Subsidiary autonomy and performance of Chinese MNEs in an emerging market

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Abstract_____

The phenomenon of emerging market multinational enterprises (EMNEs) is becoming a new normal. How EMNEs should integrate and manage subsidiaries to perform well towards the business strategy is rarely studied. Autonomy delegation to subsidiaries was argued to be an enabling mechanism. This research explored the relationship of subsidiary autonomy and performance of Chinese MNEs in an emerging market and factors moderating the relationship.

Using questionnaires to collect data from 52 Chinese MNEs in South Africa, this research ran a set of multiple regressions to test the relationship of subsidiary autonomy and performance and its moderating factors.

The findings show: 1) greater subsidiary autonomy is associated with a higher level of performance; 2) the effect of subsidiary autonomy on performance is weakened for state-owned (SOE) subsidiaries but strengthened for privately owned (POE) subsidiaries; 3) the effect of subsidiary autonomy on performance is weakened by expatriate involvement for SOE subsidiaries but strengthened by expatriate involvement for POE subsidiaries; 4) the effect of subsidiary autonomy on performance is strengthened by organisational capability for both SOE and POE subsidiaries. State-owned MNEs should focus on improving organisational capability and building up appropriate management incentives, instead of despatching expatriates to effectively improve performance of subsidiaries in emerging markets.

Keywords: Institutional theory, state-owned enterprise (SOE), multinational enterprise (MNE), autonomy, subsidiary.

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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1.1   Introduction

Wang, Luo, Lu, Sun, and Maksimov (2014) claimed that emerging market multinational enterprises (EMNEs) have distinctive disadvantages, which affect them after foreign entry. To mitigate these disadvantages, they suggested that greater autonomy of subsidiary managers could empower them to "perform the complex learning tasks of searching, experiencing, integrating, and recombining diverse knowledge from multiple sources" (S. Wang et al., 2014, p.115). The autonomy could involve the equipping and delegation of decision-making capacity to the subsidiary by EMNEs (S. Wang et al., 2014).

Subsidiary managers have the advantage of understanding the emerging market in which they are embedded as well as their home country (S. Wang et al., 2014). Referring to more recent research, Yang and Harrigan (2015) suggested that subsidiary managers should be empowered to play a greater part in the formulation and implementation of subsidiary actions, which would assist in the development of the multinational corporation's global strategy.

In addition to being able to respond faster to "local competitive requirements than the headquarters' office can", Yang and Harrigan (2015, p. 241) pointed out that such autonomy would also enable the generation and acquisition of useful knowledge more effectively while assisting in the "development of a more appropriate strategic orientation for the entire MNC" (p. 241).

Kostova, Marano, and Tallman (2016) noted the evolution of views on the headquarters-subsidiary relationship "from a focus on administrative control and top-down directives to more encompassing consideration of other dimensions, such as normative (for example, cultures, values), strategic (for example, local strategies, subsidiary roles and mandates, reverse innovation), and intellectual (for example, not just top-down, but also bottom-up and lateral knowledge flows)" (p. 178).

Although the above arguments for subsidiary autonomy exist, one question has not been answered: How does subsidiary autonomy affect the performance of EMNEs embedded complex institutions (Meyer, Mudambi, & Narula, 2011)? In particular, how does subsidiary autonomy affect performance of Chinese MNEs? How do different factors moderate the relationship between subsidiary autonomy and performance?

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1.2 Background

UNCTAD (2015) states that as China is becoming an important country of origin for outward foreign direct investment (OFDI), Chinese multinational enterprises (MNEs) have become important investors in Africa. According to UNCTAD (2015), South Africa was the number one host country of Chinese OFDI in Africa in 2014.

While the People's Republic of China established official diplomatic relationship with the Republic of South Africa in 1998, bilateral relationships have been significantly developed to a comprehensive strategic partnership since then with China now South Africa's largest trading partner and one of the significant foreign investors in South Africa (Embassy of the People's Republic of China in the Rebulic of South Africa, 2013). As a consequence, Chinese investments in South Africa expanded from mining to IT, manufacturing, banking and the service sector in last decade (SACETA, 2015). There are now an increasing number of Chinese MNEs, such as Sinosteel, ICBC, Huawei, Hisense and FAW invested in South Africa.

The fact that South Africa and China are members of the BRICS countries and are also emerging markets (EMs) gives a broad context to study the international business strategy of emerging market multinational enterprises, especially in an emerging market with highly complex institutional forces. The Chinese MNEs witnessed dramatic changes of post-apartheid South Africa since the early 1990s.

As one of the earliest investors into South Africa, Sinosteel started its first joint venture in South Africa in 1997, one year ahead of the establishment of official diplomatic relationships (ASA Metals (Pty) Ltd, 2010). During the last 20 years, Sinosteel witnessed the improvement of bilateral relationships between South Africa and China, the introduction and enforcement of BEE laws, and the social emphasis on access and equity in economic policy of South Africa. In addition to witnessing these changes, the company's expatriate managers have had to "perform the complex learning tasks of searching, experiencing, integrating, and recombining diverse knowledge" (S. Wang et al., 2014) to adapt to the dramatic changes of South Africa.

The dynamics of South Africa and the period in which some Chinese MNEs have been in the country makes this an opportune time to study the OFDI of Chinese MNEs in an emerging market like South Africa and their performances. This study could contribute toward the understanding of international business (IB) strategy and strategic evolvement of EMNEs.

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1.3   Research motivation

The rationale behind this research is from both a managerial and a theoretical perspective. On the managerial side, the EMNEs phenomenon is becoming a new normal as Meyer and Peng (2016) suggested, although Peng (2012) also noted a lack of consensus on the capability of EMNEs to successfully run an overseas subsidiary for long periods. While, EMNE managers need to know how to integrate and coordinate the geographically dispersed subsidiaries and make sure they perform well in line with business strategy of EMNEs, it is not clear what level of control and coordination mechanisms should be adopted, particularly in the case of state-owned EMNEs.

The purpose of this research is also to understand the opportunities and challenges faced by Chinese MNEs and how they perform after the aggressive international expansions (Luo & Tung, 2007; Mutlu, Zhan, Peng, & Lin, 2015). This might require better managerial or organisational capabilities or the involvement of more expatriates to try and create a competitive advantage for the subsidiary in the host country.

On the theoretical side, extant studies on EMNEs mainly focused on pre-entry, entry model and motivations of entry (Buckley, Devinney, & Louviere, 2007; Deng, 2009; Luo & Tung, 2007; Yiu, Lau, & Bruton, 2007). There seems to be a distinct lack of studies focusing on the post-entry strategy of EMNEs. Meyer and Peng (2016) suggested that the current research focus on EMNEs should at least move towards subsidiary strategy and operations as the main challenge of EMNEs is to manage overseas subsidiaries. As one choice of subsidiary operation strategy, autonomy delegation to foreign subsidiaries was argued to be an enabling mechanism of EMNEs (S. Wang et al., 2014). The extant studies of the relationship between subsidiary autonomy and performance mainly focused on traditional developed market multinational enterprises (DMNEs) from the US, Europe and Japan (Kawai & Strange, 2014; O'Donnell, 2000).

Much of the research that had been conducted stated that delegating decision-making power to local subsidiary managers provided an incentive for them to feel more responsible for the success of the firm, thereby enhancing performance (S. Wang et al., 2014). However, many authors opposed this view by saying that autonomy increased the subsidiary's ability to appropriate rents, and this led to inferior performance (Kawai & Strange, 2014).

Furthermore, a number of factors seem to moderate the subsidiary autonomy–performance link such as state ownership, expatriate involvement and the managerial or organisational capability of the subsidiary (Kawai & Strange, 2014; Sun, Peng, Ren,

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& Yan, 2012; T. Wang, Wen, & Seng, 2014). Extant studies elicited different views on the influence of such factors on subsidiary autonomy and performance.

For example, many studies stated that the relationship between subsidiary autonomy and performance is strengthened by organisational capability (Sun et al., 2012). However, there seemed to be some debate about what the influence of ownership on subsidiary autonomy and performance was. Arocena and Oliveros (2012) argued that private enterprises have stronger incentives to maximise internal efficiency, whereas owners in public enterprises are weaker at monitoring the behaviour of managers. However, according to the institutional-based view, government involvement is one of the unique factors of Chinese MNEs because government plays a very proactive role behind OFDI (Peng, 2012).

Similarly, the influence of expatriate involvement on the subsidiary–performance link had been argued from both a positive context and negative context in many studies. Some studies suggested that expatriate involvement gave subsidiaries a competitive advantage (Sanfilippo, 2015), while others suggested that expatriates were an extended form of parent-company control, which decreased subsidiary autonomy (Peng & Beamish, 2014).

This study thus aims to find out what influence subsidiary autonomy has on the performance of MNEs; specifically, from an emerging market point of view; as such, this study aims to understand the effect of subsidiary autonomy on performance, and establish the factors that moderate this effect, in relation to theories in literature such as institutional theory, agency theory, resource-based view, amongst others. In doing so, the researcher aims to address the challenges that Chinese MNEs face, especially during current "stressful times" (The Economist, 2015).

1.4 Problem definition and purpose

In responding to Meyer and Peng's (2016) call for shifting research focus toward subsidiary strategy and operation, this research seeks to understand the operation model of Chinese MNEs to run subsidiaries overseas. In particular, how much decision-making autonomy do Chinese MNEs grant to subsidiaries in emerging markets? How does autonomy delegation influence the subsidiary performance of Chinese MNEs?

In their study of Chinese MNEs, S. Wang et al. (2014) argued that subsidiary autonomy was an enabling mechanism of EMNEs. However, they did not supply any empirical data to support that argument. The searcher intends to test the argument with empirical

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data of Chinese MNE subsidiaries in South Africa to gain a deeper understanding of the relationship between autonomy and performance of Chinese MNE subsidiaries in South Africa and into the factors moderating the relationship.

Specifically, the objectives of this research are two-fold:

- To empirically examine how autonomy affects performance of Chinese MNE subsidiaries in an emerging market;

- To identify the important factors moderating the relationship between autonomy and performance of Chinese MNE subsidiary in an emerging market.

2　Chapter 2:　Theory and Literature Review

2.1　Introduction

The purpose of this literature review is to identify key factors to understand the relationship between subsidiary autonomy and performance with different theories, which include Eclectic (OLI) paradigm theory, transaction cost theory, resource-based view, institutional-based view, and agency theory. Next, the literature review will look at the uniqueness of Chinese MNEs, define the concept of subsidiary autonomy, and explain the need for subsidiary autonomy. The study will finally focus on the factors that affect subsidiary autonomy and the performance of Chinese MNEs in an emerging market.

2.2　Theories to understand EMNEs

The term multinational enterprises (MNEs) had been used interchangeably with the term multinational corporations (MNCs). In defining multinational corporations, Chiao and Ying (2013) indicated that MNEs "consist of a parent company and a group of subsidiaries spread all over the world with different goals" (p.652). Since the 1990s, MNEs originated from emerging economies and developing countries such as China and India have increasingly populated the global competitive environment (Satta, Parola, & Persico, 2014).

According to Luo and Zhang (2016), definitions of an emerging market included less developed countries, developing countries, newly industrialising countries, emerging economies, as well as transition economies. Luo and Tung (2007) defined emerging market multinational enterprises (EMNEs) to be firms originating from emerging markets engaged in the outflow of foreign direct investment (FDI), effectively controlling their international activities, while focusing on value-adding activities.

Five theories have been discussed to understand the factors that could affect the success of EMNEs.

2.2.1　The Eclectic (OLI) Paradigm

Hennart (2012) suggested that the eclectic paradigm, known as Dunning's OLI model, was the most influential approach in the IB study of MNEs. The OLI model (Dunning, 1988) identified three conditions for firms to expand globally:

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1.   Ownership (O) or firm-specific advantages: The firm must own certain, specific advantages that can compensate to compete with firms within the host country. These ownership advantages can be proprietary ownership of specific asset and capacity to capture the transactional benefit.

2.   Locational (L) or country or regional advantages. The host country must have locational advantages. It is in the best interest of the firm to combine its ownership, internalisation and locational advantages.

3.   Internalisation (I) advantages: The firm must choose to exploit its ownership advantages within its own organisation to prevent external market failure.

Following the OLI theory, Dunning (1988) also suggested three primary motivations of IB: market-seeking, resource-seeking and efficiency-seeking.

Based on the OLI model, the advantages of MNE are classified into firm-specific advantages (FSAs) and country-specific advantages (CSAs) (Rugman, 2009; Rugman & Verbeke, 2001). However, Hennart (2012) and Ramamurti (2012) suggested that the original OLI model inferred from developed markets was not suited to, or had to be extended to explain the internationalisation of EMNEs. Dunning and Lundan (2008) later expanded the model to incorporate the institutional based ownership advantage (Oi) and location advantage (Li). Oi refers to capabilities dealing with formal and informal institutions by firm's own enforcement mechanism. Li refers to institutionally related location advantages of countries.

2.2.2   Transaction Cost Theory

The first application of transaction cost theory to a MNE study was made by Hennart in 1977 (Hennart, 2010). Martin (2013) suggested that transaction cost theory and its application into IB study was a compelling explanation for entry model choice of MNEs.

A transaction, which is the basic unit of the transaction cost economics (TCE) framework, can be defined as the transfer of goods and services between parties (Vachani, Doh, & Teegen, 2009). Transaction cost theory was originally developed in order to explain why companies exist and persist in a market, but was extended to explain internal organisational and management practices (Ghoshal & Moran, 1996).

The transaction cost theory explores the interaction between companies and external environment through a contractual approach (Williamson, 1979). According to

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Filatotchev and Wright (2011), for MNE research, the relevant transaction costs should not only include *ex post* costs of the various activities of the parties involved in the respective contracts incur, but also *ex ante* costs of that look after the respective interests of the parties that structure the contract.

According to Filatotchev and Wright (2011), MNEs aim to reduce transaction costs associated with coordinating activities across national boundaries through setting up subsidiaries. Transaction cost theory is a determinant in whether subsidiaries prefer the involvement of expatriates, meaning that this theory is used to analyse the cost benefits of a transaction, and therefore used to determine whether, or why, an MNE chooses to fill subsidiary positions with local employees or expatriates. More often than not, expatriates are employed where company-specific knowledge is required, as they reduce the cost of training up local staff to meet the requirements of the organisation (Tan & Mahoney, 2006). A common claim in literature was that expatriates are an expensive resource (Sanfilippo, 2015). However, the presence of MNEs in a foreign market can be justified by its set of company-specific knowledge, which gives it a competitive advantage over local companies, and thereby overcomes the disadvantage of them being foreign, hence the use of expatriates in many EMNEs. Kawai and Strange (2014) suggested, however, that transaction costs will certainly increase when authority is transferred to local subsidiary managers "due to the possibility of their rent-seeking behaviour and bounded rationality" (p.53), unless their activities are carefully monitored and observed.

Ghoshal and Moran (1996) criticised transaction cost theory for its applicability. Some scholars also suggested that institutional and cultural contexts should also be integrated when applying the transaction cost theory to study EMNEs (Hoskisson, Eden, Lau, & Wright, 2000; Hoskisson, Wright, Filatotchev, & Peng, 2013; Martinez & Dacin, 1999).

2.2.3 Resource-based View

According to Hoskisson et al. (2000) and Peng (2001), the resource-based view of the firm had been one of the most insightful theories in strategic management and international business research. The theory, introduced by Penrose (1959) and enhanced by Wernerfelt (1984) and Barney (1991), focused on the firm's resource endowment and deployment in order to create a sustainable competitive advantage (Barney, 1991; Wernerfelt, 1984).

Wernerfelt (1984) analysed the firm from the resource side rather than from the product side. Wernerfelt (1984) concluded that it was the firm's resources like brand names, in-house knowledge of technology, employment of skilled personnel, trade contacts, machinery, efficient procedures, and capital that led to higher returns over longer periods. Subsequently, Barney (1991) expanded on Wernerfelt's (1984) analysis by differentiating the resources based on four different attributes: the resource being valuable, rare, imperfectly imitable, and substitutable.

Peng (2001) identified the rapid adoption of the resource-based view into IB studies such as global strategies, subsidiary capability management, entry model and performance, emerging markets strategies, and state-owned enterprises (SOEs). Peng (2012) suggested that from the resource-based view, the lack of managerial capability of Chinese MNEs was one of their most identified weaknesses.

Coinciding with the rise of emerging markets and EMNEs in the global economy was the increasing interest of scholars in EMNEs (Peng, Wang, & Jiang, 2008). Consequently, a new institutional-based view was becoming the third leg of the strategy tripod, together with an industry-based view and resource-based view (Peng, Sun, Pinkham, & Chen, 2009).

2.2.4   Institutional Theory

Peng et al. (2009) identified institutional theory as one of the emerging theoretical lenses in strategic management studies. The rise of institutional theory was pioneered by North (1990) and Scott (1995). North (1990, p.3) defined institutions as "the rules of the game in a society or, more formally are the humanly devised constraints that shape human interaction", whereas Scott (1995, p.33) defined institutions as ''regulative, normative, and cognitive structures and activities that provide stability and meaning to social behaviour''.

Institutions can be divided into formal and informal institutions, where formal institutions include laws, regulations and rules, and the informal ones cover norms, cultures and ethics (Peng et al., 2009).

