Diffusion of emerging market HR practices from subsidiaries across multinational enterprises

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Abstract

The aim of this dissertation was to provide a better understanding of how multinational enterprises (MNEs) can learn human resource (HR) practices originating from its subsidiaries, particularly in emerging markets. This study considered the effects of the MNE's centralisation decision on the diffusion of HR practices from subsidiaries.

A qualitative approach was undertaken, investigating two case studies of MNEs with a strong presence throughout Africa, one with a centralised structure and a developed market headquarters (HQ) and another with a decentralised structure and an emerging market HQ. The cases were compared in terms of absorptive and diffusion capacities for reverse diffusion (subsidiary to HQ) and horizontal diffusion (subsidiary to subsidiary).

The key contribution of this study is that the diffusion of HR practices originating at the subsidiary depends on the continuous interplay between its absorptive capacity with HQ's diffusion capacity, for forward diffusion, and its diffusion capacity with HQ's absorptive capacity, for reverse diffusion. Furthermore, this continuum is determined by the degree of centralisation in the MNE structure.

Decentralisation limits the subsidiary's diffusion capacity with HQ fulfilling a coordination role in standardising practices and policies and placing the subsidiary as a receiver in the MNE. Decentralisation also promotes horizontal diffusion. Subsidiaries respond to more centralisation with more diffusion capacity and an expectation to initiate and engage in reverse diffusion. In developed MNEs, liability of origin means the diffusion capacity of emerging market subsidiaries is not met with absorptive capacity at HQ and HR practices are therefore not diffused to HQ. Subsidiaries also do not engage in horizontal diffusion as the centralisation approach focuses the MNE on the HQ-focal subsidiary relationship, isolating the subsidiary from other MNE entities.

Keywords: International human resource management, reverse diffusion, horizontal diffusion, absorptive capacity, diffusion capacity

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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1. Chapter one: Introduction

International human resource management (IHRM) concerns "how human resource (HR) policies and practices travel across the globe" (Almond, 2011, p.6). Consistent with resource-based theories which suggest that local firms aim to use their foreign linkages to acquire a competitive advantage over the domestic competition (Barney, Wright, & Ketchen, 2001), instead of viewing foreignness as a liability, the Multinational Enterprise's (MNE's) *globalness* may become the key factor for sustainable competitive advantage (Pudelko, Reiche, & Carr, 2015).

This *globalness* competes with local relevance across IHRM and is referred to comprehensively in literature as convergence and divergence (Dowling & Donnelly, 2013; Wöcke, Bendixen, & Rijamampianina, 2007). The literature discusses the motivations of MNEs' quest for convergence with the headquarters' requirements (Adeleye, 2011), how they achieve global integration by allowing adaptation at subsidiary level (Smale, Björkman, & Sumelius, 2013) and, more recently, exposing the complexity of IHRM practices as a hybrid of standardisation and localisation across the MNE as well as at the level of the individual elements of the practice itself (Chung, Sparrow, & Bozkurt, 2014).

Regardless of the reason for diffusion of IHRM practices; whether to achieve a competitive advantage (Pudelko et al., 2015) by building competencies in subsidiaries (Barney et al., 2001) or for headquarters merely to control and coordinate (Smale, Björkman, & Sumelius, 2013) best practice; remaining relevant to MNE is the question of transferring the HRM system from the headquarters to its subsidiaries (Lertxundi & Landeta, 2012). This is termed forward diffusion.

Growing literature argues that Lertxundi and Landeta's (2012) view of the subsidiary as a receiver is limited and the focus has shifted from viewing the subsidiary as a receiver to looking at the diffusion of practices from the subsidiary. This is termed reverse diffusion and covers the outflow of knowledge and practices from subsidiaries to the headquarters (Edwards, Sanchez-Mangas, Bélanger, & McDonnell, 2015; Edwards & Tempel, 2010; Edwards, 1998). Horwitz (2012) expanded on Edwards' (1998) view of reverse diffusion to specifically include the diffusion of new emerging market MNE practices, dismissing the former underlying assumption that best practice flowed from developed economies to emerging economies.

Thite, Wilkinson, and Shah's (2012) work supports the expansion by Horwitz (2012) in finding that the bidirectional, vertical transfer of HR management practices (both from

headquarters to subsidiary and vice versa) depends on the performance of the management practice and the context, rather than the source of the practice. These studies were limited to MNEs from emerging markets but their finding has exposed the permeability of the MNE boundaries, and calls into question the validity or extent of influence of the factors that have been found to promote or inhibit diffusion of practices across the MNE, based on the previous underlying assumption that headquarters or developed economies held the best practice.

The flows of knowledge and practices within an MNE, from subsidiaries to the rest of the company are referred to as the network view of MNEs (Boussebaa, Sturdy, & Morgan, 2014; Edwards et al., 2015; Govindarajan & Ramamurti, 2011; Noorderhaven & Harzing, 2009) and is described as far from straightforward, by many scholars. Edwards and Tempel's (2010) investigation into the reverse and horizontal (subsidiary to subsidiary) diffusion of practices in developed economies reveals that while the MNEs acknowledge the advantages of accessing broader practices and expertise across the organisation, significant barriers and complexity in the diffusion process exist. Grasping how new practices are diffused and implemented is at an early stage (Gondo & Amis, 2013) and further investigation is required.

In terms of research on HR strategies which build capabilities for diffusion, subsidiaries have repeatedly been viewed as receivers of knowledge transfer. As receivers, studies have focused on the subsidiary's absorptive capacity at a firm level and an individual level in terms of ability and motivation (Caligiuri, 2014; Minbaeva, Pedersen, Björkman, Fey, & Park, 2014; Song, 2014). The research herein accepts the importance of a dyadic view, at a firm and individual level, but it is important to make the distinction clear that this study provides a different investigation of the two fields of study. It looks at the diffusion of HR practices from emerging markets, and not the HR strategies to improve diffusion.

Previous research from McGuinness, Demirbag, and Bandara (2013), Minbaeva, Pedersen, Björkman, Fey and Park (2003) and Song (2014) delved deeply into absorptive capacity but focused on the subsidiary, as forward diffusion from HQ was the setting of their studies. HQ's absorptive capacity has not received any significant attention, as reverse diffusion studies focused on the subsidiary and its diffusion capacity. This study proposed that two players have an active role in diffusion, and therefore absorptive capacity needs to be matched by diffusion capacity, for effective transfer, and so this research aims to answer the question: why does absorptive and diffusion capacities differ across MNEs? In forward diffusion, HQ's diffusion capacity is

explained by the motivation for standardisation. However, in reverse diffusion the diffusion capacity is not as easy to grasp. Edwards et al. (2015) recently studied the variation in levels of initiating diffusion across subsidiaries, explained partly by the host country's position within the global economy, its degree of integration with the MNE system and the nature of HR team relationships. While the authors acknowledge that these are only some of the reasons, the degree of integration and nature of HR relationships are, to a large extent, determined by the MNE's model of centralisation, and so this research further set out to understand how centralised/decentralised structures affected the diffusion of emerging market HR practices from subsidiaries.

Figure 1 below illustrates the multi-directional diffusion and capacities discussed in the literature above. In particular, studying how practices are diffused from emerging market subsidiaries, across the contexts of a decentralised MNE and a centralised MNE, the objective of this dissertation was to understand the relationship of HQ as the receiver (absorptive capacity of HQ), the subsidiary as the diffuser (diffusion capacity of the subsidiary), and the subsidiary as a receiver of horizontal diffusion (absorptive capacity of the subsidiary).

Figure 1: Multi-directional diffusion across MNE and corresponding absorptive and diffusion capacities of HQ and subsidiaries. Source: Author's own illustration, based on the literature.
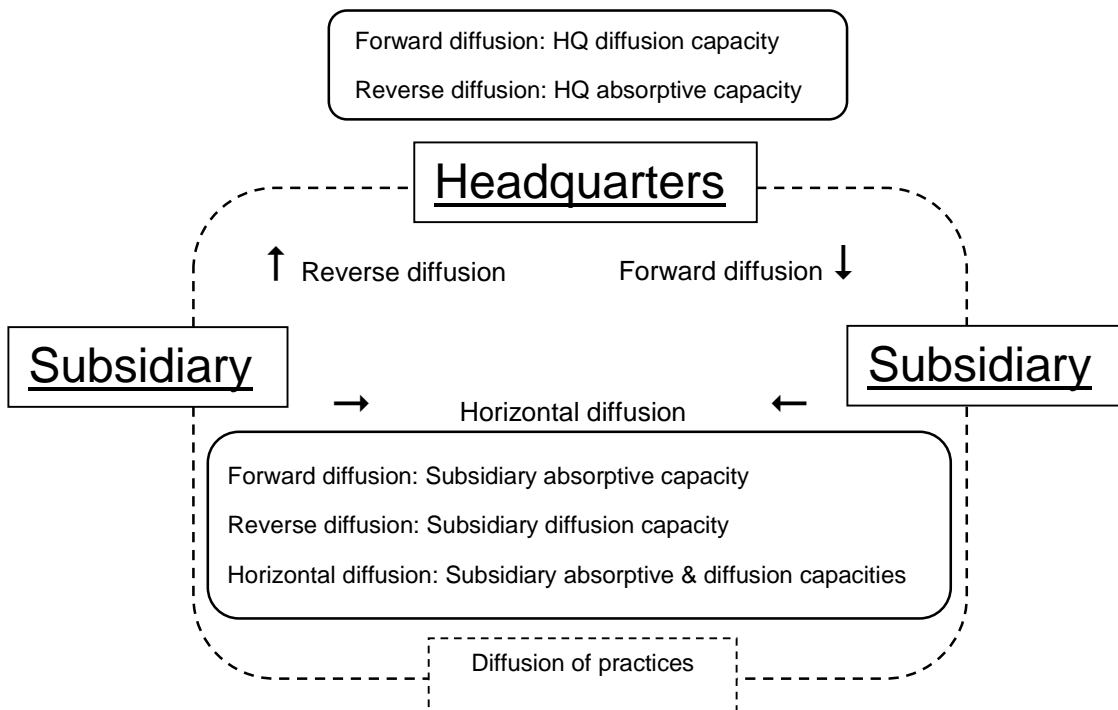
1.1.   Relevance of this research

Further developments on the study of IHRM practice diffusion may enhance MNE's performance in fully exploiting the diverse capabilities and knowledge they occupy at the subsidiary level (Edwards et al., 2015). IHRM, as a growing field of study, has developed extensively over three decades to the point that organisational design and development, business strategy and international business studies permeate this area of research, which builds on the field but also threatens to dilute its impact (Pudelko et al., 2015). Pudelko et al. (2015), in reviewing the contributions to the study of IHRM, argued for further descriptive and comparative work, which this research adds to.

Considering these recent calls by Edwards et al. (2015) and Pudelko et al. (2015); and Björkman and Welch's (2015) encouragement for further studies covering MNE strategy, IHRM and the management of knowledge; a careful review of the literature on diffusion of HR practices within MNEs was conducted. The research showed extensive and useful forward diffusion work which has moved beyond diffusion towards an understanding of the processes and staging of integrating new practices (Ansari, Fiss, & Zajac, 2010; Chung et al., 2014; Gondo & Amis, 2013). Furthermore, the traditional view on management of knowledge has predominantly been limited to viewing the subsidiary as a receiver and so Michailova and Mustaffa (2012) suggested the literature needs insights into diffusion in line with the view that subsidiaries are knowledge-rich and entities from which the entire MNE can benefit. They further advocate for a clear distinction between vertical (forward and reverse) and horizontal flows in future research, using qualitative methodology, as these studies were said to be under-represented. This study was pursued based on the advice of these authorities in research, to fill the gaps in research raised in the scope and context below.

1.2.   Scope and context of this research

Practices from emerging markets have recently been set aside for closer inspection (Horwitz, 2012; Thite et al., 2012) and Africa aptly provided the context for this study. A 2011 report by the Initiative for Global Development and Dalberg Global Development Advisors stated that Sub-Saharan African MNEs' revenue grew at an annual rate of close to 30 percent from 2006 to 2009, while developed MNEs stagnated or dropped. The report recommended that MNEs planning to expand into this region leverage local knowledge in order to avoid being seen as an imposter, only there to enforce its practices and take capital out of the country (Tafawa et al., 2011), apparently promoting decentralisation for emerging markets. While the authors suggest a limit on forward diffusion and encourage the use of local practices; the questions that arise from this

growth in the region, to the researcher's mind, are; what lessons can be learnt from Africa and can novel practices perhaps be used in other regions, what level of centralisation/decentralisation should an expansion plan into Africa include to enable these learnings? Congruent with the advice in the Tafawa et al. (2011) report, Luo (2003) looked at HQ-subsidiary relationships in emerging markets and found that, contrary to expectations, information flow to the subsidiary to reduce dependence on local resources did not lead to better financial performance. Therefore, the optimal structure for MNE arrangement is still a debate and the consequences of this centralisation/decentralisation decision on practice diffusion provides context for novel research.

National context isomorphism with HQ and the subsidiaries place in the MNE were found to be two of the primary factors influencing the initiation of HR practice diffusion from subsidiaries (Edwards et al., 2015). This study by Edwards et al. (2015) was limited to developed economy subsidiaries, so defined by Unctad (2014), where the national contexts were similar in terms of economic development. This finding therefore infers that it would be less likely that an emerging subsidiary would initiate reverse diffusion in a developed MNE, than in an emerging MNE where their national contexts are not as far apart as the former.

In order to investigate if this similarity of national context led to more diffusion beyond developed economies, two financial services' MNEs operating throughout Sub-Saharan Africa and across other continents were selected for this study. One had HQ in a developed economy and the other MNE's HQ was situated in an emerging economy. All the subsidiaries included in this study were based in emerging markets of Africa.

The developed MNE operated from a centralised model while the emerging MNE was primarily decentralised, although a centralised business line added complexity to this emerging MNE. The research was therefore able to explore the effects of centralisation as well as the effect of a mutual level of country development on diffusion from subsidiaries.

1.3.   Structure of this dissertation

This report follows with recent and relevant, as well as fundamental, academic contributions to the subject of diffusion of practices in Chapter two, concluding with a high-level overview of the literature dealing with the constructs of absorptive capacity and diffusion capacity, specifically.

The research questions and propositions which arise from the literature review are incorporated into the literature review Chapter two and summarised again in Chapter

three. The methodology and rationale follows in Chapter four. Chapter five reports the findings, while Chapter six reconciles the findings with learnings and how they relate to the research question and propositions of Chapter three. Finally, Chapter seven concludes and highlights the contributions to academia and business, and identifies the limitations and areas for further investigation.

2. Chapter two: Literature review

The academic literature which details the constructs of vertical (forward and reverse/backward) and horizontal (or lateral) diffusion, as it applies to IHRM, was reviewed and critically assessed for the purposes of this study. This chapter includes a summary of the relevant literature, reviewing diffusion first, followed by a more focused investigation into IHRM diffusion and the factors influencing reverse diffusion.

2.1. Diffusion across headquarters and subsidiaries

MNEs are distinguished by high levels of geographical and cultural diversity and further complexity in portfolios of businesses, functions, and markets; compounding the challenges of management across the MNE as subsidiaries deal with competition in external markets as well as within the corporate network (Bouquet & Birkinshaw, 2008). The MNE's influence over its subsidiaries is impacted by the relationship between HQ and subsidiary (Newenham-Kahindi, 2011) and therefore varying relationships with different subsidiaries likely further impacts the imbalance of influence across the MNE, and the competition within the MNE.

Regarding the significance of the headquarter–subsidiary relationship in MNEs, Luo (2003) cites two major dimensions as important considerations; resource support and intra-network information flow. By using the headquarters' resources and the MNE's intra-network information, the subsidiary is less dependent on the external environment - local resources controlled by local regulators, partners, suppliers and competitors. The resource dependency is not one-directional as the headquarters are also dependant on subsidiaries for local knowledge and, ultimately, new market share. These dimensions, as explained by Luo (2003) through resource dependency and dynamic capability theories, linked headquarter-subsidiary relationships to the MNE's overall performance. While this is important from a business resourcing point of view, in terms of gaining market share, it does not necessarily apply across global policies and practices. Often global practices do not fit the local needs and local regulators, partners, suppliers and competitors determine the industry, which sets the management practices required locally.

Intra-network information flow has been influenced predominantly by the deployment of international assignees in the MNE'S use of:

1. Expatriates (Chang, Gong, & Peng, 2012; Collings, Scullion, & Morley, 2007; Gamble, 2003) - particularly their relationships with Repatriates (Mäkelä & Brewster, 2009),

2. Inpatriates (Kynighou, 2014; Reiche, 2011) – managers from a subsidiary working at headquarters,

3. Third Country Nationals (TCN) - managers from another country in the MNE network (Harzing, Pudelko, & Reiche, 2015; Pudelko et al., 2015), and

4. Local employees of foreign subsidiaries - specifically in IHRM knowledge-sharing (Pudelko et al., 2015).

Boussebaa et al., (2014) studied management consulting MNEs, renowned for knowledge sharing, and found that they were not networked organisations but rather fragmented hierarchies, in which the parent company continued to feed its knowledge into subsidiaries, through forward diffusion. Their interviews revealed this, despite the acknowledgement in the data that inter-office knowledge sharing facilitated access to far greater insights than what was available domestically, reduced investment in resources and saved time, allowing better servicing of multinational clients.

Gupta and Govindarajan (2000) investigated vertical and horizontal flows at a subsidiary level and the findings of their study supported the idea that subsidiaries are possibly underutilised as they also found headquarters continued to serve as the most significant creator of knowledge and source of diffusion within the MNE. Looking specifically at an emerging MNEs, from India, Thite et al. (2012) found that they have a different way of organising themselves for internationalisation than developed MNEs. Emerging MNEs were found to be more adaptive and open to practices from the developed and emerging markets in which their subsidiaries are set up, and they preferred decentralised models due to the unfamiliarity of different business environments and cultures. The impact of this decentralisation preference of emerging MNEs appeared to be an area for closer inspection. This was contrasted to the developed MNEs preference for forward diffusion of practices from HQ in a centralised approach.

2.1.1. Reverse diffusion

HR practice diffusion forms part of a holistic diffusion of knowledge theory and cannot be isolated (Essandor, 2011). Much of the literature has focused on the vertical diffusion of knowledge and practices, predominantly viewing headquarters as the lead diffuser, for control purposes. This is the process of forward diffusion. The headquarters' context (economics, national language and culture) has been found to be the dominant factor in the MNE's organisational control practices (Harzing & Sorge, 2003), while the level of institutionalism, age, size and cultural orientation of the subsidiary have been dominant factors in the forward diffusion of practices (Myloni, Harzing, & Mirza, 2004).

The benefits of reverse diffusion to the headquarters was studied in an investigation by Ambos, Ambos and Schlegelmilch (2006) of 294 knowledge transfers from 66 subsidiaries. Some of the subsidiaries were engaged in reverse diffusion more intensely than others, but all did transfer knowledge. However, the quantity had no correlation to the benefits. They opined that the benefits of reverse diffusion included:

1. Modifying and coordinating global strategy
2. Improving processes at headquarters or at other subsidiaries
3. Providing missing links in innovation

More recently, Michailova and Mustaffa (2012), in reviewing 15 years of MNE knowledge flow literature, suggest that the relationships between the MNE entities are perhaps more relevant to subsidiary knowledge flows, than individual characteristics of the headquarters' or subsidiaries. Kumar's (2013) study supported their view and found that the relationship between headquarters and subsidiaries featured as a lever for diffusion in reverse diffusion as headquarters' attention was biased to subsidiaries which were strategically important to the MNE, whether through market share, integration of products or value-added services.

Moderating factors of country context and entity characteristics aside, relationships appear to be a substantial influencer of diffusion practices, and therefore the staffing of subsidiary and headquarters has an undeniable role in reverse diffusion. The role of international transfers at subsidiaries was found to be impacted by the level of dependence of the subsidiary on its headquarters, with more need for centralisation and control in highly integrated businesses and more social and communication network roles evident in subsidiaries that were less reliant of headquarters (Harzing, 2001). The level of integration across various subsidiaries would therefore not only direct headquarters attention, but also impacts the way subsidiaries are staffed, its relationship with headquarters and therefore the subsidiaries' capacity and ability to engage in reverse diffusion.

2.1.2. Horizontal diffusion

Noorderhaven and Harzing (2009) investigated knowledge flows within the MNE and found that while hierarchy still dictated vertical knowledge sharing, the same did not hold for horizontal transfer. Kim, Lu, and Rhee (2012) found that learnings accumulated at subsidiaries, which were derived from their unique operations in various geographies, are transferred to each other as the MNE goes through internationalisation. Mechanisms for this horizontal transfer included formal conferences, meetings, and dual reporting lines via regional offices to headquarters. Headquarters or regional head offices also

coordinated job rotation and training, which enabled horizontal diffusion. Their study of Japanese MNE's went on to promote learning from subsidiaries which are at various stages of maturity for optimal diffusion leverage. In line with their study, Edwards and Tempel (2010) also found that headquarters still feature as the enabler for horizontal diffusion, coordinating reverse diffusion from subsidiaries, that can be shared across the MNE. Heaquarters' role in reverse diffusion was therefore pivotal to this study. Horizontal diffusion has been incorporated into reverse diffusion studies by Edwards et al., (2015) and Edwards and Tempel (2010) who advocate for the simplification of the study of diffusion from the subsidiary, infering that horizontal and reverse diffusion are not different.

2.2. Adaptation of practices across the MNE

"Local context and cultural distance may be important mediating factors due to the imperfect applicability and different perceptions of management practices in different settings" (Fu, 2012, p.995). Across the organisation, even when practices are legitimate and its value to the organisation understood and accepted, in most cases, they are adapted when diffusion of these practices move from acceptance to implementation (Ansari et al., 2010; Gondo & Amis, 2013). Very rarely do management practices qualify as 'one size fits all' (Ansari, Reinecke, & Spaan, 2014), as is the case for HR practices (Smale et al., 2013), and the dilemma for MNEs arises when allowing local adaptation of these practices without relinquishing control over them (Ansari et al., 2014). Ansari et al. (2010) contended that variation of practices required management of tension arising from the need to be detected and exploited, and yet also supressed. This balancing act puts pressure on MNE entities and could be the reason why the MNE headquarters are inclined to take on this responsibility of diffusion of practices for the group, rather than its subsidiaries.

The active management of practice adaptation has been encouraged in oder to promote adoption and broader dissemination of management practices, because they are enabled to vary, to increase accepted in different contexts (Ansari et al., 2014). Ansari et al. (2014, p.1333) identified three stages through which an organisation manages the tension between maintaining the integrity of the practise while allowing for local adaptation:

"Stage 1: creating and certifying progressive achievement levels

Stage 2: setting discretionary and mandatory adaptation parameters

Stage 3: differentially adapting to context-specific and systemic misfits"

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The stages identified were limited to the deployment of international practice and adaptation process, however finding the opportunities for learning in managing the tension so as to enrich the practices and improve further diffusion to other entities in the MNE, was outside the scope of this study. The three-stage model implies that the practise imposed upon the adaptor is ideal and need merely be adapted to fit, to adjust to technical, cultural or political misalignments (Ansari et al., 2010). Headquarters may see it as their role to ensure that practices are transferred, as the dominant diffuser, but to what extent are the subsidiaries considering their role in diffusion and how does that impact the adaptation of practices across the MNE?

Subsidiaries may share contexts with each other, and so failure to harness these learnings and diffuse practices from one subsidiary to another, or to optimise the practise during the diffusion/adaptation process, is parochial. An investigation by Kumar (2013) into reverse diffusion of information found that although a subsidiary based in India had uncovered almost 30% cost saving on a product during the adaptation process, there was no evidence that this information had been channelled by headquarters for markets like India – in this particular example, the climate and price-sensitivity of the market were the two factors that required the adaptation, factors which may have affected other subsidiaries. Notwithstanding headquarter's failure to absorb this reverse flow of knowledge, the Indian subsidiary's diffusion capacity, compentence or view of itself may also be to blame or the other subsidiaries' ability and willingness to receive new practices. Learnings from the adaptation process and the consequential reverse and horizontal diffusion may have benefited the MNE.

2.3.   Antecedents of IHRM

Much of the differences in human resource (HR) practices across MNEs have been attributed to the host country institutions and national cultures (Miah & Bird, 2007; Myloni et al., 2004; Von Glinow, Drost, & Teagarden, 2002; Wöcke et al., 2007), and scholars have considered other external and internal factors. Björkman and Welch (2015) provided a consolidated framework for IHRM research catogorising factors which influence IHRM according to macro, headquarter (multinational corporation), subsidiary (unit) and individual levels. Macro factors tend to be fixed over extended periods of time and home and host country differences of headquarters and subsidiary serve mostly as moderating factors.

Strategy, structure, management, control/coordination and international experience were said to influence at the MNE level; while ownership, operational mode, level of interdependence/integration, power, age and management were highlighted at the

subsidiary level. The significance of management practices applies across these levels, which elevates the importance of the individual level influencers. At the individual level, again, international experience was given credence along with competencies, tenure, employee category and personal attributes.

2.4. Diffusion of IHRM

Smale et al., (2013) viewed global integration of human resource management (HRM) practices as headquarters' need to control and coordinate its subsidiaries. Maintaining the integrity of IHRM practices while allowing for local adaptation for improved buy in (Almond, 2011; Ansari et al., 2014) was pointed out as a key challenge for MNEs. Added to this, capturing the benefits of reverse diffusion of HR practices for IHRM that is dynamic and competitve, significantly adds to the complexity of IHRM.

The literature has considered the benefits and explanations for diffusion and different approaches to HR strategy. The study by Myloni et al. (2004) found hybrids of HR practices in MNEs, which could not be catogorised as a standardised, adaptive or localised strategy. Much of this can be explained by the vastness of diffusion and adaptation processes. In the study of South Korean MNEs, Chung et al. (2014) found that HR strategy could not be labelled purely standardised, adaptive or local and instead practices were a hybridised form of these strategies at a micro level, with different elements of each practice taking on the most suitable form for that context. They further found that HR best practice was sourced externally, from benchmarking, as opposed to looking to the corporate headquarters, in the case of emerging market MNEs, and two factors were highlighted as the reason for this preference (Chung et al., 2014, p.556):

"1. HRM-related institutional conditions of the home country, and

2. cognitive conditions of HRM-related actors in the corporate headquarters."

Leading on from this extraction of global best practice through benchmarking, the MNE would advance its overall capabilities if this newly acquired cognition is shared with headquarters. Chung et al. (2014) and research by Thite et al., (2012) specifically shifted attention away from the headquarters as the ideal provider of IHRM strategy and best practice. For them, the rise of emerging markets as the country of origin for headquarters (South Korea and India, respectively) brought into question this former underlying assumption of IHRM which legitimised developed economies' headquarter practices as an inference of the economic success of the country of origin.

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The factors influencing global HR practice diffusion across subsidiaries in an emerging MNE are listed in Table 1 below, based on the summary from Thite et al. (2012).

Table 1: Factors influencing HR practice diffusion across emerging MNE subsidiaries. Source: Thite et al., (2012)

Level of analysis	Factors influencing diffusion of HR practices
Macro	National culture Economic strength Nature of industry Environmental factors (legal framework, openness institutions)
MNE	Organisational culture Global strategy Global image HQ diffusion capacity
Subsidiary	Host country Strategy Contribution to MNE bottom line Mode of setup Level of dependence on HQ Absorptive capacity
Individual	Availability, ability & choice of expat managers Perceptions of practices

Despite the identification of these factors, HQ retains its position as the key source of global HR practice and reverse diffusion remains low (Edwards, Almond, Clark, Colling, & Ferner, 2005). Edwards et al. (2005) related these low levels of reverse diffusion to both extremes of centralised and decentralised approaches. They explained that decentralisation isolated subsidiaries and prevented horizontal diffusion in the absence of HQ coordination while they opined that centralisation resulted in HQ enforcing its role in setting HR strategy, thereby limiting the subsidiaries role and reverse diffusion.

Data from Chung et al. (2014) also discussed the liability of origin in HR practices, in that employees at subsidiaries were not accepting of practices from their HQs if the HQ was based in an emerging market, and instead sought global best practice. Bias aside, no evidence was found to limit the questioning of the underlying assumption that HQ had the best HR practices to a debate about emerging markets versus developed markets. Subsidiaries across the globe may well be providers of best practice or have access to best practices within the external environments of their local contexts, across both emerging and developed nations, particularly best practice for other subsidiaries which may share its context. The benefits of best fit practices may well exceed global best practices.

