Factors which cause the greatest resistance during subsidiary evolution as a global strategy is implemented.

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Abstract

This study describes the factors which cause resistance to subsidiary evolution in twenty-eight geographically dispersed subsidiaries, as a global strategy is implemented by a mature multinational corporation (MNC). The subsidiaries are diverse in terms of the roles they perform within the MNC. Strategic change of this nature requires that subsidiaries roles evolve, in most cases to Implementer of head office decisions. Based on the interplay between subsidiary evolution factors namely; head-office assignment, subsidiary choice and local environments, this study evaluates which factors cause the most resistance to different subsidiary roles as a new MNC structure is implemented. Global Innovators experience the most resistance from headquarter factors, local innovators face the most resistance from subsidiary factors and Implementers experience low levels of resistance from the strategic change.

Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Masters 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.

Name: Lara Kruiskamp

Signature:

Date: 11 November 2009

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Chapter 1: Definition of the Problem and Purpose

1.1 Introduction

This study focuses on the factors of resistance experienced by subsidiaries of a Multinational Corporation (MNC) as a global strategy is implemented. Implementing a global strategy requires the MNC to coordinate subsidiary activities across geographically dispersed operations to gain the benefits of efficiencies and economies of scale in order to operate effectively in the global economy (Roth, Morrison and Allen, 1992). Malnight (2001) suggests that structural patterns are an organisational mechanism used to achieve well coordinated and controlled worldwide operations. Such changes require MNC subsidiaries' roles to change, which often results in significant resistance from the subsidiaries (Bjorkman, Barner-Rasmussen and Li, 2004).

The aim of this study is to identify if MNC subsidiaries with different roles, categorised by Gupta and Govindarajan (1991); namely Global Innovator, Local Innovator, Integrated Player and Implementer, experience resistance to the same or different factors which influence subsidiary evolution. These key factors are defined by Birkinshaw and Hood (1998), as head quarter (HQ), subsidiary or host country factors.

Bovey and Hede (2001) suggest that resistance is a natural part of change. Change involves moving from the known to the unknown which affects levels of comfort. Therefore, it is essential for organisations to understand the causes of

resistance, in order to deal with the resistance appropriately, to minimise the disruption and associated risks. The greatest risk is that the strategic change effort fails and the organisation is not fit to operate in the new global environment which will result in its demise (Bartlett and Ghoshal, 1987).

A new competitive landscape has developed as a result of the technological revolution and globalisation. This presents organisations with major challenges to maintain their competitive advantage, due to more complex environmental demands and global industry players implementing sophisticated global strategies (Hitt, Keats & DeMarie, 1998; Ghoshal and Bartlett, 1987). Ghoshal and Bartlett (1987) state that many organisations have failed to respond to these demands as a result of lack of capability. This has led to MNCs aiming to overcome these limitations by striving to build a different kind of organisation which is able to respond effectively to the complex strategic requirements, be locally responsive and globally integrated.

There is agreement from scholars that a network of globally distributed subsidiaries have an important potential source of competitive advantage for MNC's, which has not been adequately leveraged (Ghoshal and Bartlett, 1990; Birkinshaw and Hood, 1998; Rugman and Verbeke, 2001; Roth *et al*, 1992). Therefore, in order to survive in the international economy and maximise the potential of globally distributed subsidiaries, it is key for firms to have strategic control over their worldwide operations and manage them in a coordinated manner. This is essential

in order for the MNC to leverage their assets, gain global efficiencies and compete in the global economy (Bartlett and Ghoshal, 1988). This presents a new way of operating for MNC's (Roth *et al*, 1992).

Bartlett and Ghoshal (1987) explain that ITT, an organisation which had been conditioned by a long history of local autonomy and local performance measurement, strongly resisted global joint efforts and common standards. As a result, ITT failed to meet the changing needs of the environment and subsequently had to withdraw from the telecommunications switching business. This demonstrates the importance for global organisations to embrace strategic change as the rules of the game in the global economy have changed. As with ITT, resistance to strategic change may result in organisations demise. Therefore, it is key for MNCs to understand what the key factors are contributing to the subsidiary resistance. This is important in order for headquarters to respond appropriately to mitigate the associated risks of resistance and ensure successful coordination and implementation of a global strategy.

This problem was selected as a result of a mature MNC implementing a global strategy and experiencing the pain and challenges of the strategic change process, which has resulted in much subsidiary resistance. The MNC has operated as a multi-domestic organisation where each region has had autonomy to make their own decisions to meet local needs and requirements. As a result, implementation of a global strategy has been faced by much resistance due to a number of factors

which have emerged as a result of decisions by the parent company and the subsidiaries. This problem is facing a number of MNCs in South Africa either in the context as headquarters or as a foreign-owned subsidiary.

Traditionally, research in this area has focussed on a macro view of a MNC transition strategy as opposed to the specific challenges facing subsidiaries (Gupta and Govindarajan, 1991). Birkinshaw and Hood (1998) explain that subsidiary evolution takes the shape of five generic processes as there is not one evolution process to fit all types of subsidiaries. Therefore, this study aims to understand what the key factors are which influence subsidiary evolution and cause resistance regarding the interplay between three key mechanisms, head office assignment, subsidiary choice and local environment determinism. This research contributes to a deeper understanding of the factors which cause resistance to subsidiary evolution as a global strategy is implemented.

1.2 Research Question

Which factors cause the most resistance to subsidiary evolution as a global strategy is implemented and do these factors differ by type of subsidiary?

Chapter 2: Literature Review

2.1 Why Organisations implement a global strategy

International businesses have started to face new challenges in the way they operate. This is due to the increased environmental complexity and hence organisational complexity which is intrinsic in a global economy (Malnight, 2001).

These complexities have led to simultaneous global and local driving forces for organisations to adhere to (Birkinshaw, Hood and Young, 2005). Therefore, organisations are required to be equally locally responsive and globally integrated to gain competitive advantage. Traditionally, organisations pursued a one dimensional strategy such as efficiency, responsiveness or ability to learn. The new demands on international business require organisations to integrate the three strategies across their worldwide operations in an efficient, well coordinated way to survive in the changing, complex environment (Bartlett and Ghoshal, 1987).

As a result of pursing a one dimensional strategy, organisations have established global networks where subsidiaries operate in an independent, self-sufficient manner (Bartlett and Ghoshal, 1988). Birkinshaw, Holm, Thilenius and Arvidsson (2000) use the network theory approach to explain the model of a MNC. This approach models the MNC as “a geographically-dispersed set of value adding activities, each activity of which can be viewed as a semi-autonomous entity, with ownership ties, normative links and certain obligations to head-office.” (Birkinshaw

et al (2000) p 323). This structure is effective to be locally responsive but difficult to be flexible and responsive to global forces which are driving the global economy.

Therefore, organisations are required to implement strategic change, by executing a global strategy. This will enable the organisation to coordinate global operations which will improve efficiencies on a global scale (Bartlett and Ghoshal, 1988; Roth *et al*, 1992), deal with the increased environmental complexity and global requirements (Levy, Beechler, Taylor and Boyacigiller, 2007). Jarillo and Martinez (1990) state that the global organisation as illustrated in Figure 2.1 below, is defined as being focussed on world markets, seeks competitive advantage in economies of scale and centralised control by being driven by coordination and integration efforts and is low on differentiation and national responsiveness.

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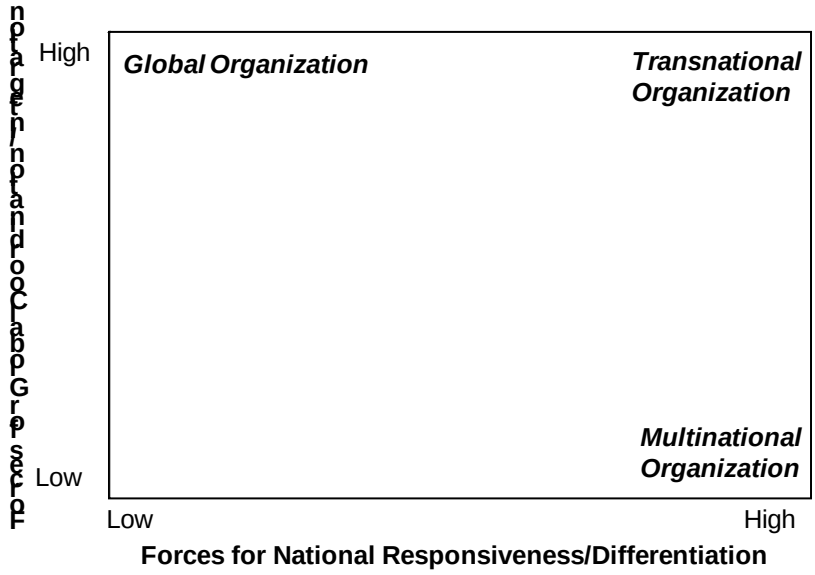

Figure 2.1: Types of multinational Organisations (Ref: Jarillo and Martinez, 1990)

Structural patterns reflect organisational mechanisms used to control and coordinate worldwide operations. This requires significant change. Such change is challenging and requires the subsidiaries to evolve their role within the MNC (Birkinshaw and Hood, 1998). Jarillo and Martinez (1990) suggest that a subsidiaries' strategy in a global organisation is a high degree of integration and a low degree of localisation, a "receptive subsidiary". The evolution process is by no means simple or predictable. There are a number of factors, which contribute to the successful evolution or cause major discomfort and resistance to the change, which impede the successful implementation of a global strategy (Bjorkman *et al*, 2004).

National subsidiaries have a variety of roles within a MNC which adds to the complexity of the evolution process (Birkinshaw *et al* 2000). Gupta and Govindarajan (1991) have modelled four generic subsidiary roles to simplify the process of understanding the variety of roles and implications for the MNC. These roles and the factors which cause resistance during subsidiary evolution are discussed in detail below.

2.2 Subsidiary roles and evolution

Gupta and Govindarajan (1991) and expanded by Harzing and Noorderhaven (2006), clearly document four generic subsidiary roles defined by knowledge flows in an organisation as illustrated in Figure 2.2 below. These roles are: Global Innovator, Local Innovator, Integrated Player and Implementer. The Global

Innovators create knowledge that is shared with other subsidiaries and they are self sufficient. Birkinshaw and Hood (1998) elaborate and state that Global Innovators may have specialised capabilities on which the rest of the MNC is dependent. Local innovators operate independently, the information they create is too subsidiary specific to share with the rest of the MNC. Implementers depend on information inflows from HQs and other subsidiaries and do not engage in much knowledge outflow. Integrated Players send and receive high flows of knowledge within the MNC.