Different from the resource-based view, which focuses on resource possession and dependence, the institutional-based view of IB focuses on the institutional context. It studies not only the internal environment of the firms, but also their external institutional contexts (Kostova & Roth, 2002). Unlike transaction cost theory, which focuses on the technical environment of individual transactions, institutional theory investigates

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different border institutional contexts across countries and their impact on the strategies employed by MNEs (Demirbag, Glaister, & Tatoglu, 2007).

Figure 2. 1: Conceptual framework of foreign ownership strategies
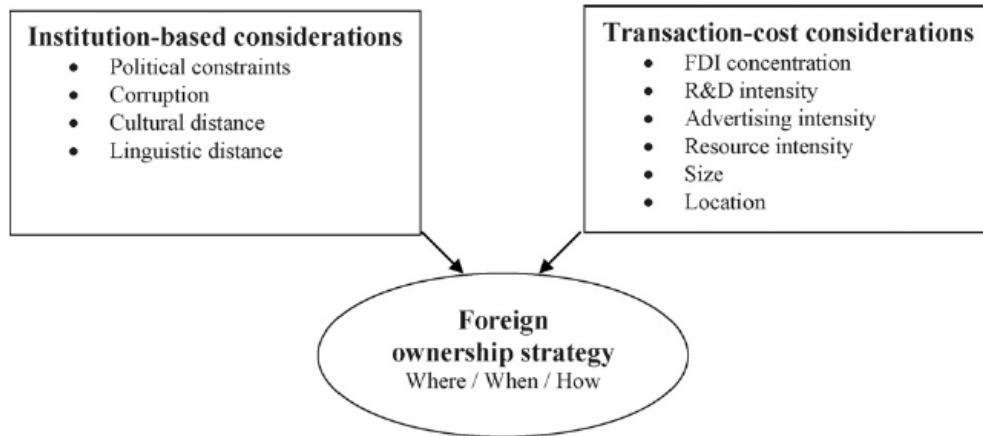
Source: (Demirbag et al., 2007)

According to the institutional-based view, government involvement is one of the unique factors of Chinese MNEs (Peng, 2012).

2.2.5 Agency Theory

In the context of international business, agency theory is used widely by scholars to study the relationship between headquarters and their subsidiaries; and it mainly focuses on the issue of headquarters' control over the subsidiaries (Filatotchev & Wright, 2011; Nohria & Ghoshal, 1994). In IB, agency theory considers how the headquarters, which plays the role of principal, optimally delegate work to the subsidiaries (agent) to perform that work (Eisenhardt, 1985).

According to Eisenhardt (1989), agency theory was mainly concerned with resolving two agency problems. The first agency problem is that the principal cannot verify whether the agent has appropriately behaved "when (a) the desires or goals of the principal and the agent conflict and (b) it is difficult or expensive for the principal to verify what the agent is actually doing" The second agency problem is that "the principal and agent may prefer different actions because of different risk preferences" (p.58).

Wiseman, Cuevas-Rodríguez and Gomez-Mejia, (2012) had also modified the original agency theory because, according to Bruce, Buck and Main (2005, p.1493), it "led to

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an overly narrow focus which may be unhelpful". Wiseman et al. (2012) proposed to incorporate an institutional perspective to extend the understanding of the principal-agent relationship within diverse contexts.

From the perspective of agency theory, expatriates play special roles within MNEs (Harzing, 2001; O'Donnell, 2000). Expatriates can exercise formal and informal control and coordination mechanisms over the subsidiary (Harzing, 2001; Tan & Mahoney, 2006) and can also play a role in knowledge transfer (Chang, Gong & Peng, 2012; Fang, Jiang, Makino, & Beamish, 2010). From the perspective of agency theory, expatriates have multiple agency relationships within a MNE (Hoenen & Kostova, 2015). For the headquarters of MNEs, the expatriate plays a role of agent. For the subsidiaries of MNEs, the expatriate plays the role of principal.

2.3   Extant study of EMNEs

Werner (2002) suggested that the choice of entry model determined whether a company had full control over the foreign unit, or whether it had to share control with a partner. Although there was no clear consensus regarding the effect of the entry model (Hennart & Slangen, 2015; Shaver, 2013), substantial progress had been made in the understanding of entry models after decades of study (Morschett, Schramm-Klein, & Swoboda, 2010; Shaver, 2013). These studies clearly indicated the determinants of entry models and the effects of different institutional factors on the entry model choice (Brouthers, 2002; Buckley, Clegg, et al., 2007; Cui & Jiang, 2012; Lu, Liu, Wright, & Filatotchev, 2014; Meyer, Ding, Li, & Zhang, 2014; Morschett et al., 2010). However, once established, the model is difficult to change due to long-term consequences for the company (Brouthers & Hennart, 2007).

Entry model studies have also contributed to IB theory. One of the best studies is Brouthers' (2002) JIBS Decade Award article - *Institutional, cultural and transaction cost influences on entry mode choice and performance*. In this study, Brouthers (2002) proposed that performance measurement should include both financial and non-financial dimensions.

As EMNEs are characterised by unique motivation compared to the traditional MNEs originating from developed markets (Buckley, Clegg, et al., 2007; Luo & Tung, 2007; Peng et al., 2008), the motivation of EMNEs' OFDI is multidimensional, and mainly driven by market seeking, resource seeking and strategic asset seeking purposes (Buckley, Clegg, et al., 2007; Luo & Tung, 2007; Peng et al., 2008).

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In studying the rationale for strategic-asset-seeking M&A by Chinese MNEs, Deng (2009) presented four propositions: role of government; escaping responses to the home country; corporate value and norms; and stimulus of inward FDI as possible determinants of the entry model.

Luo and Tung (2007) presented a springboard perspective to understanding the motivations of EMNEs. In this study, Luo and Tung (2007) claimed that for optimal success, EMNEs would be well-advised to use international expansion as a springboard to get hold of strategic assets. These assets would consist of natural resources, technology, know-how, research and development facilities, managerial experience and human capital, brands, consumer bases and distribution channels. S. Wang et al. (2014) suggested that EMNEs were more likely to delegate decision-making capacities to their subsidiaries due to these springboard motivations and lack of managerial expertise.

2.4   Uniqueness of Chinese MNEs

Satta et al. (2014) suggested that due to their latecomer status, EMNEs launch their main FDI projects in culturally distant countries in order to gain a wide geographic scope quickly. Anderson, Sutherland, & Severe (2015) suggested that EMNEs, including Chinese MNEs, use FDI to acquire brands, technology, and skilled management. However, unlike developed market MNEs, EMNEs do not have enough experience in the purchase of ready-made networks, technology, and managerial skills, nor do they have the innovative and absorptive capacity to exploit externally acquired knowledge sources to their advantage.

On the other hand, Anderson et al., (2015) reported that Chinese MNEs were aware of these weaknesses and approach integration management of their foreign acquisitions with a "light touch" (p. 759). It was suggested that Chinese MNEs typically keep the existing management in position after an acquisition, thus the firm enjoys a certain level of autonomy.

Peng (2012) argued that Chinese MNEs are at least relatively unique in:

1.   The importance of MNE's home country governments of MNEs as an institutional force, which had so far not been recognised. The home country government could play both positive and negative roles behind MNEs by promoting OFDI, through supplying financial incentives, risk-safeguard mechanism, information service, direction guidance, and simplifying approval processes (Luo, Xue, & Han,

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2010). The policy of the home country government could also induce capital round tripping to take opportunities at home (Peng, 2012).

2. The challenge faced by MNEs when going abroad without having "significantly superior technological and managerial resources" (Peng, 2012, p.97). The traditional OLI paradigm identified possession of superior technological or managerial resources as antecedents of globalisation. However, the OFDI of EMNEs were triggered by seeking strategic assets instead of exploiting existing assets (Luo & Tung, 2007).

3. Situations when the market was primarily entered with high-profile acquisitions. Some researchers argued that acquisitions were a primary entry model used by EMNEs (Sun et al., 2012). EMNEs could quickly acquire strategic assets through M&A, but the challenge was how to integrate them in the post-acquisition phase (Peng, 2012).

Bruton, Peng, and Xu (2015) as well as Meyer et al. (2014) asserted that SOEs play very significant roles in the OFDI from China. Research done by Goldeng, Grünfeld and Benito (2008) indicated that SOEs have less effective means to instruct and direct the actions of their managers, and that SOE management may not be as proficient as the management in privately owned enterprises (POEs). This research will investigate how state ownership affects performance of an autonomous subsidiary embedded in different institutional forces.

2.5   Subsidiary autonomy

De Jong, van Dut, Jindra and Marek (2015) pointed out that as MNEs typically operate subsidiaries in different geographical locations to exploit location-specific advantages of the host country, MNE headquarters may need to grant decision-making autonomy to subsidiaries in order to enable them to respond to changes in local circumstances.

Chiao and Ying (2013) suggested that in the past, the parent company was considered the brain, which directed the activities of subsidiaries to operate strictly according to plans. They suggested that this role had changed over the past few years, and that the parent company was now looked at as the heart, which took charge of coordinating and integrating internal business activities by providing subsidiaries with the resources required for their operation, and encouraging them to make profit for the company.

Chiao and Ying (2013) noted that, as a consequence of their status, subsidiaries operate within two network systems. One of these is the internal network formed with

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their parent companies and other subsidiaries, and the other is the external network formed with customers, suppliers and the host country.

Kawai and Strange (2014) indicated that subsidiary autonomy could be defined as the degree to which subsidiaries possess strategic, functional and operational decision-making power relative to their parent companies. Greater autonomy implies that subsidiary managers have more freedom to "leverage firm specific resources such as technology, knowledge, finance and human capital" (p.510).

2.5.1   Autonomy antecedents

Michailova and Mustaffa (2012), and Mudambi, Pedersen and Andersson (2014) suggested that subsidiaries are becoming the central point of examination by scholars and are increasingly described as partially autonomous entities with the power to shape strategy within MNEs. De Jong et al. (2015) classified three sets of autonomy antecedents;

1.   Strategic role of the subsidiary, including subsidiary position in the MNE network, subsidiary knowledge competence, and size;

2.   Control structure of MNEs, including direct control through parent representatives, ownership, entry model, and motivations;

3.   Operating context of subsidiary, including economy structure, institutions, and type of industry.

S. Wang et al. (2014) found that subsidiary autonomy delegation was higher among firms that relied on foreign markets as a springboard to acquire strategic assets, and whose top managers at headquarters perceived high domestic institutional constraints which did not count on government assistance to expand internationally.

2.5.2   The need for subsidiary autonomy

Kostova et al. (2016) indicated that the study of how MNEs coordinate and control their geographically dispersed subsidiaries was central to the field of international management. Yang and Harrigan (2015) stated that determining an appropriate level of autonomy for MNE subsidiaries was an ongoing and controversial topic as the thinking that persisted was that a top-down approach, which meant that the parent company maps the functions of all its subsidiaries. This was further reiterated by Kostova et al., (2016), who pointed out that early studies took a clear headquarter-central perspective

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to investigate the control mechanisms for organising and coordinating MNEs' foreign activities.

Kostova et al., (2016) noted that with improvements in information and communication technology, decreasing barriers to trade and investment, and increasing organisational experience with international operations, MNEs evolved their control mechanism from being more bureaucratic and formal, to being more networked and informal. Yang and Harrigan (2015) suggested that autonomous subsidiaries can respond to local competition faster than the parent company, thereby more effectively enabling useful knowledge generation and acquisition and influencing the development of a more appropriate strategy for the whole MNE. Having studied various foreign subsidiaries in China, Tian & Slocum (2014) claimed that headquarters of MNEs would be well-advised to grant more autonomy to subsidiaries, which would enable them to craft effective strategies that could respond better to local requirements.

For EMNEs, subsidiary autonomy could be a strategic mechanism to overcome the EMNE's weaknesses after foreign entry (S. Wang et al., 2014). The EMNEs could delegate subsidiary autonomy in performing the learning functions necessary for overcoming resource and capability voids in the home country (S. Wang et al., 2014). S. Wang et al. (2013) suggested that an autonomous subsidiary could also distance itself from the parent's negative home-country institutional heritage.

Expanding the theoretical base of headquarter-subsidiary research and agency theory in the studying of EMNEs has the potential to significantly contribute to the theories (Kostova et al., 2016).

2.6   Performance of EMNEs

There are a number of factors that affect the performance of EMNEs, such as subsidiary autonomy, organisational capabilities, level of expatriate involvement, and state ownership.

2.6.1   Subsidiary autonomy

Picard (as cited in Chiao & Ying, 2013) suggested that well-managed relationships between the parent company and subsidiaries would allow the parent company to fully utilise the capabilities of the latter and thereby enhance the performance of the MNE as a whole.

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A study conducted by Ambos and Birkinshaw (2010) of 283 MNE subsidiaries in Australia, Canada and the UK, showed that both financial and management performance were positively related to subsidiary autonomy. This positive coefficient between financial performance and subsidiary autonomy became higher with increased headquarters' attention. On the other hand, the coefficient between management performance and subsidiary autonomy became not significant with increased headquarters' attention.

A study of 105 European subsidiaries of a Danish MNE, conducted by Tran, Mahnke and Ambos (2010), showed that performance was positively related to subsidiary autonomy. However, a study of 159 subsidiaries from Swiss and German MNEs conducted by Keupp, Palmié and Gassmann (2011) found that subsidiary performance was positively related to operational autonomy, but the coefficient was not significant between subsidiary performance and strategic autonomy.

In a study of 350 MNE subsidiaries in the UK, Germany and Denmark, Gammelgaard, McDonald, Stephan, Tüselmann and Dörrenbächer (2012) found that performance was positively related to subsidiary autonomy for the UK and Denmark samples. However, the coefficient between performance and subsidiary autonomy became insignificant for the German sample. Similarly, a study conducted by Kawai and Strange (2014) on 91 European subsidiaries from Japanese MNEs, found no significant direct relationships between subsidiary autonomy and performance. These relationships became significant under conditions of high technological uncertainty and high internal coordination.

From the extant research, it is evident that autonomy can produce positive outcomes in sales turnover, subsidiary performance, and profitability. One could, therefore, deduce that higher levels of autonomy could be beneficial to enhance the performance of EMNE subsidiaries. However, agency theory proposed that MNEs should try to control subsidiaries in unknown contexts. This was believed to reduce the risks of opportunism and uncertainty (de Jong et al., 2015).

2.6.2 Organisational capability of HR management

From the perspective of the OLI model, the multinational activity of EMNEs is non-sustainable due to lack of FSAs (Hennart, 2012). According to Scott-Kennel and Giroud (2015), FSAs can develop from research and development which lead to the innovation

of new products and processes, or they develop as a result of unique organisational structures or managerial routines.

Morris and Snell (2011) defined organisational capability of human-resource (HR) management as the ability to generate, share and implement HR management practice in a complex and shifting global environment. These concepts are described below in the context of subsidiaries of MNEs.

1.   HR practice generation capability is the subsidiary's ability to create and develop local practices that are new to the MNE;

2.   HR sharing capability is the subsidiary's ability to connect with and exchange ideas;

3.   HR implementation capability is the subsidiary's ability to implement or formalise practices from others into their existing practices.

Morris and Snell (2011) pointed out that the knowledge-based economy requires HR to be a primary contributor to a firm's competitive advantage. Sun et al., (2012) indicated that, due to lack of some EMNE's managerial capability, EMNEs had to dynamically absorb endowment of the host country through dynamic learning in order to build their comparative ownership advantage.

These authors (Morris & Snell, 2011) also indicated that the organisational capability of HR management contributes to sustainable competitive advantages. From the resource-based view, the researcher proposes that the positive relationship between subsidiary autonomy and performance will be strengthened by higher organisational capability.

2.6.3   Expatriate involvement

According to Plourde, Parker and Schaan (2014, p.940), expatriates "can bring signs of growth to the attention of the headquarters". Kawai and Strange (2014) suggested that expatriates help to reinforce understanding and shared norms between the subsidiaries and headquarters. Therefore, through expatriates a parent company could ensure that a subsidiary complies with the "organisational values and operational priorities" that it has set out (p.507).

Unlike subsidiary managers who may attribute the positive growth of the subsidiary to their own input and negative growth to market conditions, expatriates tend to be more

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committed to the parent company's strategy, and tend to have stronger ties with the parent company through "personal connections and cultural identification" (Plourde, Parker, & Schaan, 2014, p.940). Plourde et al. (2014) further suggested that, depending on where they are deployed, expatriates can help parent companies understand the structures of subsidiaries by bringing their attention to important pieces of information that may otherwise go unnoticed.

2.6.4　State ownership

Estrin, Meyer, Nielsen and Nielsen (2016) pointed out that state-owned enterprises (SOEs) can be referred to as firms that are either fully owned by the state, and thereby subjected to political agendas, or those, in which the government holds more than 50% of the equity. Xu, Lu and Gu (2014) pointed out that in China, a firm was registered as an SOE if the government, either at the central level or local level, provided the initial start-up capital.

According to Estrin et al. (2016), in contrast to privately owned enterprises (POEs), which are generally presumed to "prioritise profit oriented motives" (p. 51), the state plays a role in SOE decision making. Estrin et al. (2016) added that SOEs also differ from POEs in terms of their governance structure, their attitudes to risk, and their accessibility to resources. Estrin et al. (2016) stated that POEs invest internationally only when returns are expected to be more profitable than in the domestic market.

According to Wang, Wen and Seng (2014), ownership can be an important factor that may influence a firm's performance because SOEs are also influenced by political interests and objectives. Also, compared to POEs, the boards within SOEs are less independent, and the SOEs are "often characterised with complicated shareholding structures as well as different governance systems"(p.336).