Smale et al. (2013) commented on HQ's intention for centralisation, suggesting that is often to limit autonomy in subsidiary decisions about HRM practices, under the guise that they offer a global view of HRM implications or for alignment to achieve the MNE's strategy. They went on to discuss the centralisation, stating that it may also enhance cross-subsidiary coordination, especially if headquarters asks for horizontal collaboration in setting up practices. They concluded that the understanding of how HRM practices are integrated in foreign subsidiaries exists merely as a fragmented picture.

2.5. Factors influencing diffusion of HR practices from subsidiaries

Relevant to diffusion from subsidiaries is the Gupta and Govindarajan (2000) extensive study, mentioned earlier, of 374 subsidiaries focusing on knowledge transfers within 75 MNEs. They argued that the five essential elements of knowledge transfer included:

1. The value of the knowledge possessed by the diffuser
2. Motivation to diffuse
3. Access to, quality of, and affordability of channels to diffuse
4. Motivation of the absorber to receive new information
5. The receiver's absorptive capacity for the incoming knowledge

The motivation to diffuse knowledge (point 2 above) was not proven as an essential part of the transfer process but they suggested further studies investigate variables other than incentive to establish motivation of the subsidiary. Another plausible reason they posited was that the significance of the receiver's motivation to acquire the knowledge (point 4 above) may outweigh the diffusers motivation to share. This points to an area of further discovery with regards to the interaction of the motivation to share and the motivation to acquire. Furthermore, while absorptive capacity (point 5) was tested from the point of view of the subsidiary - in considering modes of entry and the ratio of locals to expats in the top management team, diffusion capacity was not investigated or perhaps can be inferred from the limited view of having access to affordable and effective channels to diffuse (point 3). Their study provided a strong platform to develop further enquiry, and guided concepts in this dissertation.

2.5.1. Diffusion capacity

An example of further research borne out of the study by Gupta and Govindarajan (2000) is a model proposed by McGuinness et al. (2013) focusing on the subsidiary as a reverse diffuser in the MNE, within the boundaries of what flows into a subsidiary, versus what flows out. This model is depicted in Figure 2 below. While the model provides a good way to plot subsidiaries and then provide strategies for that subsidiary to enhance

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transfer, the model falls short in terms of usefulness to reverse transfer, in particular, as it ignores HQ's inclination, motivation and ability to absorb this knowledge.

Figure 2: Model of subsidiary knowledge transfer. Source: McGuinness, Demirbag and Bandara (2013)

		LOW	HIGH
Knowledge Outflow	HIGH	Global Innovator	Integrated Player
	LOW	Local Innovator	Implementer

Knowledge Inflow

In reverse diffusion, the subsidiaries capacity to diffuse (outflow), rather than absorb (inflow) becomes relevant. Factors which have been identified by a case study by Edwards and Tempel (2010) as determining why certain subsidiaries engage in reverse diffusion, more or less than others are likely to develop over time; they include: the size of subsidiary, and its function within the MNE, whether due to relevance as a result of HQ's strategic intent or the subsidiary's performance. These factors may however conflict with each other, or when compared with other subsidiaries within the same MNE structure.

Conflicting views can be found in the literature with regards to the direction of influence of competence of HQ management on reverse diffusion. Edwards and Tempel (2010) found evidence to support the notion that a well-staffed corporate HR function at headquarters may reduce reverse diffusion, due to the threat of growing influence from subsidiaries and the subsequent reduced need for corporate HR at headquarters. However, HQ top management's opinion of HR will determine the resources in the HR department at HQ (Björkman & Welch, 2015). Their attitudes towards transfer, and varying appetite for building trusting relationships with diffusers at the subsidiary level (Almond, 2011) will also play a significant role in reverse diffusion as management at the subsidiary level interpret the actions and attitudes of top managers at the headquarters (Bjorkman & Lervik, 2007). Therefore if the tone at the top holds HR in high regard, corporate HR at headquarters and subsidiaries may be motivated to participate in reverse diffusion.

The primary component of competence of HR management at headquarters is therefore the staffing of the corporate HR department. The strategy for managing the subsidiaries often involve the deployment of expatriates, who take knowledge and HRM systems of headquarter practices to the subsidiaries (Myloni et al., 2004). Upon repatriation, the

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knowledge gained at the subsidiary is diffused back to the headquarters improving the intellectual capital of the manager as well as the organisation (Welch, Steen, & Tahvanainen, 2009). Inpatriates, who are based at HQ but come from subsidiaries, along with other HR managers based at the subsidiary will interpret HQ's ability to understand new knowledge in how it perceives HQ's absorptive capacity, and this will inform the Inpatriates decision to engage in reverse diffusion (Reiche, 2011). A recent look at the specific roles of expatriates and inpatriates by Harzing et al. (2015) indicated that inpatriation was more important than expatriation in terms of facilitating reverse diffusion, and the sample also indicated growing levels of inpatriation at MNEs. The mere presence of international assignees showed more transfer of knowledge than in cases of no international assignees.

The make-up of the HQ HR team, their international experience, and the level of labour movement between HQ and the subsidiary's HR teams (Fu, 2012) therefore determine the competence of management at HQ and impacts reverse diffusion. Lertxundi and Landeta (2012) confirmed this but added that other tools are need to ensure diffusion - like best practice manuals and multicultural teams and informal contacts. However, Harzing (2001) shared that centralisation would result in more expatriation and this would have a negative impact on informal communication and social networks for reverse diffusion. Therefore global staffing and international assignments have an interesting impact on management competence for diffusion as some it constrains some of the tools identified as necessary for diffusion.

Competence, cognition and relationships between managers of HQ and HR that of subsidiaries thus enable diffusion between MNE entities, and form part of successful diffusion of HR practices. Exploring how this impacts specifically on the diffusion capacity of subsidiaries is therefore an area for further exploration and leads to the first research question to be addressed by this study:

Research question 1:   Why does diffusion capacities vary across subsidiaries?

2.5.2.   Absorptive capacity

The interaction of ability and motivation was said to underpin absorptive capacity (Minbaeva, Pedersen, Björkman, & Fey, 2014; Minbaeva, Pedersen, Björkman, Fey, & Park, 2003; Song, 2014) while previous studies concerned ability without motivation. Ability was broken down into the ability to understand and the ability to assimilate new information (Lane, Salk, & Lyles, 2001). According to Lane et al. (2001), the level of integration between the two entities in a transfer relationship was proven to be significant

to the receivers' ability to understand, while the effective diffusion of new knowledge to individuals was most significant to the receiver's ability to assimilate and apply the information.

Song (2014) considered subsidiaies' absorptive capacity, in terms of ability and motivation over time and proposed the trade off presented in Figure 3, that abilty increased while motivation decreased, over time. The optimal point in time for absorptive capacity at a subsidiary level appears to be after a few years, where the motivation to absorb knowledge meets the subsidiary's ability.

Figure 3: Trade-off between ability and motivation of a subsidiary over time. This illustration explains the absorptive capacity of subsidiaries over the business life cycle. Source: Song (2014)
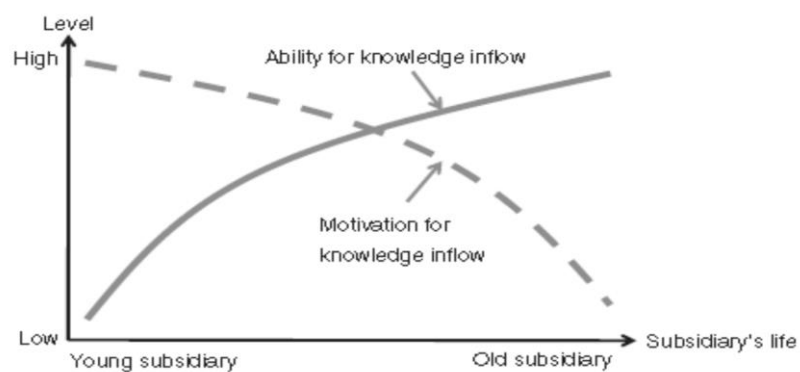
Based on Song's model above, the subsidiary's motivation for forward diffusion is higher when young, as they try to navigate their way through the MNE structure, decreasing as they are empowered with more autonomy. Therefore, their capacity to diffuse is expected to increase over time as they become more integrated and interdependent.

This study therefore follows the dyadic view of the construct of absorptive capacity that was suggested at the early stages of research (Lane et al., 2001), and continues to be encouraged (Minbaeva et al., 2014) with competence and experience of individuals, and the level of integration of the MNE entities seemingly at the core of HQ absorptive capacity. The determinants for HQ absorptive capacity have not been set to a framework and is largely an underexplored topic.

Absorptive capacity has been described by Flatten, Adams and Brettel (2014) as a company's ability to explore and exploit knowledge from a different source for competing globally. Their study found that MNE managers across emerging and developed economies, needed to display a transformational leadership style in order to foster more absorptive capacity, but certain national culture differentiators required more

transactional leadership. This clearly puts HR managers from HQ at the core of reverse diffusion as the actors providing the absorptive capacity or perceived absorptive capacity. The HR managers at the subsidiaries are reading and being influenced by the capacity at HQ for reverse diffusion, and therefore consideration from an individual-level perspective is critical to our understanding of reverse diffusion. The roles and influence of expatriates, inpatriates, repatriates, TCNs and locals therefore add to the competence for the diffusion of practices.

Based on the former limitiation in theory of understanding subsidiary diffusion capacity without a view of HQ's absorptive capacity, for reverse diffusion, and to garner insights regarding subsidiaries' absorptive capacity for horizontal diffusion; the following high-level research question comes to the fore:

Research question 2:   **Why does absorptive capacities differ across MNE entities?**

2.5.3.   The subsidiary's place in the MNE

The acquisition of new knowledge is arduous in the absence of an interactive relationship, and so interdependency within MNEs connects subsidiaries to each other and allows for knowledge transfer and ultimately enhanced performance (Chiang, 2007).

2.5.3.1.   Level of integration

The MNE is an integrated economic institution in which subsidiaries continuously justify their existence and build their individual brand by communicating accomplishments within the global hierarchy, in the battle for resources and attention from headquarters (Bouquet & Birkinshaw, 2008) as they compete with other subsidiaries. Which markets the subsidiaries serve differentiates subsidiaries, with some servicing the global market while others focus on their local markets. Centralised control was found to be 65% higher in subsidiaries servicing a global market than for those looking at their domestic markets (Fenton-O'Creevy, Gooderham, & Nordhaug, 2008), illustrating a high degree of HQ involvement in highly integrated subsidiaries. Centralisation will manifest in subsidiaries with uniform and interdependent global production (Kynighou, 2014) as HQ takes on the responsibility of establishing standards and consistency.

Consistent with Bouquet and Birkinshaw's (2008) view of HQ attention bias to highly integrated subsidiaries, knowledge outflows to headquarters were however found to be more prevalent in the case of subsidiaries that were integrated with the rest of the MNE through formal mechanisms (Gupta & Govindarajan, 2000).

Lower levels of decentralisation was proven to lead to more forward diffusion (Gupta & Govindarajan, 2000). Highly centralised MNEs expect that HQ should provide international policy and yet decentralisation requires HQ's co-ordination, which limits the subsidiary's scope to initiate the transfer of new practices (Edwards et al., 2005). This may therefore be limiting the performance of the subsidiary and the MNE. This raises the first proposition which postulates a centralisation effect on diffusion capacity:

Research proposition 1: **Centralisation/decentralisation influences diffusion capacity.**

2.5.3.2. Level of interdependence

The relationships between HQ and its subsidiaries vary, with varying degrees of interdependence in terms of their business models, which may give bias to diffusion from certain subsidiaries. Interdependency shapes corporate HR functions across the MNE (Farndale et al., 2010) and is a defining factor of MNEs, particularly in terms of managerial know-how, technology, capital and key employees (Mirza, Harzing, & Myloni, 2009). Various arrangements of the corporate HR function was discussed by Farndale et al. (2010) extending from dependent on HQ, to interdependent, to independent of HQ and the businesses investigated were mostly found to be in transition between arrangements. They concluded that as the level of interdependence increased, network building and knowledge sharing across the MNE became more important. Edwards et al., (2015) went on to provide a quantitative survey-based study, which found that the more subsidiaries are interconnected with others, rather than isolated and self-sufficient, the more they are likely to initiate new HR practices. What is left for further exploration is how likely subsidiaries are to absorb new HR practices, for effective diffusion across subsidiaries.

It is clear that the two players in reverse diffusion are the headquarters and much of the literature, referred to in this chapter, focused on the subsidiary's diffusion capacity. The arguments of the subsidiaries role in the MNE and level of interdependency all confirm that the relationship between HQ and the focal subsidiary has a substantive impact on reverse diffusion - the subsidiary must have capacity to initiate diffusion (outflow) but the area which has received less attention is the requirement for HQ to have and display absorptive capacity (inflow). The above discussion therefore leads to the second proposition:

Research proposition 2: **Centralisation/decentralisation influences absorptive capacity.**

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2.5.3.3. Competence of management at subsidiary

HRM internalisation was described as the value and commitment to HRM practices, by Björkman, Ehrnrooth, Smale, and John (2011). While HQ's opinion of HR will place its importance in the minds of subsidiary management, the subsidiary managers will influence the staff in their teams. Björkman et al. (2011) considered impacts on HRM internalisation of general managers and found the perceived strategic HRM capabilities of the subsidiary HR department to be a strong influencer.

Despite the finding by Björkman et al. (2011) that external networking activities did not influence HR internalisation, Edwards et al. (2015) argue the more the HR function is internationally networked, the more HR diffusion will be initiated. Edwards and Tempel (2010) expanded on the motivation for individual managers, at the subsidiary level, to engage in or resist reverse diffusion. On the one hand some participated so as to raise their status in the MNE, while others protected their advantage over other entities and would not engage in reverse diffusion.

The education, experience, motivation of subsidiary managers and the attention that they receive from HQ HR therefore would affect diffusion of HR practices from the subsidiary and the third proposition is posited:

Research proposition 3: **A lack of absorptive capacity at HQ will negatively impact on the subsidiary's diffusion capacity.**

2.5.4. Country of origin

National context isomorphism with HQ, subsidiaries' place in the MNE and the international networking of the human resource function were found to be factors that contributed to a subsidiary's diffusion initiation in the study by Edwards et al. (2015). Differing local contexts was also posited as a limitation on absorptive capacity by Fu (2012). The scope and context of the study by Edwards et al. (2015) was limited to developed countries.

Therefore, if national context isomorphism is a key determinant of diffusion from the subsidiary, it would be less likely that an emerging subsidiary would initiate reverse diffusion in a developed MNE, than in an emerging MNE where the national context of HQ and the subsidiary are less distinctive. Also, a limitation acknowledged by Edwards et al. (2015) was that their study did not include labour markets that were highly regulated. These are more common to emerging markets.

Therefore the fourth proposition of this study offers that in emerging markets the same relationship between similar levels of national context and absorptive and diffusion capacities will retain validity:

Research proposition 4: **The similarity of levels of development across countries will lead to greater absorptive capacity.**

2.6. Conclusion

The literature review emphasized the importance of diffusion of HR practices, discussed the subsidiary as a diffusion initiator (Edwards & Tempel, 2010; Kumar, 2013; Michailova & Mustaffa, 2012) and acknowledged the roles of individuals in transferring knowledge (Harzing et al., 2015; Mäkelä & Brewster, 2009) finding that more relationships, whether social or structural, leads to greater sharing of information (Lazarova & Tarique, 2005).

Absorptive capacity has featured as a significant construct in forward diffusion (Chang et al., 2012; Minbaeva et al., 2014; Song, 2014); with much attention given to ability and motivation to partake in the diffusion of practices. The literature on forward diffusion is extensive, to the point that the stages of integration of novel practices have been identified (Ansari et al., 2014), guiding HQ staff to build HR practices with flexibility so that they may be transferred and adapted to local contexts. While HQ holds a position of power and the assumption within the MNE supports the concept that HQ would only implement practices that would lead to economic gains (Collings & Dick, 2011), HR practices from the subsidiary may not meet with the same perception from HQ. HQ's absorptive capacity is therefore a relevant, but under-developed concept.

Gupta and Govindarajan's (2000) study focused on decentralisation of decision making authority in terms of transfer to the subsidiary, but not from the subsidiary. The subsidiary's diffusion capacity was not considered in centralisation. Edwards and Tempel (2010) hypothesised that a relationship exists between reverse diffusion and the degree of centralisation, and encouraged future research on the topic.

Given the shifts in the global economic landscape to growth from emerging markets and calls by Horwitz (2012) and Thite et al. (2012) for HR reverse diffusion research in those markets, this study aimed to understand the effect of centralisation in terms of diffusion of emerging market HR practices, with particular attention to HQ's absorptive capacity and the subsidiary's diffusion capacity, for reverse diffusion and subsidiaries' absorptive and diffusion capacities for horizontal diffusion. Throughout the debates and studies on diffusion and absorptive capacities, it is clear that the individual HR managers are ultimately responsible for the diffusion of practices and so their role and competencies

are central to understanding how reverse diffusion takes place in the context of real business.

The literature chasm has thus been established and will be explored in terms of the research question and propositions raised within this literature review, summarised in Chapter three.

3. Chapter three: Research question and propositions

In assisting with the overall research problem facing scholars in this field of study, the research questions and propositions which were derived from the literature review are summarised in this chapter.

For this study, the constructs of diffusion capacity and absorptive capacity have been considered in line with subsidiaries being the source of new HR practices, and the following two research questions emerged:

Research question 1: Why does diffusion capacity differ across MNE subsidiaries?

Research question 2: Why does absorptive capacity differ across MNE entities?

Moreover, the literature review has led to the following propositions for investigation in this study:

Research proposition 1: Centralisation/decentralisation influences diffusion capacity.

Research proposition 2: Centralisation/decentralisation influences absorptive capacity.

Research proposition 3: A lack of absorptive capacity at HQ will negatively impact on the subsidiary's diffusion capacity.

Research proposition 4: The similarity of level of economic development across countries will lead to greater absorptive capacity.

4. Chapter four: Research methodology

The research project was qualitative in nature and followed a dual case study design. The contributions of case study research in international business has not been fully utilised (Vissak, 2010), particularly in offering contextualised explanations for international business studies (Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2011).

Two case studies were investigated to understand two different contexts from which to draw inferences. Structure and the subsidiaries position in the MNE has been raised throughout the literature review of Chapter two and in order to answer the research questions in Chapter three, both a decentralised MNE and a centralised MNE were explored. The objective of the study was to search for meaning and links between context and causal mechanisms in each case.

4.1. Research design

4.1.1. Philosophy

A critical realism philosophy allowed for investigation beyond the superficial to uncover concealed structures and relationships (Saunders & Lewis, 2012) extending research beyond positivism (Welch et al., 2011). Case studies are not compelled to rely on previous literature and empirical evidence (Vissak, 2010) and as the constructs of diffusion and absorptive capacities were considered in diverse contexts, beyond the existing literature, case study research was a more appropriate choice of methodology to understand how they related to the diffusion of HR practices when subsidiaries acted as the diffuser. As the study essentially covered relational interactions, this philosophy and the case study approach was most suitable.

4.1.2. Type of study

It was important that this study captured the way MNEs experience the diffusion of HR practices two-fold, both at an organisational level and on an individual level. Simultaneously, the possibility of finding that levers involved in reverse diffusion could be variable across the different worlds of emerging and developed economies, added to the complexity of the study.

Within these divergent contexts, people are continually making sense of organisations when they invoke assumed practices and ways of working (Dougherty, 2002). These factors forged the way for a qualitative study to be pursued. In trying to understand "why" and "how", against this backdrop of real-life contextual complexity (Yin, 2009), the case study approach was chosen to uncover richer understandings and grounded theory.

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4.1.3. Strategy

This field of study is not saturated with theory to verify, and so allows for the development of grounded theory through immersion into the dynamic, multi-dimensional context and complex social experiences of the actors in that context, to develop explanations for why reverse diffusion of HR occurs, or occurs more or less, under particular circumstances (Poulis, Poulis, & Plakoyiannaki, 2013; Welch et al., 2011).

This meant that the strategy had to be adaptive, with varied questions – the right questions - applied to each interview according to the path the researcher is led down, in terms of how the interviewees' experienced the phenomena (Dougherty, 2015). This aligned to Corbin and Strauss (2008) who also warned against being too rigid in asking initial interview questions throughout this type of study, as it limits the data collection. Section 4.5 and Table 2 on page 28 provides details of the in-depth, approximately one-hour long interviews (two if which were half that duration) which followed this strategy.

4.1.4. Time dimension

Due to the time constraint of the duration of this study and its qualitative nature, this research design used a cross-sectional time dimension, rather than a longitudinal design. Although case studies have been criticised for limitations in proving causality in qualitative study, and conceded by some case study authorities like Yin (2009), this time dimension does not hinder the case study methodology in terms of causality.

The researcher's view is consistent with Welch et al. (2011) that outcomes identified in case studies are a direct result of the combination of context and a causal mechanism, and that a "snapshot" view at a particular point in time (Saunders & Lewis, 2012), can therefore convey causality, with robust inquiry. However, as Yang, Mudambi and Meyer (2008) stated, time is significant in knowledge transfer from subsidiaries to HQ, and so longitudinal studies would also benefit the field of study.

4.2. Research scope

Practices from emerging markets have recently been set aside for closer inspection and Africa aptly provided the context for this study. The scope of this research was emerging markets of Africa, but the design of the study aimed to encapsulate the nuances of being part of a decentralised MNE from an emerging market and that of a centralised, developed economy MNE.

4.3. Population

Africa is increasingly seen as more than a mineral resource provider to drive the global economy. It is also a source of growing middle class attracting foreign direct investment

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into consumer-market driven businesses, which are heavily reliant on human resources (Unctad, 2014). This suitably matches the need for employment and the development of skills from the rising population numbers in Africa, and so human resource management is increasingly important to the African continent. Multinationals operating in Africa therefore formed the population.

4.4. Unit of analysis

The insights and experiences of the Heads of HR for the subsidiaries and that of the HR Heads at HQ, the policies, and the practices were the units of analysis. These units of analysis allowed the case study to explore the topic and investigate the constructs at both an organisational and individual level.

4.5. Data gathering process

Multiple data collection methods were deployed to provide triangulation of evidence (Eisenhardt, 1989). Data collection tools included a review of practices, interviews, attendance at team meetings and conferences where direct observations were noted (Baxter & Jack, 2008; Eisenhardt, 1989). These direct observations were recorded and helped provide further contextualisation.

The bulk of the data collection was derived from semi-structured interviews, which delved into the practices and interactions between HQ and subsidiaries. For the most part, these were face-to-face meetings which lasted for approximately one-hour. However, two of the interviews had to take place telephonically, due to diary and travel constraints. Additionally, informal discussions took place with other representatives from the MNEs, involved in HR projects, in order to provide verification of some of the data. These informal interactions took place at an international conference, at business school, on-site at HQ, and on-site at the subsidiary.

Consent forms (Appendix B) were completed and signed upfront, allowing for the use of quotations in the report. For telephonic interviews, the consent authorisation paragraph was read to the interviewees who verbally gave their consent to proceed with the interviews.

4.5.1. Sampling method

The sampling method for this dissertation was theoretical sampling. Early on during the data collection and analysis of contributions from HR Heads at HQ of the emerging MNE, the study revealed key concepts around centralisation in the first MNE interviews as well as the dual roles of HQ and of subsidiaries, in diffusion. Continuous probing of these

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concepts led to further data collection. It became apparent that a centralised MNE should be included as a second sample.

This is consistent with Corbin and Strauss' (2008) explanation of theoretical sampling as a method which is responsive to data as opposed to preceding the commencement of the study. Emmel (2013) explains that the open sampling and resulting formation of the sample during the study, as opposed to the conventional predetermined sampling techniques, is more strategic as it tests emerging theory. Congruent with the case study approach, theoretical sampling "allows researchers to explore the concepts in depth" and "is especially important when studying new or unchartered areas because it allows for discovery" (Corbin & Strauss, 2008, p.145).

The data analysis led to the sample of two cases - a centralised MNE and a decentralised MNE. Theoretical sampling drove exploration and extended the diversity of data collected to answer questions about the concepts arising out of the data and develop theory. An element of purposive, non-probability sampling (Saunders & Lewis, 2012) was also employed as the researcher used judgement to select the MNEs in the sample.

4.5.2.   Sample size

Two MNEs operating in Africa formed the sample and, in total, 16 formal, semi-structured interviews were captured and analysed. Theoretical sampling ensured that the data was sought from relevant sources to the point that a fairly thorough understanding of themes emerging from the data, and various relationships and conditions of themes, was reached. The 16 interviewees included:

- Six Heads of HR located at head office, which served both as a subsidiary to a developed economy headquarters, and as regional head office to subsidiaries throughout Africa
- Five HQ Heads of HR from another MNE with emerging market headquarters
- Five Heads of HR responsible for five different subsidiaries – from the MNE with emerging market headquarters. These subsidiaries were also based in emerging markets.

Further detail regarding the two cases and the interviews can be found below in Table 2. This dataset is in line with the range of 12 and 20 interviews recommended by Adler and Adler (2012), given the time constraint to complete the report.

4.5.3.   Design

In-depth semi-structured interviews with the subsidiaries, the head office and relevant players at headquarters investigated the constructs of diffusion from subsidiaries, based on the practical, real examples of HR practice diffusion found through reviewing the differences of HR at the subsidiary versus HQ. Semi-structured interviews allowed for fluidity as the participant developed the line of questioning through their contributions (Saunders & Lewis, 2012) and after the researcher reviewed HR policy differences. Nonetheless, Saunders and Lewis (2012) suggested an interview guideline (Appendix A) which was used in preparation to cover all the topics. The answers to the interview guideline questions led to the discovery of more useful and relevant questions, which took into account the context and personal experiences of the interviewees.

The interviewees all gave consent for the interviews, at the start of each interview, on condition that the company's identity would not be divulged, and therefore the names of participants have been replaced by codes to mark and discuss each interview.

A summary of the interviews can be found in Table 2 below. The interviewees also agreed to the recording of the discussions. These were transcribed for analysis and coding in *Atlas.ti.*

Table 2: List and attributes of interviewees and codes

	MNE Home	Employed by	Position in HR	Code
1	Emerging market	HQ	Regional Head	EH1
2			Regional Head	EH2
3			Regional Head	EH3
4			Head: Africa	EH4
5			Head: Africa	EH5
6		Subsidiaries	Head of HR	EH1Sa
7			Country Head	EH2Sa
8			Country Head	EH2Sb
9			Country Head	EH3Sa
10			Country Head	EH3Sb
11	Developed economy	Regional head office	HR Exco	AS1
12			HR Exco	AS2
13			Head of HR: Africa	AS3
14			Head of HR: Africa	AS4
15			HR Exco	AS5
16		HQ	Head of HR	AS6

Two of the emerging MNE HQ staff were currently responsible for more than one portfolio due to vacancies. The five interviewees at the head office of the developed MNE

provided data with regards to the subsidiary's relationship with HQ as well their involvement with subsidiaries throughout Africa, as their responsibilities included all of Africa. This allowed for the head office to be investigated for both absorptive and diffusion capacities. To ensure triangulation, a sixth interview was pursued with an expat from headquarters, based at head office.

It is important to note the existence of reporting line relationships within the dataset however not all could be disclosed, in the interest of upholding the committed anonymity:

Within the emerging MNE, three regional heads were interviewed and the dataset from the subsidiaries included at least one subordinate for each regional head:

- The Head of HR, EH1Sa reported into EH1
- The Country Heads EH2Sa and EH2Sb reported into EH2, and
- The Country Heads EH3Sa and EH3Sb reported into EH3

Furthermore, in the developed economy dataset, AS2 and AS3 reported into AS1.

4.6.   Analysis approach

The case study approach provided a platform to search for evidence for "why" behind the relationships (Eisenhardt, 1989) between various factors as well as "how" against the backdrop of the context (Baxter & Jack, 2008; Yin, 2009). During analysis, data from the multiple sources were combined to garner deeper insights into the case (Baxter & Jack, 2008).

As per Eisenhardt and Graebner (2007), contextual, relational patterns across the constructs were analysed within each case and across the cases. However, contrary to Eisenhardt and Graebner (2007), care was taken in across-case analysis not to rule out relationships simply because they did not re-occur, as the objective was not to achieve generalisability. The researcher was of the mind that the varying ways in which key themes and relational aspects of constructs played out, in different contexts, enriched the study. Therefore the nuances were included, rather than excluded. The iterative analysis process involved deduction, induction and hypothesis generation for continuous probing of the data, to ensure a robust study (Dougherty, 2002).

The analysis can broadly be divided into the following steps:

Step 1:

All interviews were transcribed consistently for ease of comparability and the computer software, *Atlas.ti* was used to assist with coding the data. Comparative analysis

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investigated patterns in the data and also checked the contribution and analysis of each interview with the rest.

