language enables success</i>
Shared language affects voice / sub_HQ relationship	Pearson Correlation Sig. (2-tailed) N	1 44								
Legitimacy mostly affected by shared language	Pearson Correlation Sig. (2-tailed) N	.383 .012 42	1 42							
Speaking the parent language increase legitimacy	Pearson Correlation Sig. (2-tailed) N	.420** .005 44	.525** .000 42	1 44						
Speaking the parent language increase influence	Pearson Correlation Sig. (2-tailed) N	.488** .001 44	.445** .003 42	.622** .000 44	1 44					
Influence mostly affected by shared language	Pearson Correlation Sig. (2-tailed) N	.467** .002 42	.566** .000 41	.690** .000 42	.731** .000 42	1 42				
Not speaking parent language affects access to critical resources	Pearson Correlation Sig. (2-tailed) N	.424** .004 44	.399** .009 42	.557** .000 44	.497** .001 44	.762** .000 42	1 44			
Parent language increases power	Pearson Correlation Sig. (2-tailed) N	.514** .000 44	.473** .002 42	.740** .000 44	.679** .000 44	.818** .000 42	.717** .000 44	1 44		
Spanish nationals more likely to serve in a position of high office	Pearson Correlation Sig. (2-tailed) N	.383 .011 43	.362 .019 42	.659** .000 43	.658** .000 43	.654** .000 42	.518** .000 43	.683** .000 43	1 43	
Speaking the parent language enables success	Pearson Correlation Sig. (2-tailed) N	.379 .011 44	.345 .025 42	.563** .000 44	.563** .000 44	.812** .000 42	.768** .000 44	.711** .000 44	.564** .000 43	1 44
<p>** . Correlation is significant at the 0.01 level (2-tailed). * . Correlation is significant at the 0.05 level (2-tailed).</p>										

Multiple regression detailed tables

Social networks

Table 37: Multiple regression summary for social networks variable

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.744 ^a	0,553	0,395	0,711

Table 38: ANOVA for social networks variable

	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Regression	19,436	11	1,767	3,493	.003
Residual	15,680	31	,506		
Total	35,116	42			

a. Dependent Variable: Shared language affects voice / sub_HQ

Table 39: Coefficients for social networks variable

	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
Dependent variable	-0,113	0,723		-0,156	0,877
Shared language leads to ethnocentrism	0,316	0,182	0,348	1,735	0,093
Shared language increases trust	-0,115	0,188	-0,114	-0,610	0,547
Influence based on social networks	0,355	0,166	0,331	2,142	0,040
Trust relationship strengthen with shared language	0,110	0,197	0,111	0,559	0,580
Relationship between trust and ethnocentrism	-0,046	0,135	-0,055	-0,343	0,734
Parent Language increase Social Network	0,315	0,160	0,366	1,971	0,058
Reason for Expats - improve Informal network	-0,212	0,165	-0,217	-1,285	0,208
Reason for Expats - use as mediators	0,040	0,165	0,040	0,243	0,809
Reason for Expats -bridge language barrier	-0,142	0,157	-0,138	-0,907	0,372
Gatekeepers in the organisation	0,129	0,146	0,145	0,880	0,386
Staff uses mediators to ease communication	0,081	0,128	0,098	0,634	0,531

a. Dependent Variable: Shared language affects voice / sub_HQ relationship

Power

Table 40: Multiple regression summary for power variable

<i>Model</i>	<i>R</i>	<i>R Square</i>	<i>Adjusted R Square</i>	<i>Std. Error of the Estimate</i>
1	.596 ^a	0,355	0,194	0,823

Table 41: ANOVA for power variable

	<i>Sum of Squares</i>	<i>df</i>	<i>Mean Square</i>	<i>F</i>	<i>Sig.</i>
Regression	11,911	8	1,489	2,201	.054 ^b
Residual	21,650	32	,677		
Total	33,561	40			

