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**Personnel decision-making
in wholly-owned
foreign subsidiaries
and in international
joint ventures**

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Note:
Working papers on themes studied within the ILO
are intended to stimulate discussion and
critical comment.

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ABBREVIATIONS

CEO	Chief Executive Officer
HCN	Host country national
HCO	Host country organisations
HQ	Headquarters
IJV	International joint venture
MNE	Multinational enterprise
PCN	Parent country national
TCN	Third country national
WOS	Wholly-owned foreign subsidiary

INTRODUCTION

This study is concerned with patterns of decision-making in the human resources realm in two types of international affiliates: the wholly-owned foreign subsidiary (WOS) of multinational enterprises (MNEs) and the international joint venture (IJV). The paper begins with definitions of these two types of MNE affiliates and an assessment of their similarities and differences in terms of ownership patterns, location of operations, employee groups, and the objectives of parent firms in establishing the two types of extension.

Following the definitions and classifications, we discuss the major actors in the decision-making process involving these international affiliates: policy-makers at headquarters (HQ) of MNEs and policy-makers at HQ of parents of IJVs; representatives of host country organisations (HCOs) interacting with the affiliates; and local and international stakeholders.

This study is based on an extensive, ongoing research of multinational personnel management launched in 1977. The research population covered thus far has included 333 organisations: 81 HQ of MNEs, 80 WOSs, 131 HCOs and 41 IJVs. The findings report actual and perceived characteristics of decision processes, as well as contents and outcomes for the various actors in international affiliate systems. The final section focuses on several methodological issues relating to the study of decision-making in various multinational settings and issues for future research.

CHAPTER I: DEFINITIONS AND CLASSIFICATIONS

The wholly-owned foreign subsidiary and the international joint venture: Similarities and differences

The wholly-owned foreign subsidiary (WOS) of multinational enterprises (MNEs) and the international joint venture (IJV) are two of the most widespread forms of foreign direct investment. While other forms of international direct investment exist (e.g., mergers, licensing, partnerships, take-overs, partially-owned subsidiaries), the WOS and the IJV are the two major outlets through which foreign companies establish themselves in a host country. Over the years there has been a continuous increase in the number of IJVs and they have gradually replaced WOSs as the most popular type of international operation especially in the developing countries (Friedman and Kalmanoff, 1961; Liebman, 1975; Wright, 1979; Janger, 1980; Walmsley, 1982; Killing, 1983; Greene, 1984). Table 1 illustrates this trend for three different groups of foreign parents operating in developing countries.

Table 1: Ownership distribution of affiliates of multinational enterprises in developing countries*

(n = 391)

Location of Foreign Parent	Affiliate Type	Period				
		up to 1951	1951-1960	1961-1965	1966-1970	1971-1975
US (n = 180)	WOSs	58.4%	44.5%	37.4%	46.2%	43.7%
	IJVs	29.0%	46.1%	52.3%	50.5%	55.8%
UK (n = 135)	WOSs	39.1%	31.6%	20.9%	18.9%	-
	IJVs	30.5%	54.6%	62.5%	65.1%	-
OTHER (n = 76) COUNTRIES	WOSs	27.4%	16.7%	10.7%	6.1%	-
	IJVs	36.9%	76.2%	85.6%	89.9%	-

* Authors' own calculations based on data found in United Nations Centre on Transnational Corporations, Transnational corporations in world development (New York, 1978), table III-25.

Percentage numbers do not add up to 100 because of missing data for some enterprises.

The present study is concerned with the similarities and differences between these two types of organisations as applied to decision-making processes in the human resources realm. The following pages present operational definitions of WOSs and IJVs as well as a brief discussion of the dimensions differentiating them as a background for the analysis of these processes.

Definitions

A review of the literature (including ILO publications on decision-making in MNEs) shows that there is no unanimity regarding the definition of WOSs and IJVs. For the purposes of the present study we propose the following definitions.

A wholly-owned foreign subsidiary (WOS) is:

A legal organisational entity, fully owned (100 per cent) by one parent firm located outside the country of operation of the subsidiary. This entity is subject to the full control of its parent firm and is economically, contractually and administratively dependent on the parent company.

In contrast, an international joint venture (IJV) is:

A legal organisational entity representing the partial holdings of two or more parent firms, in which the headquarters of at least one is located outside the country of operation of the joint venture. This entity is subject to the joint control of its parents, each of which is economically, legally and administratively separate from the other.

(Shenkar and Zeira, 1984)

A number of terms are used to describe the parties who own control of IJVs. Young and Bradford (1977) mention four such terms alternatively: "co-owner", "co-venturers", "partners", and "parents". These terms are used sporadically in various parts of the literature. The term "parents" seems to us preferable because it emphasises both the independence of the IJV as a separate legal entity as well as its partial dependence on those parties for raw materials, know-how, capital, trade marks, resources, markets, political support, or personnel.

The following aspects shall be differentiated between WOSs and IJVs: (a) ownership, (b) dependence, (d) environment, (e) employee groups, and (f) objectives.