Step 2:

Using Dougherty's (2002) recommended practices for analysing case study data, open coding was used to generate as many themes as possible, which also meant labelling aspects of the themes to make distinctions between a reason, consequence, enabler or motivation for the theme. Patterns of thinking and actions were also considered in terms of how the parties enacted shared interpretive schemes (Dougherty, 2002). These observations are discussed further in Chapter five.

Atlas.ti allowed for quotations to be accumulated across documents and within document families, under each theme. The researcher's comments about the interrelation and shared interpretive schemes were recorded and assimilated with the help of the computer programme, which also managed the various combination of codes as they aligned to each theme. During this review, the researcher replaced identifiers in the transcripts with descriptors like "MNE", "HQ" and "subsidiary" in order to ensure that the confidentiality pledged in the consent form (Appendix B) could be upheld, being mindful not change the meaning of the data or impact the findings, and only to prevent revealing the company identities.

The coding book evolved over the duration of the analysis and, in the end, a few codes merged with others. The final coding book is attached as Appendix C, indicating the interview source for each code. Inductive reasoning left the researcher to identify themes from the data but the literature review in Chapter two also guided the naming and identification of relevant themes through deductive reasoning.

Step 3:

Saunders and Lewis (2012) encouraged incremental analysis as interviews happen, as opposed to waiting until all data is collected. Baxter and Jack (2008) also suggested that progressive analysis is shared with the participants to get clarity, if required, or augment their contributions, thus also deepening the process of analysis. On the base of these arguments, all interviewees were contacted post analysis to confirm the interpretation of their individual contributions and minor edits followed to incorporate these changes. Incremental analysist also guided the theoretical sampling methodology discussed in section 4.5.1 on page 26.

Furthermore, beyond the 16 interviewees, meetings with three MNE HR experts were held as sensibility-tests, post analysis. These three experts included:

- one from the developed economy MNE's subsidiary (from the case study),
- one from the emerging market MNE's HQ (from the case study), and
- Head of HR from an MNE with headquarters in a developed economy (outside of the case study).

Step 4:

Post analysis, the interviews were again reviewed to ensure incremental changes to the coding book were also reflected in the interviews that went before. After a consolidated view, themes became apparent and the codes were adapted and merged to enhance the data representation in Chapter five.

4.7. Limitations

As all the participants involved in the study represented countries in Sub-Saharan Africa, the level of institutions and macro environment specific to the continent may have focused the findings for deeper insights within those parameters. The views of the head office at the developed MNE offered information on the diffusion capacity of the head office to HQ and to other head offices, and also HQ's perceived absorptive capacity and the head office's absorptive capacity in terms of diffusion from subsidiaries throughout Africa. However, only one interview took place with an expat from HQ who could comment on HQs actual absorptive capacity. More representation from HQ may have enhanced the data, providing a more balanced view.

In as far as the researcher was aware of the following limitations of the study and tried to mitigate against them, the following risks to the reliability and validity of the findings remain:

- Despite contracting confidentiality and anonymity at the start of each interview, subject bias may still be evident. Particularly in the instance of the emerging market MNE where the Global Head of HR requested the participation of interviewees prior to the researcher making contact with each individual. Unreliable information may have been provided in certain instances either in fear of punishment, or to gain favour in shedding positive light on their work or themselves (Saunders & Lewis, 2012).

- Although the researcher was not an employee of either of the MNEs participating in this study, the researcher has had experience working in the industry which

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may have led to observer bias (Saunders & Lewis, 2012), particularly interpretation bias (Kaptchuk, 2003) beyond the subjectivity of a researcher unfamiliar with the industry. Building arguments from various HR heads, who were experts in their field, mitigated against this interpretation bias.

Huberman and Miles (2002, p.52) defines generalisability as "the extent to which one can extend the account of a particular situation or population to other persons, times, or settings than those directly studied." Most significantly, in terms of limitations, the issue of generalisability remains a key criticism for qualitative studies and therefore is an issue for this study too. The investigation is purposefully context-specific and so allows for new theory to be explored and proposed.

4.8.   Conclusion

The research design and methodology has been explained in this chapter. The findings that have emerged from this methodology, in order to answer the research question and propositions in Chapter three, will follow in Chapter five.

5. Chapter five: Findings and results

This chapter discusses the results of the data collection and presents the data enumeratively and reductively identifying core themes throughout this chapter, which are then also supported by key quotations. These data answer the research questions and provide evidence to test the propositions presented in Chapter three, based on the research methodology presented in Chapter four. The results will be applied to the research questions and propositions, together with a comprehensive analysis, and discussed in the next chapter, Chapter six.

5.1. Introduction

Both MNEs in the sample came from the financial services sector. The emerging MNE employs approximately 20% more people throughout Africa, with a much more extensive footprint across the continent than the developed MNE. The developed MNEs global footprint is superior to the emerging MNE. Both MNEs engaged predominantly in acquisition strategies to drive their expansion into Africa which received significant attention and investment from the MNEs in the past 20 years, but a few subsidiaries from both MNEs had been present in some countries for over a century. Both MNEs also have subsidiaries in Europe and America.

The interviews with each of the following groups of experts revealed commonalities and differences between them, outlined in this chapter, and summarised at the end:

- Six Heads of HR from the regional head office of a developed MNE, including one Head of HR from HQ based at the head office.
- Five HQ Heads of HR from an emerging market MNE
- Five Heads of HR responsible for five different subsidiaries – from the same emerging MNE as the five HQ HR Heads. These subsidiaries were also based in emerging markets.

5.1.1. Process observations

The centralised model of the developed economy MNE unexpectedly translated into a high degree of autonomy. At the emerging, decentralised MNE's HQ several meetings had to take place over a few months in order to provide consent to participate in the study. The developed MNE's subsidiary consent came from an employee outside the study within two weeks of the initial inquiry. In the latter instance, informal networks between six people outside of this study, led to the thesis consent forms being presented

to the correct person and approved, whereas the most senior person responsible for HR had to be engaged at the decentralised MNE's HQ.

Similarly, the emerging MNE insisted on formal language to request the participation of interviewees, in stark comparison to the developed MNE sending a friendly request informing the identified interviewees of the study. The email went to peers and more senior managers within the subsidiary. This dynamic was later also further evidenced in the data. The emerging MNE communication included participants based in five different countries, located away from the sender of the email, which could also explain the need for more formal communication. However, the request for the interview with the expat from HQ of the developed MNE was requested via an email from one of the other interviewees and happened telephonically within 24 hours of the request, as the expat was to be based at HQ for a few weeks making a face-to-face meeting difficult under the time constraint of the study. Setting up and completing the interviews with the head office of the developed MNE was therefore noticeably more efficient and informal than the emerging MNE.

In terms of dealing with the challenges of the emerging MNE interviews, the researcher was able to complete all but two interviews in person. One of these telephonic interviews was followed by a face-to-face meeting at a conference in which the data was verified. The telephonic interviews, while technically difficult at times, provided rich data and did not compromise the collection process. Attending a conference provided the researcher with further insights, in terms of observing the varying protocol of the interaction of regional heads with their subsidiary Heads of HR and also the general behaviour of subsidiaries, in that:

- the subsidiaries further away from HQ, geographically, were engaging with each other more than the rest of the MNE staff, and
- the subsidiaries with a regional head based at HQ appeared to be more involved with the conference agenda, ensuring that they attended sessions on time and they were often seen with their regional head.

Attendance of a few HR meetings at the developed MNE gave the researcher the impression that there was a greater sense of individual accountability in the corporate culture, but a consequence of this was that people who did not take initiative were simply left out of progress.

5.1.2. Analysis process

The 16 in-depth interviews detailed in Table 2 on page 28, cumulatively, took approximately 15 hours to conduct and 32 hours to analyse covering the first round of analysis, which focused on identifying codes in the data using open coding (Dougherty, 2002) which best suited the case study methodology. As codes were created incrementally, it was important to review all the interviews, particularly checking new codes against data previously analysed, before embarking on the enumerative analysis. This second review took an additional three hours to complete.

Furthermore, website reviews and observations of interactions, on-site meetings and attendance at conferences added to the depth of the study and guided the questioning and analysis of the interviews. Nonetheless, the interview guideline (Appendix A) formed the basis of the semi-structured interview.

Atlas.ti was used extensively to assist with document coding and segmenting the codes and the interview transcripts into groupings and themes. *Atlas.ti* was particularly useful in looking closely at the variance in data across participant groups. Some of the participants shared working relationships noted in Chapter four, and warrant reminding:

- The Head of HR EH1Sa reported to EH1
- The Country Heads EH2Sa and EH2Sb reported to the regional head EH2
- The Country Heads EH3Sa and EH3Sb reported to regional head EH3
- AS2 and AS3 reported to AS1

The findings were carefully and extensively reviewed, and the *Atlas.ti* outputs perceived by the researcher as most relevant, follows; along with rich, supporting data in the form of quotations recorded during the 16 interviews. Emphasis has been added to highlight key words and statements offered by the interviewees.

5.1.3. Report on coding

The order of interviews and incremental analysis impacted the generation of new codes, as these spiked whenever an interviewee representing a new group was analysed. Nonetheless, it became apparent in the generation of new codes that new data was not bringing in as many new codes as the study progressed. The codes were not merely labels for new topics but rather explanatory relational understandings between the key concepts that arose from the study.

Figure 4 illustrates this below, in that 46 codes were created during the first four interview evaluations and only ten during analysis of the final four.

Figure 4: Code creation frequency graph
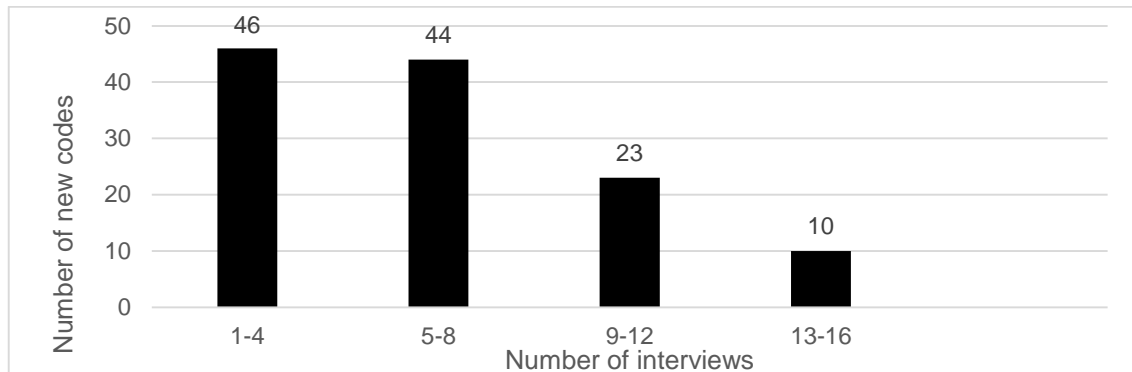
The codes were grouped into families based on their natural synchronicity and the context provided by the interviewees. A final review of codes, post-analysis, resulted in a few being merged after consolidation and an editing process to ensure consistency. The final coding book is attached as Appendix C, which also refers to the first appearance of the code.

5.1.4. Data saturation

"Theory construction takes place as the data are being collected. Saturation is the point in data collection when no new or relevant information emerges with respect to the newly constructed theory" (Saumure & Given, 2008, p.195). The two MNEs and corresponding research participants were selected according to the theoretical sampling methodology so that the resulting data would validate and build emerging theory, resulting in achieving data saturation quickly (Saumure & Given, 2008). The robustness of the theory was apparent at the end of the analysis of the 16 interviews across the two MNEs in the sample.

5.2. Overview of results

Reverse diffusion does not occur in a vacuum. Instead, it is part of the diffusion of practices phenomenon, which was clear from the data, with many references to the HQ-Subsidiary relationships discussing how the MNE engaged with forward and horizontal diffusion and both the subsidiary and HQ's capacity for diffusing HR practices. While this all sits within the company-level, the role of the individual was also stressed in the data and will be discussed in the findings. The context and, more specifically, the level of autonomy were two additional themes which were identified in the data.

Figure 5 below illustrates the significance of each of the themes which emerged from the data collection, in relation to each of the three groups interviewed.

Figure 5: Word count relative to themes, across datasets
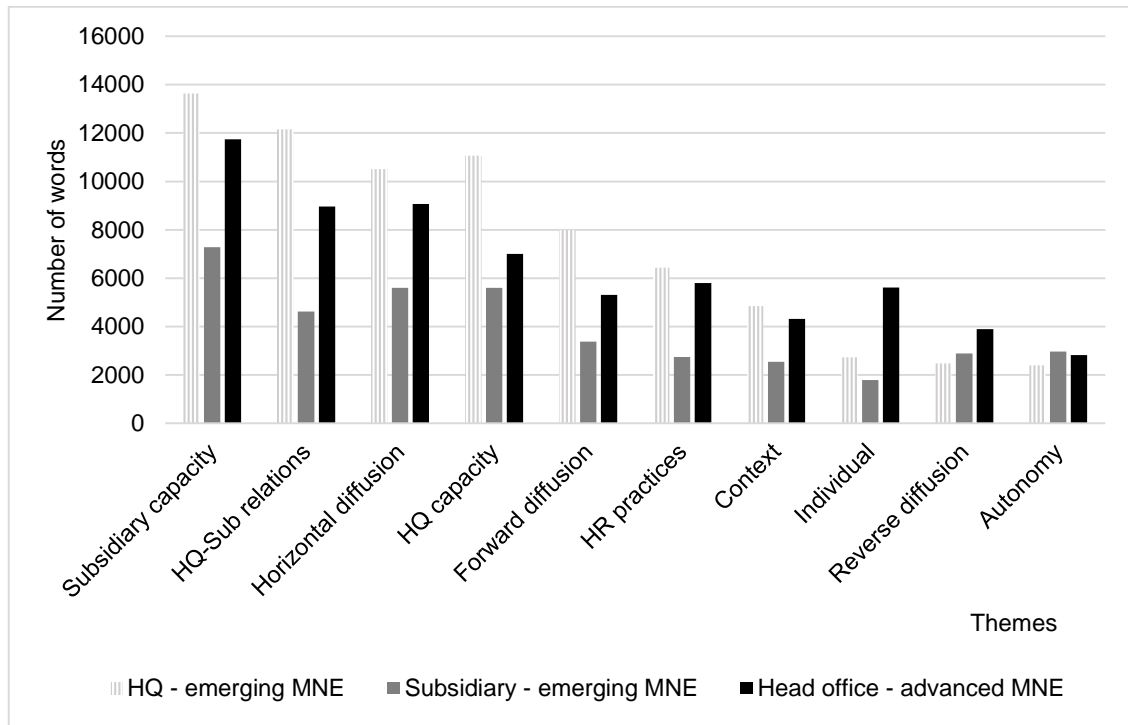
All three datasets shared a focus on the first two major themes, subsidiary capacity and HQ-subsidiary relations, while HQ capacity was of further significance, principally across the data from the HQ and from the subsidiary in the developed MNE. Upon closer inspection of the codes within the themes, which follows, it was interesting to note that the code "matrix", while not as important as the other codes, ran across the top five rankings of all datasets, out of a possible 122 codes.

5.2.1. HQ – emerging MNE dataset

The primary codes which encapsulated the conversation with the group from HQ can be found in Figure 6 below. These codes formed part of the top four themes listed in Figure 5, namely; subsidiary capacity, HQ-subsidiary relations, horizontal diffusion and- HQ capacity.

Figure 6: Priorities for HQ – emerging MNE (by codes)
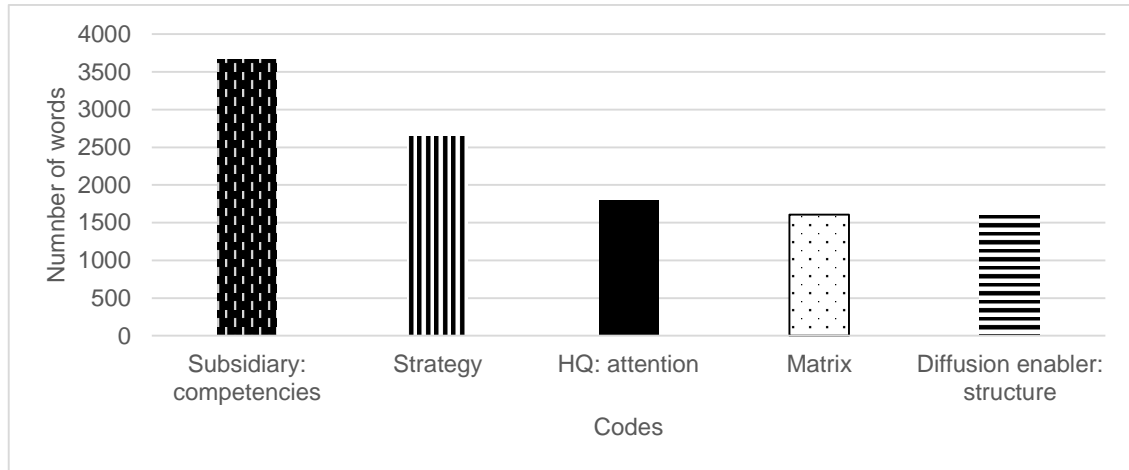
Within the dataset of HQ representation were two sub-groups, one made up of three regional heads; and the other of two HR Heads who were responsible for all subsidiaries in Africa. Figure 7 shows that their contributions to the study were generally similar with the regional heads giving slightly more attention to reverse diffusion and autonomy, while the others provided marginally more weighting to horizontal diffusion, HR practices and context.

Figure 7: Themes grouped according to the emerging MNE HQ contributions
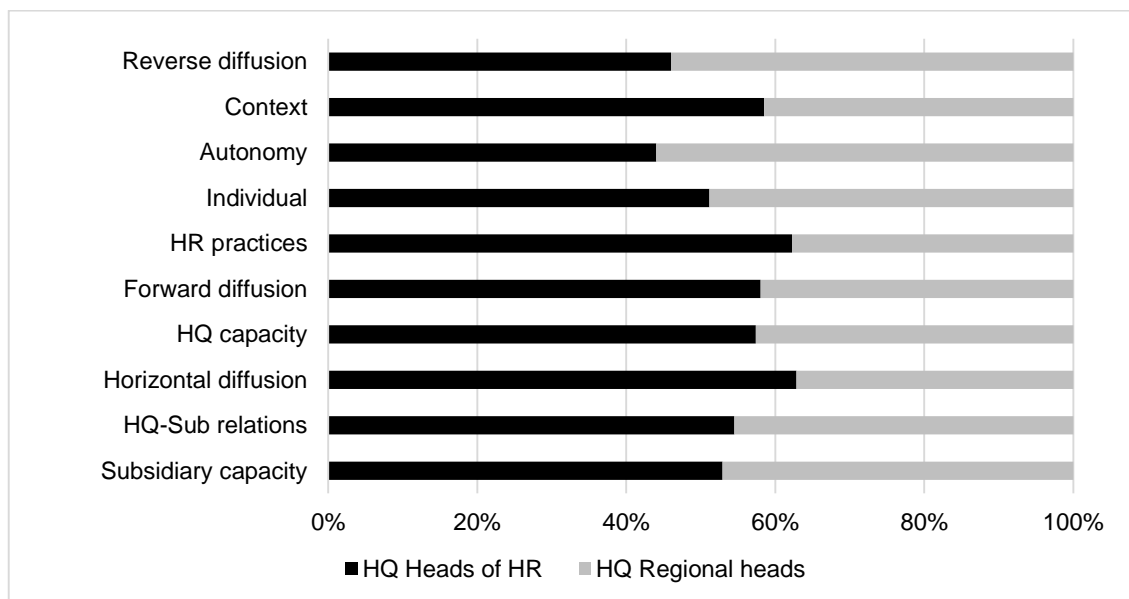
The role of regional heads was a reoccurring theme throughout the data collected for the emerging MNE, contrary to the developed MNE which did not include this regional structure even though they had staff in similar roles to take care of the subsidiaries in Africa. The difference being that they arranged themselves centrally and were available to all subsidiaries. Therefore at the centralised MNE, these resources were allocated according to the head offices' priority.

5.2.2. Subsidiary – emerging MNE dataset

The emerging market subsidiaries input delved into the themes of subsidiary capacity and the HQ-subsidiary relationship. Intriguingly, the data focused on the subsidiary's appetite to engage in horizontal diffusion and autonomy most significantly – this was unique to this datasets top five code rankings. Their priorities are listed in Figure 8 below:

Figure 8: Priorities for subsidiaries - emerging MNE (by codes)
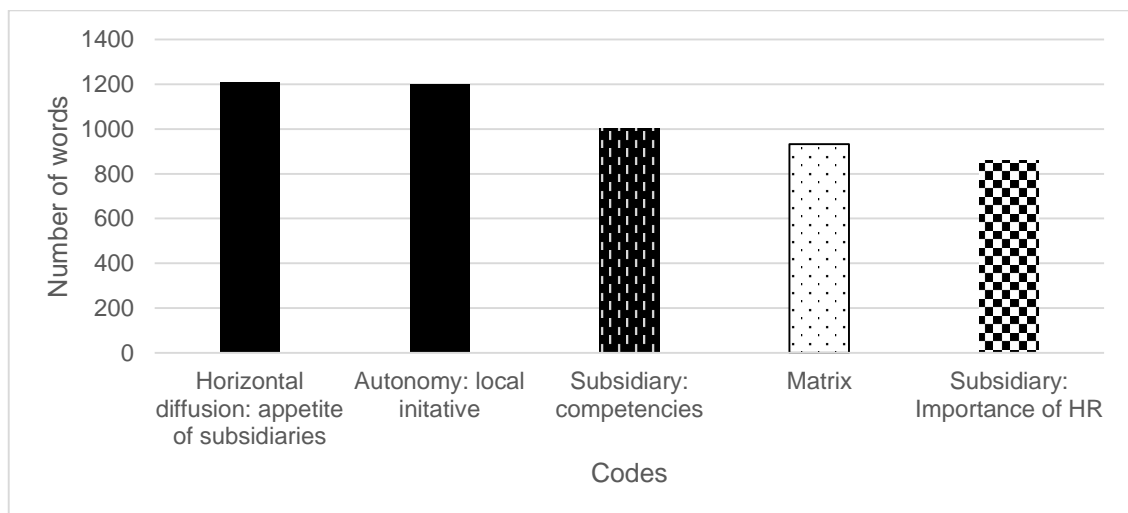
5.2.3. Head office - developed MNE dataset

The importance of HR was the most significant code across the data collected from the developed MNE. The code which held the second ranking was aligned to the second ranked code from the decentralised HQ dataset, which is data which spoke about strategy. Strategy covered data regarding business life stages, the level of integration and interdependence with HQ.

What stood out from this dataset was the significance of the individual, which was discussed as the importance of a global mindset. These top five codes are ranked graphically in Figure 9 below.

Figure 9: Priorities for head office - developed MNE (by codes)
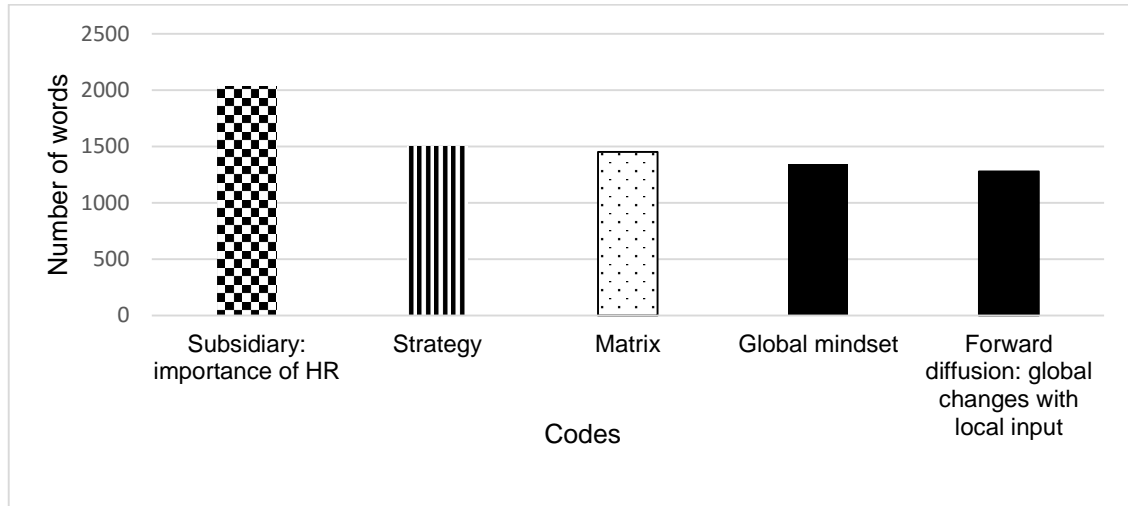
5.3.   HQ diffusion and absorptive capacities

The contributions from interview participants provided insight into the weighting or importance of HQ's role within the context of the diffusion relationship, under investigation. With the same time frame available for each interview, guided by the same interview guideline (Appendix A); a simple word count, presented in Figure 10 below, revealed that of the amount of discussion from the data collected and coded came primarily from HQ at 40%, while 34% came from the head office in the developed MNE and subsidiaries in the emerging MNE contributed the least in only representing 26% of the data.

Figure 10: Word count breakdown by interview groups
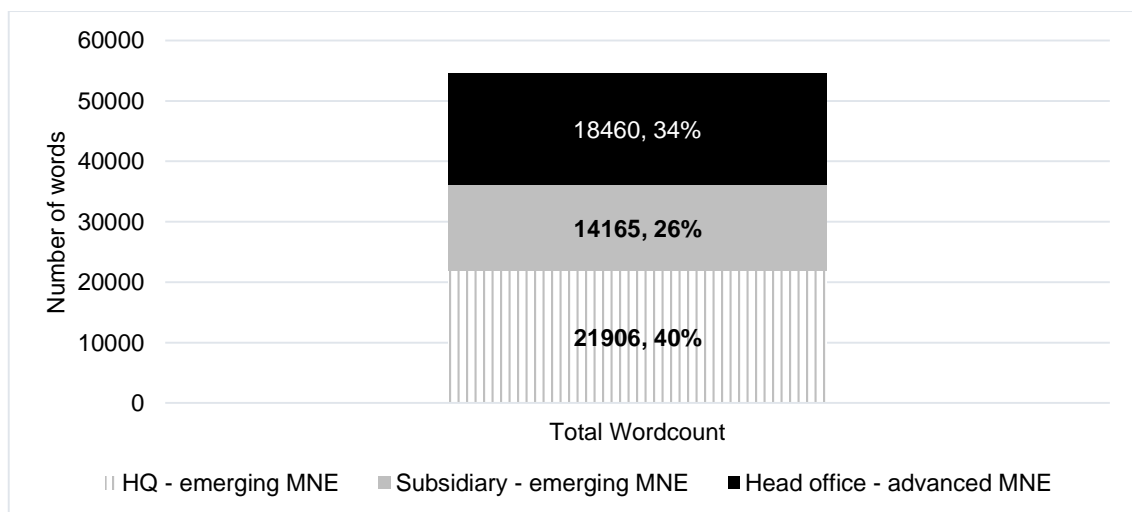
In line with the broader context of control, which will be discussed in section 5.5 on page 52, the data referred to a specific relationship between HQ and subsidiary with regards to reverse diffusion, offering extreme points of view in terms of HQ's role either as a separate entity or as a coordinator in order to engage in reverse diffusion to ultimately facilitate horizontal diffusion, or as a parent to engage in forward diffusion.