Agency theory, as discussed previously, claimed that the separation of ownership and control leads to poor firm performance. Arocena & Oliveros (2012) argued that POEs have stronger incentives to maximise internal efficiencies, whereas owners of public enterprises are weaker at monitoring the behaviour of managers.

2.7   Research gap

In this section, the researcher identifies the research gap, in order to substantiate the need for this study.

2.7.1   Subsidiary autonomy and performance of MNEs

Kawai and Strange (2014) stated that the "decision about the appropriate balance between centralised parental control over MNE foreign subsidiaries and subsidiary autonomy has been one of the most challenging tasks for practitioners" (p.505).

Subsidiary autonomy could be a good strategy to overcome an EMNE's post foreign entry weaknesses. S. Wang et al. (2014) suggested that delegating decision-making power to local subsidiary managers provides an incentive for those managers to feel more responsible for the success of the firm. However, the potential for this is, according to Kawai and Strange (2014), compromised by the parent company's perception of subsidiary autonomy as a "loss of central control and coordination" (p.507).

While Yang and Harrigan (2015) supported the autonomy of subsidiaries, suggesting that autonomous subsidiaries can respond to local competition faster than the parent company, Yang and Harrigan (2015) believed that the ability to respond faster to local competition could enable subsidiaries to generate and acquire useful knowledge more effectively, and influence the development of a more appropriate strategy for the whole MNE. However other authors were not in support of autonomous subsidiary strategies. Mudambi & Navarra (2004) suggested that autonomy increases the subsidiary's ability to appropriate rents, which in turn leads to inferior performance. Keupp et al. (2011) also argued against subsidiary autonomy, claiming that the expansion of strategic autonomy results in headquarters having to confront high integration and coordination costs and ultimately creating the risk of subsidiary isolation from the rest of the MNE.

This suggests that higher levels of subsidiary autonomy improve performance cannot be concluded automatically. This study aims to establish whether subsidiary autonomy improves performance.

Current studies concerning the relationship between subsidiary autonomy and performance mainly focused on developed market multinational enterprises (DMNEs) originating from the US, Europe and Japan. There seems to be a paucity of studies on

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the relationship between subsidiary autonomy and performance of EMNEs such as Chinese MNEs.

While there seems to be no clear definition of subsidiary autonomy, in this research subsidiary autonomy is defined as the level of decision-making rights possessed by a subsidiary in relation to its parent company in terms of strategic, functional and operational areas (de Jong et al., 2015; Kawai & Strange, 2014; O'Donnell, 2000).

2.7.2 Organisational capability

The resource-based view suggests that the relationship between subsidiary autonomy and performance is strengthened by organisational capability. Existing studies also indicated that because of the lack of EMNEs' managerial capability, they have to dynamically absorb endowment of the host country through dynamic learning (Sun et al., 2012).

Morris and Snell (2011) defined organisational capability of human-resources (HR) management as the ability to generate, share, and implement HR management practice in a complex and shifting global environment. However, according to S. Wang et al. (2014), EMNEs are more likely to delegate decision-making to a subsidiary, when choosing the entry model due to springboard motivations. This implies that EMNEs would like to leverage organisational capability with subsidiary autonomy to achieve high performance.

2.7.3 Expatriate involvement

Tang and Rowe (2012) claimed in their study that business relatedness, in terms of the extent to which a subsidiary is related to its parent's core business, affected subsidiary performance. As a result, Tang & Rowe (2012) argued that an expatriate is then used to make sure that the business development of the subsidiary is closely aligned with the parent's core business. Harzing (2001) and Fang et al., (2010) also suggested that expatriates are often used by MNEs as tools for control and coordination.

Noting the role of expatriates, Kawai and Strange (2014) suggested that expatriate involvement improves the relationship between the parent company and subsidiaries by "enhancing reciprocal understanding and shared norms between the subsidiary and the headquarters" (p.507). In their study of subsidiary autonomy and performance in Japanese multinationals in Europe, Kawai and Strange (2014) found that when internal

coordination is improved through high expatriate involvement, subsidiary autonomy had a positive impact on subsidiary performance.

An implicit underlying assumption by Kawai and Strange's (2014) study was that an expatriate acts in the interest of the parent company. The expatriate seeks to cut internal transaction costs through coordination, which could improve the subsidiary's performance. From the agency theory perspective, expatriates actually have a multiplicity of agency relations within MNEs (Hoenen & Kostova, 2015). For the headquarters of the MNE, an expatriate plays the role of agent. For the subsidiaries, an expatriate plays the role of principal. Thus, assuming the expatriate always acts in the interest of the parent company is questionable for Chinese MNEs within different institutional contexts from Japanese MNEs.

Japanese MNEs have very special management practices and cultures such as lifetime employment and loyalty (Belderbos & Heijltjes, 2005; Hennart, 2009), it is debatable whether the finding that higher expatriate involvement can strengthen the relationship between subsidiary autonomy and performance fits Chinese MNEs.

2.8 Research framework

This research aims to investigate how autonomy affects the performance of Chinese MNE subsidiaries in emerging markets. The research also aims to identify factors moderating the relationship between autonomy and performance of Chinese MNE subsidiary in emerging markets. Paving on arguments to integrate the institutional context with transaction cost theory, resource based view and agency theory (Hoskisson et al., 2013; Peng, 2012; Peng et al., 2009; Wiseman et al., 2012), the researcher proposes a research frame to include state ownership as the institutional context to investigate the relationship between subsidiary autonomy and performance (Figure 2.2). The expatriate involvement is a factor from the perspectives of transaction cost theory and agency theory to moderate the relationship. The organisational capability is a factor from the perspective of the resource-based view of the firm to moderate the relationship. Both expatriate involvement and organisational capability should be integrated with state ownership as the institutional context, when evaluating the moderating effect on the model.

Figure 2. 2: Proposed research framework
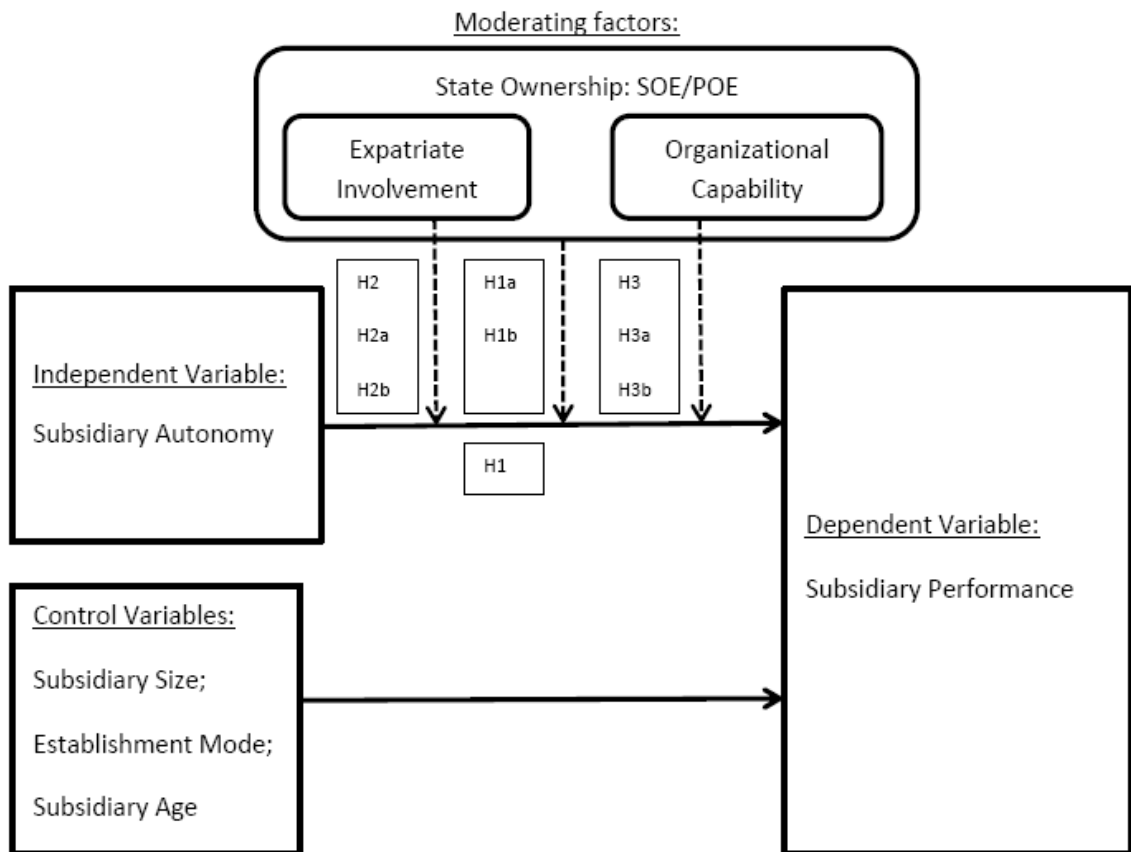
Source: Researcher's own construct

2.9   Conclusion

MNEs from emerging economies and developing countries such as China, are increasingly entering the global competitive environment. The literature review traces and studies different theories such as agency theory, and transaction cost theory, among others, to understand EMNEs' strategies. The OLI paradigm raises the question of EMNEs' sustainability, which is an important concept to be answered by the post-entry performance.

From the perspective of institutional-based view, government plays a proactive role behind OFDI. From the literature studied, it is implied that POEs perform better than SOEs, which poses the question whether government involvement is actually beneficial for the post-entry performance of EMNEs.

Furthermore, it is evident that there are a number of factors that influence the performance of EMNEs, such as subsidiary autonomy, expatriate involvement, and organisational capability, and state ownership. Transaction cost theory and agency

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theory can be linked to how expatriate involvement affects the relationship between subsidiary autonomy and performance at post-entry stage. Similarly, the resource-based view can be linked to how organisational capability affects the relationship between subsidiary autonomy and performance at post-entry stage. Much of the relevant literature seemed to be focused on developed market MNEs. This study specifically focuses on Chinese MNEs.

Additionally, the research proposes a research framework that can be used to test the relationship between subsidiary autonomy and performance and the moderating effect of factors including state-ownership, expatriate involvement and organisational capability.

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3   Chapter 3: Research Hypotheses

In Chapter 2, the researcher explored different theories to explain EMNEs' strategies. This laid down a theoretical and practical foundation for the current research on Chinese MNEs' subsidiaries in South Africa. As mentioned before, the EMNE phenomenon is becoming a new norm (Meyer & Peng, 2016). However, extant studies on EMNEs focus mainly on pre-entry, entry mode and motivation of entry. The capability of EMNE to successfully run an overseas subsidiary for the long term is still being doubted by those authors, while there is a paucity of studies on post-entry strategies of EMNEs.

As a result, this research focuses on EMNEs subsidiary post-entry operations, in particular subsidiary autonomy, as the main challenge of EMNEs is to manage overseas subsidiary.

The overall research objective of this study is to investigate whether autonomy improves the performance of Chinese MNE subsidiaries and how different factors affect the relationship between subsidiary autonomy and subsidiary performance.

In terms of the factors moderating the relationship, the researcher mainly focused on state ownership in MNE, expatriate involvement in the subsidiary and organizational capability of HR management.

Therefore, based on the theories and prior studies reviewed in the literature in Chapter 2, the researcher proposed and tested the hypotheses stated below.

Hypothesis 1: Greater subsidiary autonomy is associated with a higher level of performance (a comprehensive view).

Hypothesis 1a: The effect of subsidiary autonomy on performance is weakened for SOE subsidiaries (institutional-based view).

Hypothesis 1b: The effect of subsidiary autonomy on performance is strengthened for POE subsidiaries (institutional-based view).

Hypothesis 2: The effect of subsidiary autonomy on performance is strengthened by a higher level of expatriate involvement (transaction cost theory and agency theory).

Hypothesis 2a: The effect of subsidiary autonomy on performance is strengthened by a higher level of expatriate involvement for SOE subsidiaries (transaction cost theory and agency theory).

Hypothesis 2b: The effect of subsidary autonomy on performance is strengthened by a higher level of expatriate involvement for POE subsidiaries (transaction cost theory and agency theory).

Hypothesis 3: The effect of subsidary autonomy on performance is strengthened by a higher level of organisational capability (resource-based view).

Hypothesis 3a: The effect of subsidary autonomy on performance is strengthened by a higher level of organisational capability for SOE subsidiaries (resource-based view).

Hypothesis 3b: The effect of subsidary autonomy on performance is strengthened by a higher level of organisational capability for POE subsidiaries (resource-based view).

4   Chapter 4: Research Methodology

4.1   Research design

Research design is the master plan specifying the research methodology, data collection technique as well as data the analysis approach that will be utilised by the researcher (Yin, 2003). A quantitative explanatory method was used for this research. According to Saunders and Lewis (2012), an explanatory research focuses on analysing a particular situation or a problem to explain the relationship between variables. Quantitative research was appropriate for this study as the number of Chinese MNEs in South Africa has been growing fast during the last decade and the researcher was able to get access to lots of in-depth data of business strategies and operations of Chinese MNEs.

The aim of this research was to determine the relationship between subsidiary autonomy and performance, a quantitative explanatory research is appropriate.

4.2   Scope and unit of analysis

According to Bartlett and Beamish's (2014) definition, to be called MNE, an entity had to satisfy two qualifications: 1) the entity has substantial direct investment in foreign counties, 2) the entity is actively engaged in management of those offshore assets (Bartlett & Beamish, 2014). The scope of this research was limited to Chinese MNEs that had subsidiaries registered as companies in South Africa and the Chinese parent company was actively engaged in the management of their assets. The companies in which the Chinese parent company was only acting as a passive investor were excluded from this research.

The research focused on Chinese MNE subsidiaries. The subsidiaries were treated as active pioneers in shaping the international strategy of Chinese MNEs. The research motivation stemmed from the need to determine the relationship between subsidiary autonomy and performance of Chinese MNEs. It was appropriate to study the relationship at firm level and to choose the MNE subsidiary as the unit of analysis.

4.3   Population

The target population in this research was defined as all Chinese MNE subsidiaries. As it was not possible to obtain a complete list of the population within the limited time frame, a non-probability sampling method was used for this research(Saunders & Lewis, 2012; Z. Yang, Wang, & Su, 2006). Although there are disadvantages of non-probability sampling such as non-coverage and sampling bias, the data was collected

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from senior managers of Chinese MNE subsidiaries in different sectors to ensure that the data collected was credible and generalisable (Zikmund, Babin, Carr, & Griffin, 2013).

The researcher used the South Africa-China Economy and Trade Association (SACETA) as a source for contacts to sample. Founded on August 17, 2011, SACETA is a non-profit association with over 100 South African registered enterprises with Chinese investments as its members (SACETA, 2015). The members of SACETA represented various sectors of the local economy, such as mining, logistics, financial, manufacturing and the IT industry. SACETA's purpose is to conduct research on economic policies between South Africa and China, to share business-operating experience in South Africa, to coordinate trading activities, and to promote the economic and trade relations between South Africa and China. SACETA was only open for corporate membership and the representative of each member was a senior manager involved with the IB strategy in South Africa. Thus, the member list of SACETA was appropriate to use for sampling.

4.4 Sampling method and size

Survey questionnaires were used to gather the quantitative data. Questionnaires are an appropriate method for collecting data in explanatory research (Saunders & Lewis, 2012). A draft survey questionnaire is attached in Appendix 1 at the end of this report. Upon request of the researcher, the Secretary of SACETA distributed the questionnaires, including cover letters to its 101 members on the list of SACETA by email. Therefore, the actual sample size consists of 101 companies. After one week, the researcher made follow-up phone calls to the members to establish whether they had received the questionnaire. The questionnaire was re-sent if the sampling member did not receive questionnaire from SACETA secretary. There were 37 questionnaires re-sent after follow-up phone calls. A total of 55 responses were received before the cut-off time of data collection. The responses were collected from the senior managers, including MD, CEO, General Manager or deputy General Manager, of the members.

4.5 Measurement instrument

4.5.1 Dependent variable

In this research, subsidiary performance was the dependent variable. Following studies did by Kawai & Strange (2014) and Brouthers' (2002) on MNE performance, the researcher investigated the level of performance by means of a particular questionnaire item. The subsidiaries' senior managers were asked to report their degree of

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agreement on the following statements for financial and non-financial measures:

(1).   Our sales levels have been much better than our competitors'

(2).   Our sales growth has been much better than our competitors'

(3).   Our profitability has been much better than our competitors'

(4).   Our market share has been much better than our competitors'

(5).   Our marketing has been much better than our competitors'

(6).   Our market access has been much better than our competitors'

(7).   Our reputation has been much better than our competitors'.

These seven performance predictors were measured on a 5-point Likert scale (1 = "fully disagree" to 5 = "fully agree") and the scores were averaged into a composite measure of **Subsidiary Performance**. With a Likert scale ordinal data can be statistically analysed as continuous data (Swanson & Holton, 2005).

4.5.2   Independent variables

Building upon studies did by de Jong et al. (2015) and O'Donnell (2000) on subsidiary autonomy, the researcher investigated the level of subsidiary autonomy by means of a particular questionnaire item. The subsidiary's senior management was asked the following question: 'Indicate to what extent decisions in the following business functions the parent company authorises the subsidiary's senior management to make their own decisions', for seven different business functions:

(1).   Finance and investment

(2).   Strategic management

(3).   Operational management

(4).   Marketing and market research

(5).   Purchasing and supplies

(6).   Distribution and sales

(7).   Research and innovation

The respondents provided their answers to this question for each business function on a 5-point Likert scale (1 = "very low" to 5 = "very high") and the scores were averaged into a composite measure of **Subsidiary Autonomy (SA)**.