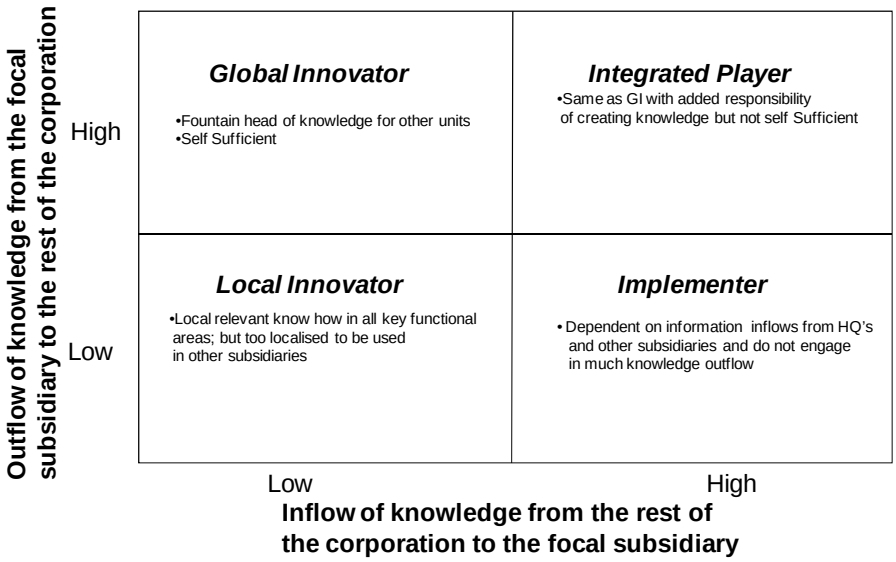

Figure 2.2: Key Subsidiary Roles (Ref: Gupta and Govindarajan, 1991)

In global organisations where a global strategy is adopted the key subsidiary role is Implementer of HQ decisions, processes and systems (Roth *et al*, 1992). Therefore, in order for subsidiaries which have traditionally operated as a Global Innovator, Local Innovator and Integrated Player, their roles are required to evolve

to Implementer. Birkinshaw and Hood (1998) explain that this subsidiary evolution process is a typical scenario where the parent company is rationalising international operations for strategic focus; they (Birkinshaw and Hood, 1998) refer to this as one of five generic evolutional processes, parent-driven divestment. This subsidiary evolution is recognised by the changes in the following factors which shape decisions and actions of subsidiaries; corporate control, level of autonomy, control by socialization and networks, systems and processes (Harzing and Noorderhaven, 2006), levels of global responsibility and authority and degrees of lateral interdependence (Gupta and Govindarajan, 1991).

As a result of this change, subsidiaries face internal and external pressures. Externally they are driven to meet the needs of their local clients but internally they are pressured to comply with global standardization as an important source of competitive advantage as they are an element of a large MNC (Birkinshaw, *et al*, 2005) (Kostova and Roth, 2002). This causes much tension between the HQs and subsidiaries. (Barlett and Ghoshal,1988).

Ghoshal and Nohria, (1989); Gupta and Govindarajan, (1991); Jarillo and Martinez, (1990) share the belief that roles are assigned to the subsidiary by the parent company depending on competence and strategic importance of the local environment. Birkinshaw and Hood (1998) agree with this point but state that this is one dimensional and assumes continuous development of a subsidiary. Birkinshaw and Hood (1998) explain subsidiary evolution as:

"(1) the enhancement or depletion of capabilities in a subsidiary, coupled with (2) an explicit change in the subsidiary's charter." (Birkinshaw and Hood, 1998: 775) Therefore, Birkinshaw and Hood (1998) suggest that subsidiary roles and evolution are not determined by only one mechanism, but rather by the interaction of three key broad mechanisms; head-office assignment, subsidiary choice, and local environment determinism.

The subsidiary role impacts on the decisions made by the parent company, the subsidiary managers and the position of the subsidiary in the local environment. Therefore the subsidiary role evolves by means of a cyclical process over time by the interaction of the three key mechanisms outlined by Birkinshaw and Hood (1998) as illustrated in figure 2.3 below (Birkinshaw and Hood, 1998).

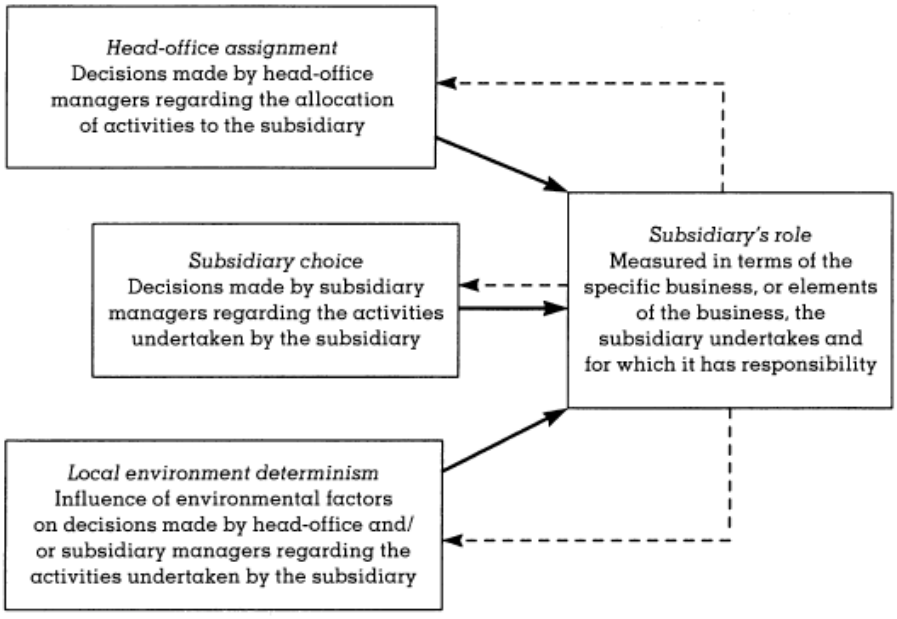

Figure 2.3: Organising Framework for Subsidiary Evolution (Ref: Birkinshaw and Hood, 1998)

2.3 Resistance to strategic change in MNC

Resistance to change is the conduct which aims to maintain status quo in a process to change status quo (Bovey and Hede, 2001). This results in unanticipated delays, costs and instabilities to a strategic change process. Resistance is a complicated phenomenon which is caused by a number of factors. Resistance is usually the symptom of a key underlying situation (Waddell and Sohal, 1998). Bovey and Hede (2001) state that it is key to distinguish between the symptoms and causes of resistance. Bovey and Hede (2001) suggest that resistance is a natural part of change. Change involves moving from the known to the unknown which affects levels of comfort. Therefore it is key to understand what the underlying factors are which contribute to resistance and to minimise these where possible and effectively manage the change process to avoid associated risks.

By ignoring the resistance factors and forging ahead with the change without taking the time to hear the concerns causes more conflict (Waddell and Sohal, 1998). Ford and Ford (2009) suggest that managers who ignore resistance pushback may cause more harm than good. They suggest that resistance should be used as a resource.

2.4 Factors which cause resistance when implementing a global strategy

As the MNC implements strategic change the subsidiary role changes. This requires the MNC to redefine the HQ/Subsidiary relationship (Gomez and Sanchez, 2005), the subsidiary capabilities and charter (Birkinshaw and Hood, 1998).

Birkinshaw and Hood (1998) suggest that the there are three key drivers of subsidiary role; head office assignment, subsidiary choice and local environment determinism, with associated contextual factors which are to be considered during the subsidiary evolution process. The factors for consideration are Parent factors, Subsidiary factors and Host country factors. There are multiple of pressures within these three key areas which contribute to the resistance faced by subsidiaries and HQs as a global strategy is implemented.

2.4.1 Parent Factors

Parent factors involve the consideration of the following factors: HQ leadership and management style during transformation, control mechanisms selected to manage the subsidiaries, ethnocentrism of parent management and lack of effective communication by HQ during transformation. These are discussed in detail below.

2.4.1.1 HQ Leadership and Management during transformation

The challenge for leadership and management is to adopt appropriate behaviours and management styles to minimise resistance and to motivate employees to

embrace strategic change (Kavanagh, 2009). Waddell and Sohal (1998) explain that inappropriate or poor management styles contribute to resistance from subsidiaries. Taggart and Hood (1999) state that sensitive management styles are required by HQ's to ensure that subsidiaries understand and may evaluate their contribution to the organisation, this also guides the appropriate control mechanisms to use.

Ford and Ford (2009) suggest that resistance should be seen as a resource. People who offer resistance and are outspoken about it, should be given the time to communicate their frustrations as often they are the ones closest to the operation to recognise the pitfalls of the change initiative. Ford and Ford (2009) explain that it takes a strong leader to recognise the value of engaging when a change effort is met with pushback. When a leader perceives resistance as a threat this may lead to stubbornness and using coercive power to ensure the change is implemented, this has negative implications, leads to loss of goodwill, and jeopardises valuable relationships.

2.4.1.2 Control mechanisms

MNC's are characterised by tension between HQ and subsidiaries as a result of subsidiary managers seeking autonomy and the parent company seeking control. (Kostova and Roth, 2002). Roth *et al* (1992) refers to this as "headquarters hierarchy syndrome" where HQ dictates decisions and controls, and subsidiaries must implement.

Ghoshal and Noria (1993) state that analysis of MNC organisations tend to assume that the HQ/Subsidiary relationships are identical for all subsidiaries throughout the company. Harzing and Noorderhaven (2006) explain that subsidiaries play different roles within a MNC and there is growing evidence that HQ/Subsidiary relationships are different. As a result they require different control mechanisms to operate effectively for the MNC (Ghoshal and Nohria, 1993; Harzing and Noorderhaven, 2006). Gomez and Sanchez (2005) state that it is critical to consider the subsidiary characteristics when determining appropriate control mechanisms.

The variety of subsidiary roles, stages of development, evolution processes, administrative heritage and local environments (Birkinshaw and Hood, 1998) makes it increasingly difficult for HQs to control their subsidiaries by traditional ways (Birkinshaw *et al*, 2000). When HQ's use the same governance mechanisms for different subsidiary roles (Gupta and Govindarajan, 1991) it causes resistance from the subsidiary that is being controlled by the incorrect mechanisms.

2.4.1.3 Ethnocentric attitude

During strategic change there is a concern that HQ's become too one dimensionally focussed and the ethnocentric attitude among parent managers causes resistance at the subsidiary level (Birkinshaw and Hood, 1998).

An ethnocentric attitude is when HQ's do not seek to understand the local subsidiary operating environment. They see the foreign subsidiary through a narrow lens. This results in HQ's enforcing global policies and procedures that may suit the HQ operating environment but causes resistance from local subsidiaries as a result of the policies and procedures not being appropriate for the local context (Levy *et al*, 2006). An ethnocentric attitude causes HQ's to pursue a self-serving integration effort such as cost reduction without a detailed investigation of subsidiary host country sentimentals or loss of market share in the host country as a result of the standardisation of global products and services.

Perlmutter (1969) explains that an ethnocentric attitude occurs when the authority at HQs is high, rewards, punishment and incentives are high at HQs but low in subsidiaries, the nationality is of the owner and recruitment for key positions is influenced by the HQs. An ethnocentric attitude is one of three HQ orientations toward subsidiaries. Perlmutter (1969) also describes a polycentric and geocentric orientation. For effective implementation of a global strategy a geocentric orientation is to be achieved. The cost of an ethnocentric attitude results in ineffective planning, this is due to the lack of comprehensive feedback, key subsidiary talent leave, fewer innovations, and the inability to build a high calibre local organisation. Perlmutter, (1969) explains that the payoffs of an ethnocentric attitude are short term.

2.4.1.4 Lack of effective Communication

Elving (2005) states that poorly managed change communication results in resistance. The success of organisational change such as the strategic change referred to above requires the behaviour of individuals to change. To achieve this communication and information sharing in a structured appropriate manner is critical. Prior to this stage, readiness for change is a crucial phase to limit the resistance from employees. In the process of implementing a global strategy, the HQ's may clearly understand the aim, purpose, benefits and key objectives for this strategic change, but if the purpose and benefits are not shared with the geographically dispersed subsidiaries this may result in resistance due to a lack of understanding.

Bovey and Hede (2001) suggest that there is insufficient investment in communication and training of employees during change processes. This leads to resistance from employees. Vernard (2002) suggests that information and communication are key enablers of successful change. Dickman and Muller-Camen (2006) state that communication and coordination 'knowledge networking' is an imperative tool to use when diffusing information to global subsidiaries in an effective manner to reduce resistance.

2.4.2 Subsidiary Factors

Subsidiary factors involve the consideration of the following factors: subsidiary dependence on HQ's, level of subsidiary development, role perception gap with HQ and HQ/subsidiary management of personal relations.