Other comments focused on what determined the level of attention from HQ. EH3Sa from the emerging MNE's subsidiary believed it was about meeting your goals, whereas EH4, from that MNE's HQ, said it was the macro conditions drove their attention:

> *"I have noticed that you **become irrelevant if you are not delivering** your budget or your strategy. **HQ seems to pay more attention to countries that are really stretching themselves** to achieving their budget."* [EH3Sa]

> *"…markets that are key normally get attention, so if you go into the bigger spectrum of things, Nigeria, Ghana, Kenya, Angola, Mozambique are **key markets**, because revenue wise they bring big income, not to say the other markets are not important but these are markets where exponential growth is very big or the **opportunity of growth is very high**. So what do you want to do – you want to invest right so that you can get that revenue growth, needless to say you will start investing more. So more of your time goes in there. It's about how do we shape this, **what capabilities do we have to put in there, you partner a lot with the subsidiary**, so that from a business perspective on how human resources will go in, support and partner."* (SIC) [EH4]

Regional structures were specific to the emerging MNE, but contributed significantly to HQ attention, and the data displayed different views about where the regional head should be based. From the point of view of the subsidiary, EH2Sb discusses proximity of the regional head, or the subsidiary, to HQ, with regards to relevance in the MNE:

> *"Being away from HQ in this organization means that you are away from where the decisions are made. You need to be in HQ to play the office politics and push for your subsidiaries. **If a regional head is not based at HQ, it disadvantages the subsidiaries** in that region. Even for HR management, the **further away geographically, the more forgotten you are**."* [EH2Sb]

All the regional heads believed that the subsidiaries were their most important stakeholders. The regional head based outside of HQ (code undisclosed for anonymity of other comments) said:

> *"I would not say HQ is more important from a key stakeholder point of view, I find myself working better when I am sitting at the subsidiaries because when HQ is asking me to give them some information about the subsidiaries, the turnaround time will be faster because I am sitting here with them…"*

About reverse diffusion specifically, the regional head specified his duty in this process:

*"I would be the **gateway**, before I take it there I will look at it and ask question so that I am clear also, **it must make sense before I take it to HQ**."*

While another regional head, EH4, confirmed this expectation of regional heads, in saying:

*"…your regional heads play a big role here, they are the ones who are **the voice of the subsidiary**…is it ideal – no. There is another option – we introduced something that we call **peer-to-peer connection**, just purely where it is informally a catch up – How are you doing, do you have questions? So we try to get that **partnership** better." [EH4]*

5.3.1. HQ as a separate entity

Interestingly, the subsidiary from the developed MNE saw itself as isolated from HQ and this presented its own set of challenges and advantages in terms of reverse diffusion.

*"We **don't totally see them as parent anymore**, from last year onwards, we have become a strong entity in the multinational." [AS5]*

*"I think **we are more islands than partners**. I don't think they ever regards us. Maybe it's vice versa. Maybe we don't regard them. I think **everyone is busy with their own agenda**. There is nothing wrong with that because you need to sort of drive you own agenda, as an HR person you are **extremely busy every day**, working for your business, you **don't really have the luxury of time** to now go and sit and worry about HQ or what they are doing, how they are feeling, it is a little bit odd but they are also busy with their own agenda…it's not easy. **It's like pulling teeth when you want to connect** with them." [AS3]*

*"So I am planning a trip to the HQ and part of that agenda is – yes, I am here **to listen** and I am here **to take the best of what you have got back** and to **build the relationship** but can I also **show you some great things** that we are doing. I think we almost need to level the playing fields, maybe it's a bit of a perception but that is where I think we are." [AS4]*

While AS3, AS4 and AS5 discussed the distance between HQ and the subsidiary in terms of the relationship, change management concepts were also introduced by AS4 who presented it as a further obstacle, even if HQ had got sight of the subsidiary's innovative HR practices, in saying:

*"They might look at it and say – gosh, that is so interesting, but unless they have got something that is not working they are **not going to feel that they need to change it**. Changing behaviour and getting people to unlearn what they have got and relearn stuff, it's quite a challenge." [AS4]*

While AS1 agreed that the paternalistic view of HQ was not evident, this manager of AS2 and AS3 had a different interpretation and experience of the subsidiary's relationship with HQ:

*"We see a relationship with HQ as **a joint relationship of benefits**. So we connect with them to support and likewise to give leadership direction, it is not a parent relationship of mothership and child, it is pretty much a duality but we respect that*

there is a dominance in their voice because of the shareholding…that is actually a very mature relationship that we've got." [AS1]

Specifically, in terms of how to engage in reverse diffusion, AS1 added:

*"…it's about **bringing something to the table** and saying – here is something you might find **useful,** it's not about proving our worth, it's about – this is what we have done, if you want to use it then you can use it, think about it. Then move forward from there." [AS1]*

While the philosophy appeared to be followed, AS3 provided an example of how engagement with HQ was experienced, raising an interesting aspect of HQ's willingness to show interest, in order for reverse diffusion to take place:

*"…we have been trying to reach out to them (HQ), **we have been trying** to chat to them about it, so if they wanted any part of it **they should put their hands up**" [AS3]*

The nature of the HR practice or significance of impact seemed to drive HQ's attention, as in strong contrast to AS3's experience, AS2 said:

*"my major project is the outsourcing of an entire division which is the biggest of its kind that the country has ever seen to date…that requires, because of **the gravity** of the project and the **impact** it could have **to the business and the financials** that it promises to deliver on, it **has to be signed off in HQ** by our CEO." [AS2]*

AS1 also discussed a time when levels of forward diffusion were higher, indicating that more collaboration took place then:

*"I am trying to think four or five years ago, a lot of our products and procedures were through them (HQ), to standardise it…we have been able to standardise the principles and all those things. That just shows what we can achieve **when we do collaborate, we can pull off word-class**." [AS1]*

The mode of entry seems to have underpinned this collaboration as AS6 describes the acquisition of the subsidiary as a marriage:

"It was a marriage more than a takeover" [AS6]

5.3.2.   HQ as coordinator

There are mixed views from HQ and subsidiaries about HQ's role in absorbing HR practices from its subsidiaries. In the emerging MNE, reverse diffusion was seen as a benefit to other subsidiaries, rather than to HQ. Moreover, it was HQ who appeared to initiate reverse, albeit at a low level, and horizontal diffusion:

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*"…you will find that HQ they **will ask subsidiaries**, they will ask for feedback on lessons learnt, what do you think we could **do better in other subsidiaries**, always that kind of a follow up, to **ensure that nothing is missed out.**"* [EH2]

EH5 gave an example of reverse diffusion, with HQ leading the way to enable horizontal diffusion.

*"We have gone to those four countries who have already got it and then are seconding resources to the other subsidiaries…it's **not something that happens intuitively between countries**…another subsidiary also recently had a session where they had already landed two projects and we (HQ) wanted to see…what worked, so **we had a week-long deep dive in that subsidiary and we pulled in ten other subsidiaries** to observe."* [EH5]

EH1 and EH3, both holding the same role at HQ but responsible for different subsidiaries, had contrasting views. While EH1 expressed the drive for subsidiaries to engage in horizontal diffusion without HQ's coordination, EH3 explained it was HQ's role to not only know where the excellence is, but also to experiment with subsidiaries in order for them to engage in horizontal diffusion.

*"I won't say that where there are **pockets of excellence** that knowledge should go to HQ for them to be responsible for sharing. No, no. We are trying to get subsidiaries to share more and transfer skills or knowledge **between themselves**. That's still in infant stage."* [EH1]

Contrary to:

*"I was having a one on one with one of my guys and he wants help on an HR practice and I know that my guy in another subsidiary has just done the most fantastic piece of work, **so I say 'connect'**…I think it's definitely something I would do and I want him to be my champion for my region…that will come after, that is the way I work. Use him as a guinea pig and then pilot. That is the only way we work as a team."* [EH3]

The above statement was supported by a subordinate of EH3, EH3Sb:

*"The regional head is approaching it differently. In a very conspicuous way because the regional head is looking into **sharing resources** amongst ourselves in the region and **championing** whatever you are good at. If you are good at employee relations for example then you can be the champion and **formal advisor** to all of us, if you are good in talent then share your practice."* [EH3Sb]

EH2b emphasized the view that while HQ held the information, the onus was on the subsidiary show interest in learning from horizontal diffusion and to ask for the help from HQ. In order for HQ to know about excellence at subsidiaries, the interviewee's manager EH2, suggested the subsidiary needed to initiate communication to HQ:

*"…has rolled out, it **takes me to be interested enough to find out** what worked and what didn't work. HQ will be in a position to tell you who has rolled out, who is next, so it's up to you to learn, ok, what can I learn from…another subsidiary? At*

*the end of the day, even **HQ sometimes helps us in sending a group** of us to another subsidiary to see what is happening."* [EH2b]

*"But also if a subsidiary feels they did something really good, **we need to feed that into HQ**, there is the possibility of that."* [EH2]

HQ provides platforms for communication across subsidiaries so that they can initiate HR practice transfer, as explained by EH2Sa, who also reports to EH2:

*"Yes, there are no barriers, you can speak to any subsidiary you wish, we have this **network**, we have got Yammer, Facebook, WhatsApp, all sorts of **media communication, there are no restrictions**, you can go wherever."* [EH2Sa]

Like EH1, EH4 believes HQ has done enough to connect the subsidiaries and that they should engage in communication and practice transfer without HQ's coordination:

*"I think that is where **subsidiaries responsibilities kick in**, when you have these opportunities make use of it, don't just sit and attend the workshops and say – I am happy with what they are doing,…for the past four to five years we have had these workshops, I **don't think you need to do anymore**, you can actually just pick up the phone. They have started to become friends, **they connect** with one another."* [EH4]

Similar to EH1, EH4 and EH2Sa; EH5, who is based at HQ and is not a regional head, believes that subsidiaries need to step up to use the channels HQ provides:

*"I think they need to own it. **HQ can't coordinate**, how am I going to do that – so Head of HR, what have you done that we can share with someone else? Then that is not them sharing, is it? There comes a point where **subsidiaries have to own it**, you have to give them a framework…we can certainly build the forum, we have the community of practice forum, we have all those **mechanisms, they are all in place** but to shift that **culture** is different."* [EH5]

In the developed MNE, AS6 expressed that HQ struggled with subsidiary autonomy and gave an example of a wellness practice superior to HQ's, in which the country context would be the key reason why this practice would not be absorbed or diffused to others by HQ:

*"There is a power dynamic at play which can't be ignored. HQ does battle with having federated operations and not command and control, but that is the objective. I would say that Africa is ahead in terms of wellness…we have had lactating rooms for mothers who still want to breastfeed but have nannies who take care of their young babies. This is something that **HQ is years away from** trying to deal with and find a solution for. A woman breastfeeding in a public place in that **country context** is shocking."* [AS6]

Other developed MNE data displayed some misconceptions about Africa around HR practices. In order to address nutrition for the group, one of the participants (identity undisclosed as contracted with the source) was called upon to ask for advice and was

clearly irritated by the assumption that Africa would be the expert on malnutrition, in saying:

*"…there is also **stereotyping** from HQ at times..."*

Reporting on a call from HQ, the HR Head said:

"…I just thought: how ridiculous, that they expect people are coming to work on empty stomachs or not having enough money to buy food. I demanded that they get others on the call if they wanted my involvement. I never heard from them again."

The data shows that HQ's lack of absorptive capacity could be explained by country context, relevance of the HR practice and biases, in the developed MNE.

5.3.3.   HQ as a parent

The benefits of standardisation and HQ's motivation for it was provided by AS6 who justified forward diffusion

*"There is a lot of standardisation from HQ around leadership and competency models. The attraction of working for a multinational is that you can **get experience in other countries**. Our **people therefore have to be interchangeable**. That is our goal…" [AS6]*

Despite stating that HQ was no longer viewed as a parent, AS5 of the developed MNE subsidiary went on to strongly advise against alienation of HQ and the resulting reduction in forward diffusion, and in fact used the term "parent" to describe HQ.

*"We must be careful of that, **we don't want to alienate the parent. We need the parent**. Yes we have got nuances on the continent that needs specific attention, but let's assume we take everything that HQ does and we just tweak where we need to…I tell my colleagues in HQ to assume we do everything that you do in the way that you do it…don't walk away saying Africa is so different, we don't want to get involved with them, **let them do their own thing**. That would be **the most tragic circumstance... we will not be competitive**." [AS5]*

AS6 went on to describe the circumstances which would drive HQ's attention to a subsidiary. Two circumstances were motivated by benefits to the MNE – profitability and the growth potential in the market - and a third circumstance was about damage control, when the subsidiary is in trouble:

"I would say there are three key factors that drive HQ's interest in a subsidiary; profitability, market growth, and when the wheels are falling off." [AS6]

Within the emerging MNE, HQ showed sensitivity towards the subsidiary's point of view and the need for HQ to actively manage its parental rights:

*"HQ needs to **be mature** enough to realise that we **can't impose**...we don't think sometimes of what is happening, so there is that frustration, where they feel that there is all this **stuff being thrown at them**." [EH3]*

EH1 described an informed HQ which did not dictate, and allowed subsidiaries to resist forward diffusion:

*"Before it was HQ says 'this'. Now we're saying 'Wait, no'…HQ that looks at the full picture of what is going into all the subsidiaries and **when we push back, they align to show that they are accommodating** to some of our concerns, so we can re-organize and look at the time lines again, so that it becomes convenient to the subsidiaries." [EH1]*

In line with EH1 and EH3, EH5 from the emerging HQ stressed some leniency in terms of forward diffusion, but provides very little room for experimentation and the possibility of reverse diffusion:

*"I think what we try to do is the **80:20 principle** in terms of what we use from HQ. We do not want to reinvent the wheel. We want to get efficiencies and effectiveness, and also a bit more standardization. You're **not going to force anything onto a subsidiary**." [EH5]*

5.4.   Subsidiary diffusion and absorptive capacities

While the centralisation/decentralisation structure determined the HQ-subsidiary relationship to a large extent, the capacity of the subsidiary was another important feature of this relationship, and notably the most significant topic discussed across the data, from all three datasets Figure 5 on page 37. Primarily, subsidiary capacity included data relating to competence (which will be discussed in detail in section 5.7), diffusion appetite, diffusion structural enablers and the importance of HR to the subsidiary. The data from the subsidiaries, and from HQ, viewed subsidiaries as either takers of HR practices, which share practices or learnings only through the coordination of HQ, or hungry initiators, which move beyond HQ's absorptive capacity or drive horizontal diffusion without the involvement of HQ.

5.4.1.   Subsidiaries as initiators

The data showed discussion about the subsidiary's ability to initiate diffusion was closely related to issues of control, in that it focused on the subsidiary's ability to experiment and work independently of HQ. Overall, the data expressed more initiation from the developed MNE than the emerging MNE.

The interviews with the developed MNE subsidiary provided differing views. AS1 expressed an alliance, partnership and high involvement from HQ; while AS2 and AS3, who reported to AS1, described the subsidiary was an initiator acting independently of

HQ, either as a result of an incompatibility of practices or due to having better competencies than HQ.

> *"…it is a very healthy relationship, I feel comfortable picking up the phone and speaking to someone in HQ saying – I need help. I don't feel like I'll be selling out or jeopardising anything…understanding their world and their context, I can then understand and ask - how can I help you? It's about **a partnership of trying to grow the MNE globally**." [AS1]*

> *"I think this subsidiary is putting some building blocks in place that are **ahead of HQ** from an HR capability perspective." [AS2]*

> *"HQ is busy leaning their own process but they are doing small system enhancements, they are **not really leaning it like we want to lean it**." [AS3]*

AS3 further explained two instances in which the subsidiary transferred HR initiatives to HQ:

> *"We had a business problem that we had a solution for, and we came up with three ideas. One…**we started with it and then I gave HQ that idea** to continue." [AS3]*

Another initiative was found to be similar to an HQ project, albeit simpler, and AS3 relinquished control over it:

> *"We, as a subsidiary decided that **we have got so many things happening**, if there is that and there is at least a simplified version and they can continue with it, then **let them continue with it**." [AS3]*

The theme of subsidiaries not having the luxury of time extended to the emerging MNE, but restricted experimentation and reverse diffusion, as EH5 explains:

> *"They are **so busy trying to manage their own subsidiary**. They are just so busy, everyone is so stretched and so busy. I **don't see it naturally happening**." [EH5]*

For some subsidiaries, this heavy workload burden translated into the need for support from, and collaboration with, HQ (EH1Sa) while others (EH2Sa and EH3Sa) appeared to prioritise local needs over the group-wide requirements, resulting in different HR policies and practices, not necessarily shared with HQ. This data is presented below:

> *"…we have a lot of projects running. We have so many projects…and so we have quite a lot of collaboration from HQ - weekly two telecons, we have the train-the-trainer who comes to upskill us…we see quite a lot of input from HQ, **we are not left alone**." [EH1Sa]*

For EH2Sa, there were clear opportunities for HQ to learn from the subsidiary, but no apparent initiative from the subsidiary to teach or share, due to its needs, locally:

> *"For our subsidiary for instance we have **developed further ahead of HQ** in terms of one of the products. Our regulations have been there before HQ's home country actually came up with it. So that is one of the items that I can say **HQ could learn from us**…we come from a unique situation whereby **we would not want to let people actually go and give support or learn from other countries**, we are*

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rebuilding the business so we need to focus more on what we are doing locally." [EH2Sa]

Furthermore EH2Sa believed that reporting was a sufficient form of sharing, putting the responsibility of learning and diffusion onto HQ and other subsidiaries:

> *"...there are some contents that are good and I am sure HQ or the other subsidiaries normally also **takes some learnings as we do communicate, we do our reporting**." [EH2Sa]*

Regulation was also the reason why another subsidiary needed policies different from HQ:

> *"…you can consult your regional head, you can engage with your experts at HQ, but **ultimately if there is a requirement for the subsidiary to develop a policy, we will implement that policy** and adhere to that policy." [EH3Sa]*

This initiator-role of subsidiaries was recognised by HQ and met with an interesting reaction, showing an appreciation of nuances in implementation but alluding to tension within MNE in designing policies and practices. The manager of EH3Sa, EH3, shared:

> *"If there is implementation of policy and stuff, I think if there are certain things then absolutely - innovate. Have the discussions. But when it comes to policy, process and key agenda items - that **has to be cascaded from HQ.** By no means am I saying stop the innovation. **I embrace innovation but let's be real**…subsidiaries are saying actually they want to do it, they want to push. So it's a push and pull, that **tug of war** and I think it's about how do we get tolerance…we have to manage expectations. Just say **slow down!** Maybe you should be **fixing some of the stuff** before going for the high end candy. It's about managing expectations, I would rather let's **do something properly** than do 20 things and it's done in a very mediocre manner." [EH3]*

EH2Sb discussed an HR practice which was not guided by regulation, but still required local development and implementation. HQ was cited as involved but not assigned any specific responsibility in the process:

> *"So **HQ will come in and say this is what he feels** it should look like, then we are going to design what it will be. It is not something that we are copying from anywhere, we are **designing it locally** using experts, and involving HQ." [EH2b]*

Data from EH2, EH2Sb's manager, supports this freedom but gives the HQ involvement some gravitas:

> *"**It's not that the subsidiary does it without the knowledge of HQ.** On a regular basis there is interaction between the subsidiary and HQ, for example if there is something that is a new development or something we were not expecting, you find that someone in HQ is involved in resolving that…they **work as a team** but the **subsidiary drives it**." [EH2]*

Even when subsidiaries are information rich and have lessons for HQ or other subsidiaries, there seems to be a reliance on HQ for coordination of transfer. EH1Sa

provided data showing that their strong performance brought HQ attention, which enabled transfer from the subsidiary:

> *"I think it was our subsidiary that was well represented, due to the performance of the business line which had also gone through transformation and we have settled and everything was going fine, so **we would have a lot of lessons learnt and experiences to share. They (HQ) asked for nominations** for someone to support and the idea came from head of human resources at that time." [EH1Sa]*

EH5, on behalf of HQ confirmed this reliance but discounted his HQ role and instead provided his extensive experience as a reason for the need of subsidiaries to seek validation and coordination from him:

> *"…the subsidiary's Head of HR will come to me, maybe because I have experience in Africa, not so much because I am head of the office at HQ and say – am I right in this is the way it is done and how do I do it. I will **validate** or whatever… I will **facilitate** that, had I not happened to be with the subsidiary head of HR this week, that probably would not have happened and he would have just b**ched and complained and carried on regardless." [EH5]*

International assignments was also discussed as a restriction on the subsidiary's ability to initiate diffusion. AS5 and EH3, in the developed and emerging MNE, respectively, expressed an appreciation for the impact of international exposure and also frustration in being unable to do more of it:

> *"There is mobility, but in HR there is very little mobility. We go to HQ and every now and then they come over here but it's not really – **mobility in HR does not really happen as often as it should**." [AS5]*

> *"I have got the sign off from my CE is to do this, the **opportunity** for everyone to go on an assignment **is not there**, as much as you want to give it the opportunity does not always come up." [EH3]*

AS3, from the developed MNE subsidiary, agreed and suggested that the appetite and allowance to travel should be driven by HR.

> *"…we need to be **not so tough on travelling**. My business sponsors and I go and travel to the HQ and I am going to the US, but it does not always come from HR. You would think that it should come from HR - they need to be hungry. But the business line is willing to send you, but **HR is not willing**" [AS3]*

5.4.2.   Subsidiaries as takers

Subsidiaries from both the developed and the emerging MNE discussed taking practices from HQ, albeit at varying degrees. The emerging MNE's subsidiaries seem to be transforming only recently, from being pure takers that only adapted practices to suite local legislative requirements. The introduction of HQ staff to represent the subsidiaries in the form of regional heads and a project management office, in recent years, appears to be driving this change, as per this comment by EH1:

*"Before it was HQ says this. Now we're saying 'Wait, no.' It's a process. And I think both parties are listening and appreciating. And we also know that there are certain instances in which it just **needs to be done** and then the **subsidiaries have to simply stop whatever else they're doing**." [EH1]*

Data from EH1's subordinate, EH1Sa, indicates a level of early saturation of forward diffusion from HQ and the resulting resistance from the subsidiary, indicating that the "taker" role is not without its challenges:

*"Sometimes the volume of projects can be overwhelming, because we are product driven and each of the core businesses are wanting to implement or change something. Over the years we have been able to get that message across to HQ. And in response to that, we have a project management office at HQ that looks at the full picture of what is going into all the subsidiaries and **when we push back they align to show that they are accommodating to some of our concerns**, so we can re-organize and look at the time lines again, so that it becomes **convenient to the subsidiaries**." [EH1Sa]*

There seems to be unintended consequences in these structural changes, based on the comment by EH5:

*"So they will just say no, we are not doing it, we can't do it…no, we can't do that now, we are too busy. I can't do that now I don't have time…there are subsidiaries that **resist continually**" [EH5]*

Support from HQ was a consistent theme across the emerging MNE subsidiaries, which explains the subsidiary's 'taker' role further.

*"HQ is in constant contact, they handle some of the issues and also to have one on one interactions with the business leaders and Human Resources fraternity to get a feel of how they can better **support us**…we discuss what problems we have, they really do support us" [EH1Sa]*

EH3Sa explained that it was due to HQ holding the information, that subsidiaries are takers:

*"We see HQ as part of us, we see ourselves as part of the multinational, and we engage on a continuous basis...**they hold the information, they support** all the countries, you collaborate with that team." [EH3Sa]*

EH4 expressed some frustration in HQ being the source of solutions for subsidiaries:

*"...some of these themes I am hearing, I have heard for the last three years. The challenge I am putting out to them is that I don't want to hear this next year. What have you done about this? We can pick up the pieces we have at HQ and fix it, but I need you to do the same at the subsidiaries. **You need to own this thing, go and make it work**." [EH4]*

At the developed MNE, AS6, an expat from HQ offered commentary that the emerging market subsidiaries in Africa were very open to learn and try new things, in stark contrast to developed markets:

*"In Africa, driving the correct behaviours yields significant results. There is low cynicism and a personal drive to build their skills. People are **open-minded** in the head office, they'll try new things. When I worked in Europe or the UK, the mentality has been a bias towards practices 'invented here'. In Africa, the **propensity to take on new ideas is high**."* [AS6]

5.5. MNE structure: HQ-subsidiary relationship

The discussion around integration focused on the subsidiaries position in the MNE in relation to HQ in terms of the markets it serves, the maturity of the subsidiary and the corresponding degree of control and centralisation. The emerging MNE had two core business lines; one centralised, serving an international client base on a smaller scale, and the other a highly localised business. As a result, and due to the MNE's mode of entry, the emerging MNE retained a largely decentralised model.

5.5.1. Localisation

For the emerging MNE HQ expert, EH4, the customer of the centralised business required that the subsidiaries be standardised:

*"…if I am a **centralised business** I want to be able to compare you in Nigeria with you in Swaziland with you in South Africa with you in London, because we are **driving a similar kind of thing, that is our value proposition** to sell to people."* [EH4]

EH4 went on to explain the misalignment of capability and HR practices across the centralised and decentralised businesses of the emerging MNE, with the dominance of the decentralised business setting the frameworks for local requirements:

*"what happens is when processes are designed, frameworks are designed, each with localised business in mind, it's with scale and volume, that is why the **centralised business sometimes finds itself batting back to say: this does not work for us**."* [EH4]

Interestingly, while EH4 (above) and EH1 and EH5 (in section 5.3.3) spoke about needing to have a degree of standardisation and therefore forward diffusion, at the emerging MNE subsidiaries, EH1Sa, EH3Sa and EH2Sb from those subsidiaries expressed that they had autonomy and that HQ would not impose standardisation across all HR practices, indicating low levels of forward diffusion:

*"We have the same product lines, literally, we offer more or less the same products, with some local context obviously…I think HQ -subsidiary relationship says 'you understand your business more than we at HQ can', 'we give you the **leeway to run your business as we you deem fit'**, obviously within some parameters and governance"* [EH1Sa]

*"I don't think HQ will do something like that, because obviously I have been saying that the **conditions differ from one country to the next.** Something like that*

*should **not ideally be driven by HQ**. HQ can encourage that countries become more innovative, yes. But they wouldn't necessarily apply standardisation to something like that." [EH3Sa]*

*"So he will come in (from HQ) and say this is what he feels it should look like…we have benchmarked what our culture is, then we are going to design what it will be. It is not something that we are copying from anywhere, we are **designing it locally using experts**, and involving HQ" [EH2Sb]*

Although the developed MNE subsidiary was centralised and the most closely integrated of all the subsidiaries of that MNE, in terms of core business and complexity, the data showed low levels of standardisation and, instead, much autonomy. AS5 explains the level of integration in terms of the role of HQ's CEO and the subsidiary's CEO, and expressed a struggle to be noticed within the MNE:

*"In that team globally, our CEO is the only one other than the group CEO who has that, they understand and respect the complexity. I think we are **winning the battle overall to get Africa positioned**" [AS5]*

AS5 goes on to elaborate on the developed MNE's position on Africa as an unsaturated market and a complex setting, which translates into autonomy:

*"It's because of the potential that Africa has…HQ recognises that Africa is the opportunity… it becomes quite a **complex affair**, its coordinated, its structured, but there is **respect for autonomy, respect for diversity**, respect for **nuances**…so let's invest in Africa, let's make it happen, let's **give them the autonomy** and the support that they need to be successful. There is a great level of respect for what we do here and a **deep appreciation for the complexity** of our world and how tough it is to do business in Africa." [AS5]*

Therefore, as a result of the complexity of the market, the developed MNE subsidiary had autonomy to decide whether it participated in HQ initiatives or not. AS5 went on to explain that this freedom was HQ's prerogative and was derived from respect for the subsidiary:

*"..there are **some global initiatives from HQ HR strategy that we believe are right** to be deployed and delivered globally wherever we are...Then there is **other stuff that we actually need that is very specific to our environment**, our continent… it's a very mature leadership, HQ is respectful of that, they understand it, when you run a global company things will be different." [AS5]*

However, AS1 made the connection that the businesses similar to HQ were modelled more, as expected in a centralised structure. AS1 also commented that the market difference made businesses specific to the subsidiary's context irrelevant to HQ:

*"When there is a **high level of synergy, you seem to model a lot more**. We have a core business line which HQ does not have, so it is slightly disconnected in that relationship but there is an appreciation that it works, that our model works. **Do***

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they need to replicate or get rid of it – no. *It's about relevance to the market."*
[AS1]

For another Head of HR at the developed MNE's subsidiary, AS3, HQ's involvement was less positive and autonomy did not play out as simply as AS5 explained, above. AS3 discussed that because the businesses were highly integrated, the subsidiary would first check in with HQ to ensure that it was not duplicating work. However, this alert sometimes led to interference, rather than reverse diffusion, and AS3 called for real autonomy:

*"Normally we do reach out to the HQ first, so I do say – I am looking to develop this or introduce that, do you have someone working on it already, as an example. The problem that we sometimes find with that is that they then want to **interrogate** it and then they want to go and **change it**, then they want to **disagree** with your approach, so again it cuts both ways. But we normally have a practice that we just check if there is not something that they already have or that is similar."*

*"…it does help that you have autonomy but I think what works well with autonomy is if you have the autonomy to tell what HQ has, what your business needs and then – what will work best and maybe design something totally new or using what global uses. So I think the challenge that we sometimes have is that if have a situation where HQ dictates, then you are forced to use it and make it fit. It does not always work…you must **have the autonomy to understand what is it that your business needs and what is the best solution for that."** [AS3]*

5.5.2.   Maturity of markets

Within the emerging market MNE, the size of the market in the different subsidiaries may affect the subsidiary's diffusion capacity. EH4 indicated that the size of the market of the smaller centralised business line restricted the level of understanding of this business at the subsidiary:

*"If you are in **a small country** you might not know the centralised core business in detail because **you only see a portion** of it…" [EH4]*

To add to the difficulty of diffusion of practices within a decentralised approach, EH4 said that international assignments were easier to come by for the centralised business line and therefore restricted the integration further:

*"…it's about how do we get people upskilled so they can **take the skill back** into the workplace and start teaching other people and so on. **Cost pressures are a much bigger issue for the localised business** whereas the centralised business has more roles here (at HQ)." [EH4]*

For EH2, one of the regional heads, the level of growth of the market was more important than the types of business in terms of the integration of HR:

*"The countries I look after are offering **more or less the same business models**, except for one - in this one we only have one of the two core business lines. Their*

strategies are not the same, because there are different levels of growth from a business point of view. So from business to business there is a maturity perspective, from country to country. Therefore their growth strategies or customer service or strategy, there is variation here and there. That **leads to different requirement in human resources** and a different set of competence…each subsidiary is not going to be the same." [EH2]

The Head of HR for one of the emerging MNE subsidiaries, EH3Sa, explains how they have autonomy to make a decision outside of HQ's strategy, due to difference in the level of maturity of the industry:

"HQ has defined its ideal remuneration position, but subsidiaries are at a **different level of maturity**. At our subsidiary you might make a call to remunerate a person higher than the market average or HQ ideal position, because of the scarcity of that type of skill but you can **make a call** to say – I am comfortable to remunerate that person at that level." [EH3Sa]

Regional head EH2 explained that the importance of HR to the business was also linked to business maturity:

"What we've achieved today is that HR is able to align their priorities with the business priorities. That means the business is now able to see us differently in terms of how much we are able to contribute in supporting what they want to achieve…I think we are on the right track now to have the **business see our value**. In some countries, **it differs from subsidiary to subsidiary**, in some countries we have done very well and in other subsidiaries a bit bad. **Depending on the maturity** of the business." [EH2]

This importance of HR to the leadership also aligned with the subsidiary-initiator view, discussed in section 5.4.1, as regional head EH3 explained:

"The difference with this subsidiary is they have got a new CE, the Exco and the way he has looked at it and the way Exco has looked at it and broken it into little pieces and really evolved it into a **subsidiary-specific initiative**, has been just phenomenal. I must say the way it has stretched my head of HR in terms of **managing that piece of work with his CE** has been good. It has forced him to really rise." [EH3]

Despite the differences in markets and resulting HQ attention, it appeared as though the subsidiaries were not in competition with each other for HQ resources and comradery was evident, from the views of the regional heads EH2 and EH3 of the emerging MNE:

"To be honest I have not seen any competition, **my counterparts have always worked very closely together**…I don't think there is too much competition for resources. If a subsidiary requires something, the budget will come from that subsidiary, so it's more or less that the subsidiary will pay for it. If it's HQ's requirement the budget will form part of the upfront discussion, the business case will be presented and the subsidiaries will then have signed off what they are required to pay for." [EH2]

"We all have experience working in Africa, **we share the same frustrations**, we gel really well as a team, our aspirations are for the same thing, we want to achieve. I must say that has been a pleasure working here. Just having the **support**,

sometimes there can be such a disconnect - the competitiveness, whereas here, I call it the circle of trust." [EH3]

In the centralised MNE, the subsidiary holds its peers outside of Africa in high regard, striving to be seen as an equal peer. However, as head office to the rest of Africa, a superiority attitude was discussed in the data. AS6 expressed that the regional office treated emerging market subsidiaries, which reported to it, differently.