4.5.3   Moderating factors

The research studied three major factors which are supposed to moderate the relationship between subsidiary autonomy and performance: the organisational

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capability of HR management, state ownership and expatriate involvement in the subsidiary. The three moderating variables are defined as below.

4.5.3.1 Organizational capability

Following the study on organizational capability by Morris and Snell (2011), the researcher investigated the level of organizational capability by means of a particular questionnaire item. The subsidiary's senior management was asked to what extent, or how well its HR unit:

(1). Rapidly responded to changes in the local market environment;

(2). Locally developed new practices;

(3). Experimented with practices different from those used in other parts of the company.

(4). Participated in benchmarking activities with other HR groups in the company;

(5). Encouraged the flow of knowledge across HR groups;

(6). Shared insight with other HR groups in the company;

(7). Had a relaxed and open dialogue with other HR groups in the company.

(8). Readily implemented practices from HQ or peer subsidiary groups;

(9). Took practices from others (e.g., HQ or other parts of the HR functions) and applied them to their own operations;

(10). Formalized or institutionalized practices and ideas that come from HQ or other countries.

These ten organizational capability predictors were measured on a 5-point Likert scale (1 = "fully disagree" to 5 = "fully agree") and the scores were averaged into a composite measure of **Organisational Capability (OC)**.

4.5.3.2 State ownership

Following research on state-owned enterprises (Duanmu, 2012; Estrin et al., 2016), in this research, SOE subsidiary was defined as an entity, where both state ownership of parent company and parent-ownership of subsidiary were more than 50% or equal to 100%. POE subsidiary was defined where either state ownership of parent company or parent-ownership of subsidiary was equal or less than 50%.

4.5.3.3 Expatriate involvement

Expatriates play a role in realising the direct or indirect control of subsidiaries from MNE headquarters. Direct expatriate control is more significant for younger subsidiaries (Harzing, 2001). The young Chinese MNEs are more likely to dispatch expatriates to realise direct control of subsidiaries. Executive commission is generally a team of individuals at senior management level of a company who have the responsibility for managing day-to-day activities of the business. Expatriates in the executive commission represent the direct control of MNE headquarters. Building on expatriate involvement studies (Kawai & Strange, 2014; Tan & Mahoney, 2006), **Expatriate Involvement (EI)** is thus defined as the ratio of the number of Chinese expatriates in executive commission to that of total number of the executive commission members.

4.5.4 Control variables

The research included three control variables: subsidiary size, establishment mode and subsidiary age (Yuan, Pangarkar, & Wu, 2016). The first control variable was subsidiary size. Subsidiary size was measured as the common log of the number of total employees. The second control variable was establishment mode. This variable was measured as a binary dummy variable. A value of one was assigned when firms were wholly owned subsidiary and zero otherwise. The third control variable was subsidiary age. Subsidiary age was measured by the common log of the number of years a subsidiary had been established.

4.6 Pre-testing

Before the full sample was surveyed, the researcher distributed a draft questionnaire to five respondents who were senior managers of Chinese MNEs and who agreed to help the researcher optimise the questionnaire. The small pre-test sample was carefully chosen to make sure that test respondents were capable to give valid input and guidance. The respondents helped to correct some spelling errors and changed some academic words into more plain language to make sure that the questionnaire was not too difficult to complete (Saunders & Lewis, 2012).

4.7 Data analysis

Coded data was analysed with the IBM SPSS (Version 24) statistical software tools. Pearson's correlation and Cronbach's alpha were used to test the validity and reliability of constructs for subsidiary autonomy, performance and organisational capability (Zikmund et al., 2013). More details of the test results will be explained in Chapter 5.

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Using standard multiple regressions, the research estimated a set of regression models investigating the subsidiary autonomy-performance link and the moderating effects of state-ownership, expatriate involvement and organisational capability. The p-value was used in null hypothesis testing to quantify the idea for statistical significance of evidence. The null hypothesis was rejected when P≤0.05 and not rejected when P>0.05 (Wegner, 2012).

4.8   Research limitations

The following aspects were limitations to this study:

- The research only investigated Chinese MNEs in South Africa. Due to the limited time frame, the researcher used only Chinese MNEs as both China and South Africa are emerging markets for IB study.

- Subjective data was used for the research. However, due to the complex motivations of Chinese MNEs, the subjective financial and non-financial measure was appropriate to evaluate strategy performance of Chinese MNE subsidiaries.

- Autonomy and performance are evolutionary. Future study is needed to examine the dynamic effects of subsidiary autonomy and performance.

5 Chapter 5: Data Analysis and Results

In this chapter, the researcher presents the results emerging from the analysis of data following the survey outlined in Chapter 4 of this research. Descriptive data is presented first followed by the presentation of the results.

5.1 Sample description

5.1.1 Response rate

A total of 55 responses were received before the cut-off time of data collection. This translates to a response rate of 54%. Of the 55 completed surveys, three were returned incomplete and were omitted for data analysis purposes. Therefore, 52 qualified questionnaires[1] in total had been analysed.

5.1.2 Sample profile

Based on the Statistic South Africa's classification (Statistics South Africa, 2012), the industry distribution of the sample is shown in Table 5.1

Table 5. 1: Industry category of sampled MNE subsidiaries

	Frequency	Percent	Cumulative Percent
Wholesale and retail trade; repair of motor vehicles and motorcycles	13	25.0	25.0
Mining and quarrying	10	19.2	44.2
Manufacturing	8	15.4	59.6
Construction	3	5.8	65.4
Transportation and storage	3	5.8	71.2
Information and communication	3	5.8	76.9
Financial and insurance activities	3	5.8	82.7
Real estate activities	3	5.8	88.5

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[1] One questionnaire gave ranges of total number of employee, number of Chinese expatriate, and number of Non-Chinese employee. The researcher took the averages of those items for data analysis

Others	3	5.8	94.2
Electricity, gas, steam and air conditioning supply	2	3.8	98.1
Agriculture, forestry and fishing	1	1.9	100.0
Total	52	100.0	

The top three industry categories are: 1) Wholesale and retail trade, repair of motor vehicles and motorcycles; 2) Mining and quarrying; 3) Manufacturing.

By definition of the National Small Business Amendment Act 26 of 2003, a business is defined as a small business if its total number of employees is below 50; a medium-sized business if its total number of employees ranges between 50 and 200; a big business if its total number of employees is over 200. The size distribution of the MNE subsidiaries is shown in Table 5.2 and Figure 5.1 below.

Table 5. 2: Business size category of sampled MNE subsidiaries

	Frequency	Percent	Cumulative Percent
Small Business	28	53.8	53.8
Medium Business	12	23.1	76.9
Big Business	12	23.1	100.0
Total	52	100.0	

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Figure 5. 1: Business size category of sampled MNE subsidiaries
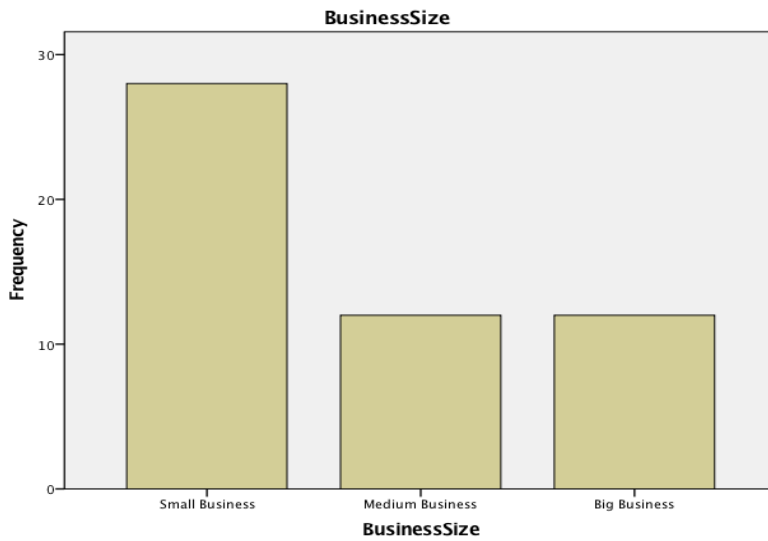
It is apparent that more than half of the Chinese MNE subsidiaries in the sample were small businesses.

The Table 5.3 and Figure 5.2 below show the distribution of years of history after establishment for the sampled MNE subsidiaries.

Table 5. 3: Years of history category of sampled MNE subsidiaries

	Frequency	Percent	Cumulative Percent
5-9 years	22	42.3	42.3
<5 years	19	36.5	78.8
10-19 years	9	17.3	96.2
>=20 years	2	3.8	100.0
Total	52	100.0	

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Figure 5. 2: Years of history category of sampled MNE subsidiaries
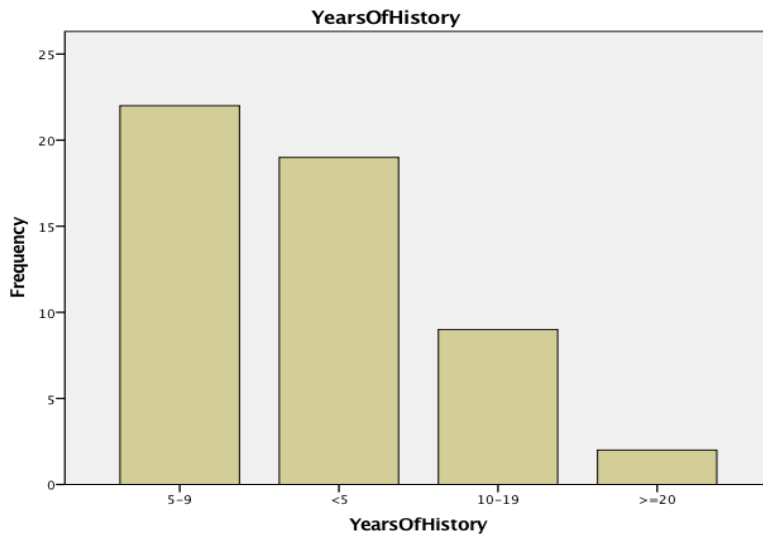
It is not surprising to find that most Chinese MNE subsidiaries in South Africa are quite young (about 80% of sampled subsidiaries have been established less than 9 years ago).

The Table 5.4 below shows the percentages of two establishment modes, wholly owned subsidiary (WOS) or joint venture (JV), for the sampled subsidiaries. The two modes are almost equal in numbers although the percentage of WOS is a bit higher than that of JVs.

Table 5. 4: Establishment modes of sampled MNE subsidiaries

	Frequency	Percent	Cumulative Percent
WOS	28	53.8	53.8
JV	24	46.2	100.0
Total	52	100.0	

The Table 5.5 below shows the proportions of different motivations of entry. Note that the items are of multiple choices and the percentages of cases are not necessarily adding up to 1. The market seeking motivation is among the first priorities for Chinese MNEs to enter South Africa (67.3%). Resource seeking, at 25.0%, and strategic asset seeking (23.1%) are also popular entry motivations for Chinese MNEs.

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Table 5. 5: Motivation of entry of sampled MNE subsidiaries

Motivation of Entry	Responses		Percent of Cases (%)
	N	Percent (%)	
MarketSeeking	35	52.2	67.3
EfficiencySeeking	6	9.0	11.5
ResourceSeeking	13	19.4	25.0
StrategicAssetSeeking	12	17.9	23.1
Others	1	1.5	1.9
Total	67	100.0	128.8

The total number of Chinese expatriates sent to the sampled subsidiaries by their headquarters was 1463, of whom 187 sat in the executive commission (EXCO) of the sampled subsidiaries. Figures 5.3 and 5.4 show the proportions of Chinese expatriates vs. local employees and Chinese expatriates in EXCOs vs. non-Chinese in EXCOs of the sampled subsidiaries. The Chinese expatriates had a much higher proportion (53% vs. 9%) in EXCOs than in total employees.

Figure 5. 3: Chinese expatriates vs. local employees

1463, 9%

14842, 91%

■ Number of Chinese Expat
■ Number of local employee
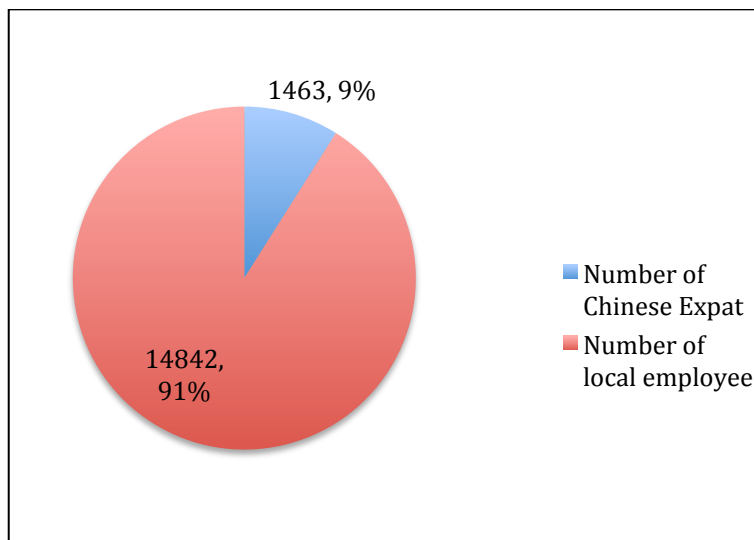
Figure 5. 4: Chinese expatriates in EXCO vs. non-Chinese in EXCO
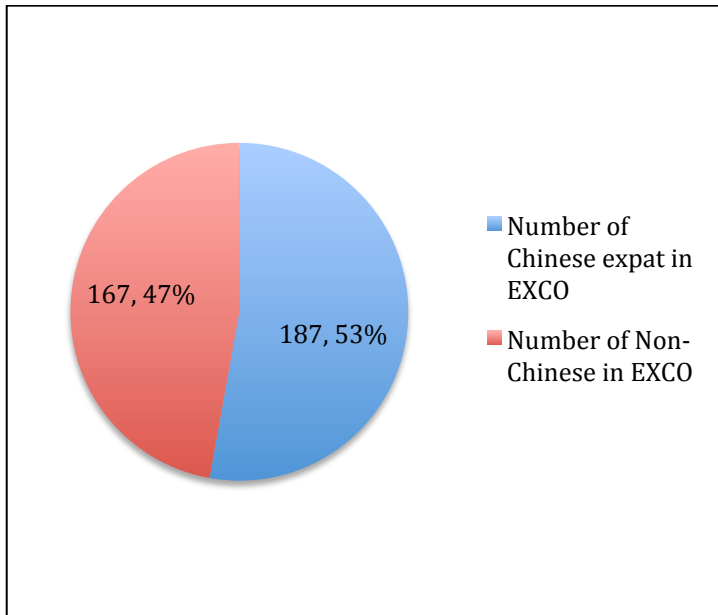
The Table 5.6 below shows Chinese expatriates vs. local employees and Chinese expatriates in EXCO vs. non-Chinese in EXCO by business size.

Table 5. 6 : Chinese expatriates vs. local employees and Chinese expatriates in EXCO vs. non-Chinese in EXCO by business size.

	Total employee	Chinese expatriate	Chinese expatriate in EXCO	Non-Chinese in EXCO
Whole sample	16305	1463	187	167
Different category				
Big Business	14755	1088	101	113
Medium Business	1166	239	41	29
Small Business	384	136	45	25

Chinese expatriate were found proportionally more often in both total employee numbers and EXCO in small businesses than in big businesses.

Table 5.7 shows descriptive statistics of main variables to construct the hypotheses by different categories. A SOE subsidiary was defined as such, where both state ownership of parent company and parent ownership of subsidiary were above 50%.

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POE subsidiary was defined as such, where the state ownership of parent company or parent ownership of subsidiary was equal or less than 50%.

Table 5. 7：Mean and standard deviation of main variables in the research by different category

Sample Category	N	Subsidiary Autonomy		Subsidiary Performance		Expat Involvement		Organizational Capability	
		Mean	Std.Deviation	Mean	Std.Deviation	Mean	Std.Deviation	Mean	Std.Deviation
Whole Sample	52	3.4698	0.77130	3.0137	0.73894	69.86%	32.447%	3.2269	0.71404
SOE	30	3.2762	0.75680	3.0143	0.66832	75.36%	30.202%	3.2200	0.82771
POE	22	3.7338	0.72615	3.0130	0.84217	62.35%	34.566%	3.2364	0.54032

It was evident that:

1) For the whole sample, the average subsidiary autonomy was 3.4698 with a standard deviation of 0.7713, indicating that subsidiaries had certain of autonomy to make decisions. The average subsidiary autonomy of a POE was higher than that of a SOE (3.7338 vs. 3.2762), indicating POE subsidiaries had higher levels of autonomy.

2) For the different categories, the average subsidiary performance was similar and around 3, indicating that performance of subsidiaries was neutral.

3) The average expatriate involvement within a SOE was higher than that of a POE (75.3% vs. 62.3%), indicating SOEs tended to have higher proportions of Chinese expatriates in EXCO.

4) For the different categories, the average organizational capability was similar and around 3.23, indicating that subsidiaries had a positive evaluation of their HR unit.