a. Dependent Variable: Shared language affects voice / sub_HQ

Table 42: Coefficients for power variable

	<i>Unstandardized Coefficients</i>		<i>Standardized Coefficients</i>	<i>t</i>	<i>Sig.</i>
	<i>B</i>	<i>Std. Error</i>	<i>Beta</i>		
Dependent variable	1,085	0,603		1,799	0,081
Legitimacy mostly affected by shared language	0,182	0,172	0,194	1,058	0,298
Speaking the parent language increase legitimacy	0,033	0,180	0,043	0,184	0,855
Speaking the parent language increase influence	0,154	0,196	0,179	0,786	0,438
Influence mostly affected by shared language	-0,329	0,338	-0,351	-0,972	0,338
Not speaking parent language affects access to critical resources	0,204	0,211	0,253	0,966	0,341
Parent language increases power	0,299	0,223	0,382	1,343	0,189
Spanish nationals more likely to serve in a position of high office	-0,032	0,189	-0,037	-0,172	0,864
Speaking the parent language enables success	0,055	0,251	0,060	0,220	0,827
a. Dependent Variable: Shared language affects voice / sub_HQ relationship					

Appendix 3: Interview consent form template

I am doing research on how language impacts subsidiary voice in multinational companies. The interview is expected to last approximately an hour and will help us understand how language impacts multinational relationships and dynamics. Your participation is voluntary and you can withdraw at any time without penalty. All data will be kept confidential.

If you have any concerns, please contact me or my supervisor. Our details are provided below.

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Tel: 082 411 6526

Signature of participant: _____

Date:

Signature of researcher: _____

Date:

Appendix 4: Interview transcription

Interviewee 1

What do you think impacts on attention given to subsidiaries (apart from previous factors mentioned from theory i.e. initiative taking, profile building, distance, downstream competence, performance)?

My primary driver of attention during this time in the company is performance relating to the key drivers of the KPI's such as profits, cash flow and working capital as this is the focus of the company. Thus I will focus my attention on underperforming companies. I will put that as the main one, on top of strategy, on top of business development. The second one will be to allocate more attention to the subsidiaries who actively communicate with the corporation.

Will it make it easier for you if the leadership (regional directors or functional managers) were more open to headquarters and do you find ways to bridge these challenges?

It will make the communication easier as humans choose the easiest path with less conflict. I remember a book that I read, "Swallow the frog", and it explained that if you have to do something difficult, swallow the frog first and then you can move to the more pleasurable things. There is a natural tendency to go to the more pleasant issues first. So if you find people that are friendly and have an understanding for the corporation, it makes it easier to work with them.

How often do you visit subsidiaries and do you think it's important to visit and why?

Expectations and reality is always different. It is important to show subsidiaries that you are interested in their business activities and visits are one way of showing this. In this company, with its huge amount of subsidiaries, and presence in a significant amount of countries, even if you travel extensively you will never reach all of them in one year. The intention is to spend a third of my time abroad which is a reasonable amount of time to still attend to my requirements at corporation and family. I am not the owner of my own agenda. I

try to do the best balance possible because I know it is extremely important to visit subsidiaries and have seen the appreciation of the visits.

Do you find that subsidiaries who do not speak the parent language (Spanish) or company language (English) escape monitoring?

That is something I personally have used in my past and managed in my best interest when working with clients. People have asked me if language is a problem and I say no because it allows you to say something strong, test the waters and provide an escape if it is not received well when you can say "I think I have maybe not stated it correctly". I am sure subsidiaries use it to their benefit, I will use it. Language is an important barrier, it complicates things and causes misunderstandings. I will be less inclined to talk to subsidiaries when communication is difficult as it will take me a lot of effort to get the message across.

Do you have a lot of informal relationship with individuals at subsidiaries where you feel that you can trust them more because you know them personally?

Definitive. I think it is human nature. As a manager you have to treat everyone equally but humans tend to relate to people whom they know and have similarities with, such as culture or language. But this is only true for a short while. As you get to know people they tend to show their character quite soon.

Do you become more attentive when you know someone or that person is part of your circle of friends, to ensure you stay objective in the business environment?

I can tell you how I do it. I am a person that have never stopped creating personal relationships with people. I have taken great care not to use those relationships to fish for information or to convey a message. It is difficult to balance but it is of great importance to separate personal and business matters in these relationships.

Is there a relationship between sharing a language and the power you have in an organisation?

I do think so. I think the power of communication is amazing. Communication is only fluent if both parties speak the same language. Thus it is easier to speak to someone who speaks your language and more importantly are from your own culture. People then mostly share the way you think. It is not a bad idea for key people to spend time at corporation to understand the culture. The perception you have of the company is vastly different when you are in a subsidiary than when you are at corporation.