"When our guys are talking to people (in the rest of Africa), there is subconscious bias, there is superiority, inferiority conversation, it's like I am head office and you are a country subsidiary, therefore I can tell you stuff and you have to do stuff for me and send me the information. I have control over you. Master-servant kind of relationship, that is what plays out and that is wrong, when it's Asia or the Americas or Europe, it's very much a peer to peer and a reasonably respectful way." [AS6]

5.5.3. Business life cycle

The degree of collaboration across the MNE, standardisation from HQ and, conversely, autonomy seemed to involve the business life cycle stage of the subsidiary, both for the emerging MNE subsidiaries interviewed and for the developed MNE subsidiary.

*"I think we have collaborated in many ways, when I joined, my Chief Executive was also new, the entire management team was almost new, so we couldn't run on our own so we had to rely on the other countries and HQ for guidance, how do we do this and that, I am happy to say that it went quite well, we got the support that we needed. We are confident now that **we can stand on our own and run with the business**." [EH2Sa]*

*"Our journey to date, as the outcome of a merger and that meant lots of transformation in terms of standardizing to align with HQ. So obviously we had a lot of **change management taking place in the first two to three years of the merger**." [EH1Sa]*

*"You can imagine when the purchase first took place, you need to look after your asset. It was **time appropriate.** I don't think it was around realising that the locals could be as good as or better, it was about **standardising best practices and controls**, now let's allow the organization to prosper." [AS1]*

However, the regional heads at the emerging MNE did not share this view of allowing the subsidiaries freedom to initiate HR practices. EH3 explained that they did not want to stifle the subsidiaries but are challenged by how to allow the innovation to occur:

*"We are **not saying that they will be allowed to design pieces of work** and stuff, but there are times that we are not ready to even launch something but subsidiaries have the appetite already and are asking those questions. How do we **allow for innovation at a certain level**" [EH3]*

In terms of interdependence, the data discussed technology and people across HQ and subsidiaries, the importance of understanding what it means to operate in a matrix, and

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the opportunities for networking. All the datasets discussed the role of global technology platforms as integral to their operations. As EH1Sa suggested subsidiaries need to align with HQ, and skills and training therefore need to come from HQ:

*"…the **technology we used had to align with HQ's**, the policies had to align with HQ's, we had to do a lot of **change management initiatives** as well as a lot of learning and development initiatives to ensure that everyone is upskilled to such a level that we would be able to perform and deliver on our business objectives… we have quite a lot of **collaboration from HQ** - weekly two telecons, we have the train-the-trainer who comes to upskill us, they come for maybe two to three days or a week sometimes, they take us through the essence of the projects, what our role is, the change management process, we see quite a lot of input from HQ, **we are not left alone**." [EH1Sa]*

In terms of dependency on HQ, EH3Sa raised the point that subsidiaries at different business life cycles would have varying dependency on HQ:

*"…clearly subsidiaries are at different levels. It's completely different. We might have **less dependency than other subsidiaries**." [EH3Sa]… So we developed our own strategy, **we looked at HQ strategy and we developed our own**, which is almost a perfect fit to HQ. This is one of the subsidiaries that is actually developing its own because it has an awareness of what matters in its market." [EH3Sa]*

EH3Sa continued to explain that its independence originates from the decentralised approach of governance structures:

*"The reality is that we have governance processes at the subsidiary, we have a board of directors, when you appoint an executive you **get approval by the government.** You are accountable and responsible for the effective functioning of the HR value chain. So yes you can consult your regional head, you can engage with your experts at HQ, but **ultimately if there is a requirement for the subsidiary to develop a policy, we will implement** that policy and adhere to that policy." [EH3Sa]*

Emerging MNE HQ interviewee, EH4, puts business life cycles and key people into perspective, in terms of interdependency, arguing that subsidiaries in start-up phase should have a regional head based at HQ to build connections and advocate for the subsidiary:

*"I almost want to say to you – you have got to determine what is the bigger need, if I take a start up, you almost want to have **your regional head here** (HQ), because in a start-up you need to sell your risk appetite, you need people to understand, you can have people on the ground running the machine and doing the operations but it's about **connecting and selling the story** etc. but if you've done that you have got to be in the country. If it's running well and it's a well-oiled machine, let's take the case now where the guys are being developed and coached, then you almost want to say to the guys come closer (to the subsidiary),*

*because he is going to **spend time with the teams**, be amidst them and so on."*
[EH4]

Regional head, EH3, discussed this coordination role in terms of representing the subsidiary at HQ:

*"I am not saying to them don't have that relationship, I am saying – if you are going to email someone at HQ, just copy me in it so I can **support,** I know when I am sitting in exco meeting I can go hey – we have had this request, where are we at?... What happens then is its **one point of communication**, so have one message and you are coordinating it." [EH3]*

Regional head EH2 emphasized that HQ was integral to setting policies at the subsidiary level and that HQ could not be excluded:

*"…when you are putting together subsidiary policies, it is always a process that goes to HQ. Someone has to be part and parcel of that, **you can't just do your own thing at the subsidiary** and then advise them." [EH2]*

5.5.4. Matrix

The matrix was discussed at length in the data, particularly significant to the emerging MNE (see sub sections of 5.2) with the strongest views coming from HQ. EH4 explains that the matrix is critical to rolling out any strategy at the subsidiary and HQ cannot be excluded:

*"…so if I want to run a talent strategy at a subsidiary, I cannot do it without **involving the matrix**. Because whatever HQ is going to launch, as support to that, you need to be plugged into it… we are part of a multinational so you can't design something ignoring the leadership and saying what is our leadership principles? **What as a group is the leadership saying**? We can't do that, this is a multinational - that is just how it works. **If you want to own, control and do everything, then you must go and work for a local company**…I don't think anyone wants to block things, it's about how do we enhance but let's make sure we apply that principles and standards, otherwise you get cottage industries." [EH4]*

EH5, from the emerging MNE's HQ explained a recent problem with the matrix in terms of subsidiaries not understanding this matrix, apparently in conflict with its decentralised approach:

"I had an example yesterday and I was sitting with someone and it was like – this is just people not understanding a) what the process is and b) who owns the process, it was a case of someone going – I need to do this and the other person going – but I have not done this yet and you are stepping on my toes, who is in charge here?" [EH5]

EH5 explains the frustration from HQ and the need to shift mindset in the subsidiaries to accept and work within the parameters of the matrix:

"So when you get a clash in a matrix, when you are all hunky-dory and kumbaya around the campfire it's fabulous but when there is a clash - who has the authority?

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*And that is misinterpreted regularly in the business, which is what causes the complexity. I think if you actually bed down and say – if this is our structure what does it actually mean for us? Where are the challenges and how do we fix that?...But tapping into global capability is something we want to get to and making sure that people learn to shift to a mindset of collaboration in a matrix organisation instead of resistance…The reality of the matrix, here is the mind shift that we want to achieve is – **stop complaining about how difficult your life is because you work in a matrix** organisation, it's not going to change. How do you collaborate within that matrix to make your life easier? That is the shift." [EH5]*

EH4, also from HQ at the same MNE supports this frustration with subsidiaries not adhering to the matrix structures:

*"That is where we get it wrong. We tend to do things and then later on, when someone blows it somewhere then we want to – oh yes, but, you know. If we just planned this thing right. **You're in a matrix, live in the matrix, work in the matrix, collaborate, you will get your answers**." [EH4]*

Both HQ, in data from EH5, and the subsidiary, according to data from EH1Sa, described the matrix as a bottleneck slowing down decision making and making the MNE less agile:

*"I hope we will expand on control and delegation. We need speedier resolutions and speedier decision making in the business. That is a problem with the matrix, it does **naturally prolong any decisions**, and it **does not make us an agile** organisation at all. It is a hard wheel to turn." [EH5]*

*"The advantage of being a global company is – you get exposure on standards, you are exposed to international colleagues, you have a wider fraternity and colleagues, I have colleagues in other countries. The only downside that I see, talking about the ways of working, sometimes it could have bottlenecks, in terms of **different risk appetites, governance and what you would like to see from HQ**. We **don't really want to encourage the countries to step away from the global view**." [EH1Sa]*

Likewise, for the developed MNE, AS4 explained that the matrix within Africa meant that people have different points of view and discussions were therefore complex:

*"In Africa, **I talk about HR across the enabling functions; they talk about it from a country level.** So what is the strategy for Kenya, what is the people agenda for Kenya, despite business lines, enabling functions, we are one country, one holistic business unit. We are very matrixed, that matrix gives a different focus and complexity." [AS4]*

AS1, also from the developed MNE, describes the head office position as removed from the rest of Africa, only there to provide support through structures:

*"There is autonomy as well, what you **don't want to do is micromanage** from this subsidiary as if we know exactly what is happening in Ghana or what is happening in Tanzania or in Mozambique, I don't live there every day but I am here **to support and give guidance**, We have **structures setup** –committees will make an*

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*informed view, they **must ask** and say I need help and we are there to help, but we are not there to manage and delve in the day to day activities." [AS1]*

Within this matrix, there is an opportunity to create strong networks, which helps navigate an interdependent relationship. EH4, an emerging MNE HQ interviewee discusses the culture of sharing within the matrix and the need to collaborate:

*"… the ability to collaborate, in a matrix you have got to do that, we have actually, culturally we have a **fantastic culture where people love sharing**, I would send an email to somebody that I don't know from a bar of soap and say – I have heard you are the right person, people will share with you in abundance. I have never seen it where someone has said no, sorry I don't have time for you." [EH4]*

Possibly more importantly, it is important for individuals to maintain strong networks as power shifts within MNEs. The developed MNE's subsidary was not the head office merely a few years ago and AS4 predicted that it could change again:

*"…if I just predict in the future…your head office should be based in your biggest emerging market, so let's say Nigeria, that is where our **head office should move to or could move.**" [AS4]*

EH3Sa of one the emerging MNE's subsidiaries also indicated that HQ should not be secure in its position as other destinations could be possible:

*"Because you are defining yourself as a **global player, you are not only HQ**, then you need to start doing that, otherwise you become arrogant. Other **multinationals are entering Africa**, they don't necessarily house their head office where we do; **they are all over**." [EH3Sa]*

5.6. Horizontal diffusion

The emerging MNE subsidiaries engaged in horizontal diffusion at times without the oversight of HQ, and at other times through the coordination of HQ. From HQ's perspective, EH3 shares that it is through the regional heads that horizontal diffusion occurs, and that it is something subsidiaries need to learn:

*"I have one person in my team, she is brilliantly technically, from process to policy. To get them more rigor in their thinking I have said – you complete for your country and then **I want you to go visit the other subsidiary**, it gives her an opportunity to understand other contexts, it applies her thinking…what I am trying to teach the team is we need to **learn to leverage of one another**. We should not be sitting in silos. We are all at different stages of growth as countries, however, the learnings can be applied." [EH3]*

However, one of EH3's direct reports, EH3Sa's data provided evidence of proactive transfer between subsidiaries:

> *"**I share my experience with the rest** of my colleagues in Africa, the journey we have travelled and the benefit which we are getting..."* [EH3Sa]

Another direct report, EH3Sb, refutes the relevance of regional heads in bringing about horizontal diffusion, but does give them credibility for enhancing the transfer, saying that:

> *"I think it has very little impact, **they have very little impact**. We are very close. I think within the Africa regions **we are the ones that I believe are closer to each other**…our regional head is bringing a different way of collaboration, which I believe is going to work very well to strengthen the network"* [EH3Sb]

Another HQ interviewee, EH5, supported EH3's position that HQ is needed to coordinate their efforts and described horizontal diffusion as developing, but still in its infancy:

> *"The community of practice is limited right now, it is certainly a lot more developed than it was three years ago when it was completely non-existent, so we are doing it. For instance…we are asking them to come for four weeks, to give you an example…there is a **constant clash of doing your day job and stepping up** to the challenge of the execution of a project, so in that instance we have gone to those four countries who have already got it and then are **seconding resources to the other subsidiaries**. So we do use that but **it's not something that happens intuitively between subsidiaries**."* [EH5]

In this statement, EH5 also brought up the burden of time for diffusion, which came across strongly in the data of AS3 from the developed MNE subsidiary:

> *"…we were so **busy running our local shop** we did not worry about the people based outside of this subsidiary in our region, they have got HR director there that runs it…If I have a choice, I don't mean it selfishly at all, but **if I have a choice to work on my business agenda or to transfer knowledge to Africa or to HQ** or whatever, **I would rather work on my business agenda**."* [AS3]

The developed MNE subsidiary's AS2 displayed an appreciation for the benefit of horizontal diffusion, but also an understanding of the investment into building practices that can be applied elsewhere:

> *"The motivation is speed of execution, because it will help you become a better organisation, I am not speaking specifically about HR, even from a business perspective, when you transform something in a division, if it's a model it's a **repeatable model** as I mentioned, then you can take it anywhere across the globe, that is what we should be **leveraging as an organisation**, not just for HQ but **across the world**."* [AS2]

AS5 confirmed AS3's statement that there is not much horizontal diffusion, but went further to describe the varying engagement with other offices within the MNE, based on their global status:

> *"…**we don't get into that that much**…when our guys are talking to people outside of the head office, in country, there is subconscious bias, **there is superiority/inferiority conversation**….when it's Asia or the Americas or Europe, it's very much a peer to peer and a reasonably respectful way."* [AS5]

5.7. Level of competencies across entities

The competence of HR management at HQ and subsidiaries was a reoccurring theme, with both MNEs reporting a recent transformation of their HR teams in terms of upskilling their competencies. The strategic business need was said to drive this transformation. For AS5, it was leadership at the developed MNE's HQ that determined the change:

*"It **comes from the very top** of the organisation, from the chief executive or the executive chairman that we have right now, through to the group exco members, down through the organisation. You can talk to any senior leader in the multinational and you will probably hear the **same passion** around the development of people." [AS5]*

AS1 shared that business wanted more than transactional HR, they wanted a strategic partner:

*"They have said from their own surveys, that is what they would value. So the more they get, the more they are looking for. They **never rated us on the transactional ability**, they assume that is what you just have to do and likewise, we can't make that our value proposition. That is basics." [AS1]*

While the emerging MNE HQ's strategy was to build capability, the unmatched business need led to a focus on upskilling subsidiaries, as EH5 states:

*"We kind of need to have a **proactive approach** to how we get HR ready for the future, which was the start of the transformation. It **aligned to the HQ HR strategy**, in the sense that it focused on streamlining optimisation and **building capability** - what it was a very **deliberate approach for people to follow**." [EH5]*

The emerging MNE also made a recent appointment to regional head, someone who boasts extensive MNE experience, covering markets outside of Africa.

5.7.1. Competence at HQ

The emerging MNE HQ experts shared views indicating that they brought alignment of HR practices to business strategy, and coordination of subsidiaries. The regional heads roles were discussed at length, as a source of HQ competence, both by the regional heads themselves and those who report to them. EH1, a regional head, stressed the strategic role they fulfilled:

"We play a filter role. We play an unlocking role. We play an influencing role. I won't say you're judge and the jury but you know your subsidiaries and where their immediate needs are, what the priorities are, based on the business strategy." [EH1]

EH2 supported EH1's view of their strategic importance and translated this into identifying forward diffusion gaps:

"…HQ is running something, I have to ensure that the subsidiary is equipped from a regional point of view, in terms of competence, they understand, they are able to

translate whatever the strategy is to specific chunks of execution or action points, so I take them through that. If there is a gap in the subsidiary, I will be able to tell that before we have that particular programme or project, I will then go back to HQ and say – look I need someone to go to this subsidiary to upskill, to bring these people up to speed on this specific areas before we land this programme." [EH2]

EH3 explained the regional head's role as governance intensive:

"Going to board meetings, understanding from a very high level what regulators are requiring, what is the business, what are the risks coming up. That means going to board, kind of having a very balanced view to ensure that whatever we are doing at HR we are, we are always pushing back to that." [EH3]

Debate about whether the regional head skills were more effective at the subsidiary or HQ, was found in the data with strong views coming from the Heads of HR at the subsidiaries:

EH3Sa, discussed the view that regional heads should not be based at HQ:

*"You are aware of the issues that are taking place in that economy, you are **more close to the people than those sitting at HQ**. I am of the view that over time that structure should really be deployed in countries, otherwise it might be too late for us."* [EH3Sa]

However, EH2Sb strongly disagreed and felt the subsidiary was disadvantaged if the regional head was not based at HQ:

*"Being away from HQ in this organisation means that you are away from where the decisions are made. **You need to be in HQ to play the office politics and push for your subsidiaries.** If a regional head is not based at HQ, it disadvantages the subsidiaries in that region. Even for HR management, **the further away geographically, the more forgotten you are**. South and Central Africa subsidiaries have an advantage as they can drive to HQ, they have deeper bonds with HQ."* [EH2Sb]

The developed MNE subsidiary did not have regional heads as part of their structure but the subsidiary did serve as a head office to Africa, with all the Heads of HR for the subsidiaries in Africa reporting to one person at the head office. There was no consensus on the level of competence in the HQ HR team with AS3 finding that they were not on par with the subsidiary:

*"In my visits to HQ, it's very much **run of the mill HR stuff**, they are busy with the normal HR stuff…I don't think they have started on this journey yet…from an HQ perspective, I think that they are also **struggling** a bit with their mandate, their agenda, etc."* [AS3]

AS5 elaborated that HQ competencies did not extend to the local subsidiary's context, from the point of view of the subsidiary as a head office:

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*"My colleagues at HQ will tell you that **they didn't understand the world from our perspective**…understand the complexity, countries, regulators, boards, sub boards, language barriers, time zones."* [AS5]

However, AS1 felt that HQ had skills that could enhance the local subsidiary's competencies. This was however downplayed as a benefit that could be derived from another subsidiary, not exclusive to HQ:

"From the perspective of an HQ assignee or head office assignee into Africa, it is very often around skills. There are some great skills in different locations. I say HQ but it can be India, wherever we find the relevant skills and that is the benefit we have got from within the company. We import the skills because we don't have the skills, the assignee comes through and helps develop that." [AS1]

5.7.2.　　Competence at subsidiaries

The emerging market context was repeatedly referred to as an important consideration in HR diffusion, particularly by the regional heads of the emerging MNE in discussing the competencies at the subsidiaries. EH1 claimed HQ did not appreciate the subsidiary context, albeit based in Africa too:

*"The guys at **HQ have no idea about working hours**. Just from a traffic perspective, it's the norm to leave your home at 5am and get back at 10pm. There are a lot of nuances in country that people at HQ don't necessarily have comprehension of."* [EH1]

This was also the view of EH3 who interpreted working under emerging market conditions as a strength:

*"…I think we often have to take a step back and say **how does a subsidiary do it**…I think at HQ we are spoilt, we forget how much these guys are doing in the countries. We just say run, run, run, when you go in these guys are **at the office at 7am and still working at 8pm while the guys here (at HQ) have left at 4pm.**"* [EH3]

The emerging MNE subsidiaries felt strongly that they had key competencies. EH3Sa said they did not get to share it in the past but that was changing:

*"There is a lot of things happening within the rest of Africa, **there is best practices** – be it Nigeria, be it Namibia, be wherever, we don't get to share this…"* [EH3Sa]

EH3Sb supported this statement saying that expertise could come from the subsidiaries and are now being shared:

*"If you are good at employee relations for example then **you can be the champion and formal advisor** to all of us. If you are good in talent then share your practice."* [EH3Sb]

EH2 shed some light on this changing view of subsidiaries:

"In the past it was not easy to talk about, but at least today we can talk about it. We have matured and moved on. People are now led to understand that there are also people at subsidiaries that are as good as people at HQ." [EH2]

EH1Sa discussed a proven case of subsidiary competence and HQ's resultant attention:

"…he took charge...he was so good at it that they (HQ) first of all asked him to actually **support the other subsidiaries,** *going from one country to the other, assisting with implementation. When he finished,* **they pulled him into HQ** *to help to focus on e-learning, as he had gained the skills to support that initiative and had country perspectives and understanding."* [EH1Sa]

Despite this commitment in difficult conditions and pockets of excellence, HQ found that the competencies were insufficient and was driving the improvement at the subsidiary level, as a result of the business needs exceeding the capability at the subsidiary. Regional head EH2 explained:

"We are coming from a past where you have subsidiaries who were not able to **meet the expectations of the stakeholders** *within the subsidiary and therefore you find those stakeholders are now trying to reach me and that made life a bit difficult…*

Consequentially, EH2 said that the heavy reliance on HQ needed to be reduced by improving competence at the subsidiary level:

Six subsidiaries, you can imagine – if you have **stakeholders reaching to you for every single little thing, it becomes almost impossible***…right now we are building the right capabilities at the subsidiary and we are trying to put the right people in place at the subsidiary, so what comes to me is just a trickle of what could be. It is not up to me to run the subsidiaries."* [EH2]

Competencies at the subsidiary was not always seen in a positive light by HQ, specifically when combined with desired autonomy, as reflected in the data from EH5 and EH1 below:

"(Subsidiary removed) have **great competence** *but geez they* **think they are a company on their own,** *that is not just human resources, that is the business. It is a* **constant challenge.***"* [EH5]

"In some subsidiaries, things just happen haphazardly, simple things like who gets allocated parking…you don't want to know. Then you have another subsidiary, they are far more organised, they have proper governance, and happy - processes and procedures are in place. Whereas the former subsidiary grew so exponentially. It's definitely **an outlier but it doesn't mean we won't bring it in line***. It's just going to take some time."* [EH1]

One of the subsidiary's Head of HR, EH2Sa, discussed the effect of HQ control on building competencies at the subsidiary:

"…like you want to focus into a new technology…and the competencies that you are looking for to fill these roles will definitely not be the same as what you have…as much as you may find it within country, **you need to go to HQ so they**

know what it is that you are executing and what skills you are looking for in the market." [EH2Sa]

The role of HQ in extracting value from subsidiaries, for the benefit of other subsidiaries, was not clear. EH3 spoke of the role of HQ in not only providing the training for the subsidiaries but also initiating transfer across subsidiaries:

*"They have had the (HQ) training. So they have had all of this stuff and he is kind of going – where to next for me. I don't want to duplicate the work but I want them to talk, that is how you **exchange ideas**. I want them to think about it. **I said he must speak to my guy in the subsidiary** which is embarking on this project."* [EH3]

Disagreeing with this, one of EH3's subordinates, EH3Sb claims this sharing of competencies with other subsidiaries as initiating from the subsidiary, rather than HQ:

*"… (HQ is) **letting us do what we need to do**. My colleague from another subsidiary has a strength in this HR practice and he is going to be working with me to pull it together in a more structured way and get my team a bit focused differently on it…there are **things I want from him** to help me with that."* [EH3Sb]

The developed MNE's subsidiary interviews delved into strategy and the importance of HR, illustrating a high level of competence within its HR team. Although AS3 said they were ahead of HQ in terms of competence (as discussed in section 5.7.1), AS3 shared that they were not yet satisfied that they had adequate skills in terms of the HR strategy:

*"…HR traditionally, I don't think these people sit in HR...I **can't even find HR people who fit into the current mould,** I am even struggling with that and I want to take it forward, imagine that…"* [AS3]

AS4 had the same concerns that the traditional HR competencies would not meet the current and future HR strategy of the subsidiary:

*"…comes from a traditional background but **the competence you need now to be successful is very different**…there is not a lot of it in the market so we are building a lot of it **internally**, through different experiences. It's quite highly sought after."* [AS4]

Furthermore, AS5 discussed how the centralised MNE's subsidiary took on the initiation role and acknowledged the individual effort required to be able to share with HQ:

*"…the day the subsidiary became an independent entity, it does not mean we don't have this relationship anymore, we just continued it in a slightly different way but we still benefit from each other's knowledge. But we have to **work hard at it**, I have to work very hard to **keep the doors** open. I have to keep working at it **for my benefit**. I have to work hard at keeping the relationship going, keeping ourselves relevant, getting into their world and sharing** what we are doing, **it is like a piece of work that needs to be done."* [AS5]

5.7.3. Global staffing strategies

Two limitations became apparent from the data, in terms of international assignments. Firstly, staff mobility was HQ's prerogative and secondly, it was generally very limited within HR departments across the developed and emerging MNEs. Only AS1, from the developed MNE, seemed happy with the level of mobility within the developed MNE and discussed its purpose as no longer for standardisation but rather to develop people:

> *"HR teams as well. Yes. More so than it was in the past. When it started off, let me just put it into perspective, when the first international mobility assignments came through for HR, it was around command, on how to standardise it. But that is long gone, it is now around either **skills or in terms of talent**." [AS1]*

Also from the developed MNE, AS5 discussed an HQ initiative which gave new hires exposure to HQ and other subsidiaries, very positively:

> *"In fact, in one of the division's I provide HR leadership to, when you join, the first two weeks of your **stint will be at HQ**. They literally put them into the **global culture.** If you join the team, you will go to the foundation academy, you are there for a week, in a rural part of the multinational's home country, in a house with other inmates and you go in and you learn. It's a full day, 12 hour sessions, technical training, its more about **building networks** with people. When they come back from there it's like pick up the phone and call someone in Singapore or wherever and you will **receive the help** you need. We do network well in some pockets of the organisation." [AS5]*

Data from the emerging MNE, from EH3Sa, provided information about a situation in which HQ was standardising. HQ then subsidised the costs for one subsidiary to learn from another:

> *"HQ then said – if you guys want to **expose** your managers to the new programme, there is an opportunity and if you are prepared to carry this and this then we are prepared to also meet you half way to **carry this type of cost**. It was a mutual agreement, then we sent our people there, they spent a full week there (in the other subsidiary)…they got orientated with the system…" [EH3Sa]*

This issue of the cost burden in the emerging MNE was also brought up by EH4 as a hindrance to sending HR staff on international assignments, and by EH5 who discussed the cost burden and well as the time burden on the individual.