2.4.2.1 Dependence on Head Office / Power of subsidiary

Kostova and Roth (2002) define dependence of a subsidiary on the HQ's as the belief that the subsidiary is reliant upon the support from HQ to provide major resources. Therefore literature states that the more dependent a subsidiary is on the HQ's the more it will comply. If dependence is high, subsidiaries will comply, if it is low subsidiaries may resist and manipulate the environment (Roesenzweig and Singh, 1991; Kostova and Roth, 2002).

As a subsidiary evolves and increases its stock of distinct resources, it minimises its dependence on HQ and other entities within the MNC (Birkinshaw and Hood, 1998). According to Gupta and Govindarajan's four generic roles, this would illustrate a subsidiary evolving into a Local Innovator or Global Innovator role (Gupta and Govindarajan, 1991). This explains that subsidiaries are not always inferior to the parent organisations but may be on a par or even superior depending on the resource capabilities (Birkinshaw and Hood, 1998).

Power relations and political control over uncertainties are mentioned by Geppert and Williams (2006) as a critical factor in operating MNCs. They (Geppert and

Williams, 2006) suggest that global integration does not only require a fit between environment and structure but also power resources and politics of managers and key local subsidiary groups. Levy *et al* (2006) suggest that in order to gain competitive advantage the focus has shifted from the tangible structural and administrative mechanisms to the mindset based capabilities. Jakobsen and Rusten (2006) explain that there are two sources of power relations in an MNC, these are structural power and resource power. The better the performance of the subsidiary the more bargaining power the local subsidiary has on the global stage (Birkinshaw and Hood, 1998).

As an organisation that manages by function, the transition to a global strategy increases the number of points of contacts within the local subsidiary and HQ. The local functional roles have solid reporting to HQ and only dotted to local subsidiary manager. These increased demands place pressure on the local functional heads to balance local versus global demands (Bartlett and Ghoshal, 1988). This causes extreme frustration for the local subsidiary manager as his resources are now delivering more for global than for local and more dependent on HQ for direction and information. This causes resource power politics (Jakobsen and Rusten, 2006).

2.4.2.2 Level of Development / Subsidiary growth

The administrative heritage is the configuration of the way the subsidiary has operated in the past, which includes the management style, traditional

responsibility and values and norms (Bartlett and Ghoshal, 1988). Kostova and Roth (2002) refer to organisational practices which also refer to the history, people, interests and actions of the organisations. They (Kostova and Roth) explain that these factors influence the evolution of subsidiaries. Birkinshaw and Hood (1998) state that each subsidiary has a unique profile of capabilities which is related to historical and geographical setting, Bartlett and Ghoshal (1988) mention these as two factors which influence administrative heritage.

Bartlett and Ghoshal (1987) explain that a subsidiaries administrative heritage can be the subsidiaries greatest asset while at the same time the biggest liability, since it resists change efforts to achieve global integration. As an organisation implements a global strategy, the subsidiary role will change, but the change is limited by the subsidiaries administrative heritage. Bartlett and Ghoshal, (1988) explain that administrative heritage cannot change instantly or overnight as the direction in strategy changes. This causes much resistance from subsidiaries as head office drives strategic change without the consideration of the subsidiaries administrative heritage. Head office should rather strive to leverage the subsidiaries existing capabilities, to build and leverage the organisation to drive global coordination and national flexibility to respond to global forces.

In the case where the senior management in the HQs have not grown up in the organisation and do not understand the administrative heritage of the organisation, much frustration is caused when the way they implement processes and

procedures goes against the way business has been conducted since the organisation was founded (Bartlett and Ghoshal, 1988). The HQ approach may also lead to key talent and skills leaving the organisation due the changing way of business and lack of fun, creativity and innovation as a result of the HQ directives which has resulted in limited local autonomy.

Bartlett and Ghoshal (1987) explain that Phillips response to the transnational industry was to pull product decision and sourcing control to headquarters with the intention that they could compete on global efficiency with major competitors. Due to their lack of consideration of administrative heritage this change resulted in jeopardising their most important asset. Their national subsidiaries key part of their administrative heritage was entrepreneurial flare, source of international skill and knowledge and the decision they made worked against the administrative heritage which deprived subsidiary management the benefit of their resources and therefore this initiative failed. Therefore, Bartlett and Ghoshal (1987) emphasize that in order to successfully deliver on new strategic demands, it is imperative that it is done in a way which is consistent with the administrative heritage where its strengths are leverages and limitations counterbalanced. Birkinshaw (1997) agrees with Barlett and Ghoshal (1998) and adds that if a subsidiaries administrative heritage includes entrepreneurial and innovative skills, subsidiary initiative should be encouraged and not blocked by control mechanisms as it has the potential to enhance local responsiveness, worldwide learning and global integration which is desired by the parent company.

2.4.2.3 Perception gap

Perception gaps in the HQ-Subsidiary view of the subsidiary role have important implications for the HQ-Subsidiary relationship. Subsidiary and HQ perceptions of the relationship are often not aligned. Where subsidiaries agenda is autonomy, entrepreneurial and local, the HQ's agenda is control, opportunism and the MNC's profitability (Ghoshal and Noria, 1989). Subsidiary managers tend to overestimate their role associated with the MNC which in turn results in a lower level of HQ-subsidiary cooperation and increasing resistance to change (Birkinshaw, Holm, Thilenius and Arvidsson, 2000).

This may lead to resistance as the subsidiary moves from a position of equality or even leadership to one of subordination to the HQ (Birkinshaw and Hood, 1998). The role change requires a different control mechanism, from decentralised autonomous nature to a centralised, directive approach from HQ (Harzing and Noorderhaven, 2006). This requires dramatic change from the subsidiaries perspective and causes tension (Venard, 2002).

2.4.2.4 HQ/Subsidiary Management Personal Relationships

Birkinshaw and Hood (1998) suggest that a strong network of relationships at a personal level with HQ management is beneficial for the more entrepreneurial driven subsidiaries as the relationship they have gives credibility to their ideas presented. If these relations are poor this contributes to resistance. Kostova and Roth (2003) suggest that social capital as a public and private good between

subsidiary and HQs is the ability to secure benefits by way of social networks and structures. These relationships are essential to build trust.

2.4.3 Host Country Factors

Bartlett and Ghoshal (1987) state there are two key factors of survival for organisations. Firstly, the fit of capabilities to the environmental characteristics and secondly, the ability to adapt capabilities if required. Therefore subsidiaries need to evolve in line with the local country trends and characteristics and incorporate the constraints and opportunities that the local market offers at any given time (Ghoshal and Nohria, 1989). Therefore each subsidiary operates under a unique set of conditions which makes it imperative for subsidiary evolution to consider host country factors (Birkinshaw and Hood, 1998). Doz and Prahalad (1984) suggest that the factors influencing national responsiveness are national market diversity and the host government demands.

Birkinshaw *et al* (2000) state that over time subsidiaries build up local environment relationships which drive them to adapt and learn accordingly to the local conditions. These relationships are not fully understood by the HQ and this contributes to the resistance from subsidiaries when HQ's do not fully understand the adaptation of the subsidiary. The lack of understanding of the local environment is causing much frustration and tension between HQ and subsidiary (Barlett and Ghoshal, 1988). Kostova and Roth (2002) explain host country factors as an institutional profile which comprises of the set of regulatory, cognitive

and normative institutions in a given country. The regulatory component reflects laws and regulation within a country, cognitive component refers to the shared knowledge and sterotypes of the people in the host country and the normative component reflects the values and norms and beliefs of the country.

The key factors are: national culture, social embeddedness and host regulation

2.4.3.1 National Culture

Ghoshal and Nohria (1993) and elaborated by Birkinshaw and Hood (1998) explain that each MNC subsidiary operate in a different national environment. It is vital that the subsidiary is responsive to local demands.

Jensen and Szulanski (2004) suggest that culturally determined normative constraints may create barriers to accepting certain practices due to the appropriateness of accepted ways of doing things. This is a key consideration for large MNC with a global footprint in a large number of countries. Lunnan, Traavik, Nilsen, Amdam and Hennestad (2005) suggest that national values may be a barrier when implementing a foreign best practice. Perlmutter (1969) states that the national culture leads local management to believe that they know what is best for their environment by understanding the complexities of their culture and that foreigners will find it difficult to understand. National culture influences the adoption of policies and practices across the geographical presence of an MNC (Hofstede, 1993).

2.4.3.2 Social embeddedness of the subsidiary

Geppert and Williams (2006) argue that the greater the degree of social embeddedness of a local subsidiary in an integrated business system the more resistance will be experienced in the implementation of global practices. Doz and Prahalad (1984) state that subsidiaries with entrenched roots in their country may act to shield their subsidiary from HQ control and influence in order to protect their autonomy. This results in the managers constantly fending off HQ's with information which is difficult for HQ to check. This contributes to the resistance between HQ and subsidiary. While a subsidiary is not an independent entity and is required to comply with HQ policies and procedures, it is embedded in a host country which has it's own specific practices and policies in place. The competing pressure from internal and external lead to divided loyalty if the context within which the subsidiary is not well understood (Kostova and Roth, 2002). Taggart and Hood (1999) suggest that if a subsidiary becomes too embedded in the national environment, it may lose credibility with the organisation and be excluded from future developments.

Kotstova and Roth (2002) refer to institutional theory to study the adoption and diffusion of organisational practices. Gomez and Sanchez (2005) state that institutional theory suggests that the degree of embeddedness on the local environment impacts on the local management. Therefore in the case of MNCs, the institutional complexity is unique and contributes to the conflict and resistance experienced within the MNC's. The management of MNC's is required to manage

the balance between conflicting priorities of national subsidiaries which require responsiveness and central coordination for global competitiveness (Doz and Pralad, 1984).

2.4.3.3 Host Regulations/ Regulatory Environment

Gomez and Sanchez (2005) state that where government regulations impact on the host country operation, the adoptability of change is minimised. Government regulations restrict processes. Countries have different laws and regulations in place to govern business and this affects the way in which organisations operate (Kostova and Roth, 2002). Where a practice imposed by HQ is perceived by the subsidiary management to be in conflict with the host country regulation, the subsidiary is likely to resist the practise (Kostova, 1999).

2.5 Subsidiary role change and associated factors of resistance

Gupta and Govindarajan (1991) explain the different subsidiary roles of MNC's. This enables MNC to simplify the roles played within the organisation. This model explains which subsidiaries have high or low outflow of knowledge to the rest of the MNC as well as which subsidiaries receive high or low levels of knowledge from the rest of the MNC. The combination of these two conditions allows a MNC to understand the role the subsidiary plays in the organisation.

Birkinshaw and Hood (1998) have explained that subsidiary evolution does occur as a result of a changing environment. They (Birkinshaw and Hood, 1998) have

identified five generic subsidiary evolution processes based on the change in capabilities and change in charter and identified three key factors which impact on subsidiary evolution, namely HQ assignment, subsidiary choice and local environment determinism.

Literature does not however state if subsidiary specific evolution is influenced equally by all three factors or if certain factors cause greater resistance to evolution than others. Therefore this research aims to determine if specific evolution from one role to another role as identified by Gupta and Govindarajan (1991), for example from Global Innovator to Implementer, is impacted more by HQ, subsidiary or host country factors.

In global organisations where a global strategy is adopted the key subsidiary role is Implementer of HQ decisions, processes and systems. Therefore, in order for subsidiaries which have traditionally operated as a Global Innovator, Local Innovator and Integrated Player their roles are required to evolve to Implementer.