5.2 Reliability and validity of scale

Pearson's correlation was used to test the validity of Likert-scales to measure subsidiary autonomy, performance and organisational capability. The validity tests were done by correlating each item score with total score of scale. Each item score that

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is significantly correlated with total score indicates constructs of subsidiary autonomy, performance and organisational capability are valid (Zikmund et al., 2013). The detailed testing results are shown in the Appendix 2.

Cronbach's alpha was used to test the reliability of Likert-scales to measure subsidiary autonomy, subsidiary performance and organisational capability. The Cronbach's alpha of each construct is illustrated in Table 5.8 below,

Table 5. 8: Cronbach's alphas of subsidiary autonomy, subsidiary performance, and organisational capability scale

Reliability Statistics of Subsidiary Autonomy		
Cronbach's alpha	Cronbach's alpha Based on Standardized Items	N of Items
0.780	0.794	7
Reliability Statistics of Subsidiary Performance		
Cronbach's alpha	Cronbach's alpha Based on Standardized Items	N of Items
0.862	0.861	7
Reliability Statistics of Organiational Capability		
Cronbach's alpha	Cronbach's alpha Based on Standardized Items	N of Items
0.889	0.889	10

All scales are reliable as the Cronbach's alpha values are higher than the 0.6 cut-off-point (Nunnally, 1978).

5.3   Regression analysis and results

To test the research hypotheses listed in Chapter 3, the researcher ran a set of multiple regression analyses. The regression outputs and testing results are reported below. The assumptions of multicollinearity, linearity, independence of residuals, homoscedasticity, outliers and normality of residuals were checked by VIF value, the residual scatterplot and the normal probability plot of the regression-standardised

residuals. The maximum VIF value is 2.675, which does not exceed the cut-off of 10 as indicating multicollinearity (Myers, 2000).

5.3.1 Regression analysis and results of control variables

The researcher examined the effects of control variables before testing the main effect of subsidiary autonomy. Table 5.9 presents the regression coefficients and related regression statistics.

Table 5. 9: Regression results and statistics of control variables.

Whole Sample: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	3.221	0.419		7.691	0.000		
SubsidiarySize	0.104	0.147	0.119	0.705	0.484	0.656	1.525
EstablishementMode	-0.389	0.247	-0.265	-1.574	0.122	0.660	1.514
SubsidiaryAge	-0.229	0.352	-0.097	-0.651	0.518	0.849	1.178

SOE Sample: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	2.132	0.448		4.760	0.000		
SubsidiarySize	0.381	0.166	0.437	2.299	0.030	0.750	1.333
EstablishementMode	-0.045	0.255	-0.034	-0.176	0.861	0.733	1.364
SubsidiaryAge	0.456	0.360	0.216	1.269	0.216	0.934	1.071

POE Sample: Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	4.713	0.712		6.616	0.000		
SubsidiarySize	-0.106	0.251	-0.115	-0.421	0.679	0.508	1.967
EstablishementMode	-0.997	0.428	-0.606	-2.329	0.032	0.563	1.776
SubsidiaryAge	-1.337	0.642	-0.493	-2.084	0.052	0.680	1.470

a. Predictors: (Constant), SubsidiaryAge, EstablishementMode, SubsidiarySize
b. Dependent Variable: SubsidiaryPerformance

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From Table 5.9 above, the coefficient estimates of subsidiary size, establishment mode and subsidiary age are not significant for the whole sample as all p-values are higher than 0.05.

The coefficient estimates of subsidiary sizes for the SOE sample was significantly positive (B = 0.381, p-value = 0.030<0.05). There is evidence of a positive relationship between subsidiary size and performance of the SOE subsidiary. This result suggests that larger SOE subsidiaries may have more internal and external resources available to produce superior performance.

The coefficient estimates of establishment mode for POE sample is significantly negative (B = -0.997, p-value = 0.032<0.05). There is evidence of a negative relationship between establishment mode and performance for POE subsidiary. This indicates that a full ownership strategy of POE subsidiary predicts inferior performance.

5.3.2 Hypothesis 1: Greater subsidiary autonomy is associated with a higher level of performance.

The dependent variable is Subsidiary Performance, which was measured as the average score of the seven performance indicators. The major independent variable is Subsidiary Autonomy (SA), which was measured as the average score of the seven autonomy indicators. The control variables included are subsidiary size, establishment mode and subsidiary age. Table 5.10 presents the regression coefficients and related regression statistics such as R-square and collinearity statistics.

Table 5. 10: Regression results and statistics of Hypothesis 1

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.165	0.538		4.028	0.000		
	SubsidiarySize	-0.114	0.157	-0.131	-0.727	0.471	0.501	1.995
	EstablishmentMode	-0.430	0.231	-0.293	-	0.06	0.658	1.52

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				1.864	9		0
SubsidiaryAge	-0.234	0.328	-0.098	-0.711	0.480	0.849	1.178
SubsidiaryAutonomy	0.416	0.145	0.434	2.860	0.006	0.705	1.418

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.486[a]	0.237	0.172	0.67257

a. Predictors: (Constant), SubsidiaryAutonomy, SubsidiaryAge, EstablishementMode, SubsidiarySize

b. Dependent Variable: SubsidiaryPerformance

Table 5.10 above, indicates a positive relationship between subsidiary autonomy and performance as the coefficient estimate of subsidiary autonomy is significantly positive (B = 0.416, p-value = 0.006<0.05). Therefore, Hypotheses 1 is verified. The explanatory power, represented by R-square value, of the model is 0.237.

5.3.3 Hypothesis 1a: The effect of subsidiary autonomy on performance is weakened for SOE subsidiaries

In order to examine the effect of different institutions on the relationship between subsidiary autonomy and performance, the research split the sample into two categories: one was an SOE subsidiary and the other was the POE subsidiary category.

The researcher ran the same regression used in testing Hypothesis 1, but only for the sample of SOE subsidiaries. Table 5.11 presents the regression results and related statistics.

Table 5. 11: Regression results and statistics of Hypothesis 1a

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.626	0.594		2.739	0.011		
	SubsidiarySize	0.242	0.197	0.277	1.227	0.231	0.520	1.924
	EstablishmentMode	-0.063	0.253	-0.048	-0.250	0.805	0.731	1.369
	SubsidiaryAge	0.412	0.357	0.196	1.155	0.259	0.925	1.081
	SubsidiaryAutonomy	0.231	0.181	0.262	1.279	0.213	0.632	1.583

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.581[a]	0.337	0.231	0.58598

a. Predictors: (Constant), SubsidiaryAutonomy, SubsidiaryAge, EstablishementMode, SubsidiarySize

b. Dependent Variable: SubsidiaryPerformance

From Table 5.11 above, the coefficient estimate of subsidiary autonomy is positive but not significant (B = 0.231, p-value = 0.213>0.05). Therefore, Hypothesis 1a is supported.

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5.3.4 Hypothesis 1b: The effect of subsidiary autonomy on performance is strengthened for POE subsidiaries

To test Hypothesis 1b, the researcher ran the same regression used in testing Hypothesis 1, but only for the sample of POE subsidiaries. Table 5.12 presents the regression results and related statistics.

Table 5. 12: Regression results and statistics of Hypothesis 1b

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.951	0.905		3.260	0.005		
	SubsidiarySize	-0.313	0.231	-0.342	-1.357	0.192	0.450	2.223
	EstablishmentMode	-1.036	0.370	-0.630	-2.796	0.012	0.562	1.779
	SubsidiaryAge	-1.280	0.555	-0.472	-2.304	0.034	0.679	1.473
	SubsidiaryAutonomy	0.570	0.215	0.491	2.656	0.017	0.832	1.202

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.718[a]	0.516	0.402	0.65144

a. Predictors: (Constant), SubsidiaryAutonomy, SubsidiaryAge, EstablishementMode, SubsidiarySize
b. Dependent Variable: SubsidiaryPerformance

Table 5.12 above indicates a positive relationship between subsidary autonomy and performance for POE subsidiaries as the coefficient estimate of subsidary autonomy is significantly positive (B = 0.570, p-value = 0.017<0.05). The explanatory power of the model increased significantly as R Square increased from 0.237 to 0.516. Therefore, Hypotheses 1b is supported.

5.3.5 Hypothesis 2: The effect of subsidary autonomy on performance is strengthened by a higher level of expatriate involvement.

To examine the moderating effect of Expatriate Involvement (EI), the researcher introduced an interaction term between subsidary autonomy and expatriate involvement (SAxEI) into the regression. Thus, the major independent variable was replaced from subsidary autonomy into SAxEI. Table 5.13 presents the regression results and related statistics.

Table 5. 13: Regression results and statistics of Hypothesis 2

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.704	0.466		5.805	0.000		
	Subsidiary Size	0.198	0.148	0.228	1.342	0.186	0.601	1.665
	Establishment Mode	-0.432	0.238	-0.295	-1.815	0.076	0.656	1.525
	Subsidiary Age	-0.340	0.342	-0.143	-0.994	0.325	0.831	1.203
	SAxEI	0.199	0.090	0.314	2.212	0.032	0.857	1.166
a. Dependent Variable: SubsidiaryPerformance								

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.434[a]	0.188	0.119	0.69355
a. Predictors: (Constant), SAxEI, SubsidiaryAge, EstablishementMode, SubsidiarySize				
b. Dependent Variable: SubsidiaryPerformance				

From the Table 5.13 above, the interaction term between subsidiary autonomy and expatriate involvement was positive and a significant determinant of performance (B = 0.199, p-value = 0.032<0.05). But the explanatory power of the model as R Square decreased from 0.237 to 0.188. Therefore, Hypothesis 2 is rejected.

5.3.6 Hypothesis 2a: The effect of subsidiary autonomy on performance is strengthened by a higher level of expatriate involvement for SOE subsidiaries.

To explore the reason why the result did not conform to Hypothesis 2, the researcher ran the same regression used in testing Hypothesis 2 but only for the sample of SOE subsidiaries. Table 5.14 presents the regression results and related statistics.

Table 5. 14: Regression results and statistics of Hypothesis 2a

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.837	4	0.959	2.631	.058[b]
	Residual	9.116	25	0.365		
	Total	12.953	29			

a. Dependent Variable: SubsidiaryPerformance

b. Predictors: (Constant), SAxEI, SubsidiaryAge, SubsidiarySize, EstablishementMode

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.191	0.499		4.387	0.000		
	SubsidiarySize	0.379	0.169	0.434	2.239	0.034	0.748	1.337
	EstablishmentMode	-0.029	0.265	-0.022	-0.111	0.912	0.703	1.422
	SubsidiaryAge	0.476	0.373	0.226	1.279	0.213	0.902	1.108

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	SAxEI	-0.033	0.11 3	-0.051	- 0.290	0.77 4	0.920	1.087

a. Dependent Variable: SubsidiaryPerformance

The interaction term between subsidiary autonomy and expatriate involvement was negative but not a significant determinant of performance of SOE subsidiary (B = -0.033, p-value = 0.774>0.05).

5.3.7 Hypothesis 2b: The effect of subsidiary autonomy on performance is strengthened by a higher level of expatriate involvement for POE subsidiaries.

To test Hypothesis 2b, the researcher ran the same regression used in testing Hypothesis 2, but only for the sample of POE subsidiaries. Table 5.15 presents the regression results and related statistics.

Table 5. 15: Regression results and statistics of Hypothesis 2b

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	3.336	0.734		4.546	0.000		
	SubsidiarySize	0.279	0.240	0.304	1.159	0.262	0.374	2.675
	EstablishementMode	-0.904	0.353	-0.549	-2.561	0.020	0.559	1.789
	SubsidiaryAge	-1.666	0.538	-0.614	-3.098	0.007	0.654	1.529
	SAxEI	0.377	0.121	0.602	3.109	0.006	0.685	1.460

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.750[a]	0.563	0.460	0.61873

a. Predictors: (Constant), SAxEI, SubsidiaryAge, EstablishementMode, SubsidiarySize

	b. Dependent Variable: SubsidiaryPerformance

The interaction term between subsidiary autonomy and expatriate involvement was positive and a significant determinant of performance of POE subsidiary (B = 0.377, p-value = 0.006<0.05). The explanatory power of the model increased significantly as R Square increased from 0.516 to 0.563. Therefore, Hypothesis 2b is supported.

5.3.8 Hypothesis 3: The effect of subsidiary autonomy on performance is strengthened by a higher level of organisational capability.

To examine the effect of Organisational Capability (OC), the researcher introduced an interaction term between subsidiary autonomy and organisational capability (SAxOC) into the regression. Thus the major independent variable was replaced from subsidiary autonomy into SAxOC. Table 5.16 presents the regression results and related statistics.

Table 5. 16: Regression results and statistics of Hypothesis 3

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.373	0.404		5.877	0.000		
	SubsidiarySize	-0.181	0.140	-0.207	-1.287	0.204	0.519	1.929
	EstablishementMode	-0.430	0.210	-0.293	-2.050	0.046	0.659	1.517
	SubsidiaryAge	-0.136	0.300	-0.057	-0.455	0.651	0.845	1.183
	SAxOC	0.111	0.025	0.595	4.429	0.000	0.745	1.342

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.606[a]	0.368	0.314	0.61214

a. Predictors: (Constant), SAxOC, SubsidiaryAge, EstablishementMode, SubsidiarySize

b. Dependent Variable: SubsidiaryPerformance

From Table 5.16 above, the interaction term between subsidiary autonomy and organisational capability was positive and a significant determinant of performance (B = 0.111, p-value = 0.000<0.05). The explanatory power of the model as R Square increased significantly from 0.237 to 0.368. Therefore, Hypothesis 3 is supported.

5.3.9 Hypothesis 3a: The effect of subsidiary autonomy on performance is strengthened by a higher level of organizational capability for SOE subsidiaries.

To further study the difference between SOE and POE, the researcher ran the same regression as in testing Hypothesis 3, but only for the sample of SOE subsidiaries. Table 5.17 presents the regression results and related statistics.

Table 5. 17: Regression results and statistics of Hypothesis 3a

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.826	0.429		4.255	0.000		
	SubsidiarySize	0.154	0.178	0.177	0.865	0.395	0.546	1.832
	EstablishementMode	-0.143	0.237	-0.108	-0.604	0.552	0.712	1.405
	SubsidiaryAge	0.386	0.331	0.183	1.168	0.254	0.927	1.079
	SAxOC	0.069	0.028	0.440	2.442	0.022	0.703	1.423

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.656[a]	0.430	0.339	0.54349
a. Predictors: (Constant), SAxOC, EstablishementMode, SubsidiaryAge, SubsidiarySize				
b. Dependent Variable: SubsidiaryPerformance				

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From Table 5.17 above, the interaction term between subsidiary autonomy and organisational capability was positive and a significant determinant of performance (B = 0.069, p-value = 0.022<0.05). The explanatory power of the model as R Square increased significantly from 0.337 to 0.430. Therefore, Hypothesis 3a is supported.

5.3.10 Hypothesis 3b: The effect of subsidiary autonomy on performance is strengthened by a higher level of organisational capability for POE subsidiaries.

To test Hypothesis 3b, the researcher ran the same regression used in testing Hypothesis 3, but only for the sample of POE subsidiaries. Table 5.18 presents the regression results and related statistics.

Table 5. 18: Regression results and statistics of Hypothesis 3b

Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	2.959	0.827		3.578	0.002		
	SubsidiarySize	-0.353	0.223	-0.385	-1.580	0.133	0.440	2.271
	EstablishementMode	-0.772	0.363	-0.469	-2.129	0.048	0.539	1.854
	SubsidiaryAge	-0.822	0.559	-0.303	-1.471	0.159	0.617	1.621
	SAxOC	0.141	0.047	0.579	3.029	0.008	0.716	1.396
a. Dependent Variable: SubsidiaryPerformance								

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.745[a]	0.555	0.450	0.62446
a. Predictors: (Constant), SAxOC, SubsidiaryAge, EstablishementMode, SubsidiarySize				
b. Dependent Variable: SubsidiaryPerformance				

From Table 5.18 above, the interaction term between subsidiary autonomy and organisational capability was positive and a significant determinant of performance (B =

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0.141, p-value = 0.008<0.05). The explanatory power of the model as R Square increased from 0.516 to 0.555. Therefore, Hypothesis 3b is supported.

5.4   Conclusion

Based on regression data, Hypothesis1, Hypothesis 1a, Hypothesis 1b, Hypothesis 2b, Hypothesis 3, Hypothesis 3a and Hypothesis 3b were accepted. Hypothesis 2 and Hypothesis 2a were rejected. In Chapter 6, the regression results will be discussed in more details.

6   Chapter 6: Discussion of Results

6.1   Introduction

In this chapter, the findings and results presented in Chapter 5, in relation to the review of extant literature in Chapter 2 will be discussed in-depth. Using this study, the researcher aimed to (1) develop an understanding of how autonomy affects the performance of Chinese MNE subsidiaries; and (2) to establish a model of how different factors moderate the relationship between subsidiary autonomy and the performance of Chinese MNE subsidiaries.

6.2   Findings and discussion of sample description

The results presented in Table 5.1 indicated that the top three industry categories of Chinese MNE subsidiaries within South Africa are:

(1).   Wholesale and retail trade, repair of motor vehicles and motor cycles;
(2).   Mining and quarrying; and
(3).   Manufacturing

As presented in Table 5.1, 25% of the sampled companies are in the wholesale and retail trade, repair of motor vehicles and motor cycles, 19% in mining and quarrying, while 15% operate in the manufacturing industry.