> *"…I would say it's where there is opportunities…it's **expensive** to bring people on these assignments." [EH4]*

> *"So we do it more now but it's relatively still new for them to execute and manage. There are a whole lot of logistical things, I am too busy in my day job and I am not prepared to support, that buddy mentality is not really there and if it is it's like – are you paying for me to come there, who is paying for me to come there, and HQ has a very hard approach, which is not something I agree nor disagree with – if a subsidiary wants something they must pay for it. Subsidiaries are often the leanest on the budgets so there is a lot of resistance. In Africa cost control is constantly front of mind. I could have landed projects so differently in the last few years if I*

knew I had a cheque book on my desk, not only do I not have cheque book I have no money." [EH5]

EH4 went on to explain that this could be viewed as part of a talent management initiative:

*"…this is where your talent conversation comes in where you say – ok who are my **talented people**, I want to give them **a stretch**, go be part of that."* [EH4]

In line with EH4's connection to talent management, EH2Sb explains that a key staff member was lost by the MNE simply because another MNE offered formal international exposure.

*"Recently a **competitor poached** one of my key relationship managers. From recruitment stage, they told him where he would be in two years and which country he would go to, so he says 'I love working for this company but I don't know where I am going, these guys told me right from the beginning where I am going'…that helps build people and in a company like ours, we have subsidiaries in many countries, we don't need to lose top talent to competitors. We have a wide enough network that our **top talent can be retained**. So we need to work it out properly, I don't think it's properly articulated."* [EH2Sb]

EH2Sb also discussed the high number of international assignments for HQ staff, predominantly in the centralised business lines of the emerging MNE:

"…sometimes you look around and wonder; are we in HQ? Because the entire HQ is (here)" [EH2Sb]

EH1Sa provided evidence of TCN from the subsidiary being based across the MNE:

*"You have **a lot of people from our subsidiary in other countries**, we have people in Ghana, and we have people in DRC, people going to Lesotho. We are actually a **beehive of talent**."* [EH1Sa]

Furthermore, at the developed MNE subsidiary, international assignments is said to be part of the employee value proposition by AS5:

*"You want to **enhance the mobility aspect because we are a global institution**. Part of our **employee value proposition** is that when you come in here you will actually have exposure outside of your country. That is the most phenomenal thing for anyone. To be sent to another country for a week or two is just great, they **come back a whole new person**."* [AS5]

While skills shortages and the advantages of international assignments was evident as significant to the diffusion of HR in the context of the emerging market, in which both organisations operated, the impediment of local restrictions on expats was also noteworthy throughout the data.

For example, AS5 explained that expats were a significant part of the organisation's future strategy:

*"…we have got expats coming through from other parts of the world or from HQ into Africa and then we have got people from Africa going to other parts of the world … that is a **big strategy going forward**."* [AS5]

AS5 went on to caution that countries in Africa had regulation which prohibited more than five expats in a country, which made execution of this strategy challenging:

*"It's a delicate balance, you don't want to insult or alienate or infuriate the **local regulators** at the same time you have a **strategy and you need to deploy** it, it's about how do we strike that balance? No matter how big your organisation is you can only have five expats in that organization. How do you do that? We really need to be quite clever about how we deal with it."* [AS5]

The emerging MNE experienced the same challenge but relied heavily on the relationships of the local HR Heads with regulators to navigate these restrictions. The emerging MNE subsidiaries also had the view that expats served a purpose in bringing in the MNE culture and ensuring forward diffusion at the time of merging or acquisition, but that it was important to develop local talent and for them to return to HQ, as shared by EH1Sa.

*"…most of the ex-pats have **gone back** which meant that **locals are taking over key roles**, we are able to begin to harbour our own specialised skills that we are also borrowing to the other subsidiaries. We have quite a lot of people who we have groomed, a lot of talent in the subsidiary. That is good, to say that the integration actually worked, in terms of the **knowledge transfer, it worked**."* [EH1Sa]

Likewise, EH3Sa points out that subsidiaries extract value when expats repatriate:

*"I have heard it personally from expats, talking about their experience, what they have experienced in country, when they **repatriate** back to HQ they are able to **influence decisions**, because they say – this is not going to work for the subsidiary, it's not one size fits all, subsidiaries are at different levels, there are different complexities, there are a number of factors that one needs to take into account, the issue of diversity, there is a couple of things that need to be understood before one just deploys a solution from HQ."* [EH3Sa]

In line with AS5's comment above about returning from international assignments "a whole new person", the competence of a global mindset was set aside as a requirement for diffusion. Furthermore, head office employees received some scathing in terms of their attitude as global players. EH4, from the emerging MNE's HQ, discussed this competency as being able to collaborate:

*"Now by being the representative, one of the things you also need to understand is who do I close loops with, post those sessions, I can't just hold it to myself. So its **maturity, behaviour, it's about mindset**. Those competencies sets, being able to collaborate, connect the dots. If you are a control person. If you like to **keep***

*things to yourself, own control, it is hard, **you will struggle**. And you can see where that happens."* [EH4]

The Head of HR at a subsidiary of this MNE, EH3Sa, had a consistent view of the importance of realising that the subsidiary is part of a global organisation:

*"…we are not necessarily just a subsidiary alone, but we are part of the multinational. That realisation needs to be there. One needs to be aware of that, although you are ultimately accountable in country. So you need to engage, you need to, at the same time, **keep people informed** of what is happening in your country, you can't cut them out completely, not at all."* [EH3Sa]

EH3Sa's regional head therefore seemed successful in creating awareness of the importance of having a global mindset, which is attributed to non-technical skill in EH3's quote below:

*"…what I want to create is a team of **adaptor leaders**, in **emerging markets** that is what you need…it's about getting them to think in certain ways and how they **stretch themselves** in terms of what they do. As much as we want to push technical, it's about opening up the **EQ** and how that then drives things forward."* [EH3]

Both EH2 and EH5, of the emerging MNE HQ, acknowledged the need to set goals, reward and recognise subsidiary HR executives in order to promote performance. EH5 said that the MNE was moving towards setting goals to improve global mindsets:

*"I think it's a progression. It is part of that journey that we would like to think that is where it would go to, you would start and then **stretch goal on their ability to collaborate**, their ability to **share best practices**, etc. I think it's somewhere we would go to, it's certainly **not where we are at right now**."* [EH5]

EH2 commented that subsidiary HR teams are more motivated by HQ recognition:

*"These people are more motivated now. There is **more visibility**, the good thing is that people are recognised. Just yesterday a note was sent out with some names of people in HR who have won a global award, there is a lot of excitement. In our organisation also we aim to recognise people who do well in the subsidiaries, that is motivating people and making people feel like they can **raise the bar** and do much more to make it happen."* [EH2]

Contrary to the earlier comments in section 5.3 about HQ's attention being biased to a particular subsidiary based on them meeting stretch targets or based on the growth potential of their economies; the regional management structure appears to focus HQ attention on the individual instead, as is apparent in the comment from EH3 below:

*"It all depends on performance, individual performance, at the end of the day you can come from a really sexy economy but you can be crap, right. Or I may end up taking someone out of a slow or small economy who I really feel is **flying the flag**.*

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*Doing what they are doing, going the **extra mile** and really has the **acumen to make it in a fast growing economy**." [EH3]*

From the developed MNE's subsidiary's perspective, the subsidiary was heavily criticised for lacking a global mindset. AS5 claimed to operate with a global mindset, but also felt that generally the head office was not open to learning from the rest of Africa:

*"From a personal perspective whatever I have touched, I think I have always kept that methodology, how can you **deliver something that can be launched by your colleagues**, be it in Africa or globally…" [AS5]*

*"They are **citizens of the world**, they embrace the diversity of being a citizen of the world, they are not race sensitive, and the (head office) mindset is very different to a mindset from outside of (head office). They would struggle with that, we have a very **guarded culture**, we need to liberate people from darkness. We are intolerant of people… people from other countries bring different perspectives…we can learn so much…(We) are unexposed to people, I say this as a (citizen)." [AS5]*

EH3 from the emerging MNE HQ had similar concerns about its home country:

*"The thing is, we are very **arrogant as a nation**. We always think we know best but we don't...I think our own **fear holds us back from being really innovative and flexible** in the ways or our thinking. We limit ourselves. We are limited, we know best but we actually don't, **most of us have not even left the borders of this country**…and they are resourceful and in all due respect, a lot of them have been running their companies and doing their stuff, long before we kind of went in. I think we need to take a step back, be more humble in our approach and **we do have a lot to learn**" [EH3]*

Despite the congruency or difference in competencies at HQ and the subsidiaries, competence without the ability to showcase success was a frustration shared in the data. EH5 discussed HQ's view that subsidiaries of the emerging MNE do not use the platforms to share their competencies, and that these platforms are insufficient:

*"It just **sits in your mind**, there is **no real opportunity to showcase**. So we implemented **a site where people were supposed to engage**, it allows for live communication, showcase, posts, it **does not happen**…not once did a subsidiary go – this was done well can I share it with all of you." [EH5]*

The subsidiaries acknowledge these platforms in their data, but it is viewed as platforms to seek help, rather than offer it:

*"…you can speak to any country you wish - we have this network; we have got Yammer, Facebook, WhatsApp, all sort of **media communication**, there are no restrictions, you can go wherever." [EH2Sa]*

"Every month we have a regional call, where people share what they are doing, then I can take it up from there and do an offline type of relationship. In our region

*we have built **strong linkages** in terms of I can WhatsApp the head of HR in another subsidiary and say – I am interested in this, **how can I do it**?" [EH2Sb]*

The developed MNE subsidiary's AS4 saw the lack of showcasing as a missed opportunity by the subsidiary:

*"I think what we could **do more of, is share some of our success** factors more effectively, so **we don't celebrate success** well. We are always receiving ideas from HQ and we are playing things back but **we are not showcasing** really cool design and delivery stuff that we are doing here, there is a great opportunity to do that." [AS4]*

For AS5, the developed MNE subsidiary was showcasing its competence very deliberately, but not further data was found to support this statement:

*"...it's a call, it's sharing best practices when it happens, it took a while…people realised that it's an open relationship that we want to share and learn, **we want to be part of this thing**. Get onto the **subject matter forums**. When there is a project running, my guys are on that project representing the world, not just Africa, whether it is performance management programme or an employee engagement product or strategy that is being driven, we **force ourselves into that world** to say – this is what we are doing in Africa." [AS5]*

5.8. Summary of findings and results

Table 3 below on page 73 summarises the characteristics of the subsidiaries and HQs in the two cases, incorporating the general view on HR diffusion. This is followed by Table 4 on page 75 which provides a comparative view of the two cases.

Table 3: Summary of case characteristics and relevant HR diffusion status

Emerging MNE			
Company	**Company characteristics**	**Head of HR characteristics**	**View of diffusion**
Subsidiary EH1	>1000 employees Fully integrated with HQ Expats International assignments to HQ TCN to other subsidiaries HR importance to Exco improving	International experience Lived in developed economy Multi-disciplined career Self-motivated for attention from HQ Weak advocate for regional heads to be based at subsidiary	Regular forward diffusion viewed as collaboration Horizontal diffusion to other subsidiaries, coordinated by HQ
Subsidiary EH2a	<500 employees Not fully integrated Expat restrictions Regulatory environment similar to HQ HR strategic to CE	International experience in developed market Prioritised local strategy and requirements, above sharing with MNE Advocate for regional heads to be based at HQ	Opportunities, but no evidence or appetite for reverse diffusion Horizontal diffusion from other subsidiaries, using HQ platforms and HQ coordination
Subsidiary EH2b	500-1000 employees Not fully integrated due to market size Building commercial acumen in HR team International assignees/visits from HQ HR importance to Exco improving	International experience at developed MNE International experience in another emerging MNE Lived in another emerging economy Self-motivated for attention from HQ Positive outlook Strong advocate for regional heads to be based at HQ	Experimentation and initiating new practices Horizontal diffusion to and from other subsidiaries, using HQ platforms, without its coordination
Subsidiary EH3a	>1000 employees Moved from expat model to mostly locals in recent years Expat restrictions HR strategic to CE	Appreciation and level of understand of matrix No international experience Local focus Strong advocate for regional heads to be based in subsidiaries	High localisation of forward diffusion and autonomy to decide what fits Initiating horizontal diffusion to other subsidiaries and reverse diffusion to HQ Relying on HQ coordination for horizontal diffusion from other subsidiaries
Company	**Company characteristics**	**Head of HR characteristics**	**View of diffusion**
Subsidiary EH3b	<500 employees Expat restrictions Not on global platforms	No international experience	Low reliance on HQ coordination for horizontal diffusion from other subsidiaries

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			No signs of experimenting or initiating HR practices
HQ	Recent competence build Driving move to global platforms Pushing one company culture Diversity Black economic empowerment regulation	International experience Only one of five worked and lived in a developed economy Frequent travel to subsidiaries Frustration at subsidiaries not understanding the matrix	Acknowledged that expertise and innovation exists outside HQ but wants to keep it under control Expects horizontal diffusion to occur without HQ coordination, using HQ platforms

Developed MNE			
Company	**Company characteristics**	**Head of HR characteristics**	**View of diffusion**
Subsidiary	Head office and subsidiaries Expats Global platforms Fully integrated (ahead of HQ) HR strategic to Exco	International experience Appreciation and level of understanding of matrix One of five lived in developed economy Advocates for no regional structures	Operates autonomously & initiates diffusion In danger of losing benefits of relationship with HQ Local HR practices more innovative and advanced than HQ
HQ	Centralised Across four continents Lean matrix structures One fewer business line than focal subsidiary HR lagging focal subsidiary HR in some ways and ahead in others	Expat who spends time across all the subsidiaries in Africa, at head office & at HQ Extensive international experience Lived and worked in a developed economy, other than HQ Appreciation and level of understand of matrix Strongly advocates for no regional structures Self-motivated and wants to have an impact	HQ can learn from reverse diffusion and it happens, at HQ's request Very little reverse diffusion takes place Forward diffusion happens for global uniformity and consistency

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A summary of the findings concerning the two cases can be found in Table 4 below according to what is similar, different and unique to each of the two cases:

Table 4: Comparative view of findings of the two cases investigated

	MNEs	
Similarities	- Forward diffusion and standardisation was the norm at the start of HQ/subsidiary relationships - Building capability in HR teams was a recent focus and a shift in the importance of HR to strategy was reported - The matrix was critical to navigating the MNE and sharing information - The ability of the diffuser was discussed more than any other construct in reverse diffusion - Some degree of autonomy was necessary for subsidiaries to experiment - An appreciation of the adaptation of global practices to local requirements exists - Bias against origin of practice was an obstacle to reverse diffusion - Respect was a predetermining factor for transfer relationships	
	Emerging MNE	**Developed MNE**
Differences	- Integration and interdependencies led to more standardisation - The more decentralised the subsidiary, the less appetite they had for reverse diffusion - The subsidiaries that were fully integrated with HQ and had a level of centralisation, expected HQ to coordinate horizontal diffusion - HQ expected subsidiaries to initiate horizontal diffusion in the decentralised model	- The role of the individual was emphasized in reverse diffusion - Integration and interdependencies did not lead to standardisation - Significant expat presence did not appear to bring HQ and head office closer together; but may have resulted in granting more autonomy in a centralised structure - A significant expectation from the subsidiary to initiate reverse diffusion
Unique findings	- Regional structures within Africa were vital to HQ-subsidiary relationships for coordination across a decentralised structure	- Autonomy at the regional head office led to isolation from HQ - Head office modelled its relationship with subsidiaries in Africa against HQ's relationship with the head office

5.9. Conclusion

While the discrepancies, similarities and unique findings summarised in Table 4 were evident from the two cases, it was clear from the data that; firstly, the relationship between HQ and the subsidiary underpinned the diffusion of HR practices in the MNE. The degree of centralisation moderated this relationship. Furthermore, in the absence of centralization, horizontal diffusion replaced reverse diffusion, as was evidenced in the data from the decentralised, emerging MNE.

Secondly, while contexts and platforms affected absorptive and diffusion capacities, a global mindset - fundamentally derived from international experience - was identified as the key competency required to foster diffusion of HR practices. It seemed to be equally important to HQ and subsidiaries to incorporate international assignments and measures for global mindset into performance management. Also, the level of individual drive and accountability for diffusion was remarkably higher in the centralised MNE. Appetite for, and effectiveness of, face-to-face and electronic channels varied across the centralised and decentralised MNEs.

6. Chapter six: Discussion of findings and results

This study set out to explore why the capacities for diffusion of HR practices differed across MNEs. The effect of centralisation, at a company and individual level, was investigated, while the levels of development across the MNE entities were further considered. Through exploring the experiences and insights of Heads of HR, the study aimed to unlock strategies for more reverse and horizontal diffusion, so as to enhance IHRM. This chapter discusses the findings and results of Chapter five as it relates to the literature, provided in Chapter two, in order to report on the findings to the research questions and propositions summarised in Chapter three. Each of these research questions and propositions are dealt with separately and new propositions are put forward for future quantitative research.

6.1. Research question 1

Why does diffusion capacity differ across MNE subsidiaries?

Chapter five raises a number of themes for understanding diffusion of HR practices from emerging market subsidiaries, within the context of the two cases, and how the resulting reverse and horizontal diffusion differs across the MNEs. The overview of the results presented in section 5.2 points to the role of HQ, the significance of the subsidiary in the MNE and the way the MNE is structured as being fundamental to any conversation about HR practice diffusion originating with subsidiaries.

In addition to considering the two players in a diffusion relationship; that is, the subsidiary and HQ, or one subsidiary and another, additional complexity was evident in the duality of the roles of each of these entities in terms of the diffusion of practices. The duality of having an absorptive and diffusion capacity within each entity, i.e. the absorptive and diffusion capacities of HQ (section 5.3) and the absorptive and diffusion capacities of subsidiaries (section 5.4) formed a continuum within which the diffusion of HR practices transpired. Evidence throughout the data points to this continuum relationship. Reverse diffusion, forward diffusion and horizontal diffusion all live within this continuum as they are all affected by varying levels of absorptive and diffusion capacities of the entities involved in the diffusion of HR practices. Therefore, diffusion and absorptive capacity cannot be viewed in isolation.

6.1.1. Analysis of diffusion capacity

The findings summarised in Table 3 on page 73 were analysed and are illustrated in Figure 11 below, grouping and plotting each of the entities in the two MNEs according to the relevant absorptive and diffusion capacity levels and showing the diffusion that was

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possible given their disparity in centralisation decisions. Within the decentralised MNE, subsidiaries could be categorised into two groups based on their appetite for reverse diffusion – one with low absorptive capacity and the other with high absorptive capacity. Where the subsidiary's absorptive capacity for forward diffusion was low, a greater diffusion capacity for horizontal diffusion was evident. In subsidiaries which showed some reverse diffusion, their preference was for HQ to coordinate horizontal diffusion. It is therefore of the utmost importance for HQ HR teams to understand the continuum in terms of each of its subsidiaries and to manage accordingly with the objective of leveraging best practice for the group.

Figure 11: Summary of dissertation findings
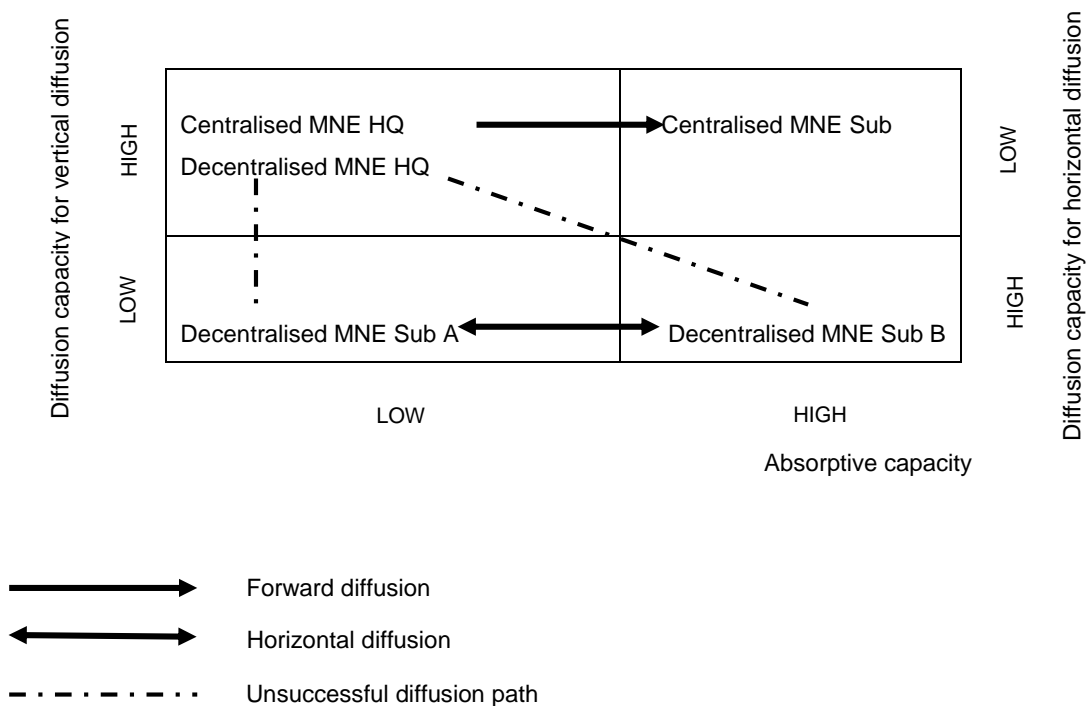
The decentralised MNE built HR capabilities required by the specific market in which each subsidiary is based, in alignment with that subsidiary's strategy and its importance to the MNE. The data explicitly spoke about upskilling the subsidiary HR staff according to the local needs. Whereas, the centralised MNE worked off a global leadership model, including an HR academy ensuring that staff across the globe had access to equal development, to explicitly ensure mobility across countries (section 5.7). In line with the argument by Björkman and Welch (2015), management competency building was HQ's decision and so HQ's role in diffusion capacity building at subsidiary levels is significant.

These contrasting strategies for developing managers translates into varying diffusion capacities at the subsidiaries, across centralised/decentralised MNEs.

Within the decentralised MNE, the larger subsidiaries had more HR staff and therefore more capacity to run with HR strategy and establish innovative, local practices without HQ involvement. As per Mäkelä, Sumelius, Höglund and Ahlvik (2012), the size of the subsidiary was therefore significant in determining the capability level of the subsidiary HR team. However, reverse diffusion levels remained low as there was a clear pull from HQ to control such behaviour, as is discussed in section 5.3.3. It is therefore insufficient to assume that greater diffusion capacity will lead to more diffusion. In the model proposed by McGuinness et al. (2013), this relationship of what flows into and out of a subsidiary is given relevance in this data, but only from the point of view of the subsidiary. This reinforces the finding that reverse diffusion occurs within the continuum of the dual roles of HQ and subsidiaries, and the research proposition findings presented below provides further testament.

6.1.2. Conclusion

The data confirmed advice from Michailova and Mustaffa (2012) and Kumar (2013) that the individual characteristics of the MNE entities in the diffusion relationship are less important than the relationships between those entities. The data reveals a complex nuance within this relationship, a continuum of both absorptive and diffusion capacities based on the dual roles of each entity. Diffusion capacities differ across subsidiaries as a result of this continuum. The following proposition emerges:

Proposition 1: The diffusion of HR practices exists in a continuum relationship between the dual role of HQ as a receiver and diffuser in forward and reverse diffusion, and the dual role of the subsidiary as a receiver and diffuser in reverse and horizontal diffusion.

6.2. Research question 2

Why does absorptive capacity differ across MNE entities?

6.2.1. Analysis of absorptive capacity

As has been discussed, the analysis presented in section 6.1 relates to absorptive capacity, as it does to diffusion capacity. The interviews from the centralised MNE's subsidiary provided evidence of high absorptive capacity for HR practices from HQ, which started out strong since the acquisition but is showing evidence of diminishing as competencies at subsidiaries start to exceed those of HQ. The decreasing motivation

was evident in data discussing the need for autonomy for the subsidiary to chose whether HQ's practices or locally-derived practices were a better fit for the subsidiary, and the data showing concern by the more senior interviewee, AS5, that they did not wish to "*alienate the parent*" as that would be "*the most tragic circumstance*". The subsidiary's demonstrated high ability and motivation to initiate HR practice diffusion was met with opposing low absorptive capacity at HQ with subsidiaries explaining that it was "*hard to connect with them*" and HQ would not "*feel they need to change.*"

Song's (2014) work on subsidiary absorptive capacity was demonstrated in these findings, to some extent, but in so doing, so was its shortcomings. Song proposed a trade-off and deemed the subsidiary's ability to absorb new practices would increase over time, while its motivation to absorb would decrease over time. These findings improve on Song's work as it notifies us of the effect of HQ's diffusion and absorptive capacities on the subsidiary's absorptive capacity, and its interplay with the subsidiary's very own diffusion capacity. Thereby offering an explanation for the diminishing motivation beyond the subsidiary's point of view which included not needing HQ as it moves towards independence and having fewer expatriates – the two explanations offered by Song.

While Song (2014) argued that motivation should be considered as a separate construct to absorptive capacity, contrary to Minbaeva et al. (2003) who insist that ability and motivation are critical components of absorptive capacity, this study finds that motivation and ability cumulatively present the subsidiary's absorptive capacity. The context of this study's proposed continuum and the interplay of capacities is too significant and complex to separate ability and motivation.

6.2.2. Conclusion

The second research question is therefore answered by the same rationale as the first research question, and supports Proposition 1 which emerges from the findings in the conclusion to Research question 1 on page 79.

6.3. Research proposition 1

Centralisation/decentralisation influences diffusion capacity.

The centralised MNE displayed high absorptive capacity for forward and high diffusion capacity for reverse diffusion, while the decentralised MNE was low in both respects. In particular, the degree of centralisation set the context for the MNE's networking opportunities.

6.3.1. Analysis of the impact of centralisation on subsidiary diffusion capacity

The network view of MNEs, incorporating the flows of knowledge and practices (Boussebaa et al., 2014; Edwards et al., 2015; Govindarajan & Ramamurti, 2011; Noorderhaven & Harzing, 2009) has predominantly focused on the subsidiary and ignored the potentially negative effect of interventions from HQ (Foss, Foss, & Nell, 2012). In line with this caution from Foss et al. (2012) of neglecting HQ's impact, Section 5.3, 5.4 and 5.5 has provided a clear focus on the importance of understanding the impact of the varying roles of both HQ and the subsidiary, within the study of diffusion. Underpinning the amount of diffusion in a specific HQ-subsidiary relationship appears to be control, or centralisation, which affects the absorptive and diffusion capacities in both HQ and the subsidiary.

Interestingly, Fenton-O'Creevy et al. (2008) established that there would be more centralisation of HR in MNEs that served global customers and the two MNEs that formed the sample of this study had both international and domestic clients in most of the subsidiaries, yet one arranged itself centrally (the developed MNE) while the other ran a centralised matrix for one of its businesses within a broader decentralised structure (the emerging MNE). Evidence for this strategic decision and the resulting impact of HQ's interventions and approach, was found throughout the data.

The level of reverse diffusion from emerging markets across this sample is generally low. Across both MNEs, the reasons provided concerned the time and cost burden of reverse diffusion in terms of the subsidiaries capacity and the expense of international assignments. Boussebaa et al., (2014) found that MNEs understood that diffusion would save costs and build efficiencies and competitive advantage and yet, in line with their study, we find that reverse diffusion is low and that furthermore, perplexingly, the investment of resources is core to the explanations provided by the MNEs as to why reverse diffusion is not taking place to the extent that it could.

Beyond the reasons provided by the participants, it became apparent through the comparative analysis of the two MNEs that the degree of centralisation had a meaningful role to play in the multi-directional transfer of HR practices. This was the result of the direct impact of centralisation on both the diffusion capacity and absorptive capacity of each entity (HQ and the subsidiary) within the MNE. Despite the varied impact on other directional diffusion, for reverse diffusion the data was in line with the case put forward by Edwards et al. (2005) that neither centralised nor decentralised approaches are

specifically conducive to reverse diffusion in that reverse diffusion levels were low for both.