2.5.1 Subsidiary evolution from Global Innovator to Implementer

For a Global Innovator to evolve to Implementer, this would require the subsidiary to:

1. Decrease outflow of knowledge and innovation to the rest of the organisation (Gupta and Govindarajan, 1991)
2. Increase in inflow of knowledge from HQ. (Gupta and Govindarajan, 1991)
3. A depletion of capabilities (Birkinshaw and Hood, 1998)
4. A change in charter (Birkinshaw and Hood, 1998)

This would result in the subsidiary becoming more dependent on HQ, less self sufficient, having less autonomy and entrepreneurial flare as a result of decreased innovation and increased direction and knowledge inflow from HQ's. In order for this evolution to be effective and for the subsidiary to embrace the global strategy the HQ/subsidiary relations will change significantly. The subsidiary will evolve from a role of superiority to the HQ to one of inferiority (Birkinshaw and Hood, 1998). This will result in resistance to change. In order for HQ and the subsidiary to deal with the resistance effectively, it would need to know which factors are causing the most resistance to change, therefore:

Hypothesis 1: *When a global strategy is implemented by a multi-domestic organisation, HQ factors cause the greatest resistance for subsidiary evolution from Global Innovator to Implementer*

2.5.2 Subsidiary evolution from Local Innovator to Implementer

For a Local Innovator to evolve to Implementer, this would require the subsidiary to:

1. Receive more inflow of knowledge from HQ. (Gupta and Govindarajan, 1991)
2. Change their charter according to Birkinshaw and Hood (1998) subsidiary evolution.

This would result in the subsidiary becoming more dependent on HQ, less self sufficient, having less autonomy in their local environment. In order for this evolution to be effective and for the subsidiary to embrace the global strategy the subsidiary will need to have less focus on the subsidiary and more focus on the global organisation. This will result in resistance to change. In order for HQ and the subsidiary to deal with the resistance effectively, it would need to know which factors are causing the most resistance to change, therefore:

Hypothesis 2: *When a global strategy is implemented by a multi-domestic organisation, subsidiary factors cause the greatest resistance for subsidiary evolution from Local Innovator to Implementer*

2.5.3 Subsidiary evolution from Implementer in a multi-domestic organisation to a Implementer in a global organisation

The change for the existing Implementer in the multi-domestic organisation would be minimal as inflow and outflows would not be changed, and the charter and capabilities would change significantly, therefore:

Hypothesis 3: *When a global strategy is implemented by a multi-domestic organisation, existing Implementer roles experience minimal resistance to the strategic change*

Chapter 3: Research Hypotheses

The following hypotheses were made in accordance with the objectives of the study:

Research Question:

Which factors cause the most resistance to subsidiary evolution as a global strategy is implemented and do these factors differ by type of subsidiary?

Hypothesis 1:

H_{01}: *When a global strategy is implemented by a multi-domestic organisation, HQ factors do not cause the greatest resistance for subsidiary evolution from Global Innovator to Implementer*

H_{a1}: *When a global strategy is implemented by a multi-domestic organisation, HQ factors cause the greatest resistance for subsidiary evolution from Global Innovator to Implementer*

Hypothesis 2:

H_{02}: *When a global strategy is implemented by a multi-domestic organisation, subsidiary factors do not cause the greatest resistance for subsidiary evolution from Local Innovator to Implementer*

H_{a2}: *When a global strategy is implemented by a multi-domestic organisation, subsidiary factors cause the greatest resistance for subsidiary evolution from Local Innovator to Implementer*

Hypothesis 3:

H_{03}: *When a global strategy is implemented by a multi-domestic organisation, existing Implementer roles do not experience minimal resistance to the strategic change*

H_{a3}: *When a global strategy is implemented by a multi-domestic organisation, existing Implementer roles experience minimal resistance to the strategic change*

Chapter 4: Research Methodology and Design

This chapter discusses the research methodology and design used to address the hypotheses stated in Chapter 3.

4.1 Methodology

4.1.1 Research Design and Type

A quantitative, descriptive study was undertaken, as there is depth of knowledge available and previous studies have been done in this area. The research will be seeking verification on the topic. Descriptive studies are based on some previous understanding of the nature of the research problem and aim to answer the questions *who, what, when, where* and *how* (Zikmund, 2003). This study aims to identify which subsidiary evolution factors, highlighted by (Birkinshaw and Hood, 1998), cause the most resistance to subsidiary evolution as a global strategy is implemented and of these factors differ by type of subsidiary role as identified by Gupta and Govindarajan (1991).

An overview of the methodology is illustrated in figure 4.1 below.

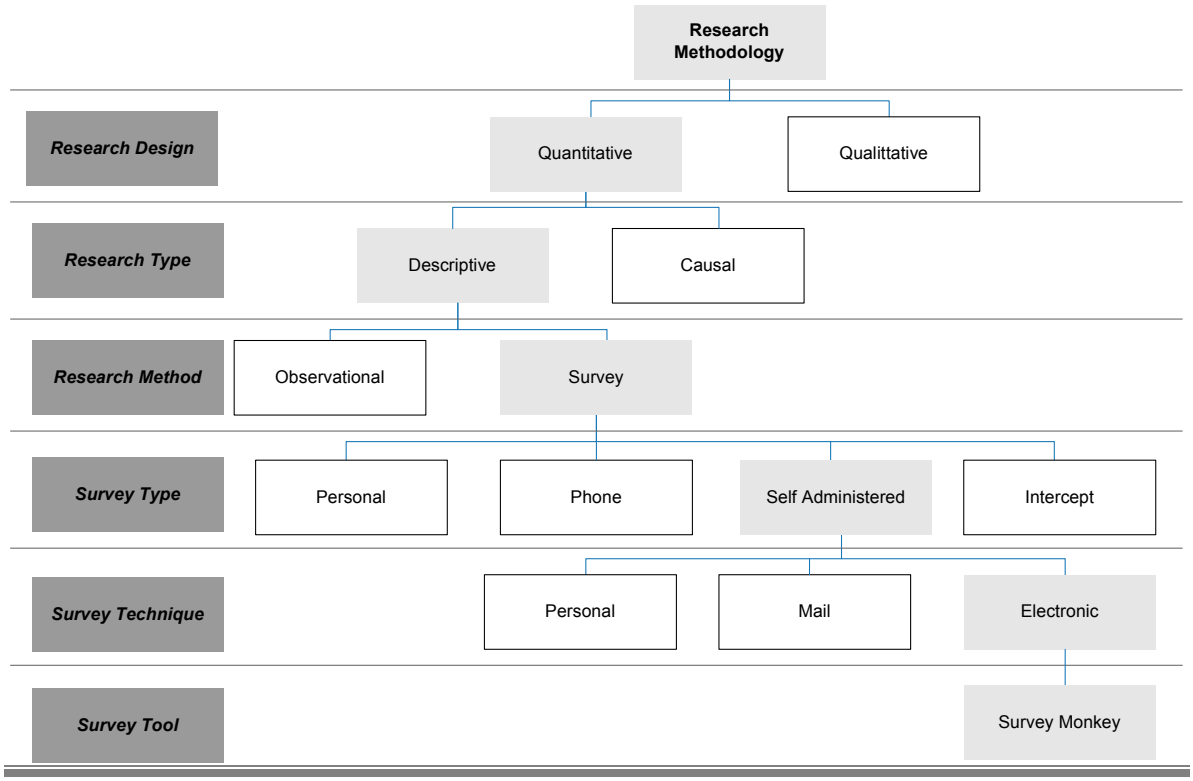

Figure 4.1: Research Methodology Ref: Zikmund, 2003

4.1.2 Research Method, Type, Technique and Tool

A non-experiential survey design was used in order to identify the relationship between resistance factors and subsidiary role evolution as a global strategy is implemented by a multi-domestic MNC. Resistance was the dependent variable and the independent variables were factors which influence subsidiary evolution namely, headquarter factors, subsidiary factors and host country factors.

The research method used was an electronic, self administered survey; the Global Transformation Resistance Factors Survey (GTRF) was used to measure these relationships. This is a normative instrument consisting of 27 items and two sections. The tool Survey Monkey was used to administer the survey.

The survey was developed after an extensive review of the relevant literature on MNC roles and barriers to implementing a successful global strategy. The first section aimed to determine the subsidiary roles prior to implementation of the global strategy where a five point likert scale was used where (1 = Strongly Agree; 5 = Strongly Disagree). This section was created by adapting questions from Gupta and Govindarajan (1991) in order to establish the role of the subsidiary prior to the implementation of the global strategy, according to the subsidiary strategic contexts framework. The second section represents the resistance factors faced during transformation and a five point likert scale was used where (1 = very low and 5 = very high). The resistance factors were identified by using factors defined by Birkinshaw and Hood (1998). They (Birkinshaw and Hood, 1998) define three key factors which influence subsidiary evolution. These three categories are HQ, subsidiary and host country factors. In order to establish the key elements of resistance within these categories, an extensive literature review on relevant MNC's was reviewed. For each element which was identified, two to three questions were developed to ascertain the resistance to the key factors. Refer to Appendix 1 to review the GTRF.

A pilot test of the survey was done prior to the distribution of the questionnaire by two senior executives in one of the MNC subsidiaries, to establish ease of use and readability. The results demonstrated that the questionnaire was easy to complete and readability was good, therefore no changes were required.

4.2 Population

The population of relevance is a multi-national corporation undergoing the implementation of a global strategy and facing resistance from the subsidiaries as a result of this strategic change. The research objective was to survey the three most senior managers from 35 geographically dispersed subsidiaries of the MNC. Subsidiary is defined as a value-adding entity in a host country (Birkinshaw and Hood, 1998).

4.2.1 MNC Background

The MNC was founded in South Africa in 1976 but is now head quartered in Los Angeles, USA and is listed on the NASDAQ Exchange. The MNC is managed by four regions:

I. Africa;
II. Europe, Middle East and North Africa (EMENA);
III. Americas
IV. Australasia (APAC).

Since the inception of this organisation the founders have been the CEO's in each region. They employed the expatriate management style and one remained in South Africa as CEO for Africa and EMENA, one became CEO Worldwide and for the Americas and the third founder moved to Australia to be CEO for the Australasia region.

The MNC is in the Supply Chain Logistics Industry. The strategy is to pursue Global Integrated Logistic Provider and Client Centricity which requires the MNC to implement a Global Strategy to enhance efficiency, responsiveness and the ability to learn (Bartlett and Ghoshal, 1987).

In 2008 the first ripples of the implementation of a Global Strategy were felt by the subsidiaries as the HQs implemented an Enterprise Information Technology service. In the past each subsidiary has operated self sufficiently for IT service and skills.

In January 2009 a new American CEO was appointed for the worldwide operation. With the impacts of the worldwide recession and the change of management, subsidiaries are feeling the pain of the implementation of a global strategy as HQ directives increase and subsidiary autonomy decreases. This change is driving subsidiaries to adopt the role of Implementer.

4.3 Unit of Analysis

The unit of analysis was subsidiaries within the MNC to determine the factors which cause specific subsidiary resistance to the strategic change.

4.4 Sampling

The sampling frame was wholly owned subsidiaries within the MNC selected for this research. The sampling was done in a non-probability, non-random

convenience sampling technique (Zikmund, 2003). The MNC Presidents of the regions provided a list of countries within their regions of operation.

4.5 Participants

The participants in the study were management within the subsidiaries; the information required will not be obtained from operations as it deals with strategic issues related to the subsidiary. The participants were three selected managers from each subsidiary; the criteria for selection was based on the seniority of the manager. The Presidents of the Regions tasked the Human Resource department to provide a list of countries in the regions with the three most senior people in that country. The sample consisted of 120 senior managers. Each participant was e-mailed the survey link, accompanied by a cover letter describing the purpose of the study. It was made clear that the survey was voluntary and anonymous. Of the 120 questionnaires, 82 responses were received. Of the 82 responses 63 were completed. There were three responses with invalid and three were outliers, therefore the final response was 57. The response rate of the survey was 48%.

The participants are all computer literate and have access to the internet (Zikmund, 2003). The participants of the research will not be receiving individual feedback on this research. They have been informed that a copy of the research is available on request.