Is there a relationship between sharing a language and the trust?

I think so. The organisation has a responsibility to ensure that this influence is kept to a minimum. At global meetings it is prevalent that groups of people who share a language cluster together. Because it is easier to communicate.

What would affect, apart from language the trust in the organisation?

Keeping the promises. If you deliver on your promises. This will build my trust. More than language, more than history and more than friendship.

Does language play a role when recruiting top management at corporation and regional level?

It is important. The first requirement will be to speak English. In a key position the ability to speak Spanish will also be considered because you are in a Spanish corporation. It will create complications, for example if the whole board need to speak in English, although they all can speak English.

Do you think there is a strategy to create a more diverse top management structure that will be representative of the globalised firm we are aiming for?

Yes, there is a definite interest in internationalising the company which also means top management must be from different countries. There has been a conscious effort to bring in new people from different countries. At regional level there are a lot of diversity amongst managers whom represent the regions they manage.

What do you think is the biggest barrier for subsidiaries to get attention?

Good question. I think to get positive attention is to have a positive attitude. Subsidiaries who constantly criticise without constructive feedback will not get positive attention. To have reasonable results with no problems and having a director who wants to create a low profile will cause the lowest attention, but is not necessarily a barrier. I will have to give it some more thought.

What do you think subsidiaries can do to gain more attention from headquarters? (apart from performance)

Requesting support, sharing experiences, sharing best practices and being open to ideas and changes – these together will help any subsidiary gain positive attention. The corporation is very reactive to suggestions and requests from subsidiaries.

Is there anything you would like to add or discuss?

I have been in many different environments. I have learnt to not judge based on your experience but rather focus on gaining an understanding. You need to be sensitive to the differences amongst countries and also to the difference in business activities between subsidiaries and headquarters. Top management has travelled more and become more culturally sensitive. Middle management often struggle to gain an understanding because they are not exposed directly to the individuals from other countries and to the challenges from other countries. It is important for subsidiaries to understand the Spanish culture. Spanish is a very assertive language, not from South America, from Spain. We get to the point, to the task, sometimes without sounding polite. But we don't try not to be polite, it's just how we speak in Spanish. Face to face exposure to people from different languages and cultures are almost the only way to overcome these misunderstandings.

When splitting the responses between Spanish and non-Spanish people, it was seen that Spanish responses are more critical of headquarters. Why do you think is this?

It is true that Spanish people are harder on each other and will put more effort in with others. It is a cultural thing, coming back to the assertiveness of Spanish people from Spain.

Why is expats sent to subsidiaries?

My approach is that the only thing where Spanish expats are better than locals are implementing the company's culture, thinking, procedures and policies. As soon as this is embedded, a local should be appointed to do the job. More importantly, people starting from scratch in a senior role should spend more time initially at corporation to learn this culture and way of working.

Do you think all management should be trained to speak Spanish?

No, I think more training in English should be provided as this is the official company language. It does create an interesting dynamic when two people whose primary language is not English are in discussion, but I believe that will be easier than teaching Spanish.

Interviewee 2

If you look at all the subsidiaries, what is the factors that determine the attention you allocate to these subsidiaries?

Usually I start with subsidiaries whom require more help or attention from this department. It can be huge or small subsidiaries. Why? Usually big subsidiaries have a representative of this department in the subsidiary. Thus the first driver is the number of people in the subsidiary, and the second driver will be whether this subsidiary has a partner representing this department managing the activities and third will be the newness of the subsidiary. Usually a new subsidiary require more support.

How do you think a small subsidiary who make their objectives can ensure they receive the necessary attention and not fall below the radar of corporation?

It is necessary to meet the people personally. Subsidiaries who travel with frequency to Madrid is great to please the relationship. Skype and phone is good but personal contact is essential. Thus a subsidiary can be present in the HQ life only by travelling to Madrid.

It is easier to give attention to familiar things according to psychology research. Do you find yourself working easier with people you already know?

It is not a question of language but more of relationships. Language makes relationships easier, but as time goes by and the relationship grows stronger, language does not matter. I have better relationships with people at subsidiaries than people at HQ.

How often do you visit subsidiaries?