The study tested the factors influencing the entry of Chinese MNEs into South Africa regarding whether MNEs entering the country were market, efficiency, resource, or strategic-asset seeking, or whether they had some other motivation. Analysis of the results showed that there were two main factors that motivated the entry of Chinese MNEs into South Africa. At 67.3%, the primary motivation (Table 5.5) for entry was market-seeking while 25% indicated that resource-seeking was their motivation for entry (Table 5.5).

Wang, Luo, Lu, Sun, and Maksimov (2014) indicated that due to springboard motivations, and the lack of own managerial expertise, EMNEs would more likely delegate decision-making capacities to their subsidiaries. Therefore, for both market-seeking and resource-seeking MNEs, it would be very important to delegate autonomy to subsidiaries, as these subsidiaries would be able to respond to market or institutional changes in the host emerging market country faster than the parent company would.

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The study found that Chinese MNEs are still a new phenomenon with 78.8% of the subsidiaries having been in South Africa for less than 10 years (Table 5.3) with 42.3% having been established in South Africa after the year 2006 and 36.5% of the subsidiaries having been established in South Africa after the year 2011. Many Chinese MNEs in South Africa (53.8%) were also still in the development phase with employment figures of less than 50 employees (Table 5.2) putting them in the category of small businesses.

Peng and Beamish (2014) stated that the parent company faces a level of uncertainty and investment risk in relation to the size of the subsidiary. Thus, knowing how to manage and develop the subsidiary is critical for these Chinese MNEs. The sample profile strongly verified the rationale of this research.

6.3 Findings and discussion of Hypothesis 1

Hypothesis 1: Greater subsidiary autonomy is associated with a higher level of performance.

A multiple regression was run to test Hypothesis 1. The SOEs and POEs combined sample was used to run this regression. There were two underpinned hypotheses for the regression test,

- Null Hypothesis: There is no relationship between subsidiary autonomy and performance.
- Alternative Hypothesis: There is a relationship between subsidiary autonomy and performance.

Based on regression results (Table 5.10): B = 0.416, p-value = 0.006<0.05, R square = 0.237, the alternative hypothesis is accepted and the null hypothesis rejected. There is a significant and positive relationship between subsidiary autonomy and performance. It implies greater subsidiary autonomy is indeed associated with a higher level of performance and 23.7% of subsidiary performance can be associated with Chinese MNEs' level of autonomy. Thus Hypothesis 1 is supported.

6.3.1 Relevant literature and discussion

The finding of greater subsidiary autonomy is associated with higher performance is supported by the literature.

The level of decision-making power that subsidiaries have has an influence on the performance of the subsidiary. Kawai and Strange (2014) argued that depending heavily on one central unit (parent company) made it difficult for subsidiaries to exploit the opportunities that are available to them in the local market. Autonomous subsidiaries can respond faster than the parent to local competition thereby enabling useful knowledge generation and acquisition, while helping to develop a more appropriate strategy for the entire MNE (Yang & Harrigan, 2015).

Furthermore, S. Wang et al. (2014) argued that subsidiary autonomy must be considered as a strategic mechanism that could be used to overcome the weaknesses of EMNEs after entering a foreign market. This can be backed up by the fact that both financial performance and management performance are positively related to subsidiary autonomy as had been confirmed in the study by Ambos and Birkinshaw (2010).

Therefore, by increasing the level of decision-making power given to subsidiaries, meaning the level of autonomy, subsidiary managers are incentivised to feel more responsible for the firms' success thereby providing them with the motivation to improve the performance of the firm (Kawai & Strange, 2014). Although the published research, studying the relationship between subsidiary autonomy and performance, mainly focused on traditional DMNEs originated from the US, Europe and Japan, most of these empirical studies found an overall positive subsidiary autonomy-performance link.

As a result, Hypothesis 1 is verified for sampled Chinese MNEs in South Africa, and ties up well with the extant literature that indicated that improved subsidiary autonomy enhanced performance. Although Hypothesis 1 examined the overall link between subsidiary autonomy and performance for the entire sample, it did not take into consideration the institutional factors for distinguishing different sample subjects. Hypotheses 1a and 1b sought to test this from an institutional-based perspective.

6.4   Findings and discussion of Hypotheses 1a and 1b

Hypothesis 1a: the effect of subsidiary autonomy on performance is weakened for SOE subsidiaries.

A multiple regression was run to test Hypothesis 1a. The SOE sample was used to run this regression. There were two underpinned hypotheses for the regression test,

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- Null Hypothesis: There is no relationship between subsidiary autonomy and performance for SOE subsidiaries.
- Alternative Hypothesis: There is a relationship between subsidiary autonomy and performance for SOE subsidiaries.

Based on the regression results (Table 5.11): B = 0.231, p-value = 0.213>0.05, R square = 0.337, the alternative hypothesis is rejected and the null hypothesis is failed to reject. It implies the effect of subsidiary autonomy on performance for SOE subsidiaries becomes non-significant. Thus Hypothesis 1a is supported.

Hypothesis 1b: the effect of subsidiary autonomy on performance is strengthened for POE subsidiaries.

A separated multiple regression was run to test Hypothesis 1b. The POEs sample was used to run this regression. There were two underpinned hypotheses for the regression test,

- Null Hypothesis: There is no relationship between subsidiary autonomy and performance for POE subsidiaries.
- Alternative Hypothesis: There is a relationship between subsidiary autonomy and performance for POE subsidiaries.

Based on the regression results (Table 5.12): B = 0.570, p-value = 0.017<0.05, R square = 0.516, the alternative hypothesis is accepted and the null hypothesis is rejected. There is a significant and positive relationship between subsidiary autonomy and performance for POE subsidiaries. The explanatory power of the model as R Square increased to 0.516 from 0.237, which was R Square of regression to test Hypothesis 1 (Table 5.10). It implies greater subsidiary autonomy is indeed associated with a higher level of performance for POE subsidiaries and 51.6% of subsidiary performance can be associated with level of autonomy for POE subsidiaries. Thus Hypothesis 1b is supported.

6.4.1 Relevant literature and discussion

Since SOEs are also influenced by political interests and objectives, Wang, Wen, and Seng (2014) suggested ownership, in SOEs in particular, can be an important factor that may influence the performance of a firm. Furthermore, POEs have stronger incentives to maximise internal efficiencies, whereas SOE subsidiaries were found to be weaker at monitoring the behaviour of managers (Arocena & Oliveros, 2012). The

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results of the study seem to correlate with what had been suggested by Arocena and Oliveros (2012).

It is interesting to find a positive relationship between subsidiary autonomy and performance for POE subsidiaries, but no significant relationship for SOE subsidiaries. The result shows that if more subsidiary autonomy is present, the POE subsidiary performance is better. This suggests that institutional structure and corporate governance play a critical role in affecting the subsidiary autonomy-performance link for Chinese MNEs.

6.5 Conclusion of Hypotheses 1,1a and 1b

The findings indicate that there is a positive influence between subsidiary autonomy and the performance of POE subsidiaries. It can thus be argued that subsidiary autonomy does not help to improve performance for SOE subsidiaries because the parent company with high state ownership may set implicit or explicit restrictions on the operation and/or management for overseas subsidiaries, thus mitigating or even offsetting the potential performance gain from subsidiary autonomy. On the other hand, when the parent company is **not** state owned (POE), the restriction could be weak or might not be applied, and as a result, POE subsidiaries have more latitudes to make decisions and adjustments relevant to the business environments, where they operate.

Thus, Chinese MNEs are facing a dilemma to manage SOE subsidiaries: autonomy delegation does not improve subsidiary performance while running subsidiaries in emerging markets requires MNEs to delegate subsidiaries the autonomous right to make decisions.

6.6 Findings and discussion of Hypothesis 2

Hypothesis 2: the effect of subsidiary autonomy on performance is strengthened by a higher level of expatriate involvement.

A multiple regression analysis was run to test Hypothesis 2. The SOEs and POEs combined sample was used to run this regression. There were two underpinned hypotheses for the regression test,

- Null Hypothesis: There is no relationship between interaction term SAxEI and performance.
- Alternative Hypothesis: There is a relationship between interaction term SAxEI and performance

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Based on the regression results (Table 5.13): B = 0.199, p-value = 0.032<0.05, R square = 0.188, the alternative hypothesis is accepted and the null hypothesis is rejected. There is significant and positive relationship between interaction term SAxEI and performance. However the explanatory power of the model as R Square decreased to 0.188 from 0.237, which was R Square of regression to test Hypothesis 1 (Table 5.10). It implies only 18.8% of subsidiary performance can be associated with interaction term SAxEI, which is much lower than 23.7%. Thus Hypothesis 2 is rejected.

6.6.1   Relevant literature and discussion

The finding that the effect of subsidiary autonomy on performance is weakened by a higher level of expatriate involvement is contrary to the findings in extant literature.

Expatriates, especially those in the executive commission, play an important role within MNEs (Harzing, 2001). The expatriate involvement within autonomous subsidiaries can improve performance by enhancing the coordination mechanisms and reducing transaction cost of subsidiaries within an MNE (Fang et al., 2010). The expatriates were also expected to reduce the economic incentive misalignment problem between the multinational headquarters and the managers of the foreign subsidiary (Tan & Mahoney, 2006).

From the perspective of agency theory, expatriates have a multiplicity of agency relations within MNEs (Hoenen & Kostova, 2015). For headquarters of MNEs, expatriates play a role of agent. For the subsidiaries of MNEs, expatriates play the role of principal. Kawai and Strange (2014) found that when internal coordination was improved through high expatriate involvement, subsidiary autonomy had a positive impact on subsidiary performance. There is one implicit underlying assumption of Kawai and Strange's study that expatriates were always acting in the best interest of the parent company. However, that assumption might be untrue under different institutional context as the expatriates also have their own interests within the subsidiaries, and that could deter the performance of subsidiaries. Thus, the finding suggests that the effect of internal coordination would improve through expatriate involvement is not supported by the sampled Chinese MNEs.

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6.7 Findings and discussion of Hypotheses 2a and 2b

Hypothesis 2a: The effect of subsidiary autonomy on performance is strengthened by a higher level of expatriate involvement for SOE subsidiaries

A multiple regression was run to test Hypothesis 2a. The SOEs sample was used to run this regression. There were two underpinned hypotheses for the regression test,

- Null Hypothesis: There is no relationship between interaction term SAxEI and performance for SOE subsidiary.
- Alternative Hypothesis: There is a relationship between interaction term SAxEI and performance for SOE subsidiary

Based on the regression results (Table 5.14): B = -0.033, p-value = 0.774>0.05, the alternative hypothesis is rejected and the null hypothesis is failed to reject. It implies the effect of SAxEI on performance for SOE subsidiaries becomes negative, but non-significant. Thus Hypothesis 2a is rejected.

Hypothesis 2b: The effect of subsidiary autonomy on performance is strengthened by a higher level of expatriate involvement for POE subsidiaries

A separated multiple regression was run to test Hypothesis 2b. The POE sample was used to run this regression. There are two underpinned hypotheses for the regression test,

- Null Hypothesis: There is no relationship between interaction term SAxEI and performance for POE subsidiary.
- Alternative Hypothesis: There is a relationship between interaction term SAxEI and performance for POE subsidiary

Based on the regression results (Table 5.15): B = 0.377, p-value = 0.006<0.05, the alternative hypothesis is accepted and the null hypothesis is rejected. There is significant and positive relationship between interaction term SAxEI and performance for POE subsidiaries. The explanatory power of the model as R Square increased to 0.563 from 0.516, which was R Square of regression to test Hypothesis 1b (Table 5.12). It implies higher SAxEI is indeed associated with higher levels of performance for POE subsidiaries and 56.3% of subsidiary performance can be associated with level of SAxEI for POE subsidiaries. Thus Hypothesis 2b is supported.

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6.7.1 Relevant literature and discussion

The results gathered from 2a, and 2b should be looked at from the perspective of two theories: agency theory and transaction cost theory. Agency theory considers how the headquarters, which play the role of principal, optimally delegate work to the subsidiary (agent) to perform that work (Eisenhardt, 1985). One way to ensure that the work delegated to subsidiaries is carried out effectively is to involve expatriates. This allows the parent company to ensure that a subsidiary complies with the organisational values and operational priorities of the parent (Kawai & Strange, 2014).

Furthermore, Estrin et al. (2016) argued that SOE subsidiaries, when compared to POE subsidiaries, are subjected to more political as well as business interests, therefore they are likely to go after a wider range of corporate objectives. In SOEs, the government has the right to regulate, monitor or control employment and other resource allocations; consequently, these subsidiaries face stricter governmental controls, which result in more unprofitable production and surplus employment (O'Connor, Deng, & Luo, 2006).

The results of the study indicate that expatriate involvement is negative but not significant determinant of performance of SOE subsidiaries. A non-significant result could be an issue of power like small sample sizes or that an independent variable has no true effect on the dependent variable (Pallant, 2013). This could be attributed to the fact that even though expatriates help to cut transaction costs, they are also agents who might seek their own self-interests (Hoenen & Kostova, 2015). Unlike the Japanese MNEs, in which expatriates are embedded through lifetime employment and have long-time commitment to the parent company (Hennart, 2009), Chinese SOEs are hybrid organisations (Bruton et al., 2015). Within the hybrid organisation, the expatriate might have a low level of commitment to the SOE after implementing Western HR practices (Du & Choi, 2010). Furthermore, the SOEs still have less effective means to instruct and direct the actions of their managers (Goldeng et al., 2008). The expatriates of SOE subsidiaries would more likely engage in overinvesting, empire building, and rent-seeking behaviour if the autonomy of decision-making was delegated to the subsidiary (Hoskisson et al., 2013; S. Li, Lin, & Selover, 2014; M. W. Peng, 2012).

From Table 5.7, it is evident that the expatriate involvement within SOEs is much higher than that within POEs (75.36% vs. 62.35%). SOEs use stricter controls to manage their subsidiaries, hence the involvement of expatriates. However, expatriates who impose rule-based governance onto local employees, and who are relationship oriented, may cause confusion and misunderstanding. Thus, the results of this study

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can be backed up by extant literature, wherein it can be concluded that too much expatriate behaviour or involvement and interest misalignment between the parent company and expatriates, decreased performance as a result of enhanced "over-seeing" from the parent company(Fee, McGrath-Champ, & Yang, 2011). This is especially true for SOE subsidiaries.

6.8   Conclusion of Hypotheses 2,2a, and 2b

Ideally, foreign subsidiaries should operate in the best interest of the home country headquarters. However, more often than not, they also have their own interests at heart (Perez & Pla-Barber, 2005). As a result, overseas subsidiaries are likely to deviate, and even hurt the parent company's core interests during their operations. Since subsidiaries are usually out of the range of full control of the headquarter and are difficult to be monitored because of high cost to verify if their goals are incongruent, headquarters are frequently concerned about the self-interest and moral hazard behaviour from subsidiaries. Agency theory considers how headquarters (principal) optimally delegate work to the subsidiaries (agent) to perform that work. In the IB area, this theory had been mainly applied to study the important issue of headquarters' control over subsidiaries.

Expatriates in the executive commission of subsidiaries act as the delegates of headquarters (principal) in the subsidiaries (agent) and therefore play a very important role at monitoring and promoting subsidiary performance. This is the most commonly used method adopted by headquarters to monitor the subsidiaries' operation. Hypothesis 2 therefore takes the view of agency theory to examine if expatriate involvement can help solve the agency problem and under what situation it works well.

The results suggested that the effect of subsidiary autonomy on performance is strengthened by a higher level of expatriate involvement only for subsidiaries whose parent company is **not** state owned (i.e., state-ownership is below 50%), and this can be attributed to the argument that SOE subsidiaries face interest misalignment with their parent companies and expatriates acting as senior managers of subsidiaries, which consequently results in more unprofitable production, and deviating from the interest of the parent companies.

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6.9 Findings and discussion of Hypothesis 3

Hypothesis 3: The effect of subsidiary autonomy on performance is strengthened by a higher level of organisational capability.

A multiple regression analysis was run to test Hypothesis 3. The SOEs and POEs combined sample was used to run this regression. There were two underpinned hypotheses for the regression test,

- Null Hypothesis: There is no relationship between interaction term SAxOC and performance.
- Alternative Hypothesis: There is a relationship between interaction term SAxOC and performance.

Based on the regression results (Table 5.16): B = 0.111, p-value = 0.000<0.05, R square=0.368, the alternative hypothesis is accepted and the null hypothesis is rejected. There is a significant and positive relationship between interaction term SAxOC and performance. The explanatory power of the model as R Square increased to 0.368 from 0.237, which was R Square of regression to test Hypothesis 1 (Table 5.10). It implies higher SAxOC is indeed associated with higher levels of performance and 36.8% of subsidiary performance can be associated with level of SAxOC. Thus Hypothesis 3 is supported

6.10 Findings and discussion of Hypotheses 3a and 3b

Hypothesis 3a: The effect of subsidiary autonomy on performance is strengthened by a higher level of organisational capability for SOE subsidiaries.

A multiple regression analysis was run to test Hypothesis 3a. The SOEs sample was used to run this regression. There were two underpinned hypotheses for the regression test,

- Null Hypothesis: There is no relationship between interaction term SAxOC and performance for SOE subsidiary.
- Alternative Hypothesis: There is a relationship between interaction term SAxOC and performance for SOE subsidiary.