4.6 Data Analysis

The first stage of analysis was descriptive analysis using the nominal measurement and the frequency table category proportion to evaluate the subsidiaries responses to transform the raw data into a form which will be easy to interpret and understand. This was done to understand the basic distributions from the summarised data (Zikmund, 2003).

Once the basic analysis was completed, inferential statistics were used to assess the significance of various hypotheses about a single variable. This analysis was undertaken using the Statistical Package for the Social Sciences (SPSS) Version 17.2 (2009). The tests conducted were:

1. *Cronbach alpha coefficients* were used to determine the internal consistency reliabilities of the measuring instruments (Clark and Watson, 1995).
2. *T-test analysis* was conducted to establish the dispersion around the means related to the resistance factor per subsidiary role.
3. *Linear regression analyses*, where resistance was the dependent variable and resistance factors (HQ, subsidiary or host country factors) the independent variables were conducted to investigate whether the independent variables could predict resistance factors for different subsidiary roles.
4. *Analysis of Variance analysis* (ANOVA) was conducted to analyse the dispersion of the mean for all three categories and all three resistance factors, to determine which subsidiary roles are affected by specific

resistance factors. The levels of significance of the relationships were considered at 95% confidence interval where the $p \leq 0.05$ and at $p \leq 0.01$ levels. (Zikmund, 2003).

4.7 Research Limitations

This primary limitation of this study is that it is based on one MNC, so the results may have a bias.

By selecting the survey method to obtain primary data, this does create the possibilities of systematic error such as non response error, response bias and possible administrative errors which should be taken into account when analysing the results. However the response rate achieved is sufficient to generalise.

Chapter 5: Results

The purpose of this chapter is to present the results obtained. The results are presented according to the three hypotheses.

5.1 Sample Description

Of the 120 questionnaires, 82 responses were received. Of the 82 responses 63 were completed. Of the 63 completed responses, three provided invalid information and three were outliers. Therefore there were 57 valid responses. This results in a response rate of 48%.

The measuring instrument, the GTRF survey, was tested using Cronbach alpha coefficients to determine the internal consistency reliabilities (Clark and Watson, 1995). The GTRF survey illustrated high internal consistency reliability with Cronbach alpha coefficients with majority of the values above 0.7. as presented in Table 5.1 below.

Scale	α
HQ Leadership & Management	0.78
Control Mechanisms	0.82
Ethnocentric Attitude	0.69
Communication	0.80
Dependence on HQ	0.85
Level of Development	0.85
Role Perception Gap	0.82
HQ/Subs Personal Relations	0.89
National Culture	0.65
Social Embeddedness	0.62
Host Regulation	0.79

Table 5.1: Cronbach Alpha Coefficients

The 57 responses represented 28 subsidiaries from 28 countries and as depicted in Table 5.2 below.

Country	Responses	Country	Responses	Country	Responses
Australia	3	Indonesia	2	Romania	1
Belgium	3	Japan	3	Singapore	2
Brazil	3	Korea	3	South Africa	2
Canada	2	Malaysia	2	Spain	1
China	3	Mexico	2	Switzerland	1
Czech Republic	1	Netherlands	2	Turkey	1
Egypt	3	New Zealand	4	UAE	1
France	1	Pakistan	1	Uruguay	1
Germany	2	Poland	3	Vietnam	2
India	2				
TOTAL				**28 Countries**	**57 Responses**

Table 5.2: Responses represented a sample of 28 countries

Table 5.3 below provides an overview of the characteristics of the sample of the 28 subsidiaries. There was a 4% representation from Africa Region, 14% from America Region, 47% from APAC region and 35% from EMENA region as depicted in the Table 5.3 below.

The subsidiaries joined the MNC group from the inception of the group in 1976 up until recently between 2006 and 2009. There was representation of subsidiaries of all ages, the majority (30%) having joined the MNC group between 1996 and 2000 as illustrated in Table 5.3 below.

The subsidiaries vary is size, the smallest having between 1 to 100 employees and the largest having over 5000 employees as per Table 5.3 below.

Region	Frequency	Percent
Africa	1	3.5
America	4	14.0
APAC	11	47.4
EMENA	12	35.1
Total	**28**	**100.0**

Date Subsidary Joined MNC	Frequency	Percent
1976 - 1980	1	8.8
1981 - 1985	1	7.0
1985 - 1990	2	14.0
1991 - 1995	7	22.8
1996 - 2000	10	29.8
2001 - 2005	5	12.3
2006 - 2009	2	5.3
Total	**28**	**100.0**

Number of Employees	Frequency	Percent
1 - 100	11	33.3
100 - 200	7	21.1
200 - 300	1	12.3
300 - 400	4	12.3
400 - 500	2	10.5
500 - 1000	0	1.8
1000 - 3000	1	3.5
3000-5000	1	3.5
5000+	1	1.8
Total	28	100.0

Table 5.3: Description of the Subsidiaries in the research sample

The respondents in the study were all senior managers within the subsidiaries and their years of service for the MNC varied from 2 to 3 years of service to 20 to 30 years of service as illustrated in Table 5.4 below. 30% of the respondents have served at the group for between 10 to 20 years.

Years of Service	Frequency	Percent
2-3 years	10	17.5
4-5 years	11	19.3
6-7 years	5	8.8
8-9 years	5	8.8
10-20 years	17	29.8
20-30 years	9	15.8
Total	**57**	**100.0**

Table 5.4: Participants Years of Service at the MNC

The first stage of analysis was descriptive analysis using the nominal measurement and the frequency table category proportion to evaluate the subsidiaries responses to transform the raw data into a form which will be easy to interpret and understand. This analysis grouped the countries into one of the four

subsidiaries roles according to Gupta and Govindarajan (1991) and highlighted where the maximum resistance was felt and plotted the results as illustrated in Table 5.4 below. This data set was then used to conduct inferential statistics to asses the significance of the three hypotheses documented in Chapter 3.

		Factors which cause Resistance																								
		HQ									Subsidary													Host Country		
Country	*Role*	1		2			3		4		1			2		3			4					1	2	3
Czech Republic	Global Innovator	4	4	5	3	5	5	2	3		3	3	4	5	5	3	2	4	2	2					2	4	3
Indonesia	Global Innovator	5	5	5	4	5	5	5	4		5	5	5	5	4	3	3	3	4	4					5	4	4
Japan	GIbal Innovator	3	4	4	3	4	3	5	5		5	4	4	4	3	4	3	3	4	4					4	4	3
Malaysia	Global Innovator	3	4	4	3	3	4	4	3		3	3	3	4	4	2	3	3	2	2					4	3	4
Mexico	Global Innovator	4	3	4	4	4	3	3	4		5	3	2	4	2	2	2	3	3	2					3	3	2
South Africa	Global Innovator	4	4	4	4	4	4	5	5		5	4	5	5	5	3	3	5	3	3					4	3	4
Australia	Local Innovator	4	4	4	4	4	4	4	5		5	5	4	4	4	4	5	5	5	4					5	4	4
Belgium	Local Innovator	3	4	3	4	3	4	4	3		4	3	3	4	3	4	4	3	3	2					3	3	2
Brazil	Local Innovator	4	4	4	4	5	4	4	4		5	5	5	5	5	4	5	5	5	5					5	5	4
Canada	Local Innovator	4	4	5	3	4	5	5	4		5	3	4	5	5	4	5	4	5	5					5	4	4
China	Local Innovator	4	4	4	4	4	4	5	3		5	4	4	5	5	4	5	4	3	4					5	4	5
EGYPT	Local Innovator	3	3	5	3	3	4	5	4		4	4	3	4	5	4	5	4	4	4					4	3	5
FRANCE	Local Innovator	3	3	2	3	4	4	4	5		4	5	4	5	5	4	4	5	4	5					5	3	5
Germany	Local Innovator	4	4	4	5	5	5	5	4		5	5	5	4	5	5	5	4	5	5					5	3	4
India.	Local Innovator	3	5	4	4	5	5	5	4		3	3	4	5	5	4	5	4	5	5					4	5	5
Korea	Local Innovator	2	2	3	2	2	3	4	2		5	3	4	4	3	3	4	3	4	2					4	4	2
Netherlands	Local Innovator	3	2	3	2	3	3	2	2		5	3	2	3	4	3	4	4	2	2					3	2	2
NEW ZEALAND	Local Innovator	4	4	4	4	5	4	4	4		5	4	3	5	4	4	4	3	4	4					4	4	4
Poland	Local Innovator	3	4	5	4	5	4	5	3		5	4	5	4	4	5	4	4	3	4					4	4	4
Romania	Implementor	3	3	3	3	3	4	4	4		4	3	3	3	3	3	3	3	3	3					3	3	3
Singapore	Local Innovator	4	5	4	3	3	4	4	4		5	4	5	4	4	4	4	4	4	4					4	5	4
Spain	Local Innovator	4	3	4	4	3	4	5	4		4	3	3	4	4	3	4	2	5	4					4	2	4
Vietnam	Local Innovator	5	4	4	3	3	4	4	5		3	4	2	3	3	4	4	4	4	4					3	4	3
Pakistan	Implementor	3	2	2	3	2	2	3	2		3	3	2	3	2	2	2	1	4	4					3	4	2
Switzerland	Implementor	3	3	3	3	3	3	3	3		3	3	3	3	3	3	3	3	3	3					2	2	1
Turkey	Implementor	2	2	3	2	2	3	3	2		3	3	2	3	3	3	2	3	3	3					3	4	3
UAE	Implementor	3	2	2	2	2	2	2	2		2	2	2	3	3	2	3	4	2	3					3	2	3
Uruguay	Implementor	2	2	3	2	3	3	1	1		2	1	1	2	2	2	2	2	2	2					2	2	2

Table 5.5: Data Set

5.2 Hypothesis 1:

H_{01}: *When a global strategy is implemented by a multi-domestic organisation, HQ factors do not cause the greatest resistance for subsidiary evolution from Global Innovator to Implementer*

H_{a1}: *When a global strategy is implemented by a multi-domestic organisation, HQ factors cause the greatest resistance for subsidiary evolution from Global Innovator to Implementer*

To test Hypothesis 1, a paired sample t-test analysis was conducted to establish the dispersion around the means related to resistance towards HQ factors for each subsidiary role. The t-test was selected as the population standard deviation (σ) is not known and the sample is less than 30 ($n \leq 30$).

		Paired Differences					t	df	p
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	HQ Factors - Local Innovator	11.35294	1.84149	.44663	10.40613	12.29975	25.419	16	.000
Pair 2	HQ Factors - Global Innovator	13.00000	1.43178	.58452	11.49744	14.50256	22.240	5	.000
Pair 3	HQ Factors - Implementer	5.70000	.92534	.41382	4.55104	6.84896	13.774	4	.000

Table 5.6: Paired Sample T-Test HQ Factors

The results of the paired sample t-test as illustrated in Table 5.6 above show that the mean for Global Innovator role is highest (μ = 13, *t* = 25.419, df = 16, p < 0.001) on HQ factor resistance whereas for Local Innovator μ = 11.35294 and for Implementers μ = 5.7. This indicates that Global Innovators are more resistant than Local Innovators and Implementers to HQ factors during implementation of a global strategy.

An ANOVA analysis was conducted to analyse the dispersion of the mean for all three categories and all three resistance factors, to determine if Global Innovators are not just affected more by HQ factors than Local Innovators and Implementers but to identify which of the three resistance factors causes the most pain to Global Innovators. The One-way ANOVA test was used because there were three independent groups with ratio measurement to be tested for differences.