I travel about 70 out of 220 days. Last year I visited 35 subsidiaries. It is tough on the family life. My little one says “bye bye papa” every time she sees a plane. So it’s tough to balance the family and work. It is demanding working in a company with such diversity and disparity. I always say, if I don’t see I don’t understand. The problem lies more in middle management than in top management.

Do you find that subsidiaries who do not speak the parent language (Spanish) or company language (English) escape monitoring?

If this happens it must be done by e-mail and then personal relationships get lost. Language and personal relationships is in synergy.

Do we have any plans to bridge the language barrier to make communication easier?

We want the people to learn English as the main language to communicate in. Those people who cannot speak English, we provide lessons. We also try not to recruit people who cannot speak English. From the company point of view, it is not necessary to speak Spanish.

Are we driving a more diverse top management composition?

It is not a fixed program with specific targets but it is a feeling that diversity is better. If we have to recruit a professional, it is an important part of the profile. We don’t see the nationality when recruiting, but rather capability and international experience.

One senior manager has been appointed that is non-Spanish. In theory, groups that are alike tend to cluster. Do you think it was easy for him to adapt and fit in with the company?

He has the personal skills to adapt that caused him to adapt a lot sooner than most people could have. He was appointed with the capability of speaking English, French and little bit of Spanish. When in the office he speaks English to everyone and that teaches and develops other staff in the office.

How do you manage ideas coming from subsidiaries to HQ?

When we have our departmental meeting, each manager of the significant countries show best practice to share knowledge. Projects have been launched where new things have been launched in collaboration with subsidiaries' inputs.

Included in language is body language, what a word means in different cultures and countries. Do you feel that there are misunderstandings in the terminology?

I don't think so. Our departmental language have also become a business language at macro level.

Do you have informal relationships and friendships with people at subsidiaries? And does it influence the trust you have in them?

Definitely. It makes the relationship at professional level stronger.

Do you think there is a relationship between sharing a language and the power / influence you have in the organisation?

If you want to have more influence you have to speak English as a minimum.

If you share a language, does it increase the trust between individuals?

No. if you speak a common language it is easier, but trust is different. I base my trust on people that is fair, transparent and have loyal behaviour. I can trust people more that don't share a language with me.

What would you say is the biggest barrier to get HQ attention?

Presence of a strong general manager and regional director.

Contextual intelligence implies both a capability to discern trends in the face of complexity and adaptability while trying to shape events. Do you think middle management should have contextual intelligence to gain more attention?

E-mails are a great source of misunderstanding. Context is 80% of the message. Thus I think it is critical. The only way it can be improved is through personal relationships. This company is in 5 continents, in over 55 countries. This disparity makes it even more challenging.

Why is Spanish expats sent to subsidiaries?

We aim to first send a person from HQ to embed the culture, policies and procedures. The second generation will be a local.

Why isn't language such a big problem in this company?

I believe we are more flexible in our procedures and structure. We have an open company where it is easy to reach top management and foster good relationships. We believe in personal contact which overcomes the language differences.

Interviewee 3

What do you see as the main languages in the company?

Spanish and English. It is not to discriminate, HQ is in Spain and also operates in many Spanish speaking countries. Almost by default, on a global level, English is the most commonly used business language. For that reason it has been chosen as the official company language. This must not only show in the language spoken but also in annual reports, websites etc. It is difficult to find "bi-fluent" people, not just bilingual people.

Does the openness of the general management and regional director affect the attention a subsidiary gets from HQ?

I think it's mostly issue driven such as growth opportunities, safety etc. Thus I see that the attention is allocated based on the focus areas at HQ and urgency of the matter at hand more than anything else.

If you have a subsidiary that is flying below the radar, on the periphery, who can be lost in the system, whether chosen or not, how do you make sure they get the required attention?

One of the main drivers is financial performance compared to budget. If a subsidiary meets these targets and manage other business activities (financial, safety, marketing etc) well, they will not attract more attention. HQ will focus their attention on areas where it is more needed.

Do you think there is convenient misunderstandings where subsidiaries don't speak English or Spanish, where they often escape monitoring?