Table 5 below depicts the varying diffusion capacity and absorptive capacity at each entity in the MNE, across centralised and decentralised structures, and the resulting effect on multi-directional diffusion of HR practices. Notably, contrary to a decentralised structure study in a developed market context by Edwards et al. (2005) in which decentralisation proved to be unfavourable for horizontal diffusion, decentralisation in this emerging market context led to a high level of horizontal diffusion across subsidiaries.

Table 5: Centralisation/decentralisation impact on diffusion of HR practices

	HQ capacity for vertical diffusion	Subsidiary capacity for vertical diffusion	Diffusion result for MNE
Centralised	Diffusion capacity high	Absorptive capacity high	Forward diffusion high
	Absorptive capacity low	Diffusion capacity high	Reverse diffusion low Horizontal diffusion low
Decentralised	Diffusion capacity high	Absorptive capacity low	Forward diffusion low
	Absorptive capacity low	Diffusion capacity low	Reverse diffusion low Horizontal diffusion high

6.3.1.1. Centralised MNE

In the centralised MNE, the main reason for the low level of reverse diffusion was that the subsidiary's diffusion capacity exceeded the developed HQ's absorptive capacity. HQ was seen as a separate entity, removed from the subsidiary, despite the centralised approach taken by the MNE to organise itself for its global customers (Fenton-O'Creevy et al., 2008). The less decentralised, the more forward diffusion was likely to occur (Edwards et al., 2005; Gupta & Govindarajan, 2000; Harzing, 2001; Kynighou, 2014). The data provided evidence of performance enhancement through forward diffusion of HR practices from HQ but also, unexpectedly, a high degree of autonomy in HR decision making at the subsidiary and the subsidiary's ability to experiment within a centralised structure.

Fenton-O'Creevy et al. (2008) sheds some light on autonomy in relation to the differences in union environments of HQ and the subsidiary citing significant differences as a reason for the MNE to reduce autonomy so as to reduce the inconsistency with the

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MNE's HR practices. As the level of unionisation was similar in financial services, across the home and host countries, this is a possible explanation for why more autonomy was evident. The practices would not be so different to the rest of the MNE for HQ to need to step in and take control. The data did mention that it was evident that HQ struggled with command and control in allowing subsidiaries a degree of autonomy.

Derived from autonomy, the subsidiary's high diffusion capacity ties into the finding by Edwards et al. (2015) that in a centralised and integrated MNE, the subsidiary is more likely to be the source of new HR practices. The data referred to the business life cycle, in that when HQ's forward diffusion was purely for standardisation at the time of the acquisition, the developed MNE's subsidiary had more expats and the finding was that subsidiaries responded to HQ's high diffusion capacity with greater collaboration, perceiving HQ's involvement as absorptive capacity and reporting a sense of partnership. The subsidiary [AS1] responded to this perceived *"joint relationship of benefits"* with active participation in this partnership, in wanting to *"bring something to the table"* and led to the subsidiary enabling and building competence and motivation, ultimately what explains its high diffusion capacity.

Remarkably different was the subsidiary's diffusion capacity for horizontal diffusion. Both AS3 and AS5 said that there was minimal capacity to engage in horizontal diffusion, while AS2's comments showed an understanding of the investment of resources in creating practices that are *"repeatable"* in order for other subsidiaries to implement them. This level of sophistication in terms of understanding the imperfect applicability of practices that need to be built for adaption has been discussed in the literature in terms of HQ's diffusion capacity only (Ansari et al., 2014; Fu, 2012), confirming HQ's role as the diffuser and co-ordinator of practices to other subsidiaries. However, in this centralised MNE, this leads to the sharing of HR practices with other subsidiaries being dependent on reverse diffusion. Due to the demands from HQ in terms of centralisation and the subsidiary's "*battle…to get Africa positioned,*" efforts were focused either internally or for reverse diffusion. The centralised subsidiary data displayed minimal evidence of diffusion capacity for horizontal diffusion.

6.3.1.2. Decentralised MNE

Both the emerging and developed MNEs reported low level of competitiveness among subsidiaries, contrary to Bouquet and Birkinshaw's (2008) understanding that they compete for HQ's resources. Instead the decentralised MNE found the importance of setting and achieving ambitious goals and the growth opportunity in the market to be the driving forces behind what would drive HQ's HR attention and resources. Similarly, for

the developed MNE, profitability and market growth gave one subsidiary more attention and capability building from HQ than another. In addition to these two similar forces, the centralised MNE's HQ would be more involved, when a subsidiary was performing poorly or showed signs of distress. This did not appear to be the case in the emerging market MNE where the decentralised approach translated into the subsidiary being left to fix itself through its country strategy. This resulted in the subsidiary expressing resistance to share and low diffusion capacity.

In line with Edwards et al. (2005), the decentralised MNE largely relied on regional heads from HQ and HQ's co-ordination, limiting the subsidiary's scope to initiate reverse diffusion. The data revealed very low subsidiary diffusion capacity in terms of reverse diffusion, but a much stronger subsidiary diffusion and absorptive capacity to engage in horizontal diffusion, to share and learn new practices with each other, particularly within regional HR structures.

Contrary to Edwards and Tempel (2010) and consistent with Kim et al. (2012) and Noorderhaven and Harzing (2009), horizontal diffusion was initiated and transferred without HQ's coordination. This was particularly the case for regional structures which built interdependencies of the HR teams within the regions, as was also found in the study by Chiang (2007). One of the Heads of HR from the subsidiaries, EH3Sb, of the decentralised MNE went as far as to claim that even the regional heads had *"very little impact"* on these well-established networks across subsidiaries.

6.3.2. Conclusion

The degree of centralisation affects the relationships between HQ and subsidiary managers and directly affects the competencies at the subsidiary. The centralised MNE developed management for mobility across the group and the entrepreneurial nature of the autonomy at the subsidiary drove the competencies at the subsidiary beyond HQ's competence in certain aspects. The decentralised MNE ensured that the subsidiary HR managers were adequately trained to meet the local strategy demands. Both these capability-build decisions impacted the continuum proposed in section 6.1.1 on page 77. We can therefore conclude that the MNE's centralisation decision influences diffusion capacity at the subsidiary and that centralisation is the underlying construct which determines the effect of the continuum in Proposition 1, on multi-directional diffusion of HR practices.

6.4. Research proposition 2

Centralisation/decentralisation influences absorptive capacity.

6.4.1. Analysis of the impact of centralisation on absorptive capacity

This interplay of absorptive capacity and diffusion capacity at a subsidiary level is evident in the data from the developed MNE's subsidiary in the way in which it balances the two capacities in dealing with HQ as a separate entity, understanding that HQ has a high diffusion capacity and taking accountability for reverse diffusion from the subsidiary.

6.4.1.1. Centralised MNE

While Research proposition 1 in section 6.3 above deals with the impact of centralisation on diffusion capacity, in terms of an autonomy debate, perhaps a more plausible reason for the autonomy concerns absorptive capacity of HQ. The data confirmed the view of Foss et al. (2012) who explained that the network MNE (Boussebaa et al., 2014; Edwards et al., 2015; Govindarajan & Ramamurti, 2011; Noorderhaven & Harzing, 2009) fits highly dynamic markets and that more autonomy goes to subsidiaries as HQ suffers from a lack of understanding of the subsidiary context. The data supported this and was discussed in terms of HQ's respect for the nuances, diversity and complexity of host countries, leading to a greater degree of autonomy. These could contribute to a low absorptive capacity at HQ.

Over time, HQ's absorptive capacity reduced and this mismatch is evident in the data, in the fear of losing the connection with HQ from the statements of more senior Heads of HR and frustration in trying to connect found in the data of the staff member further away from HQ (by reporting line). HQ's low absorptive capacity can be reasoned by the proposed theory of Mahnke, Ambos, Nell and Hobdari (2012) as the centralised MNE served as a regional head office. They stated that headoffices have lower levels of influence on corporate strategy, when combining more autonomy with an entrepreneurial orientation. The centralised MNE sample data showed evidence of innovative HR practices combined with autonomy. The regional headoffice was therefore isolated from the rest of the MNE. Mahnke et al. (2012) explained that the perception in the MNE is that these innovative HR practices are only relevant to the subsidiaries which the head office is responsible for.

In terms of the absorptive capacity of HQ, it was clear from the data that there was negligible appetite from HQ to change or unlearn established practices [AS4] or to ask for involvement in subsidiary initiatives [AS3]. This despite the fact that the head office and HQ were highly integrated and the subsidiary contributed significantly to the MNE's

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performance. This was an finding inconsistent with Kumar's (2013) study reverse diffusion increased in highly integrated HQ-subsidiary relationships as HQ's attention was biased to subsidiaries which were strategically important to the MNE, whether through market share, integration of products or value-added services. However, a condition for reverse diffusion was raised by AS2, explaining that projects of significant financial outlay or high business impact could not go unnoticed, due to the formal channels in the centralised structure. Centralisation therefore does keep the channel for HR practice diffusion open, particularly for practices requiring major investment.

6.4.1.2. Decentralised MNE

The emerging MNE data reflected low levels of forward diffusion providing examples of decentralised decision making around the HR practices of remuneration and unique employee value propositions. Nonetheless, it was clear from the process in undertaking this study (discussed in section 5.1.1 on page 33), the regional heads structure, and the level of competence and contributions from HQ; that significant control and diffusion capacity lies in HQ of the decentralised MNE. In fact, there was evidence of HQ exercising restraint in forward diffusion, acknowledging a lack of absorptive capacity in the subsidiaries and the *"push back"* [EH1] from the subsidiary or the need to be *"mature enough to realise that we (HQ) can't impose"* [EH3] but at the same time persisting on certain cases from HQ *"in which it just needs to be done and then the subsidiaries have to simply stop whatever else they're doing."* [EH1] These comments from regional heads as well as the comment from EH4 from HQ: *"when there is a clash, who has the authority? That is misinterpreted regularly in the business. That is what causes the complexity….this is just people not understanding a) what the process is and b) who owns the process…who is in charge here?"* indicate that decentralisation causes a degree of uncertainty within the MNE and issues of control, project management and frustration for HQ staff. The author's opinion is that this is the reason why HQ's absorptive capacity for reverse diffusion is low.

In terms of HQ's coordinating role, regional heads reported a level of frustration in the reliance on HQ for horizontal diffusion beyond the platforms setup by HQ which enable communication between subsidiaries, indicative of a low absorptive capacity at HQ. In the former study of Gupta and Govindarajan (2000), HQ was found to be the most significant diffuser in the MNE. However, in the decentralised MNE investigated in this study, although the evidence showed that HQ had high diffusion capacity, it was not met with absorptive capacity in the subsidiary and therefore forward diffusion was low and forward diffusion was resisted. As a result, HQ invested considerably in resources to promote forward diffusion. A significant amount of horizontal diffusion was reported on

with some subsidiaries claiming to proactively diffuse practices and learnings while HQ, and regional heads in particular, claim that HQ is responsible for coordinating horizontal diffusion saying that *"it's not something that happens intuitively between countries"* *[EH5].*

At the same time, the value of the horizontal diffusion from the diffuser may be questionable in light of research by Ansari et al. (2010), and Gondo and Amis (2013) which propose that diffusion needs to follow staging in order to maintain the integrity of the practice, to deliver the benefit, and allow for local adaptation. The same argument from the point of view of the receiver, by Yang et al. (2008) and Rabbiosi (2011) indicates that absorptive capacity is higher for receivers who are able to take on, relate and integrate new information into the business and Yang et al. (2008) therefore says that HQs have higher absorptive capacities than subsidiaries. In this study, subsidiaries of the decentralised MNE reported that their HR practices, which differ from HQ, were context-specific practices. There was no evidence of cognisance of creating practices that could be applicable elsewhere within the MNE, in line with Ansari et al. (2010), and Gondo and Amis (2013), but contrary to Yang et al. (2008); HQ did not have more absorptive capacity than subsidiaries. However, this could also be a factor of the subsidiaries' comparative national contexts providing greater applicability of HR practices.

6.4.2.   Conclusion

As was the case with developed market HR practices, in the study by Edwards et al. (2005), neither highly centralised or highly decentralised approaches led to more reverse diffusion. However, this study allowed for closer inspection beyond the scope of the study by Edwards et al. (2005) to understand the influence of centralisation on absorptive and diffusion (see section 6.3) capacities. Based on the analysis of evidence gathered and analysed for research proposition 1 and research proposition 2, the propositions are combined and refined as follows:

Proposition 2:   The degree of centralisation underpins the continuum of absorptive and diffusion capacities as they relate to each other across MNE entities.

More specifically, the findings relating to the centralisation decision and the subsidiary's absorptive capacity bring about two additional propositions:

Proposition 3:   Decentralisation leads to lower absorptive capacity of subsidiaries for forward diffusion.

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Proposition 4: Decentralisation leads to higher subsidiary absorptive capacities for horizontal diffusion.

6.5. Research proposition 3

A lack of absorptive capacity at HQ will negatively impact on the subsidiary's diffusion capacity.

6.5.1. Analysis of the influence of HQ absorptive capacity on subsidiary diffusion capacity

HR managers at the subsidiary interpret the actions and attitudes of HQ (Bjorkman & Lervik, 2007) and besides their attitude towards capability building (discussed in section 6.1.1), the decentralised MNE had an additional HQ paradigm to respond to in terms of the actions and attitudes of regional heads which featured significantly in the data.

Foss et al. (2012) cautioned that the extent to which HQ intervenes and the perception of the intervention at the subsidiary level was is a possible restriction on the subsidiary managers' motivation to discover, create, share and integrate new practices. The data from both MNEs ratified this caution but the impact of the perceived HQ intervention seemed to be more pronounced at the centralised MNE, which stands to reason given the significance of HQ in a centralised approach. AS3 data illustrates this very point that HQ intervention elicited a loss of motivation to engage in reverse diffusion when HQ would want to disagree or change the practice initiated by the subsidiary.

The emerging MNE's data showed minimal HQ intervention in its decentralised structure, with the exception of capability building which was said to be driven by the local businesses and not HQ, with HQ coordinating forward diffusion and, to a lesser degree, horizontal diffusion and providing the required training at HQ. The HQ Heads of HR reported reasonably heavy policing in the forward diffusion of practices as the subsidiaries prioritised local board and management requirements and decentralised business strategies. Furthermore, they expressed severe frustration in the demands and requests placed upon HQ from subsidiaries who have smaller HR teams and hence very low absorptive capacity – to the extent that subsidiaries appeared to be outsourcing more critical functions to HQ in the decentralised MNE. The data showed that this leads to HQ becoming frustrated by the demands on the HR team and subsidiaries losing people who have a global mindset and who are attracted to the MNE perceiving that the very nature of the business would include international travel and exposure to the complexity of international business.

At the same time, seniority at the subsidary mattered in the centralised MNE. The more reporting lines between the HQ manager and the subordinate at the subsidiary, the more isolated the subsidiary manager and the more negative the perception or experience of HQ's interventions. At the more senior level, the strategy was shared and HQ interventions considered as beneficial to the subsidiary. The centralised model therefore needs to carefully consider the staffing at HQ, as per Foss et al. (2012), as well as the remoteness of subsidiary HR Heads who do not have strong networks with HQ, structural nor relational (Mäkelä, Sumelius, Höglund and Ahlvik, 2012), especially when they are highly competent individuals.

In terms of motivation for diffusion capacity, the data suggested that the individuals in the centralised MNE's subsidiary participated so as to raise their status in the MNE, in line with Edwards and Tempel's (2010) suggestion, but no support was found for their counter argument that subsidiaries may want to protect their advantage over others and not share. The only evidence of a subsidiary resisting involvement in the diffusion of practices was found in the decentralised MNE, in the case of a subsidiary which had been performing poorly financially and felt pressure to turnaround the entity. Interestingly this Head of HR believed that HQ could learn from practices at the subsidiary despite its performance, given the maturity of one of the products.

Furthermore, the data from the decentralised MNE emphasised the importance of HQ recognition in motivating diffusion capacity. The centralised MNE data showed a far more intrinsic motivation with personal accounts of encroaching on HQ's territory if that was what it took to have a voice in the MNE. Presumably to raise their status, the centralised MNE's subsidiary promoted the use of global forums to diffuse HR practices and knowledge, whereas the decentralised MNE developed relationships with other subsidiaries beyond HQ platforms and HQ seemed unaware of the level of horizontal diffusion, often taking credit for the linkages while the subsidiary data contradicted HQ data emphasizing the closeness of the subsidiaries and the irrelevance of HQ in horizontal diffusion.

6.5.2. Analysis of HQ influence tools

One of the ways in which MNEs align HQ and subsidiary competencies is through expatriates, inpatriates and shorter term international assignments or training at HQ. Recently, Harzing et al. (2015) provided a comprehensive empirical study revealing the varied impact of former inpatriates and expatriates on forward and reverse diffusion of function-specific knowledge. Their study could not test for third country nationals (TCNs) as the sample was too small for statistical relevance. However, in the case of this study's

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emerging market MNE, TCNs and expats were more common than inpatriates, and in line with Harzing et al.'s (2015) hypothesis for future research, more horizontal diffusion was found in this MNE than the developed MNE. The prevalence of TCNs appears to stem from the decentralised structure of the emerging MNE.

The data gave an example of one subsidiary being a *"beehive of talent"* discussing the many countries which local employees have gone to work in. The same decentralised MNE HQ staff expressed an appreciation for the importance of providing international assignments to subsidiary staff, specifically to HQ, but also advised that there were insufficient opportunities to do so. Only the one centralised business within the emerging MNE could offer limited exposure to very few subsidiary HR staff. Yet, data from the subsidiaries indicated that HQ staff were frequently at the subsidiaries with one participant saying: *"…sometimes you look around and wonder; are we in HQ? Because the entire HQ is (here)"*

Noorderhaven and Harzing (2009) and Rabbiosi (2011) emphasized the importance of face-to-face learning and social interaction for knowledge diffusion, particularly for highly autonomous subsidiaries. As was the case of the decentralised MNE in this study, they too found that networking only had a significant impact on forward and reverse diffusion, and not horizontal diffusion. The limited social interaction and few opportunities for international assignments at HQ reduced reverse and forward diffusion, but horizontal diffusion was not negatively affected.

In an environment of cost restriction, personal interaction becomes a challenge and limits international assignments. The data from the decentralised MNE subsidiaries and HQ discussed the electronic-based communication channels provided by HQ as a preferred and useful method of acquiring knowledge and learnings from horizontal diffusion. Rabbiosi (2011) suggested that the investment in electronic-based mechanisms may be unjustified or not deliver the desired benefit for reverse diffusion from highly innovative subsidiaries, losing value in converting the innovative practices into words. They were more suited to spreading and using of previously acquired knowledge, as was the case with the decentralised MNE subsidiaries. Individuals from the subsidiary of the developed MNE gave accounts of being part of global teams and frequent travel across the globe but nevertheless called for more face-to-face interaction. They were prone to using the global platforms and forums, seemingly for credence and to *put Africa on the map.* Furthermore, the data showed an understanding of initiating practices which could be adapted and used by other subsidiaries.

Therefore, across the sample, HR was not found to be well networked. Collings et al. (2007) recommended a centralised approach to HR strategy to manage international assignments and the evidence from the data does confirm that the centralised MNE offered marginally more opportunities for travel. However, these opportunities were predominantly available to other departments and when they did relate to HR opportunities, they were funded by the business and not through the HR budget.

It is therefore important for MNEs to understand how their centralisation model impacts on the individual HR managers preferences for channels for diffusion. In centralised structures, to encourage more diffusion capacity from innovative subsidiaries, MNEs need to invest in face-to-face communication and to hold more forums and global platforms for showcasing. In decentralised structures, electronic platforms seem to contribute insubstantially to diffusion capacity. A possible missed opportunity for improving diffusion capacity for reverse diffusion appears to be the use of inpatriates, consistent with guidance from Harzing et al. (2015).

In discussing the channels available, the point was made repeatedly across both samples that diffusion was dependent on more than merely the channels. Mäkelä, Sumelius, Höglund and Ahlvik (2012) in fact found that the structural enablers between HQ and subsidiary HR staff did not positively affect the capabilities at the subsidiary, however the relational enablers did. This thematic finding seems relevant to the broader study of diffusion of practices, particularly from the subsidiary. Trust and the appetite and attitude of the individual to want to showcase or share their practices and learnings was consistently pointed out as a more significant driver of diffusion capacity. The data points to more opportunities for travel to HQ in the centralised MNE but also a greater drive to diffuse local practices, using passionate language indicating a fighting spirit from the point of view of the subsidiary to contribute to the MNE's HR strategy, in quotes like: *"we force ourselves into that world"* and *"need to level the playing fields"* from sources at the developed MNE.

While short-term international assignments for HQ staff to the subsidiaries were prevalent in the decentralised structure, more expats were encountered during the company visits at the developed subsidiary. This could possibly be explained as a consequence of the centralised structure or because of the developed HQ-emerging subsidiary relationship. The issue of cost was raised for both MNEs with HQ negotiating costs with subsidiaries for travel to HQ or other subsidiaries, often subsidising or splitting the costs in the decentralised structure. The centralised structure subsidiary received budget from their business lines for travelling purposes, not the HR budget.

6.5.3. Conclusion

The Research proposition is therefore incorrect. A lack of absorptive capacity at HQ does impact on the subsidiary's diffusion capacity but the influence can be negative (in the decentralised MNE) or positive (in the centralised MNE). A centralised approach results in management competencies, motivations and global mindset which causes the subsidiary's diffusion capacity to exceed HQ's absorptive capacity. The findings therefore refine the proposition:

Proposition 5:   Centralisation leads to lower HQ absorptive capacity, but increases subsidiary diffusion capacity for reverse diffusion.

An additional finding is that centralised MNEs would benefit more from international assignments which see HR managers from innovative subsidiaries working at HQ, while decentralised MNEs should focus on TCN staffing strategies for horizontal diffusion.

6.6. Research proposition 4

The similarity of level of economic development across countries will lead to greater absorptive capacity.

6.6.1. Analysis of emerging versus developed contexts

Consistent with the finding of Thite et al. (2012), the emerging MNE deployed a decentralised model (with centralisation across one of the business lines which had global clients), while the developed MNE operated from a centralised model. Thite et al. (2012) found that HR managers at emerging MNEs were more adaptive and open. Interestingly, a comment was found within the developed MNE dataset that broadens this view to not only be about emerging MNEs but more generally applicable to the emerging market operations of all MNEs. Emerging market managers' appetite to learn and be adaptive was remarked upon by the expat from HQ, in saying that: *"In Africa, driving the correct behaviours yields significant results. There is low cynicism and a personal drive to build their skills. People are open-minded in* (the head office)*, they'll try new things. When I worked in Europe or the UK, the mentality has been a bias towards practices 'invented here'. In Africa, the propensity to take on new ideas is high."*

Based on the statement from AS6 above, the reported 'liability of origin' (Chung et al., 2014) may therefore before more complex than simply an aversion to emerging market practices. It could be that the absorptive capacity of developed MNEs is generally low, not only low in relation to emerging market practices. Nonetheless, the developed MNE data confirms Fu's (2012) argument that differing local contexts limits absorptive

capacity. The data in section 5.3.2 on page 43 also showed that HQ of the developed MNE held misconceptions and bias about Africa in terms of which practices could be diffused from the subsidiary, which points towards the liability of origin being a factor in their low absorptive capacity for emerging market practices.

National context similarity was further opined to lead to the initiation of diffusion from subsidiaries (Edwards et al., 2015). Although emerging markets faced similar regulatory environments and were closer in terms of level of economic development, the emerging HQ-emerging subsidiary relationship did not deliver more reverse diffusion than the developed HQ-emerging subsidiary relationship.

Therefore these findings questions whether national context generalisations are problematic or whether the centralisation position of the MNE is more relevant than the national context argument, in terms of determining the level of reverse diffusion. This could be clarified in future quantitative testing.

6.6.2.   Analysis of the country of origin effect

"It also is easy to become a prisoner of diversity, get intimidated by enormous differences across markets, and stay back, or if the company does venture abroad, to end up reinventing the wheel in every market" (Gupta & Govindarajan, 2002, p.118). For Africa, the developed MNE allowed significant autonomy for the reason that "*they* (HQ) *didn't understand the world from our* (the subsidiary's) *perspective,"* becoming overwhelmed by the differences as Gupta and Govindarajan explained.

This autonomy was supported heavily by expatriates, possibly as an HQ monitoring measure, and is still prevalent in the business today but reported as very few in comparison to when the merger first took place. This autonomy led to more pressure on the subsidiary managers to maintain links with HQ and to initiate the diffusion of HR practices, both for forward and reverse diffusion. It also seemed to have completely isolated the subsidiary HR managers from other HR managers based in subsidiaries across the globe. Despite the fact that the subsidiary HR managers displayed a deep understanding of building flexible practices for adaptation and implementation elsewhere, had exceptional international experience and competencies, and a high diffusion capacity; there was very little evidence of significant reverse and horizontal diffusion. Primarily as it was not met with absorptive capacity at HQ or other subsidiaries.

The lack of absorptive capacity in the developed MNE therefore concerns its centralisation approach, at an organisational level, and the complexity and uniqueness of the emerging market context of the subsidiary and biases, at an individual level. The

examples provided by the developed MNE revealed that the emerging subsidiary's HR executives were not considered as a source of expertise both by what they were excluded from and what they were called upon to participate in (section 5.3.2). The biases and shortcuts of those responsible for HR in the developed economy HQ influenced their absorptive capacity to consider practices from emerging markets. The data therefore confirmed arguments from Boussebaa et al. (2014) and Edwards et al. (2015) that the HR executives at the subsidiaries influence over HR practice diffusion is limited by the subsidiary's position in the global economy.

These perceptions form the 'liability of origin' discussed earlier in the literature review and above, and also perpetuate the competency problem as emerging MNEs find it more difficult to attract and retain top talent, as per Thite et al. (2012). The data collected supported their argument as two of the emerging MNE interviewees were temporarily responsible for more than their primary roles, due to vacancies. Another emerging MNE interviewee discussed how the MNE lost talent as HQ was unable to deliver on, what was termed in a different interview as, the MNE's "*employee value proposition"* to provide global exposure.

Both datasets discussed the cost burden of diffusion and this would have a further impact on the competencies at subsidiaries. Africa's cost focus, technology lag and poor infrastructure were reported in the data as constraints in reverse and horizontal diffusion. This supports Kumar (2013) view that MNEs lack efficiency in leveraging off distant, emerging subsidiaries. Therefore, emerging market HR executives may be excluded from contributing to HR strategy for the MNE unless MNEs understand the ways to unlock the information and expertise within the constraints of their structures and biases.

Expatriation is a common global staffing strategy for diffusion and the relevant findings from these cases is that the restriction on expatriates is consistent across MNEs operating in Africa. This strategy may therefore not be as applicable to emerging markets. Both MNEs deployed strategies of strong government relations and a preference for local Heads of HR to navigate this broader issue for the business. Harzing et al. (2015) found that having an expatriate lead the team translated into more forward diffusion and they called for organisations to consider TCNs or former Inpatriates to lead teams to encourage reverse diffusion to HQ. Within the emerging MNE, it was evident that TCNs and Inpatriates were more prevalent and these subsidiaries also gave accounts of high levels of horizontal diffusion. All the subsidiaries of the emerging MNE used local subsidiary managers to head up HR, a plausible reason for low levels of reverse diffusion, based on the argument by Harzing et al. (2015). The centralised MNE

boasted more internationally-networked and experienced staff in the dataset but this merely drove up diffusion capacity and frustration at the subsidiary level as it was not met with absorptive capacity at HQ.

6.6.3. Conclusion

Therefore we can conclude that the similarity of level of economic development across countries will not necessarily lead to greater HR practice diffusion from subsidiaries. The following proposition concludes the findings:

Proposition 6:   Decentralisation negates the effect of the similarity of the national level of economic development of the two entities in the diffusion relationship in reverse diffusion.

Additionally, the findings support the previously established work on country of origin liability by scholars.

6.7. Summary of the analysis of findings

Chapter 6 related the data of this study to existing academic contributions on the topic and developed a new paradigm for understanding the diffusion of emerging market HR practices originating from subsidiaries. Understanding how the broader centralisation decision of the MNE impacts upon the roles of HQ and subsidiaries in the diffusion process, reveals the context and therefore antecedents for diffusion from subsidiaries.

The discussion of the findings suggest that centralised MNEs experience high diffusion capacity at the subsidiary level, as they try to participate in HQ-level HR strategy. In this particular case, this was not met with absorptive capacity at HQ. The HQ data discussed herein suggests that this was partly also explained by the liability of origin factor as the subsidiary was based in an emerging market while HQ was situated in a developed market. More so, the centralisation decision's impact is evident in both cases. Despite the presence of a matrix structure and dual reporting to HQ, the discussions about the decentralised MNE suggested that this arrangement leads to low levels of diffusion capacity at the subsidiary and low levels of absorptive capacity at HQ.