		N	Mean	Std. Deviation
HQ Factors	Global Innovator	6	14.0000	1.43178
	Local Innovator	17	13.3529	1.84149
	Implementor	5	8.7000	.92534
	Total	**28**	**12.6607**	**2.47414**
Subsidary Factors	Global Innovator	6	13.4167	1.73686
	Local Innovator	17	14.5147	1.63571
	Implementor	5	8.9500	1.40757
	Total	**28**	**13.2857**	**2.62177**
Host Country Factors	Global Innovator	6	8.2778	1.34026
	Local Innovator	17	9.0196	1.61362
	Implementor	5	6.1333	1.67664
	Total	**28**	**8.3452**	**1.86694**

Table 5.7: ANOVA Analysis

		Sum of Squares	df	Mean Square	F	p
HQ Factors	Between Groups	97.344	2	48.672	17.912	.000
	Within Groups	67.932	25	2.717		
	Total	**165.277**	**27**			
Subsidary Factors	Between Groups	119.772	2	59.886	22.747	.000
	Within Groups	65.817	25	2.633		
	Total	**185.589**	**27**			
Host Country	Between Groups	32.221	2	16.111	6.508	.005
	Within Groups	61.886	25	2.475		
	Total	**94.107**	**27**			

Table 5.8: ANOVA Analysis

The ANOVA results illustrate that Global Innovators experience the most resistance from HQ factors where ($\mu = 14.000$, $f = 17.912$, $p < 0.001$) compared to the mean for Global Innovators for subsidiary factors $\mu = 13.4167$ and for host country factors where $\mu = 8.2778$

A linear regression analysis was performed using a linear regression model to determine the predicability of the relationship between the Global Innovator and HQ resistance factors. The dependent variable as resistance and the independent variable was HQ factors. The results are reported in Table 5.9 below

Model Summary[b]

Model	R	R Square	Adjusted R Square	Change Statistics				
				R Square Change	F Change	df1	df2	p
1	.879[a]	.773	.716	.773	13.611	1	4	.021

a. Predictors: (Constant), HQFactors

b. Category = Global Innovator

Coefficients[a,b]

Model	Standardized Coefficients			Correlations		
	Beta	t	p	Zero-order	Partial	Part
1 HQFactors	.879	3.689	.021	.879	.879	.879

a. Category = Global Innovator

b. Dependent Variable: Resistance

Table 5.9: Predictive effect of HQ factors on Resistance to Global Innovators

The results in Table 5.9 show a statistically significant relationship between HQ factors and resistance to Global Innovators. With the HQ factors as predictors of resistance for Global Innovators, (R^2 = 0.716, F = 13,611, $p < 0.05$). Therefore with resistance as the dependent variable, HQ factors account for approximately 77% of the variance in Global Innovators. HQ factors with a (β = .879, r = .716, t = 3.698, $p< 0.05$) depict that the relationship is statistically significant.

Therefore the null hypothesis is rejected.

5.3 Hypothesis 2:

H_{02}: *When a global strategy is implemented by a multi-domestic organisation, subsidiary factors do not cause the greatest resistance for subsidiary evolution from Local Innovator to Implementer*

H_{a2}: *When a global strategy is implemented by a multi-domestic organisation, subsidiary factors cause the greatest resistance for subsidiary evolution from Local Innovator to Implementer*

To test Hypothesis 2, a paired sample t-test analysis was conducted to establish the dispersion around the means related to resistance towards Subsidiary factors for each subsidiary role. The t-test was selected as the population standard deviation (σ) is not known and the sample is less than 30 ($n \leq 30$).

		Paired Differences					t	df	p
					95% Confidence Interval of the Difference				
		Mean	Std. Deviation	Std. Error Mean	Lower	Upper			
Pair 1	Subsidary Factors - Local Innovator	12.51471	1.63571	.39672	11.67370	13.35571	31.546	16	.000
Pair 2	Subsidary Factors - Global Innovator	12.41667	1.73686	.70907	10.59395	14.23938	17.511	5	.000
Pair 3	Subsidary Factors - Implementer	5.95000	1.40757	.62948	4.20227	7.69773	9.452	4	.001

Table 5.10: Paired Sample T-Test HQ Factors

The results of the paired sample t-test as illustrated in Table 5.10 above show that the mean for Local Innovator role is highest (μ = 12.51471, t = 31.546, p< 0.001) on subsidiary factor resistance whereas for Global Innovator μ = 12.41667 and for Implementers μ = 5.950. This indicates that Local Innovators are more resistant than Global Innovators and Implementers to subsidiary factors which cause resistance to change during implementation of a global strategy.

An ANOVA analysis was conducted to analyse the dispersion of the mean for all three categories and all three resistance factors, to determine if Local Innovators are not just affected more by subsidiary factors than Local Innovators and Implementers but to identify which of the three resistance factors causes the most pain to Local Innovators. The One-way ANOVA test was used because there were three independent groups with ratio measurement to be tested for differences.

Table 5.11 below illustrates the ANOVA results and depicts that Local Innovators experience the most resistance from subsidiary factors where (μ = 14.000, *f* = 17.912, p < 0.001) compared to the mean for Global Innovators for subsidiary factors μ = 13.4167 and for host country factors where μ = 8.2778

		N	Mean	Std. Deviation
HQ Factors	Global Innovator	6	14.0000	1.43178
	Local Innovator	17	13.3529	1.84149
	Implementor	5	8.7000	.92534
	Total	**28**	**12.6607**	**2.47414**
Subsidary Factors	Global Innovator	6	13.4167	1.73686
	Local Innovator	17	14.5147	1.63571
	Implementor	5	8.9500	1.40757
	Total	**28**	**13.2857**	**2.62177**
Host Country Factors	Global Innovator	6	8.2778	1.34026
	Local Innovator	17	9.0196	1.61362
	Implementor	5	6.1333	1.67664
	Total	**28**	**8.3452**	**1.86694**

Table 5.11. ANOVA Results

A linear regression analysis was performed using the linear regression model to determine the predicability of the relationship between the Local Innovator and subsidiary resistance factors. The dependent variable as resistance and the independent variable were subsidiary factors. The results are reported in Table 5.12 below

Model	R	R Square	Adjusted R Square	Change Statistics				
				Square Change	F Change	df1	df2	p
1	.702[a]	.493	.460	.493	14.613	1	15	.002

a. Predictors: (Constant), SubsidaryFactors
b. Category = Local Innovator

Coefficients[a,b]

Model	Standardized Coefficients			Correlations		
	Beta	t	p	Zero-order	Partial	Part
1 Subsidary Factors	.702	3.823	.002	.702	.702	.702

a. Category = Local Innovator
b. Dependent Variable: Resistance

Table 5.12: Regression Analysis for Local Innovator and Subsidiary Factors

The results in Table 5.12 show a statistically significant relationship between Subsidiary factors and resistance for Local Innovators. With the subsidiary factors as predictors of resistance for Local Innovators, (R^2 = 0.460, F = 14,613, $p < 0.05$). Therefore with resistance as the dependent variable, subsidiary factors account for approximately 49% of the variance in Local Innovators. Subsidiary factors with a (β = 0.702, r = .702, t = 3.823, $p < 0.05$) depict that the relationship is statistically significant.

Therefore the null hypothesis is rejected.

5.4 Hypothesis 3:

H_{03}: *When a global strategy is implemented by a multi-domestic organisation, existing Implementer roles do not experience minimal resistance to the strategic change.*

H_{a3}: *When a global strategy is implemented by a multi-domestic organisation, existing Implementer roles experience minimal resistance to the strategic change*

An ANOVA analysis was conducted to analyse the dispersion of the mean for all three categories and all three resistance factors, to determine resistance experienced by Implementers. The One-way ANOVA test was used because there were three independent groups with ratio measurement to be tested for differences.

Table 5.13 below illustrates the ANOVA results and depicts that Implementer is consistently shown to have the lowest resistance to all factors;

Where the μ is consistently the lowest for all factors:

- HQ (μ = 8.7);
- Subsidiary factors (μ = 8.95);
- Host country factors (μ = 6.1333).

		N	Mean	Std. Deviation
HQ Factors	Global Innovator	6	14.0000	1.43178
	Local Innovator	17	13.3529	1.84149
	Implementor	5	8.7000	.92534
	Total	**28**	**12.6607**	**2.47414**
Subsidary Factors	Global Innovator	6	13.4167	1.73686
	Local Innovator	17	14.5147	1.63571
	Implementor	5	8.9500	1.40757
	Total	**28**	**13.2857**	**2.62177**
Host Country Factors	Global Innovator	6	8.2778	1.34026
	Local Innovator	17	9.0196	1.61362
	Implementor	5	6.1333	1.67664
	Total	**28**	**8.3452**	**1.86694**

Table 5.13: Regression Analysis for Local Innovator and Subsidiary Factors

Linear regression analysis was performed using the linear regression model to determine the predicability of the relationship between Implementer role and all three resistance factors. The dependent variable as resistance and the independent variables were resistance factors. The results are reported in Table 5.14 on the following page

Model Summary[b]

Model	R	R Square	Adjusted R Square	Change Statistics				
				R Square Change	F Change	df1	df2	p
1	.272[a]	.074	-.235	.074	.239	1	3	.658

a. Predictors: (Constant), HQ Factors
b. Category = Implementor

Coefficients[a,b]

Model		Standardized Coefficients	t	p	Correlations		
		Beta			Zero-order	Partial	Part
1	HQ Factors	.272	.489	.658	.272	.272	.272

a. Category = Implementor
b. Dependent Variable: Resistance

Model Summary[b]

Model	R	R Square	Adjusted R Square	Change Statistics				
				R Square Change	F Change	df1	df2	p
1	.0973[a]	.095	.093	.095	3.356	1	3	.530

a. Predictors: (Constant), Subsidary Factors
b. Category = Implementor

Coefficients[a,b]

Model		Standardized Coefficients	t	p	Correlations		
		Beta			Zero-order	Partial	Part
1	SubsidaryFactors	.097	1.304	.530	.973	.973	.973

a. Category = Implementor
b. Dependent Variable: Resistance

Model Summary[b]

Model	R	R Square	Adjusted R Square	Change Statistics				
				R Square Change	F Change	df1	df2	p
1	.489[a]	.239	-.014	.239	.943	1	3	.403

a. Predictors: (Constant), Host Country
b. Category = Implementor

Coefficients[a,b]

Model		Standardized Coefficients	t	p	Correlations		
		Beta			Zero-order	Partial	Part
1	Host Country	.489	.971	.403	.489	.489	.489

a. Category = Implementor
b. Dependent Variable: Resistance

Table 5.14: Regression Analysis

The results of the linear regression show that none of the three factors of resistance are predictors of resistance for the Implementer, for HQ ($R^2 = 0.74$, $p > 0.05$); subsidiary factors ($R^2 = 0.95$, $p > 0.05$); host country factors ($R^2 = 0.239$, $p > 0.05$).

Therefore the null hypothesis (H_{a3}) is rejected.