Yes I think this goes on. But if it is a big issue, it finds a way to be resolved. If a manager has 5 problems, he will prioritise it. Say there are two priorities with similar importance but one includes cultural differences and possible misunderstanding, I will probably attend to the easier one first. This can cause an escape for that subsidiary, but only in the short term. But knowing this and being very aware of this tendency, I intentionally look at this problem and removing the cultural problems to avoid falling into the pitfall of neglecting potential subsidiaries that is not that conversant.

What is your general view of top management and their awareness and sensitivity towards linguistic and cultural language? Do you think the main stumbling blocks occur at top or middle management?

I showed you a diagram of the evolution of a company from national to global company. As you become more senior you have to become more aware of your impact and often stand back when analysing a problem. If you find a problem that might be more challenging because of the language differences, you need to accept you have to deal with it for the benefit of the company. My read on Spanish management is that they are seasoned, have great international experience and great English fluency. Thus a senior manager might be better at tackling challenge because of their experience and proficiency. From a linguistic perspective they are fine. From a cultural perspective, the company is a Spanish company. I think the position of Chairman and President will always be held by a Spanish individual as the level of thinking are still that of a MNC, and it is evolving quickly. As the company become more global, representation at top management should reflect this. The company still belong to the President of the company. The history, transformation, mutations and near bankruptcy events – he has been through them. Everyone in the company will confirm that

he made the company what it is today. He sets the culture and vision of the company. Thus he will be a driver behind the evolution to a global company. Half the reason I moved across the globe to join the company, was the faith in the President. I have a lot of respect for him.

Is there a relationship between a shared language and the power in the organisation?

Yes I think there is. In its evolution, the company is at a MNC stage with Spanish dominancy and it hasn't mutated to an English speaking company. I am convinced that the company is evolving in that direction. It helps sharing a similar language with 100% fluency. It helps create trust and influence. More importantly, we live in a people world. So these things are natural and human. Take a South African, British, Australian and American around a table discussing a topic. All 4 will have a difference in perception based on their varying frame of reference originating from their culture. Fluency can also be obtained when sharing the same language and cultural back ground. For all other people, fluency will take a lot more time and effort to overcome.

What does it take to become a company person, not an English or Spanish person?

To be part of the team is important. To be accepted by others in the company, your way of working fits with the rest of the company. It will take longer for a non-Spanish person to attain. Its human nature to first cling to your own. But it is important to note this is only true in the short term. Over the long term any person's character will become clear, no matter the language.

How can we overcome the language barrier at middle level who does not travel and who is not exposed to HQ directly?

In some way we are going to face an inevitable socio economic problem. You have had the opportunity to gain superior education, travel opportunities etc. where some middle management have never had the opportunity or exposure. There are no shortcuts to overcome this problem. Maybe they have made a decision that they are content with their life. Unfortunately with that comes limitations in your understanding. I don't know how you solve this. I can only say

that the only way I think you can truly learn cultural or global fluency is to travel and experience different cultures and situations. Motivation can make a big difference. If someone wants to grow and learn, they will.

What factors drive the success of projects in various countries? We have seen some initiatives succeeding where it has failed in other countries. Why is this?

I think the main drivers of success in implementing company initiatives and tools are the general manager. Is the general manager going to drive the initiative? Are they open to new ideas? Are the subsidiary sold on the cause? A good educational and maturity base is also important. Having expats in certain countries also opens up channels for new projects to be implemented. But openness and willingness is in my view, the biggest drivers of potential success.

Interviewee 4

How do you allocate your time to subsidiaries?

I always try and understand the context in which subsidiaries operate and get driven mostly by the urgency of issues in the specific subsidiary. I also tend to allocate my time based on the size and significance of the subsidiary. Performance is always a key metric to decide how my time will be allocated due to the nature of business. I will spend more time on under performers or those subsidiaries who are struggling.

Do you think visits are important and why?

Yes, I think visits are critical to foster personal relationships that enhances an understanding of the individual and their working environment.

Can language become a barrier in subsidiary-HQ relationships?

Yes. It is critical for the general manager and regional director to speak the company language, English. It is not that important for them to speak Spanish. They are the main communicators with HQ and it is important for them to be able to bring their message across. If this is not possible, a relationship between subsidiaries and HQ becomes impossible. The most difficult country to

have fostered relationships with have been the Asian countries as language and a common understanding is very difficult to obtain.

Do you think there is convenient misunderstandings where subsidiaries don't speak English or Spanish, where they often escape monitoring?