Based on the regression results (Table 5.17): B = 0.069, p-value = 0.022<0.05, R square=0.430, the alternative hypothesis is accepted and the null hypothesis is rejected. There is significant and positive relationship between interaction term SAxOC

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and performance for SOE subsidiaries. The explanatory power of the model as R Square increased to 0.430 from 0.337, which was R Square of regression to test Hypothesis 1a (Table 5.11). It implies higher SAxOC is indeed associated with higher levels of performance and 43.0% of subsidiary performance can be associated with level of SAxOC for SOE subsidiaries. Thus Hypothesis 3a is supported.

Hypothesis 3b: The effect of subsidiary autonomy on performance is strengthened by a higher level of organisational capability for POE subsidiary

A multiple regression analysis was run to test Hypothesis 3b. The POEs sample was used to run this regression. There were two underpinned hypotheses for the regression test,

- Null Hypothesis: There is no relationship between interaction term SAxOC and performance for POE subsidiary.
- Alternative Hypothesis: There is a relationship between interaction term SAxOC and performance for POE subsidiary.

Based on the regression results (Table 5.18): B = 0.141, p-value = 0.008<0.05, R square = 0.555, the alternative hypothesis is accepted and the null hypothesis is rejected. There is significant and positive relationship between interaction term SAxOC and performance for POE subsidiaries. The explanatory power of the model as R Square increased to 0.555 from 0.516, which was R Square of regression to test Hypothesis 1b (Table 5.12). It implies higher SAxOC is indeed associated with higher levels of performance and 55.5% of subsidiary performance can be associated with level of SAxOC for POE subsidiaries. Thus Hypothesis 3b is supported.

6.10.1 Relevant literature and discussion

The finding that the effect of subsidiary autonomy on performance is strengthened by a higher level of organisational capability is supported by the literature.

The Hypotheses 3, 3a and 3b took the perspective of resource-based view of the firm. This view focuses on the firm's resource endowment and deployment to create a sustainable competitive advantage. The firm's resources include brand names, in-house knowledge of technology, employment of skilled personnel, trade contacts, machinery, efficient procedures, and capital that lead to higher return over longer periods of time (Wernerfelt, 1984).

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Barney and Teece, (as cited in Li & Lee, 2015), considered the resource-based view and argued that it is not sufficient for organisations to sustain their competitive advantage by simply having resources. They suggested that these resources had to be transformed into certain capabilities in order for the organisation to compete successfully against its rivals.

Organisational capability of HR management was believed to contribute to sustainable competitive advantages (Morris & Snell, 2011). In fact, the transfer of knowledge, know-how pertaining to technology, and other business aspects are a major source of competitive advantage in a MNE (Li & Lee, 2015). Teece (as cited in Li & Lee, 2015) further argued that an organisations' capability denoted its ability to configure or reconfigure the existing resources it had to alternative forms of resources.

Organisational capability is a determinant in the subsidiary autonomy–performance link. Managers are the link between subsidiaries and headquarters. Managers who have a close relationship with the parent company learn and acquire more critical knowledge, which can enhance their subsidiary's capabilities and ultimately, firm performance (Li & Lee, 2015). Furthermore, improved subsidiary autonomy was considered an advantage as EMNEs could delegate subsidiary autonomy in performing the learning functions necessary for overcoming resource and capability voids in the home country (S. Wang et al., 2014).

Existing studies, such as the one by Sun, Peng, Ren and Yan (2012) argued that lack of managerial capability in EMNEs meant that subsidiaries had to dynamically absorb endowment of the host country through dynamic learning. The MNEs were able to generate, share and implement HR management practice in a global environment, which leveraged the effect of subsidiary autonomy on performance (Morris & Snell, 2011). As suggested by the resource-based view, the relationship between subsidiary autonomy and performance should technically be strengthened by good organisational or managerial capability.

6.11 Conclusion of Hypotheses 3, 3a and 3b

Hypothesis 3 examined the moderating effects of one of the important resource deployments, organisational capability, on the subsidiary autonomy-performance link. The researcher included an interaction term of subsidiary autonomy and organisational capability in the regression and found that all estimates were positive and significant with higher explanatory power. Therefore, Hypotheses 3, 3a and 3b are supported. The results correlate to the extant studies, which suggest that the effect of subsidiary

autonomy on performance is strengthened by higher levels of organisational capability for not only POE, but also SOE subsidiaries.

6.12 Summary of results

After studying and reviewing the results presented in Chapter 5, similar test patterns for Hypotheses 1, 1a, 1b, and 2, 2a and 2b were found. Among them, the subsidiary autonomy-performance link is strengthened for the POE sub-sample but weakened for the SOE sub-sample. Specifically, the researcher found that there is a positive subsidiary autonomy-performance link (Hypothesis 1).

The researcher explored this further by postulating that SOE subsidiaries have weakened the subsidiary autonomy–performance link (Hypothesis 1a), and POE subsidiaries strengthen the subsidiary autonomy–performance link (Hypothesis 1b). The exploration of this hypothesis showed the following:

- For SOEs, there is a negative and non-significant relationship between subsidiary autonomy and performance.
- For POEs, there is a positive and significant relationship between subsidy autonomy and performance.

This could be due to the fact that SOEs are more rigidly controlled by the state, or may experience higher levels of expatriate involvement than POEs, which consequently reduces the level of subsidiary autonomy, and subsequently, performance of the organisation.

Hypotheses 2, 2a, 2b were built upon Hypothesis 1. However, it focussed on the factor of expatriate involvement that could influence the relationship of the subsidiary autonomy-performance link. From the results it was evident that the interaction term between subsidiary autonomy and expatriate involvement was a positive and significant determinant of performance but lower explanatory power. This was contrary to Hypothesis 2.

The researcher went on further and proposed Hypothesis 2a and 2b, which looked at the potential moderating effects of expatriate involvement on the link. The results of the study showed the following:

- For POEs, the interaction term between subsidiary autonomy and expatriate involvement was positive and a significant determinant of performance of POE subsidiary
- For SOEs, the interaction term between subsidiary autonomy and expatriate involvement was negative but a non-significant determinant of performance of SOE subsidiary

This test pattern showed that there is a difference between the impacts of expatriate involvement on the two different types of subsidiaries. As mentioned earlier, according to the institutional-based view in the literature, institutional structure and governance within a firm play a critical role in affecting the relationship between subsidiary autonomy and performance. State ownership of the parent company is a good measure of such a construct for EMNEs, in particular for Chinese MNEs.

Highly regulated parent companies of with a high level of state ownership are more capable of setting implicit or explicit restrictions for their foreign subsidiaries, even for those subsidiaries declared with high autonomy. Such restrictions tend to mitigate or offset the potential performance gains from subsidiary autonomy. Furthermore, subsidiaries are usually away from the full control by headquarters and are difficult to be monitored, as there are high costs to verify if their goals are incongruent. The subsidiaries are more likely to pursue moral hazard behaviour. That is particular true for SOE subsidiaries, when interest misalignment exists between multinational headquarters and the expatriates in subsidiaries.

Finally, the researcher moved on to studying the potential moderating effects of organisational capability on the link (subsidiary autonomy–performance).

Hypothesis 3a postulated that subsidiary autonomy on performance was strengthened by a higher level of organisational capability for SOE subsidiaries; while Hypothesis 3b proposed that effect of subsidiary autonomy on performance is strengthened by a higher level of organisational capability for POE subsidiaries. The results of the study showed that:

- In terms of the potential moderating effects of organisational capability on the link, both POEs and SOEs exhibit a strong and positive relationship.

When comparing Hypothesis 2 and Hypothesis 3, it can be concluded that Chinese MNEs, in particular state-owned MNEs, need to improve organisational capability

rather than dispatch expatriates from the parent company prior to delegating autonomy to the subsidiaries.

6.13 Conclusion

South Africa seems to be an attractive destination for more Chinese MNEs with its strategic role as the gateway to the African continent (UNCTAD, 2015). This gives broad context to test the relationship between subsidiary autonomy and performance.

This research tested nine important hypotheses related to subsidiary autonomy and performance. The results of the study found the following pattern:

- There is a positive subsidiary autonomy-performance link;
- The state ownership has an effect on autonomy-performance link;
- Moderating effect of expatriate involvement is only found for POE subsidiaries;
- Moderating effect of organisational capability is found for both SOE and POE subsidiaries.

This pattern highlights the importance of distinguishing SOE and POE subsidiaries, while taking into account the institutional and governance structures that are in place when studying Chinese MNEs.

The findings of this research have both managerial and theoretical implications for IB research. Theoretically, the results of this study verify the mainstream theory about EMNEs as discussed in the literature section in Chapter 2, but they also set some boundary conditions in place for the theory to work well for Chinese MNEs.

On the practical side, the research findings suggest that the management of state-owned parent companies of EMNEs diminish the institutional restrictions on the subsidiaries and align self-interest of expatriate with the parent company for a better chance to bring the positive effect from subsidiary autonomy into play. Furthermore, good organisational capabilities will extend the knowledge and skills extended from the global networks of MNEs, giving subsidiaries the competitive advantage, subsequently boosting performance.

7 Chapter 7: Conclusion

7.1 Summary of key findings

Reviewing the results of Chapter 6, a positive subsidiary autonomy-performance link is found for the Chinese MNEs in South Africa (Hypothesis 1). However, further exploration shows that this positive link only exists for POE sub-sample (Hypothesis 1b) but not for SOE sub-sample (Hypothesis 1a).

As mentioned earlier, according to the institutional view in the literature, institutional structure and governance within firms play a critical role in affecting the relationship between subsidiary autonomy and performance. State ownership of the parent company is a good measure of such a construct for EMNEs, in particular for Chinese MNEs. Parent companies of with a high level of state ownership are more likely to set implicit or explicit restrictions for overseas subsidiaries, even for those subsidiaries declare with high autonomy. Such restrictions tend to mitigate or offset the potential performance gains from subsidiary autonomy. As a contrast, for parent companies that are not state owned, the restriction could be weak so that POE subsidiaries are endowed with more power and resources than SOE subsidiaries to run their businesses in overseas markets.

In terms of the potential moderating effects of expatriate involvement on the link, they are only found to be strengthened for the POE subsidiaries but not for SOE subsidiaries (Hypotheses 2a and 2b). This test pattern shows a clear difference between the two types of subsidiaries and how expatriate involvement could negatively affect the relationship of subsidiary autonomy and performance if MNE had no management incentives to align self-interest of expatriates with interest of the parent company.

In terms of the potential moderating effects of organisational capability on the link, they are all stronger and positive relationships. It is more important for Chinese MNEs to improve organisational capability than to despatch expatriates from headquarters before delegating autonomy to the subsidiaries.

As a result, the research tested nine important hypotheses related to subsidiary autonomy and performance, which is an important research topic in IB study. The findings highlight the importance to distinguish between SOE and POE subsidiaries and take into account the institutional and governance structures when studying EMNEs.

The findings of this research have both managerial and theoretical implications for IB research. On the theory side, this research verifies the mainstream theory about EMNEs discussed in the literature part but sets some boundary conditions for the theory to work well, especially for Chinese MNEs. On the practice side, the research findings suggest that the management of a state-owned parent company of EMNEs diminish the institutional restrictions on the subsidiaries and align self-interest of expatriates with the parent company for a better chance to enhance the positive effect from subsidiary autonomy to come into play.

7.2 Models of research finding

For Chinese MNEs, state ownership is a very important institutional factor to understand the performance of subsidiaries. Researchers who are interested in investigating the performance of Chinese MNEs should clearly distinguish between SOE and POE subsidiaries (Figure 7.1 and Figure 7.2).

Figure 7. 1: Relationship of subsidiary autonomy and performance for SOE
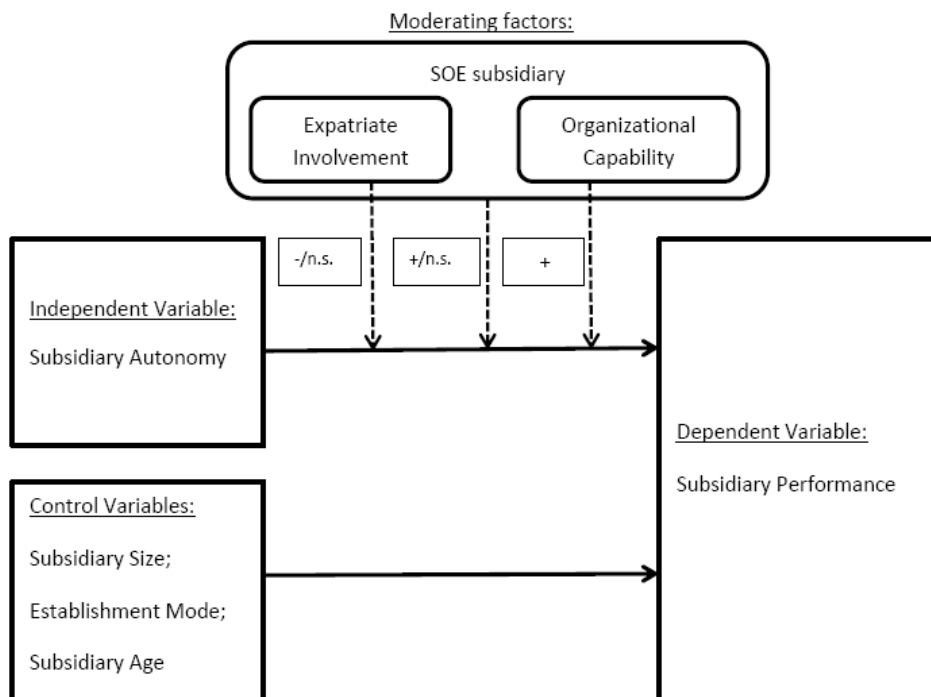
For SOE subsidiaries, the autonomy delegation on its own cannot improve the performance of Chinese MNE subsidiaries.

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[2] n.s. means non-significant relationship

For SOE subsidiaries, the relationship between autonomy delegation and subsidiary performance tends to be weakened by higher levels of expatriate involvement. The relationship between autonomy delegation and subsidiary performance is strengthened only when the subsidiaries have high organisational capability.

Figure 7. 2: Relationship of subsidiary autonomy and performance for POE
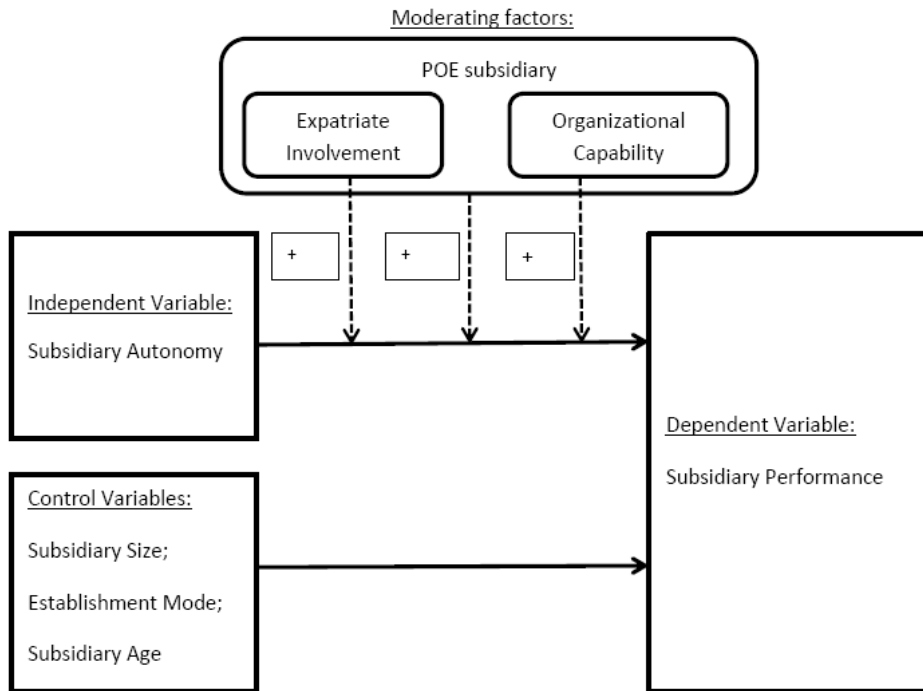
For POE subsidiaries, the autonomy delegation on its own can improve performance of Chinese MNE subsidiary.

For POE subsidiaries, the relationship between autonomy delegation and subsidiary performance is strengthened by both a higher level of expatriate involvement and a higher level of organisational capability.

7.3   Recommendations

7.3.1   MNEs

MNEs should delegate more decision-making autonomy to subsidiaries in emerging markets in order to improve their performance.

MNEs, especially EMNEs that have state as a major shareholder, should focus on improving organisational capability instead of despatching expatriates into executive commission of subsidiaries in order to bring the positive effect from subsidiary autonomy into play. Through generating, sharing and implementing good HR

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management practice within the MNE networks, MNEs could strengthen performance of the autonomy-delegated subsidiaries.

7.3.2 Governments

The Chinese Government should focus on diminishing the institutional restriction on MNEs to improve the performance of overseas subsidiaries.

The Chinese Government should also build up internal management incentives to link the expatriate performance with organisational performance.

7.3.3 Scholars

The scholars should distinguish different ownership structures when studying performance of EMNEs, in particular, Chinese MNEs.

7.3.4 Future research

The research suggests the relationship of subsidiary autonomy and performance and moderating effects of state ownership, expatriate involvement and organisational capability. However, the research is not without limitations. Firstly, the research only investigated Chinese MNEs in South Africa. Future studies using larger sample sizes could provide statistically robust validation for the study.