Chapter 6: Discussion of Results

6.1 Introduction

As a global strategy is implemented, the subsidiary role is determined by head office assignment as Implementer of HQ decisions (Roth *et al*, 1992). As a result subsidiaries which have previously played the role of Global Innovator, Local Innovator and Integrated Player need to evolve to Implementer role, resulting in resistance as illustrated in figure 6.1 below. This research aim was to understand what factors cause the most resistance for the different subsidiary evolution processes:

1. From Global Innovator to Implementer
2. From Local Innovator to Implementer
3. From Implementer in a multi national to an Implementer role in a global organisation.
4. There are no Integrated Players in the sample for this research

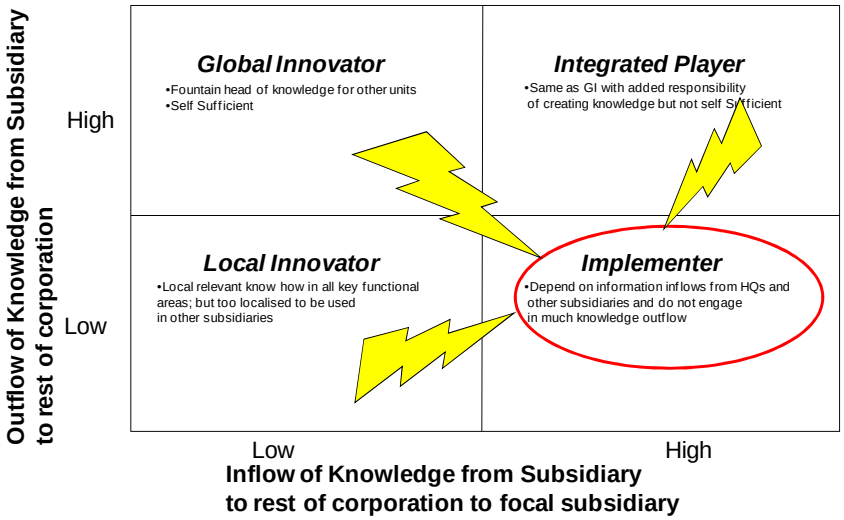

Figure 6.1: Resistance to Subsidiary Evolution as a Global Strategy is implemented
Ref: Adapted from Gupta & Govindarajan (1991)

6.2 Hypothesis 1:

H_{01}: *When a global strategy is implemented by a multi-domestic organisation, HQ factors do not cause the greatest resistance for subsidiary evolution from Global Innovator to Implementer*

H_{a1}: *When a global strategy is implemented by a multi-domestic organisation, HQ factors cause the greatest resistance for subsidiary evolution from Global Innovator to Implementer*

This research yielded statistically significant results that HQ factors cause the greatest resistance for Global Innovators as they evolve to Implementers as a global strategy is implemented.

The results of the paired sample t-test indicated that a statistically significant relationship exists between HQ factors and Global Innovators, where ($\mu = 13$, $t = 25.419$, $df = 16$, $p < 0.001$). The ANOVA analysis illustrated that of the three factors which may cause resistance during subsidiary evolution, namely; HQ, subsidiary and host country, HQ causes the greatest resistance for Global Innovator subsidiaries where ($\mu = 14.000$, $f = 17.912$, $p < 0.001$) and for subsidiary factors $\mu = 13.4167$ and for host country factors where $\mu = 8.2778$. The results of the linear regression show that HQ factors account for approximately 77% of the variance in Global Innovators ($R^2 = 0.716$, $p < 0.05$).

These results provide support that the null hypothesis (H_{01}) which stated that HQ factors do not cause the most resistance for subsidiary evolution from Global Innovator to Implementer as a global strategy is implemented, is rejected.

HQ factors which contribute to the resistance faced by Global Innovators include; HQ leadership and management style during transformation, control mechanisms selected to manage the subsidiaries, ethnocentrism of parent management and lack of effective communication by HQ during transformation.

The evolution process for a Global Innovator to evolve to Implementer according to Birkinshaw and Hood (1998) and Gupta and Govindarajan (1991) would require the subsidiary to:

1. Decrease outflow of knowledge and innovation to the rest of the organisation (Gupta and Govindarajan, 1991)
2. Receive more inflow of knowledge from HQ (Gupta and Govindarajan, 1991)
3. A depletion of capabilities (Birkinshaw and Hood, 1998)
4. Change in charter (Birkinshaw and Hood, 1998)

The evolution from Global Innovator to implementer requires four key changes for the subsidiary, decrease in outflow, which stifles innovation, entrepreneurial flare; increase in inflow which decreases the subsidiaries autonomy and self sufficiency; capabilities are depleted, services which the subsidiary used to provide to the rest

of the organisation are taken away from the subsidiary and done centrally and lastly the subsidiary charter changes significantly they become an Implementer of HQ decision. Jensen and Szulanski (2004) state that knowledge transfer is difficult. A Global Innovator evolution requires an increase in knowledge inflow and to decrease knowledge outflow. As a result it is important that HQ assist in effectively managing the process to ensure success of transformation.

According to Birkinshaw and Hood (1998) this evolutionary process would be considered to be a parent-driven divestment, where the subsidiary capabilities decreases and charter changes for the strategic focus of the group. As a Global Innovator, all changes are as a result of HQ decision and due to the extent of change experienced, the HQ factors exacerbate the resistance if not managed appropriately. The success of the evolution is dependent on clear communication, guidance, appropriate management styles, control mechanisms and effective change management from HQ (Elving, 2005). The success of the evolution for Global Innovators is largely impacted externally by HQ's rather than internally by what the subsidiary can do in the situation.

A respondent from a Global Innovator highlighted this:

> *"For now I see the biggest problem and therefore resistance relate to the fact that there is no clear direction and too many initiatives that sometimes contradict each other. Moreover there is lack of communication between offices."*

Taggart and Hood (1999) suggest that control mechanisms, a parent factor affecting resistance to change, tends to change overtime depending on the subsidiary maturity, sophistication, skills and control over strategic resources. The Global Innovator is a more complex role within the organisation which has high outflow of skills to the rest of the organisation and control of strategic resources, therefore Global Innovators will experience more resistance to control from HQ.

Roth *et al* (1992) suggest an alternative to subsidiaries being Implementers of HQ developed strategy. They (Roth *et al*, 1992) suggest that global subsidiary mandate should be given where the subsidiary works closely with the HQ's to develop and implement the strategy. According to Gupta and Govindarajan (1991) subsidiary role model, this would result in subsidiary evolution form Global Innovator to Integrated Player as opposed to Implementer. This would result in enhanced capabilities, and empower the subsidiary which may result in less resistance to the change.

Bouquet and Birkinshaw (2008) suggest that the more strategic control a subsidiary has and the more initiative taking it has the more attention it receives from HQ. This describes the Global Innovator in line with the Gupta and Govindarajan (1991) framework of subsidiaries roles. As a result of subsidiary evolution to Implementer, attention from HQs may reduce as a result of the role change and this may contribute to the HQ causing the highest resistance for Global Innovators evolution.

Therefore, for MNC implementing a global strategy it is imperative for them to understand that HQ factors such as, HQ leadership and management style during transformation, control mechanisms selected to manage the subsidiaries ethnocentrism of parent management and lack of effective communication by HQ during transformation, need to be addressed with subsidiaries evolving from the Global Innovator role in order to minimise the resistance to the strategic change which is imperative for the success of the organisation.

6.3 Hypothesis 2:

H_{02}: *When a global strategy is implemented by a multi-domestic organisation, subsidiary factors do not cause the greatest resistance for subsidiary evolution from Local Innovator to Implementer*

H_{a2}: *When a global strategy is implemented by a multi-domestic organisation, subsidiary factors cause the greatest resistance for subsidiary evolution from Local Innovator to Implementer*

This research yielded statistically significant results that subsidiary factors cause the greatest resistance for Local Innovators as they evolve to Implementers as a global strategy is implemented.

The results of the paired sample t-test indicated that a statistically significant relationship exists between subsidiary factors and Local Innovators, where (μ = 12.51471, t = 31.546, p< 0.001). The ANOVA analysis illustrated that of the three factors which may cause resistance during subsidiary evolution, namely; HQ, subsidiary and host country, subsidiary factors cause the greatest resistance for Local Innovator subsidiaries where μ = 14.5147, *f* = 17.912, p < 0.001) and for HQ factors μ = 13.3529 and for host country factors where μ = 13.3529. The results of the linear regression show that HQ factors account for approximately 49% of the variance in Global Innovators (R^2 = 0.460, p < 0.05).

These results provide support that the null hypothesis (H_{02}) which stated that subsidiary factors do not cause the most resistance for subsidiary evolution from Local Innovator to Implementer as a global strategy is implemented, is rejected.

For a Local Innovator to evolve to Implementer, this would require the subsidiary to:

1. Receive more inflow of knowledge from HQ. (Gupta and Govindarajan, 1991)
2. A change in charter according to Birkinshaw and Hood (1998) subsidiary evolution.

Subsidiary evolution for the Local Innovator involves less change processes than the Global Innovators which results in the impact of the evolution being more internal by subsidiary factors than external factors of HQ and host country.

One of the factors affecting the subsidiaries is level of development also referred to as, administrative heritage. The administrative heritage is the configuration of the way the subsidiary has operated in the past, which includes the management style, culture, traditional responsibility, skills, values and norms (Bartlett and Ghoshal, 1988). This has been noted by a responded from a Local Innovator as a key factor to resistance:

> *"The transformation process is very USA centric with little appreciation of the differing cultures, history and skills available in the network."*

As a subsidiary evolves and increases its stock of distinct resources, it minimises its dependence on HQ and other entities within the MNC (Birkinshaw and Hood, 1998). According to Gupta and Govindarajan's four generic roles, this would illustrate a Local Innovator role (Gupta and Govindarajan, 1991). As a global strategy is implemented dependence on the HQ is increased as global functions make decisions globally, this contributes to resistance as confirmed by a respondent from a Local Innovator:

> *"There is a big influence from functional leaders involving global decisions, but these leaders follow a more academic strategy rather than making decisions based on the market practicalities which they are unaware of."*

6.4 Hypothesis 3:

H_{03}: *When a global strategy is implemented by a multi-domestic organisation, existing Implementer roles do not experience minimal resistance to the strategic change*

H_{a3}: *When a global strategy is implemented by a multi-domestic organisation, existing Implementer roles experience minimal resistance to the strategic change*

This research yielded statistically significant results that Implementer roles experience minimal resistance when a global strategy is implemented. The ANOVA analysis illustrated that of the three factors which may cause resistance during subsidiary evolution, namely; HQ, subsidiary and host country, none of these Where the μ is consistently the low for all factors: HQ (μ = 8.7); subsidiary factors (μ = 8.95); Host country factors (μ = 6.1333). The results of the linear regression show that none of the three factors which cause resistance are predictor of resistance for the implementer, for HQ (R^2 = 0.74, p > 0.05); subsidiary factors (R^2 = 0.95, p > 0.05); host country factors (R^2 = 0.239, p > 0.05).

These results provide support that the null hypothesis (H_{03}), which stated that Implementer roles do not experience minimal resistance to the strategic change as a global strategy is implemented, is rejected.

The evolution for an Implementer in a MNC to an Implementer in a global organisation does not require significant change as outlined by Gupta and

Govindarajan (1991) and Birkinshaw and Hood (1998). The subsidiary maintains the role where outflow of knowledge to the rest of the organisation is low and the inflow from HQ and other subsidiaries is high. It remains dependent on HQ and other subsidiaries for information (Gupta and Govindarajan, 1991). The charter and capabilities do also not change as the subsidiary is already an Implementer of HQ decisions. The only change that may occur is that it receives more information from HQ directly than via the subsidiary it previously reported to.

This was confirmed by a respondent from an existing Implementer role:

> *"The main reason for the low resistance level is that the team have come from a strict environment so the changes were no surprise to the team."*

Therefore, it is important for HQ to understand which subsidiaries are existing Implementers and to keep them informed of the implementation of the global strategy but not to cause unnecessary unease and discomfort to subsidiaries that will be minimally impact by the changes due to the nature of their previous role within the organisation.

Chapter 7: Conclusions

7.1 Findings

As a global strategy is implemented, geographically dispersed subsidiaries undergo different evolution processes depending on the role they performed for the MNC prior to transformation. As a result of the evolution, resistance is encountered. One of the key findings of this research is that subsidiary evolution from Global Innovator to Implementer and Local Innovator to Implementer face resistance to different factors.

Global Innovators are impacted most by HQ factors such as; HQ leadership and management style during transformation, control mechanisms selected to manage the subsidiaries, ethnocentrism of parent management and lack of effective communication by HQ during transformation. Local Innovators are impacted most by subsidiary factors such as; subsidiary dependence on HQ's, level of development, role perception gap with HQ, and HQ/subsidiary management of personal relations. See Figure 7.1 below which illustrates these findings.