The study also offered a further factor of the MNE's arrangement in the decentralised structure which affected the diffusion process at an organisational level - geographical distance. The study revealed that within a decentralised structure, horizontal diffusion was possible with minimal HQ intervention and platforms. This was particularly true for subsidiaries in regional structures, closer to each other where relationships were initiated and maintained by the individuals in the subsidiaries. The discussion therefore suggests excessive investment in electronic platforms to encourage diffusion across subsidiaries

in a decentralised structure may therefore be unnecessary. At an individual level, the success and strength of talented HR managers appeared to stem from TCNs and inpatriates, particularly in emerging market environments where excessive expatriation regulation limits this form of staffing. This also supports the negotiation tool used by MNEs with local government reported as a quid pro quo to allow MNEs to bring more expatriates to the host country, in exchange for offering locals opportunities to work in other global environments.

Likewise in the developed MNE, part of the employee value proposition was understood as offering international assignments and therefore for the MNEs to reach the ambitious level of excellence in HR staffing they were striving for, they need to be able to offer this exposure and provide a platform for strong, talented individuals to participate in stretch assignments, and have a global view and a voice in matters of the MNE, not merely the subsidiary. Furthermore, the centralisation decision had a direct impact on the management competencies built at the subsidiary level, which impacted the diffusion of HR practices from the subsidiaries.

Finally, Table 6 below sets out revised propositions that are derived from the findings of this study. New propositions also emerged from the data analysis and are included below:

Table 6: Summary of the propositions resulting from this study

1.	The diffusion of HR practices exists in a continuum relationship between the dual role of HQ as a receiver and diffuser in forward and reverse diffusion, and the dual role of the subsidiary as a receiver and diffuser in reverse and horizontal diffusion.
2.	The degree of centralisation underpins the continuum of absorptive and diffusion capacities as they relate to each other across MNE entities.
3.	Decentralisation leads to lower absorptive capacity of subsidiaries for forward diffusion.
4.	Decentralisation leads to higher subsidiary absorptive capacities for horizontal diffusion.
5.	Centralisation leads to lower HQ absorptive capacity, but increases subsidiary diffusion capacity for reverse diffusion.
6.	Decentralisation negates the effect of the similarity of the national level of economic development of the two entities in the diffusion relationship in reverse diffusion.

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7. Chapter seven: Conclusion

This chapter concludes the dissertation, summarising the key findings and highlighting the contributions to literature and the implications for business. The limitations of the study and of the proposed continuum relationship and management competency constructs are discussed, and recommendations for future research concludes the chapter.

7.1.   Key results

At the outset, the literature proposed that the relationship between HQ and subsidiaries was significant to the IHRM transfer (Luo, 2003; Newenham-Kahindi, 2011). More specifically, it became apparent that further insights into the absorptive capacity of HQ and the diffusion capacity of subsidiaries would enhance the study of the diffusion of HR practices from subsidiaries (Kumar, 2013). Edwards and Tempel (2010) found that corporate structures, manifested by a partnership legacy in the sample of their study, influenced reverse diffusion. They went on to propose future research should investigate a curvilinear relationship between the degree of centralisation and reverse diffusion, but suggested that this proposition be validated. This study validates the relationship between centralisation and the diffusion of HR practices from subsidiaries. This study found that the MNEs centralisation decision underpins HRM diffusion across all entities, in all directions of transfer.

Furthermore, after analysis of the data and reflection upon the literature, the study concludes that the constructs relevant to diffusion from subsidiaries included absorptive and diffusion capacities of HQ and the absorptive and diffusion capacities of subsidiaries. Post analysis, a continuum relationship of the dual roles of HQ and subsidiaries is proposed, which differs across centralised and decentralised MNEs.

Centralisation enhances management competencies at subsidiary level, and so promotes its diffusion capacity. However, reverse diffusion is low, seemingly due to HQ's low absorptive capacity. The emerging market status of the centralised subsidiary studied herein led to excessive autonomy being granted by HQ due to its unfamiliarity with the market. This level of autonomy in a centralised structure, embodied by the subsidiary's regional head office influence over other subsidiaries in Africa, was found to be unpropitious for reverse diffusion. The autonomy led to a level of isolation within the MNE which explains the low levels of reverse and horizontal diffusion.

In decentralised MNEs, the low reverse diffusion appears to be a consequence of the subsidiary's low diffusion capacity. HR management competencies are built for local

strategies rather than for global mobility, contrary to the centralised MNE's management development plan. Furthermore, while decentralisation may restrict reverse diffusion, a significant amount of horizontal diffusion occurs particularly across subsidiaries where regional structures promote this direction of diffusion. The influence of HQ leadership on horizontal diffusion was inconclusive but it is clear that these relationships are maintained without HQ intervention.

7.2.   Contribution to literature

The core underlying contribution to the literature is that the MNE's centralisation decision is a factor which influences HR practice diffusion. Literature from Thite et al. (2012) identified numerous antecedents for HR diffusion but failed to acknowledge the degree of centralisation as a distinct influencer. Edwards and Tempel (2010) proposed a curvilinear relationship between the level of centralisation and reverse diffusion, but it remained untested both quantitatively and qualitatively until now.

Moreover, Edwards and Tempel (2010) believed diffusion from subsidiaries could be simplified for academic research covering both reverse and horizontal diffusion but this study finds that the subsidiaries' diffusion capacity plays a significant role in reverse and horizontal diffusion and that it differs depending on whether the receiver is another subsidiary or HQ, based on the centralisation approach of the MNE. Centralisation therefore translates into different consequences for horizontal and reverse diffusion and the distinction between the direction of the diffusion must therefore be made, which is congruent with Michailova and Mustaffa's (2012) guideline on how to approach future academic investigations.

7.2.1.   Centralisation/decentralisation and absorptive and diffusion capacities of HQ and subsidiaries

While the study of HR practices in developed MNEs by Edwards et al. (2015) suggested that national context similarity led to more reverse diffusion, across an emerging market setting this did not appear to generate more reverse diffusion. The centralisation decision was more significant. This study gives weight to the dual roles of each entity in the MNE diffusion relationship. Previous studies have delved deeply into absorptive and diffusion capacities in isolation, when studying a particular direction of diffusion, and this study differs in that it suggests the diffusion occurs in a continuum. Varying degrees of absorptive and diffusion capacities for forward, reverse and horizontal diffusion at both HQ and the focal subsidiary, will ultimately determine the level of HR practices diffused.

Previously, Edwards and Tempel (2010) discoursed that reverse diffusion was limited by centralisation, as a result of a lack of HQ absorptive capacity after finding evidence of

HQ staff feeling threatened by strong HR capabilities at subsidiaries. This was the case for developed markets covered in their study. This study considered centralisation in an emerging market and found low HQ absorptive capacity too. The perception of HQ HR staff held by some of the subsidiary staff in this study provides a possible explanation for the aforementioned claim by Edwards and Tempel (2010) in seeing the capabilities at HQ as focused on "*run of the mill HR*." A further insight of this study is that the subsidiary staff of the centralised MNE regarded competencies from other subsidiaries as equal to, or even better than, HQ. This apparent lack of need for HQ, for the subsidiary to receive new practices or information, could explain the low absorptive capacity from HQ, and consequential threat emphasized by Edwards and Tempel (2010).

A conceptual framework is proposed to initiate the academic study of the continuum relationship of the dual roles of HQ and subsidiaries, and their diffusion and absorptive capacities to understand the diffusion of HR practices from subsidiaries. This framework is based on the propositions raised in the summary of the analysis of findings in section 6.7, and is illustrated in Figure 12 on page 101. It borrows from terminology, and maintains consistency with the understandings of the terms, from the works by Bartlett and Ghoshal (1986), Kumar (2013), McGuinness et al. (2013) and Rabbiosi (2011). The former authors focused on the subsidiary as a diffuser but the model of this study considers both HQ and the subsidiary in terms of the diffusion of HR practices.

Kumar (2013) defined subsidiaries as Global Innovators when they were able to offer practices and information applicable to other entities in the MNE, and Integrated Players when diffusion from the subsidiary occurred to a lesser extent. McGuinness et al. (2013) constructed a conceptual model for knowledge transfer, which was discussed in Chapter two, differentiating between a Global Innovator, a Local Innovator, an Implementer and an Integrated Player. Prior to that Rabbiosi (2011) posited three categories for subsidiaries, namely; contributor, innovator and implementer subsidiaries.

In this proposed conceptual model, the Centralised MNE's HQ has the traits of Global Innovators, while the decentralised MNE's HQ is primarily concerned with patriarchal and coordination duties (evidenced in the data discussed in sections 5.3.2 and 5.3.3 on pages 43 and 46 respectively) and is thus labelled as a Global Standardiser.

The centralisation approach provides two views of subsidiaries. In terms of vertical diffusion, the subsidiary acted as an Integrated Player translating into a loss of reverse diffusion and high levels of forward diffusion. The loss of reverse diffusion stems from HQ's low absorptive capacity. In terms of horizontal diffusion, the subsidiary acted as a Local Innovator, with very low levels of diffusion and absorptive capacity for anything

outside of the HQ-subsidiary relationship. In this study, the Innovator label differs from former studies in that it was found in decentralised MNEs, as opposed to centralised MNEs. However, as a regional head office, this subsidiary had significant autonomy which allowed it to experiment and innovate, unfortunately, to the point of isolation from other subsidiaries.

The decentralised MNE approach translated into Local Implementers for forward diffusion. However, there was significant push back from some of the larger more profitable subsidiaries, and consequently low absorptive capacity, reducing forward diffusion which occurred predominantly for the purpose of standardisation. The management competence kept reverse diffusion capacity low as their focus was on local strategy. Geographical proximity, regional structures and possibly the similarity in the level of economic development may all be driving forces resulting in Contributor Subsidiary status and more horizontal diffusion.

Figure 12: Continuum of diffusion-absorptive capacities across centralised/decentralised MNEs, and the role of the entity in diffusion. Source: Author's own; adapted from McGuinness, Demirbag and Bandara (2013) model, Rabbiosi (2011) classification of subsidiaries developed from Bartlett and Ghoshal (1986), as well as findings of this study.

	CENTRALISED MNE	DECENTRALISED MNE
VERTICAL DIFFUSION	HQ = GLOBAL INNOVATOR FD Diffusion capacity HIGH RD Absorptive capacity LOW	HQ = GLOBAL STANDARDISER FD Diffusion capacity HIGH RD Absorptive capacity LOW
	SUBSIDIARY = INTEGRATED PLAYER RD Diffusion capacity HIGH FD Absorptive capacity HIGH	SUBSIDIARY = LOCAL IMPLEMENTER RD Diffusion capacity LOW FD Absorptive capacity LOW
HORIZONTAL DIFFUSION	SUBSIDIARY= LOCAL INNOVATOR HD Diffusion capacity LOW HD Absorptive capacity LOW	SUBSIDIARY = CONTRIBUTOR HD Diffusion capacity HIGH HD Absorptive capacity HIGH

ABSORPTIVE AND DIFFUSION CAPACITY CONTINUUM

FORWARD DIFFUSION (FD) HIGH

REVERSE DIFFUSION (RD) LOW

HORIZONTAL DIFFUSION (HD) LOW

FORWARD DIFFUSION (FD) LOW

REVERSE DIFFUSION (RD) LOW

HORIZONTAL DIFFUSION (HD) HIGH

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7.2.2. Centralisation/decentralisation and the competence of management for diffusion from subsidiaries

Foss et al. (2012) reviewed literature looking at the network-view of MNEs and concluded suggesting either a hierarchical, centralised organisation or a decentralised, autonomous organisation rather than a network-MNE, to reduce the negative consequences of HQ intervention. However, the case of the developed MNE in this study shows that the centralisation recommendation does not eliminate the intervention hazards of HQ, while the decentralised approach appeared to have no evidence of intervention hazards. In the decentralised MNE, many of the interventions were requested by subsidiaries which had insufficient resources or capability. The fact that the centralised MNE data considered a developed HQ-emerging subsidiary feature may be significant to the prevalence of negative consequences of HQ intervention, contrary to Foss et al. (2012), and suggests an area for further study.

Particularly in emerging markets where the data has shown that the availability of expatriates is affected by the country attractiveness (Thite et al., 2012) and the regulations prohibit the extensive use of expatriate managers, former developed market HR diffusion strategies are not effective or even possible. The data also discussed a preference for using locals as Heads of HR as the role had significant government relations priorities. Supportive of Harzing et al. (2015), the prevalence of TCNs presented more horizontal diffusion in the decentralised MNE, while low levels of expatriates and inpatriates resulted in low levels of reverse diffusion. In the developed MNE, expatriates led to more forward diffusion.

This study found that management competencies are developed in line with the centralised/decentralised arrangement of the MNE, perpetuating the low level of reverse diffusion. The centralised MNE trained and developed managers for international mobility while the decentralised MNE focused on the local strategy and needs of the subsidiary, even in terms of training from HQ. This contributes to the understanding of the frustration in the data from the centralised MNE subsidiary in being unable to diffuse in line with its capacity to do so, as well as the low levels of diffusion capacity in decentralised MNE.

7.3. Implications

The findings herein pose in an interesting dilemma for HR executives as the decision to centralise/decentralise the MNE lies with the executive committee at HQ. At best therefore, it may be more relevant for HR executives to understand the MNE's predisposition to generate diffusion of HR practices from its subsidiaries, based on its

centralisation approach. In order to promote diffusion of HR practices within those constraints, strategies should focus on global staffing, management developments and incentives.

7.3.1. Implications for HR managers at decentralised MNEs

In a decentralised MNE, even when efforts are made to centralise parts of HR, the strategic decentralisation of the business overwhelms the matrix set up and causes frustrations for HQ as subsidiary staff default to their decentralised chain of command. Understanding the impact of decentralisation is therefore pivotal to leveraging from subsidiaries' HR practices. In understanding that the subsidiaries' diffusion and absorptive capacities for horizontal diffusion exceeds its capacities for reverse diffusion in decentralised MNEs, HQ HR should carefully consider its role and investment into platforms for the acquisition of reverse diffusion.

Relationships are maintained across subsidiaries in a decentralised structure, without HQ coordination but electronic platforms for initial connections are important. What is important is to develop a global mindset for individuals at the subsidiary level so that the burden on HQ for horizontal diffusion is shifted from HQ to the subsidiary.

Regional heads do however play a vital role in coordinating forward diffusion and help keep HQ involved in subsidiary activities. They could be effective cultural changers. Beyond the leadership of regional heads, in order to promote horizontal diffusion and build capacities in subsidiaries, HQ should invest more in TCN mobility, particularly within regions. This would improve the global mindset capability beyond current model of training at HQ as the HR roles at subsidiaries of a decentralised MNE are very different from the roles at HQ and pockets of excellence may be unexploited. At the subsidiary level, for HR managers to benefit from the international scope of MNEs and receive HQ attention, they need to be willing to initiate diffusion and develop their experience laterally.

The default position for vertical diffusion in a decentralised MNE suggested by this dissertation is Global Standardiser HQ – Local Implementer Subsidiary and even as a Local Implementer, the subsidiary's absorptive capacity for forward diffusion is low. Therefore forward diffusion becomes a standardising and coordination exercise. For more diffusion in the opposite direction, the entire continuum of HQ diffusion and absorptive capacity and subsidiary diffusion and absorptive capacity will need to change. For more horizontal diffusion to occur, HQ need merely ensure TCNs form part of the global staffing strategy and invest in subsidiary-subsidiary relationships. In order to

promote more diffusion, measurement and reward can guide these changes, as has been suggested in the data.

7.3.2. Implications for HR managers at centralised MNEs

Most notably, this study reveals that an overwhelmingly positive foundation for novel HR practices is formed at the subsidiary when centralisation is combined with a significant level of autonomy. However, this does not translate into reverse or horizontal diffusion when the subsidiary is based in an emerging market. HR executives at HQ are therefore cautioned against liability of foreignness biases. Likewise, the lesson for HR executives at the emerging market subsidiaries is to consider the applicability and flexibility in developing new practices, so that they are geared for HQ attention, should they want to attract and maintain HQ attention.

As per Rabbiosi (2011), coordination mechanism decisions for reverse diffusion are dependent on the level of autonomy at the subsidiary with more face-to-face platforms increasing reverse diffusion in Innovator subsidiaries, more so than Contributor subsidiaries. The data shows that centralised MNEs build reverse diffusion capacity but then do not benefit from this investment in HR capability at the subsidiaries. As as result, Innovator subsidiaries are a feature of centralised MNEs. More investment is required in international assignments to HQ or other subsidiaries in order for the MNE to benefit from the Innovator subsidiary HR practices. Furthermore, Rabbiosi (2011) and the data indicated that if this diffusion from subsidiaries became a priority for the MNE, the subsidiary should be included in the design of the diffusion mechanisms.

7.4. Limitations

The study aimed to explore novel understandings of the diffusion of emerging market HR practices across MNEs and the findings uncovered a new line of grounded theory. The small sample size therefore requires that future empirical testing is conducted to establish rigour and confirm the proposed conceptual argument that diffusion of HR practices from subsidiaries occurs in a continuum of the dual roles of HQ and subsidiaries as both are receivers and diffusers of HR practices and that this continuum is underpinned by MNE's centralisation decision.

The impact of a developed HQ-emerging subsidiary relationship in the centralised MNE may have had consequences beyond the centralisation theory proposed by this study, which could not be isolated and removed from the findings. Rather, it forms part of the context and adds to the knowledge on the diffusion of HR practices from emerging subsidiaries in developed MNEs.

The critical realism approach of these case studies allowed for validity of the data to be present in how different perspectives built the argument, based on the sample's varied experiences with the constructs and the researcher's observed reality. To this end, the interviews were recorded and transcribed, including data on clear signs of extreme behaviour during interviews to ensure descriptive validity (Huberman & Miles, 2002). The constructs of the proposed theory are broadly accepted as relevant to the diffusion of practices, bringing legitimacy and theoretical validity to the study (Huberman & Miles, 2002). However, the relational aspect of the constructs are novel and fundamentally proposes new theory.

Furthermore, institutions and the macro environment specific to Africa may have focused the findings for deeper insights within those parameters as both MNEs were from the same industry and the dataset covered only African operations. This study has other inherent limitations, as a qualitative study, which are outlined in section 4.7 on page 31. Most significantly, the issue of generalisability remains a key criticism for qualitative studies and therefore naturally of this study too. Huberman and Miles (2002, p.52) defines generalisability as "the extent to which one can extend the account of a particular situation or population to other persons, times, or settings than those directly studied" and explain that theoretical sampling already hinders this applicability. The proposed theory is defined within the parameters of the study, as that is the deep, valid meaning the researcher set out to gain. Posterior validation through qualitative studies could therefore allow for generalisability.

7.5. Recommendations

A full list of propositions from this study closed section 6.7 on page 96 for further quantitative testing. Over and above these, there are two particular streams of research recommended. The first suggestion sits at an organisational level. The data discussed the degree of centralisation varying over time. Also, decentralisation appears to be the chosen approach to emerging markets due to the relevative newness and complexity of the markets. However, as MNEs gain more experience in those markets, this approach may become more centralised. It would therfore be beneficial to observe diffusion from subsidiaries in a longitudinal study exposing the changes, if any, or the strength of the legacy of centralisation/decentralisation in the diffusion of HR practices from emerging markets.

Secondly, in line with the justification by Thite et al. (2012) that more research is required for management paradigms of emerging MNEs as the former modes of operation and academic models are not easily applicable to emerging markets, a management-level

study is recommended. In particular, the investigation of horizontal diffusion of HR practices through global staffing strategies should add to the promotion of HR practice diffusion in decentralised MNEs, as this phenomenon seems to be more relevant than reverse diffusion. Leading on from the recommendation by Harzing et al. (2015), more work exploring the role of TCNs for HR practice diffusion is recommended. In particular, this study suggests that the role of TCNs should be explored in the context of decentralised MNEs, for the horizontal diffusion of HR practices.

7.6.   Closing remarks

These case studies provided in-depth insights into the circumstances surrounding the transfer of HR practices from emerging market subsidiaries. The dearth of African HRM case studies was recently conveyed by Cooke, Wood and Horwitz (2015) and so this research is relevant and the hope is that these findings shed light on how MNEs can learn from its emerging market subsidiaries.

The findings concluded that the MNE's centralisation decision influences the absorptive and diffusion capacities of the MNE entities, which result in the multi-directional diffusion of HR practices. The conceptual framework proposed built upon these findings may not be limited to emerging markets, and so further exploration is suggested.

8. References

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Appendix A: Interview guideline

Introduction and Background Information

• Welcome

• Discuss confidentiality of information

• Explain the purpose of interview and purpose of research

• Request to audio-record the interview

1. Please tell me about your personal career and any experience living, studying our working outside of your current residence.

2. Please explain how the business model (product/business lines) differs from headquarters?

3. Which skills and competencies are in your HR team?

4. How have HR practices changed during your tenure?

5. Please tell me about how HR policy and practices are derived/set in your business?

6. Differences in HR requirements for subsidiaries and headquarters.

   a. Please discuss any incidences when your requirements were not met by headquarters HR practices.

   b. How do subsidiaries respond when their requirements are not met by headquarters?

7. Please discuss how HR influences top management decisions at headquarters and at home.

8. Please describe your interactions with…

   a. For subsidiary: the HR team at headquarters.

   b. For headquarters: the HR team at the subsidiary.

9. What is the best way for an HR manager at the subsidiary level to receive attention from HR at headquarters?

10. Please provide examples of how you collaborate…

    a. For subsidiary: with other subsidiaries/with headquarters.

    b. For headquarters: with the HR team at the subsidiary.

Appendix B: Consent form

I am conducting research on International Human Resource management, and am trying to find out more about the way practices are diffused from subsidiaries to the headquarters. Our interview is expected to last about an hour and a half, and will help us understand how we enhance international HR practices at multinationals. **Your participation is voluntary and you can withdraw at any time without penalty**. Of course, all data will be kept confidential.

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

Researcher name: Jackee Downs
Research supervisor: Prof Albert Wöcke (wockea@gibs.co.za)
Email: jackeed@gmail.com
Phone: 083 678 5767

If you agree to participate in the interview, for it to be recorded, and for your quotations to be used in the report (anonymously), please complete the section below:

Name of participant: _____

Signature of participant: _____

Date: _____

Signature of researcher: _____

Date: _____

Appendix C: Final list of codes indicating interview of origin

	Interview coding book	First added
1	Autonomy: contrary to high integration	Interview 1
2	Autonomy: HQ prerogative	Interview 1
3	Autonomy: limitations	Interview 1
4	Autonomy: subsidiary appetite	Interview 1
5	Expats	Interview 1
6	Financial performance	Interview 1
7	Forward diffusion: global changes with local input	Interview 1
8	Forward diffusion: high growth, low standardisation	Interview 1
9	Forward diffusion: reduced standardisation: proven sub ability	Interview 1
10	Forward diffusion: slow growth, highly standardised business	Interview 1
11	Forward diffusion: standardisation	Interview 1
12	Forward diffusion: sub business life-cycle	Interview 1
13	Horizontal diffusion: role of HQ	Interview 1
14	Matrix	Interview 1
15	Reverse diffusion: individual motivation	Interview 1
16	Reverse diffusion: inpat	Interview 1
17	Subsidiary: "taker" view	Interview 1
18	Subsidiary: communication with HQ & other subs	Interview 1
19	Subsidiary: competencies	Interview 1
20	Subsidiary: high dependence on HQ	Interview 1
21	Subsidiary: importance of HR	Interview 1
22	Subsidiary: level of satisfaction with comms & networks	Interview 1
23	Subsidiary: view of collaboration	Interview 1
24	Control	Interview 2
25	Culture effect on diffusion	Interview 2
26	HQ: attention	Interview 2
27	HQ: level of satisfaction with comms	Interview 2
28	Infrastructure	Interview 2
29	Showcasing	Interview 2
30	Structure	Interview 2
31	Incompatibility of practices: regulation	Interview 3
32	Compatibility of practices: regulation	Interview 3
33	Reverse diffusion: competence > HQ	Interview 3
34	Horizontal diffusion: appetite of subsidiaries	Interview 3
35	Reverse diffusion: regulation barrier	Interview 3
36	Reverse diffusion: appetite of subsidiaries	Interview 3
37	Reverse diffusion: business performance barrier (closed)	Interview 3
38	Reverse diffusion: networking enabler	Interview 3
39	Culture: subsidiary specific	Interview 4

40	Subsidiary: low dependence on HQ	Interview 4
41	Reverse diffusion: international assignees from HQ	Interview 4
42	Autonomy: medium level of integration	Interview 4
43	Diffusion enabler: international experience	Interview 4
44	HR staffing: low international assignments	Interview 4
45	Diffusion enabler: individual motivation	Interview 4
46	Diffusion enabler: informal networks	Interview 5
47	Diffusion enabler: HQ coordination	Interview 5
48	Reverse diffusion: structural enabler	Interview 5
49	Reverse diffusion: sub ability to experiment	Interview 5
50	Diffusion enabler: geographical distance	Interview 5
51	Autonomy: local initiative	Interview 5
52	Individual: view of him/her self	Interview 5
53	Reverse diffusion: experiment due to insufficient HQ resource	Interview 5
54	Us and them language	Interview 5
55	Horizontal diffusion: lifecyle stage inhibitor	Interview 5
56	Incompatibility of practices: maturity of markets	Interview 5
57	Subsidiary: "initiator" view	Interview 6
58	Macro conditions	Interview 6
59	Regulation	Interview 6
60	Autonomy: business life stage condition	Interview 6
61	Diffusion enabler: Third country nationals	Interview 6
62	Diffusion condition: government's role	Interview 6
63	Tension: local government & MNE	Interview 6
64	Diffusion enabler: view of leadership	Interview 6
65	Diffusion enabler: structure	Interview 6
66	Reverse diffusion enabler: HQ's view of subsidiaries	Interview 6
67	Interesting quote	Interview 7
68	HQ: support	Interview 7
69	Accountability	Interview 7
70	Forward diffusion: resistance/push back	Interview 7
71	Diffusion consequence: individual benefit	Interview 7
72	Training from HQ	Interview 7
73	Compatibility of practices: technology	Interview 7
74	Diffusion condition: cost allocation/burden	Interview 7
75	Incompatibility of practices: technology	Interview 7
76	Dependency on HQ	Interview 7
77	Global mindset	Interview 7
78	Trust	Interview 8
79	Open communication	Interview 8
80	High volume of work	Interview 8
81	Respect	Interview 8
82	HQ-Sub relationship changing	Interview 8
83	HQ: view of collaboration	Interview 8
84	Subsidiary: serving international clients	Interview 8

85	Standardisation	Interview 8
86	Strategy	Interview 8
87	Incompatibility of practices: business type (central or local	Interview 8
88	Subsidiary: isolated from HQ by size of market	Interview 8
89	Horizontal diffusion: networking	Interview 8
90	Competitiveness	Interview 9
91	HQ: competence	Interview 9
92	emerging vs developed	Interview 9
93	Culture: from HQ	Interview 9
94	Horizontal diffusion: international assignments	Interview 9
95	Subsidiary: freedom to experiment	Interview 9
96	Stakeholder mindset	Interview 9
97	Ways of working	Interview 9
98	HQ: importance of HR	Interview 9
99	Forward diffusion: international assignments	Interview 10
100	Forward diffusion: competence at sub	Interview 10
101	Tension: HQ-Sub	Interview 10
102	Recognition	Interview 10
103	Individual performance	Interview 10
104	Experts	Interview 11
105	Reverse diffusion: international assignees to HQ	Interview 11
106	Innovation	Interview 11
107	Reverse diffusion: commerciality of practices enabler	Interview 11
108	Diffusion inhibitor: geographical distance	Interview 11
109	Autonomy: low levels of integration	Interview 11
110	Incompatibility of practices: Culture	Interview 12
111	Diffusion condition: synergy	Interview 12
112	Diffusion condition: repeatability of practice	Interview 12
113	Built with flexibility	Interview 13
114	Reverse diffusion: time burden	Interview 13
115	Partnership	Interview 13
116	Forward diffusion: competence at HQ	Interview 13
117	Horizontal diffusion: regulation barrier	Interview 14
118	Diffusion tool	Interview 14
119	Incompatibility of practices: language	Interview 14
120	Autonomy: killing diffusion	Interview 14
121	Reverse diffusion: sub view of HQ	Interview 15
122	HQ entry strategy	Interview 16