Yes it is possible but in these circumstances you always confirm by e-mail. We also rely on the maturity of management not to let this happen during critical times or important issues.

Do you think a shared language increases trust and influence?

Yes, communication is easier so it can be less time consuming to foster a trust relationship. But this is only true in the short term. In the long term a person's true character comes to light which will enhance or impede the trust relationship.

It is said that people prefer things that are familiar to them. Social identity theory explains this phenomena. Do you find yourself dealing with the easier things first and sometimes postponing certain issues due to language barriers?

It is easier to deal with things that is in your comfort zone, it is human nature. People always tend to tackle problems with similar subsidiaries whom has less cultural differences. It is quicker and easier to make decisions under these circumstances. It is not necessarily a language barrier but rather a cultural barrier. Two people who both have a Spanish home language can have completely different ways of doing things, e.g. a Spanish person from South America will be very polite when dealing with people where as a person from Spain will be very direct and assertive. They speak the same language but their culture calls for different behaviour.

What has been your most difficult subsidiary to deal with?

Not specifically a subsidiary, but setting up a business in China has been most challenging. There is a very big language difference but also a very big cultural difference. When visiting the country one often feels illiterate as also signage are in Chinese. They also have very tight knit communities who cluster together. It is very difficult to break through these clusters to form a relationship

with people. Management involved in dealings with China has been sent on training specifically on how to do business in China e.g. how to negotiate.

How do you manage ideas coming from subsidiaries to HQ?

HQ welcomes ideas from subsidiaries and there are many examples of initiatives that were implemented worldwide that was born in subsidiaries. It is very well received and a subsidiary will gain more attention from HQ when it projects a sense of openness and willingness.

How does the company recruit for top management positions?

From a HQ point of view, the person's communication capacity is critical. The person must have a satisfactory proficiency in English, not Spanish. The person's attitude is very important. Are they willing to work additional hours if it is called for? Precision in work and devotion to the company are also key characteristics the company looks for in an individual. From a subsidiary point of view, showing initiative, being appreciated by your team, providing satisfactory support to the general manager, trust, implementation and management of proper systems and controls are key to the success of any individual.

What is the main barriers for a subsidiary to gain positive HQ attention?

For me it is results. Consistent performance builds a track record and provides an individual with authority and a respected voice in the organisation.

What can subsidiaries do more / better to gain positive attention from HQ?

Subsidiaries must provide consistent results and show that they are team players with an open and positive attitude.

Interviewee 5

What have you found to be the main challenges in subsidiary-HQ relationships?

Communication tends to be problematic in some areas. We have come to a place now where all regional directors are of a fluent level of English, the main company language. Regional directors are the main communicators to the top management at HQ. The structure has been set up to be very flat to enable

communication and overall information to flow between subsidiaries and HQ in an efficient manner. The company has gone through an aggressive growth phase, and continues in this phase currently. The company has acquired more than 20 companies in the last 15 years and have engaged in over 20 greenfield projects in this period. This evolution has made it challenging to build and retain solid relationships between subsidiaries in dispersed countries and HQ. It has been a merge between numerous nationalities, cultures and languages and although it is still a Spanish dominant company it is quickly becoming a global company. Only 20 years ago the company was on the brink of bankruptcy. One of the main challenges was to put the right people in place to enable easier communication in English. It has been a drive of the company to adopt English as the official company language to conduct business in. The board is also conducted in English, although all members are Spanish. We see the implementation of proper IT systems as a key driver to the future success and integration of the company. The vision is to have all companies on one system where knowledge can be collected, shared and kept safe. The aim is also to have all these systems in English. This transparency fosters trust which helps to build strong relationships. Another challenge is understanding, accepting and learning the cultures of others. International experience shapes one's mentality and assists in a better understanding of your colleagues. Personal contact through visits, face to face meetings also strengthens relationships between colleagues and should never be underestimated. The company is always open to knowledge sharing and relationship building. I believe these factors contributes to the challenges of building relationships and also provide some insights into how these can be overcome.

How should visits from HQ be scheduled or planned?

It should be based on the urgency of issues and the strategy of the company. If a subsidiary is in a strategic area or are facing problems, it should be the focus of HQ and thus required more visits than an established, well run subsidiary.

How do you think can we lift middle management to overcome the language barrier?