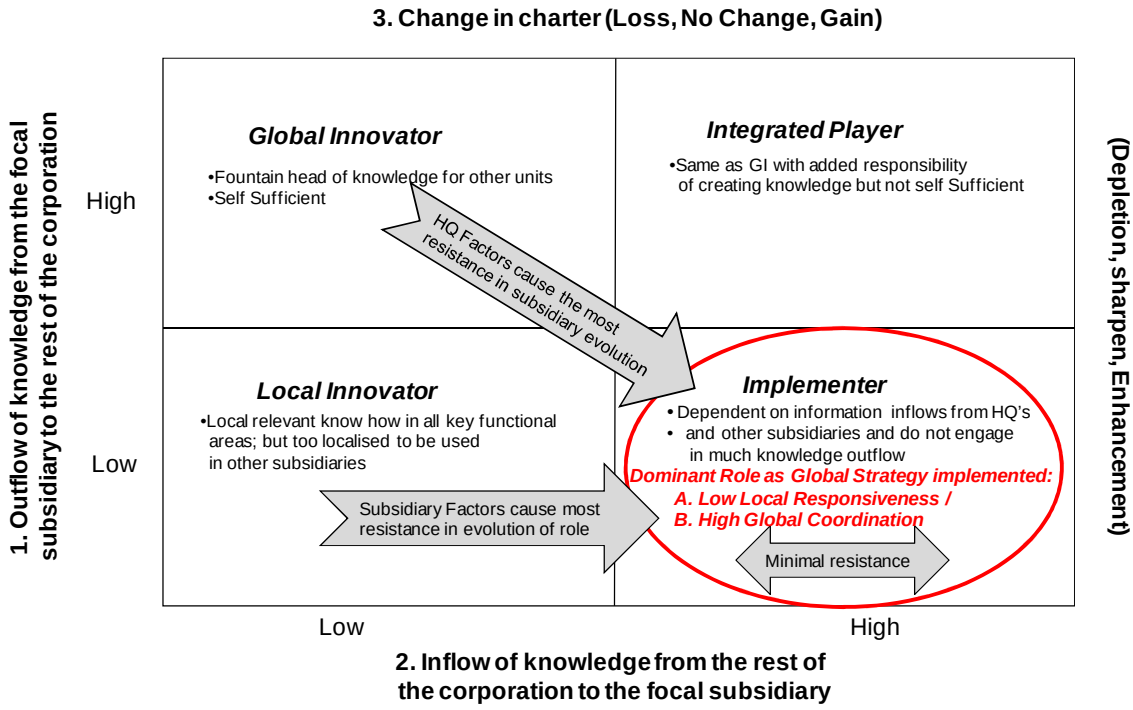

Figure 7.1: Factors which cause the greatest resistance to subsidiary evolution as a global strategy is implemented

Ref: Adapted from Bikinshaw & Hood (1998); Gupta & Govindarajan (1991); Jarillo and Martinez (1990)

Secondly, this research demonstrates that host country factors such as National Culture, Social Embeddedness and Host Regulation do not have a significant impact on the subsidiary evolution processes as a global strategy is implemented.

7.2 Recommendations

Now that it is understood; firstly that different factors cause resistance to different subsidiary evolution processes, and secondly that Global Innovators are impacted most by HQ factors and Local Innovators by subsidiary factors, prior to transformation, HQ's should seek to understand the role of each subsidiary in order

to understand how to manage them effectively and appropriately to minimise the resistance to change. HQ should segment the subsidiaries into groups according to subsidiary role as defined by Gupta and Govindarajan (1991), Global Innovators, Local Innovators and Implementers and define appropriate control mechanisms and structures to enable subsidiaries to embrace the strategic change rather than resist it. This will significantly reduce the resistance HQ feels by implementing a blanket approach regarding control, structure and policies.

Global Innovator evolution to Implementer requires the subsidiary to go from either a position of superiority or equality with HQ's to one of inferiority, Taggard and Hood (1999) and Roth *et al* (1992) suggest that due to the nature of the Global Innovator role where it has strategic control and influence within the organisation, a more appropriate subsidiary evolution would be to Integrated Player, where the subsidiary is empowered, encouraged to participate in defining and implementing the global strategy by way of a mutually agreed role with HQ. This situation must be well managed and co-ordinated to ensure firm-specific advantages (Birkinshaw *et al,* 1996)

Therefore it is important for HQ management and subsidiary management to b trained on the process of evolution to sensitise them to process of evolution and what to expect and how to overcome the challenges they are faced by.

7.3 Limitations

This research was conducted on one Multinational Corporation, the results expressed here may not be representative of other MNC's implementing a global strategy. This should be considered when using this information.

As the view of the subsidiary was gained from individuals, the respondents may have given personal opinions based on their personal experience as opposed to the view of the subsidiary as a whole.

The subsidiary role was determined by the responses, there may be different views of what high/low inflow and outflow of knowledge and skills within the organisation may be.

7.4 Future Research Ideas

7.4.1 Impact on subsidiary size on resistance to strategic change

It would be interesting to ascertain if subsidiary size impacts on the factors of resistances faced by a subsidiary. A sizeable subsidiary may be more resistant to HQ factors than a small subsidiary which may be threatened if it does not fit in to the new strategic model.

7.4.2 HQ view on resistance to strategic change

The survey measures were all conducted at subsidiary level, a useful extension would be to capture the point of view from headquarter respondents on where they feel they are fighting resistance from the different subsidiaries.

7.4.3 A test on this research using another MNC

It would be of value to test this research using another MNC to determine if these results are unique in this MNC or whether they apply more generically to MNCs implementing a global strategy.

7.5 Conclusion

In conclusion, this study has contributed to the body of knowledge regarding factors which cause resistance during subsidiary evolution in MNC. In summary, as a global strategy is implemented, the subsidiary role changes, in most cases to Implementer of head office decisions. The subsidiary evolution is impacted by three key factors; HQ, subsidiary and host country factors. This study has proven that: as a Global Innovator evolves to an Implementer role, HQ factors cause the greatest resistance; as a Local Innovator evolves to an Implementer subsidiary factors cause the greatest resistance. Existing Implementer roles experience low levels of resistance and host country factors cause the least resistance during subsidiary evolution as a global strategy is implemented.

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Appendices

Appendix I Survey: Global Transformation Resistance Factors Survey (GTRF)

Thank you for taking the time to complete this survey. All information is anonymous and treated with the strictest confidentiality.

UTi is not unique in facing challenges as it transforms to a global organisation. As a result of globalization multinational corporations need to transform to remain competitive in the global economy. This is by no means easy and is fraught with difficulty and challenges. This research aims to identify the challenges faced by globally distributed UTi operations as this transformation occurs.

Please complete the questions below using the scale provided.

Demographics:

1.1 Please indicate **the region** you represent

Africa America APAC EMENA

Please indicate **the country** within the region where you are based for UTi Worldwide

1.2 Please indicate how many years you have worked for UTi:

2-3 years	4-5 years	6-7 years	8-9 years	10 – 20 years	20 - 30 years

1.3 Please indicate how many years you have worked for UTi **in the country you currently based**:

2-3 years	4-5 years	6-7 years	8-9 years	10 – 20 years	20 - 30 years

1.4 Please indicate the time period that UTi Worldwide entered into this country:

1976 - 1980	1981 - 1985	1985 - 1990	1991 - 1995	1996 - 2000	2001 - 2005	2006 - 2009

1.5 Please indicate the number of UTi employees in this country operation (not just your BU; the country)

1 - 100	100 - 200	200 - 300	300 - 400	400 - 500	500 - 1000	1000 - 3000	3000 – 5000	>5000

1. Global Transformation Strategy Survey:

Please answer the questions below, regarding the UTi country operation you currently operate in.

Prior to 2007 (i.e. before the Global Strategy Transformation), was your country operation **self sufficient** – ie you ***did not depend*** on advice and resources (finance, HR, IT etc) from Head Quarters or other UTi country operations				
Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
Prior to 2007 (i.e. before the Global Strategy Transformation), did your country operation innovate and share these innovations with Head Quarters and/or other countries (new products, ideas, services, skills)?				
Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

Prior to 2007 (i.e. before the Global Strategy Transformation), did your country operation innovate but could not share this information because it was specific to your local operation and clients?				
Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

Currently in 2009, is your country operation self sufficient – ie you ***do not depend*** on advice and resources (finance, HR, IT etc) from HQ or other UTi country operations.				
Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
Currently in 2009, does your country operation innovate and share these innovations with Head Quarters and/or other countries (new products, ideas, services, skills)?				
Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**
Currently in 2009, is your country creative and innovative but does not share this information because it is too specific to your local operation and clients?				
Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**

2. <u>Transformation Process:</u>

According to literature, there are a number of factors which impact global strategy implementation. Please rate the level of resistance experienced by your country operations towards the global transformation change considering the following factors. Please use a scale of 1 – 5; where 1 is LOW level of resistance and 5 is a HIGH level of resistance.

Please answer the following questions.

3.1 What level of resistance has your country of operation experienced as a result of **poor management of transformation from Head Quarters** (ie inappropriate management actions to encourage and ensure successful transformation) (HQ) (LA, USA)?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.2 What level of resistance has your country of operation experienced as a result of **lack of leadership and clear direction from Head Quarters**?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.3 What level of resistance has your country of operation experienced as a result of **Head Quarters implementing a '1 size fits all control approach',** disregarding the uniqueness of your country operation?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.4 What level of resistance has your country of operation experienced as a result of the **change in functional reporting** (ie. regional functions reporting to global functional heads HR, finance etc)?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.5 What level of resistance has your country of operation experienced as a result of the **implementation of stringent HQ bureaucracy and policies**?				

1 (LOW)	2	3	4	5 (HIGH)
3.6 What level of resistance has your country of operation experienced as a result of **HQ's not seeking to understand your local operating environment** and HQ being too locally focused?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.7 What level of resistance has your country of operation experienced as a result of **HQ pursuing their own integration effort,** such as cost saving for the Group, without considering the **impact on your country** operation?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.8 What level of resistance has your country of operation experienced as a result of **lack of clarity in understanding the purpose and benefits** of implementing the global strategy?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.9 What level of resistance has your country of operation experienced as a result of **HQ decisions which lead to your country operation being more dependent** on them for resources eg IT?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.10 What level of resistance has your country of operation experienced as a result of having **less autonomy in your country operation**, due to the HQ centre led approach?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.11 What level of resistance has your country of operation experienced as a result of the **change in reporting structure to HQ** - having more of your people reporting to regional leaders or to HQ leaders eg HR, Finance, Sales?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.12 What level of resistance has your country of operation experienced as a result of **HQ's not taking into account your operations history, culture or values** when implementing global policies and decisions?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.13 What level of resistance has your country of operation experienced as a result of **global decisions being made without first considering your countries unique capabilities** which have developed over time?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.14 What level of resistance has your country of operation experienced as a result of HQ and your management team having **a different understandings of what role your country operation performs** within the UTi Group. (Are we innovators for the group or should we just be delivering etc)				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.15 What level of resistance has your country of operation experienced as a result of **HQs underestimating the value your operations** add to UTi global?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.16 What level of resistance has your country of operation experienced as a result of **HQ's not fully leveraging the strengths of your operations**?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.17 What level of resistance has your country of operation experienced as a result of **lack of social interaction and networking** between your local senior team and HQ team?				

1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.18 What level of resistance has your country of operation experienced as a result of **lack of personal relationships between your team and the HQ team**?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.19 What level of resistance has your country of operation experienced as a result of **HQ not seeking to understand your local culture** which impacts the way you do business in your country?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.20 What level of resistance has your country of operation experienced as a result of a c**onflict with meeting your local client needs and global requirements**?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**
3.21 What level of resistance has your country of operation experienced as a result of **local government restrictions and regulations** which do not align to global HQ requirements?				
1 (LOW)	**2**	**3**	**4**	**5 (HIGH)**

Thank you very much for your time in answering this survey!