Secondly, subjective data, which might suffer from personal bias, was used for this research. Future studies, using objective data, might provide statistically robust validation for the study when the data is available and reliable.

Thirdly, this research used cross-sectional data. The subsidiary autonomy and performance are evolving with the different international business stage of MNEs. Future studies could look at using longitudinal data to record the trend over time.

Finally, this research only investigated the institutional factors of MNEs' home country. Future studies could examine the influence of institutional factors in the host country on the relationship of subsidiary autonomy and performance. Such studies could also focus on the different roles of expatriate involvement played in SOE and POE subsidiaries of Chinese MNEs.

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7.4 Concluding remarks

This research is a response to Meyer and Peng's (2016) call for shifting research focus toward subsidiary strategy and operations, and the argument by Wang, Luo, Lu, Sun, and Maksimov (2014) having regarded autonomy delegation as an enabling mechanism of EMNEs. This research contributes to the extant international business literature's theoretical pursuit by providing an empirical perspective of Chinese MNEs in an emerging market.

This research explored the relationship between subsidiary autonomy and performance in emerging markets, the institutional effect of state-ownership, the agency and transaction-cost effects of expatriate involvement, and resource-based effect of organisational capability.

This research confirms that subsidiary autonomy has a positive and significant influence on the performance of subsidiaries in emerging markets and that state-ownership weakens the relationship. Expatriate involvement strengthens the relationship for POE subsidiaries but weakens the relationship for SOE subsidiaries. Organisational capability strengthens the relationship for both POE and SOE subsidiaries.

This research encourages MNEs to focus on improving organisational capability and building up appropriate management incentives instead of despatching expatriates to act as senior managers and to effectively improve the performance of subsidiaries in emerging markets.

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Appendix 1: Survey questionnaire

Subsidiary autonomy and performance of Chinese MNEs

Dear participant

I am a MBA student at the Gordon Institute of Business Science (GIBS), University of Pretoria. I am conducting research on subsidiary autonomy and performance of Chinese multinational enterprises (MNEs) in emerging markets.

Participation in this study is the form of a survey which will take less than 20 minutes to complete. It would be most beneficial to include you in the study.

Completion of this survey is completely voluntary and you are entitled to withdraw from the study at any time without penalty. All submitted information on the survey will be kept confidential. You are not required to reveal your identity or your company name – all participants in the survey will be kept anonymous.

All data arising from the survey will be used for academic purposes only.

Should you have any concerns regarding the study, please do not hesitate to contact me or my supervisor, our details are listed below.

Researcher name:	Zhengyun Li
Researcher e-mail:	zhengyun.li@gmail.com
Researcher phone:	082 937 1920
Supervisor name:	Brett Wilks
Supervisor e-mail:	brett.wilks@sametal.co.za
Supervisor phone:	083 309 5595

Yours faithfully

Zhengyun Li

A - General information about the subsidiary

I. Industry classification of subsidiary in South Africa (Adapted from Statistics South Africa, please tick √ the appropriate box that matches most closely)

Agriculture, forestry and fishing		Information and communication	
Mining and quarrying		Financial and insurance activities	
Manufacturing		Real estate activities	
Electricity, gas, steam and air conditioning supply		Professional, scientific and technical activities	
Water supply; sewage, waste management and remediation activities		Administrative and support activities	
Construction		Public administration and defence; compulsory social security	
Wholesale and retail trade; repair of motor vehicles ad motorcycles		Education	
Transportation and storage		Human health and social work activities	
Accommodation and food service activities		Arts, entertainment and recreation	
Others			

II. Industry classification of parent company (Adapted from Statistics South Africa, please tick √ the appropriate box that matches most closely)

Agriculture, forestry and fishing		Information and communication	
Mining and quarrying		Financial and insurance activities	
Manufacturing		Real estate activities	
Electricity, gas, steam and air conditioning supply		Professional, scientific and technical activities	
Water supply; sewage, waste management and remediation activities		Administrative and support activities	
Construction		Public administration and defence; compulsory social security	
Wholesale and retail trade; repair of motor vehicles ad motorcycles		Education	
Transportation and storage		Human health and social work activities	
Accommodation and food service activities		Arts, entertainment and recreation	
Others			

III. Size of the Chinese subsidiary in South Africa (Source: Johnston & Menguc, 2007)

Total Number of employees:	
Number of Chinese expatriate(s) sent by your headquarter:	
Number of Non-Chinese employees:	
Number of Chinese expatriate(s) in executive commission:	
Number of Non-Chinese in executive commission:	

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I. Motivation to invest in South Africa(please tick √ all appropriate boxes, Source: Buckley et al., 2007)

Market seeking	
Efficiency(cost reduction) seeking	
Resource seeking (i.e., natural resources)	
Strategic asset seeking (i.e., brands, technology, local distribution network)	
Others (Please specify):	

II. Mode and date of establishment (please tick √ the appropriate box that matches most closely, Source: Brouthers, 2002)

How has your company been founded through:			
Greenfield investment		Acquisition by Chinese parent company	
State ownership in your parent company:			
100%	>50%	50%	<50%
Ownership of parent company in your South Africa subsidiary:			
100%	>50%	50%	<50%
When was your South African subsidiary established or acquired (Year and Month): _____			

B - Subsidiary Autonomy—Please indicate to what extent decisions in the following business functions your parent company authorises you to make your own decision(1="very low" to 5="very high". please tick √ the appropriate box that matches your opinion most closely, Source: de Jong, van Dut, Jindra, & Marek, 2015).

1	Finance and investment				
	1	2	3	4	5
2	Strategic management				
	1	2	3	4	5
3	Operational management				
	1	2	3	4	5
4	Marketing and market research				
	1	2	3	4	5
5	Purchasing and supplies				
	1	2	3	4	5
6					

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	Distribution and sales				
	1	2	3	4	5
7	Research and Innovation				
	1	2	3	4	5

C - Subsidiary performance—Please report the degree of your agreement on the following statements (1="fully disagree" to 5="fully agree". please tick √ the appropriate box that matches your opinion most closely, Source: Brouthers, 2002;Kawai & Strange, 2014):

Financial dimensions	Our sales level has been much better than our competitors				
	1	2	3	4	5
	Our sales growth has been much better than our competitors				
	1	2	3	4	5
	Our profitability has been much better than our competitors				
	1	2	3	4	5
Non-financial dimensions	Our market share has been much better than our competitors				
	1	2	3	4	5
	Our marketing has been much better than our competitors				
	1	2	3	4	5
	Our market access has been much better than our competitors				
	1	2	3	4	5
	Our reputation has been much better than our competitors				
	1	2	3	4	5

D - Organisational capability of HR management—Please indicate to what extent or how well did your HR unit (1="very low" to 5="very high". please tick √ the appropriate box that matches your opinion most closely, Source: Morris & Snell, 2011):

Generation capability	1. rapidly respond to changes in the local market environment				
	1	2	3	4	5
	2. locally develop new practices				
	1	2	3	4	5
	3. experiment with practices different from those used in other parts of				

	the company				
	1	2	3	4	5
Sharing capability	4. participate in benchmarking activities with other HR groups in the company				
	1	2	3	4	5
	5. encourage the flow of knowledge across HR groups				
	1	2	3	4	5
	6. share insight with other HR groups in the company				
	1	2	3	4	5
	7. have a relaxed and open dialogue with other HR groups in the company				
	1	2	3	4	5
Implementation capability	8. readily implement practices from HQ or peer subsidiary groups				
	1	2	3	4	5
	9. take practices from others (e.g., HQ or other parts of the HR functions) and applied them to your own operations				
	1	2	3	4	5
	10. formalise or institutionalise practices and ideas that come from HQ or other countries				
	1	2	3	4	5

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Appendix 2: Outputs of validity test

```
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  /MISSING=PAIRWISE.
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Correlations

Notes

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	Split File	<none>
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	Cases Used	Statistics for each pair of variables are based on all the cases with valid data for that pair.
Syntax		CORRELATIONS /VARIABLES=SA1 SA2 SA3 SA4 SA5 SA6 SA7 AutonomyTotalScore /PRINT=TWOTAIL NOSIG /MISSING=PAIRWISE.
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Correlations

		SA1	SA2	SA3	SA4	SA5	SA6	SA7	AutonomyTotalScore
SA1	Pearson Correlation	1	.551**	.311*	0.088	0.091	0.272	0.084	.527**
	Sig. (2-tailed)		0.000	0.025	0.537	0.522	0.051	0.554	0.000
	N	52	52	52	52	52	52	52	52
SA2	Pearson Correlation	.551**	1	.519**	.377**	0.118	.447**	0.188	.665**
	Sig. (2-tailed)	0.000		0.000	0.006	0.404	0.001	0.182	0.000
	N	52	52	52	52	52	52	52	52
SA3	Pearson Correlation	.311*	.519**	1	.577**	.428**	.561**	.422**	.794**
	Sig. (2-tailed)	0.025	0.000		0.000	0.002	0.000	0.002	0.000
	N	52	52	52	52	52	52	52	52
SA4	Pearson Correlation	0.088	.377**	.577**	1	0.190	.620**	.400**	.672**
	Sig. (2-tailed)	0.537	0.006	0.000		0.178	0.000	0.003	0.000
	N	52	52	52	52	52	52	52	52
SA5	Pearson Correlation	0.091	0.118	.428**	0.190	1	0.254	.654**	.601**
	Sig. (2-tailed)	0.522	0.404	0.002	0.178		0.069	0.000	0.000
	N	52	52	52	52	52	52	52	52
SA6	Pearson Correlation	0.272	.447**	.561**	.620**	0.254	1	.308*	.733**
	Sig. (2-tailed)	0.051	0.001	0.000	0.000	0.069		0.026	0.000
	N	52	52	52	52	52	52	52	52
SA7	Pearson Correlation	0.084	0.188	.422**	.400**	.654**	.308*	1	.681**
	Sig. (2-tailed)	0.554	0.182	0.002	0.003	0.000	0.026		0.000
	N	52	52	52	52	52	52	52	52
AutonomyTotalScore	Pearson Correlation	.527**	.665**	.794**	.672**	.601**	.733**	.681**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
	N	52	52	52	52	52	52	52	52

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

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

```
CORRELATIONS
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  /MISSING=PAIRWISE.
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Correlations

Notes

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	N of Rows in Working Data File	52
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics for each pair of variables are based on all the cases with valid data for that pair.
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Correlations

		SP1	SP2	SP3	SP4	SP5	SP6	SP7	PerformanceTotalScore
SP1	Pearson Correlation	1	.690**	.575**	.666**	.388**	.357**	.329*	.789**
	Sig. (2-tailed)		0.000	0.000	0.000	0.004	0.009	0.017	0.000
	N	52	52	52	52	52	52	52	52
SP2	Pearson Correlation	.690**	1	.526**	.446**	.424**	.375**	.379**	.753**
	Sig. (2-tailed)	0.000		0.000	0.001	0.002	0.006	0.006	0.000
	N	52	52	52	52	52	52	52	52
SP3	Pearson Correlation	.575**	.526**	1	.451**	.430**	.552**	.477**	.787**
	Sig. (2-tailed)	0.000	0.000		0.001	0.001	0.000	0.000	0.000
	N	52	52	52	52	52	52	52	52
SP4	Pearson Correlation	.666**	.446**	.451**	1	.477**	.518**	.443**	.773**
	Sig. (2-tailed)	0.000	0.001	0.001		0.000	0.000	0.001	0.000
	N	52	52	52	52	52	52	52	52
SP5	Pearson Correlation	.388**	.424**	.430*	.477**	1	.496**	0.237	.656**
	Sig. (2-tailed)	0.004	0.002	0.001	0.000		0.000	0.090	0.000
	N	52	52	52	52	52	52	52	52
SP6	Pearson Correlation	.357**	.375**	.552**	.518**	.496**	1	.616**	.746**
	Sig. (2-tailed)	0.009	0.006	0.000	0.000	0.000		0.000	0.000
	N	52	52	52	52	52	52	52	52
SP7	Pearson Correlation	.329*	.379**	.477**	.443**	0.237	.616**	1	.660**
	Sig. (2-tailed)	0.017	0.006	0.000	0.001	0.090	0.000		0.000
	N	52	52	52	52	52	52	52	52
PerformanceTotalScore	Pearson Correlation	.789**	.753**	.787**	.773**	.656**	.746**	.660**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
	N	52	52	52	52	52	52	52	52

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

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

```
CORRELATIONS
  /VARIABLES=OC1 OC2 OC3 OC4 OC5 OC6 OC7 OC8 OC9 OC10 CapabilityTotalScore
  /PRINT=TWOTAIL NOSIG
  /MISSING=PAIRWISE.
```

Correlations

Notes

Output Created		19-AUG-2016 21:27:06
Comments		
Input	Data	/Users/jimmy/Dropbox/调查回复/SPSS Data/QualifiedData-52.sav
	Active Dataset	DataSet1
	Filter	<none>
	Weight	<none>
	Split File	<none>
	N of Rows in Working Data File	52
Missing Value Handling	Definition of Missing	User-defined missing values are treated as missing.
	Cases Used	Statistics for each pair of variables are based on all the cases with valid data for that pair.
Syntax		CORRELATIONS /VARIABLES=OC1 OC2 OC3 OC4 OC5 OC6 OC7 OC8 OC9 OC10 CapabilityTotalScore /PRINT=TWOTAIL NOSIG /MISSING=PAIRWISE.
Resources	Processor Time	00:00:00.02
	Elapsed Time	00:00:00.00

Correlations

		OC1	OC2	OC3	OC4	OC5	OC6	OC7	OC8	OC9	OC10	CapabilityTotalScore
OC1	Pearson Correlation	1	.646**	.455**	.370**	.336*	0.256	.575**	0.238	0.266	0.196	.611**
	Sig. (2-tailed)		0.000	0.001	0.007	0.015	0.067	0.000	0.089	0.056	0.163	0.000
	N	52	52	52	52	52	52	52	52	52	52	52
OC2	Pearson Correlation	.646**	1	.555**	.286*	.480**	.416**	.578**	0.246	.307*	.324*	.690**
	Sig. (2-tailed)	0.000		0.000	0.040	0.000	0.002	0.000	0.079	0.027	0.019	0.000
	N	52	52	52	52	52	52	52	52	52	52	52
OC3	Pearson Correlation	.455**	.555**	1	.360**	.535**	.452**	.543**	.431**	.493**	.381**	.744**
	Sig. (2-tailed)	0.001	0.000		0.009	0.000	0.001	0.000	0.001	0.000	0.005	0.000
	N	52	52	52	52	52	52	52	52	52	52	52
OC4	Pearson Correlation	.370**	.286*	.360**	1	.521**	.464**	.575**	.570**	.418**	.422**	.702**
	Sig. (2-tailed)	0.007	0.040	0.009		0.000	0.001	0.000	0.000	0.002	0.002	0.000
	N	52	52	52	52	52	52	52	52	52	52	52
OC5	Pearson Correlation	.336*	.480**	.535**	.521**	1	.523**	.569**	.490**	.413**	.560**	.770**
	Sig. (2-tailed)	0.015	0.000	0.000	0.000		0.000	0.000	0.000	0.002	0.000	0.000
	N	52	52	52	52	52	52	52	52	52	52	52
OC6	Pearson Correlation	0.256	.416**	.452**	.464**	.523**	1	.584**	.535**	.463**	.347*	.709**
	Sig. (2-tailed)	0.067	0.002	0.001	0.001	0.000		0.000	0.000	0.001	0.012	0.000
	N	52	52	52	52	52	52	52	52	52	52	52
OC7	Pearson Correlation	.575**	.578**	.543**	.575**	.569**	.584**	1	.328*	.413**	.555**	.812**
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000		0.018	0.002	0.000	0.000
	N	52	52	52	52	52	52	52	52	52	52	52
OC8	Pearson Correlation	0.238	0.246	.431**	.570**	.490**	.535**	.328*	1	.567**	.452**	.686**
	Sig. (2-tailed)	0.089	0.079	0.001	0.000	0.000	0.000	0.018		0.000	0.001	0.000
	N	52	52	52	52	52	52	52	52	52	52	52
OC9	Pearson Correlation	0.266	.307*	.493**	.418**	.413**	.463**	.413**	.567**	1	.467**	.681**
	Sig. (2-tailed)	0.056	0.027	0.000	0.002	0.002	0.001	0.002	0.000		0.000	0.000
	N	52	52	52	52	52	52	52	52	52	52	52
OC10	Pearson Correlation	0.196	.324*	.381**	.422**	.560**	.347*	.555**	.452**	.467**	1	.659**
	Sig. (2-tailed)	0.163	0.019	0.005	0.002	0.000	0.012	0.000	0.001	0.000		0.000
	N	52	52	52	52	52	52	52	52	52	52	52
CapabilityTotalScore	Pearson Correlation	.611**	.690**	.744**	.702**	.770**	.709**	.812**	.686**	.681**	.659**	1
	Sig. (2-tailed)	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	
	N	52	52	52	52	52	52	52	52	52	52	52

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

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

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Appendix 3: Ethical clearance approval letter

Dear Mr Zhengyun Li

Protocol Number: Temp2016-01305

Title: **Subsidiary autonomy and performance of Chinese MNEs**

Please be advised that your application for Ethical Clearance has been APPROVED.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards,

Adele Bekker