The only way to overcome the barrier is experience. Top management should provide middle management with exposure to foreign colleagues and should promote international experience and contact.

Interviewee 6

How does HQ allocate attention to subsidiaries?

If HQ sees there is a lack of skills, the subsidiary is underperforming, there is management conflict or there are major risks they tend to be more involved. Attention is also given to start ups and where there are personal relationships with subsidiary staff.

How can HQ ensure that big opportunities are not missed with smaller subsidiaries who often tend to function on the periphery?

Resources are limited, thus I focus on big issues because it is hugely more risky and costly to make a big mistake than miss a small opportunity. Unfortunately you have to have a big picture approach in top management and assess the risk of each situation if it is attended to or not. This is how I allocate my time.

It is said that people prefer things that are familiar to them. Social identity theory explains this phenomena. Do you find yourself dealing with the easier things first and sometimes postponing certain issues due to language barriers?

I do the opposite. I like a challenge so will go for the most difficult one's first. You need to remain objective in this job and not be swept away by personal relationships or familiar issues.

Contextual intelligence implies both a capability to discern trends in the face of complexity and adaptability while trying to shape events. How can middle management develop contextual intelligence?

I think people evolve over time and as one's experience increases the more one becomes sensitive and attuned to others. Travelling definitely helps a person to become more culturally sensitive but not in all cases, some people are better to adapt while others never change their views or ways. My most difficult country to have work with is those from the Soviet Union and China. I don't think training

is necessarily the answer. It is more of a 'sink or swim' dilemma. For that reason the chosen individual must have a set of characteristics that includes resilience and persistence.

How often do you visit subsidiaries and how do you plan your visits?

Balancing family and work is very important so you have to have a schedule that is manageable on both ends. I usually allocate my visits based on the complexity of the subsidiary. If a subsidiary has a general manager who is coping well, I will not interfere. I will leave him to do his job. I like visiting subsidiaries where there are growth. I like visiting subsidiaries to foster personal relationships with people outside of a work environment as well.

Do you think a more relaxed structure like in this company helps to overcome the language and cultural barrier opposed to one with a lot of hierarchy, controls and red tape?

Yes, the flexibility and openness is a definite advantage. HQ control must not be over-exercised and the autonomy of the subsidiary must be maintained. This brings creativity, ideas and ownership. There must be a solid base set by HQ through corporate policies and procedures but not micro managed in a way that gets in the way of doing business. The flat structure in this company helps relationship building that helps a great deal to overcome language and cultural barriers. Anyone can most likely schedule a meeting with top management at HQ without much difficulty and provide ideas or suggestions for change or improvement.

Why is expats deployed to subsidiaries?

When entering a new country it reduces uncertainty and risk if a person who is trusted is sent to that subsidiary. It is good to embed the culture, policies and procedures of the company first and then getting a local to take over.

Is there a relationship between a shared language and power?

Yes, but a negative one. The power comes from the party that is able to understand HQ instructions better and can implement them better than another party who has to work with 2nd degree translations and assumptions about the

instruction. It may often look like the party is not competent in the task while it may only be a misunderstanding of the context or task. This is where subsidiaries often make use of informal networks and mediators to clarify instructions. This then in turn gives the mediators some power over the individual and the situation.

What is the biggest barrier for a subsidiary to gain positive attention from HQ?

Communication but not limited to language. We need to engage and become thinking partners. Top management may speak English but still have a different way of thinking and might not always be aware of their bounded rationality. This limits attention and constrains subsidiary-HQ relationships. Many things often get lost in translation. Building personal relationships with individuals are a key factor to overcome these barriers when striving to become thinking partners.

What can subsidiaries and HQ do to overcome these barriers?

Both parties need to understand each other's role in the business. A subsidiary is often in military-mode, fighting customers and suppliers often in a messy management style. They often see corporate initiatives as a waste of time and that it comes in the way of doing business. Subsidiaries often does not get proper communication of the reasoning and purpose behind the initiative and thus do not see it as imperative to the business. The corporation has to look at the wider strategy of all the pieces put together. They need to see and appreciate the militant way of operation in subsidiaries and aim to communicate better to subsidiaries. Subsidiaries must also put in an effort to understand the role they play in the overall strategy of the company. The regional directors are key players to ensure these communications happen effectively.