Ownership patterns

While foreign WOSs are owned entirely by one foreign parent, the ownership of IJVs is shared by at least two parent organisations, and possibly by several such organisations. The distribution of ownership among parents in IJVs varies significantly (e.g., 50/50 per cent or 90/10 per cent). Holdings which have a very low capital share (less than 5 per cent) are usually considered portfolio investments. Such holdings do not qualify as parents because in most cases they do not have voting shares, or do not entitle the holders to participate in the management of the IJV, or they are so numerous that any co-ordination among them regarding the venture operation is virtually impossible.

Location

Both WOSs and IJVs operate in a country other than that in which the headquarters (HQ) of their foreign parents are located. Table 2 portrays schematically the similarities and differences between local affiliates - the uninternational subsidiary and the domestic joint venture - and foreign affiliates, namely, the WOS and the IJV using location and ownership as explanatory variables.

Table 2: Location and ownership patterns of national/
international wholly-owned foreign
subsidiaries and joint ventures

		<u>Ownership</u>	
		Single Parent	Multiple Parent
Location	Same country of operation for HQ and extension	A subsidiary of a uninational enterprise	Domestic joint venture
	Separate countries of operation for HQ and extension	Wholly owned subsidiary of a multinational enterprise	International joint venture

Dependence

While both WOSs and IJVs are dependent upon their parent firms for the provision of various resources (e.g., capital, personnel, expertise, markets, know-how, raw materials, or political support), the implications of this dependence for the extension's management are far broader for WOSs than for IJVs. This occurs because the IJV has more leeway for manoeuvring between at least two parents, or manipulating them, and since the consequences for ineffective performance are shared among them. Thus, when an IJV fails, the damage to each parent is limited to its share in the enterprise. In contrast, when a WOS fails, one parent company alone assumes the entire damages. As a result, managers of WOSs are usually under tighter control than managers of IJVs especially in financial issues (Young, Hood and Hamill, 1985; Blanpain, 1985).

Environment

Both WOSs and IJVs are involved in an interplay between different national environments. In the case of a WOS, the dominant environment is that of the country where the HQ of the parent is located, especially when the WOS is managed by expatriate managers (Zeira, 1975). IJVs, on the other hand, have more task environments (assigned goals) (Dill, 1958). The venture is usually in the midst of the incongruent expectations of its parents' environments and its host environment. When a host parent exists, the IJV can more easily adapt to the host environment and ignore and even contradict some expectations of its foreign parents or their task environments. It is much more difficult, however, for a WOS to disregard the expectations and the task environments of its parent.

Employee groups

The composition of employee groups differs significantly between the two types of international extensions. While some groups are employed in both WOSs and IJVs, some are unique to the latter type.

The classification of employee groups in international extensions used in this study is based on the following three criteria: (a) country of origin, (b) recruiting entity (e.g., host parent(s), foreign parent(s), subsidiary or the venture), and (c) the country of employment (e.g., HQ of parent firms or the country where the extension operates). Eight groups of employees are thus distinguished:

- (1) Foreign parent(s) expatriates, i.e., nationals of the country in which the HQ of the foreign parent(s) is (are) located and assigned by that parent(s) as expatriate managers to the WOS or the IJV.
- (2) Host parent transferees, i.e., host country nationals already employed by the host parent(s), and transferred to the IJV from the host parent HQ or from one of the international affiliates of that parent.
- (3) Host country nationals, i.e., nationals of the host country, hired directly by the WOS or the IJV and employed in it.
- (4) Third country expatriates of the host parent(s), i.e., third country nationals who are neither nationals of the host country nor of the foreign parent(s) country(ies) and assigned by the host parent(s) to work in the IJV.
- (5) Third country expatriates of the foreign parent(s), i.e., third country nationals assigned by the foreign parent to work in the WOS or third country nationals assigned by the foreign parent(s) to work in the IJV.
- (6) Third country employees of the extension, i.e., third country nationals recruited directly by the international extension to work either in the WOS or the IJV.
- (7) Foreign HQ executives, i.e., policy-makers at the HQ of the foreign parent(s), who play a major role in the functioning of the WOS or the IJV either at HQ or as board members of the extension.
- (8) Host HQ executives, i.e., policy-makers at the HQ of the host parent(s), who play a major role in the functioning of the IJV at HQ or as board members of the venture.

Table 3 provides a listing of the employee groups in international extensions according to the above-mentioned criteria as well as the type of organisation (namely, HQ, WOS or IJV) in which they may be employed.

Parents' objectives

While the objectives for establishing a foreign affiliate are sometimes similar for WOSs and IJVs, there are many specific reasons for deciding on choosing either type. Table 4 lists the diverse objectives of foreign firms in establishing international affiliates in host countries, and indicates whether these objectives apply to WOSs, IJVs, or both. This list is based on a literature survey (Bivens and Lovell, 1966; Pate, 1969; Friedman and Beguin, 1971; Young and Bradford, 1977; Janger, 1980) as well as on our own research.

The objectives listed in table 4 represent a pool of the major reasons for establishing WOSs or IJVs. Naturally, only some of these objectives apply for any given case and they do not equally apply for the different parents. At the same time, the list cannot and does not cover all possibilities. It would not explain, for instance, why a great proportion of IJVs in the People's Republic of China are established by "Overseas Chinese", namely, firms headquartered in the area of Hong Kong or other locations and usually owned by ethnic Chinese (Walmsley, 1982). The objective of the list is to demonstrate the main potential benefits stemming from the choice of a WOS or an IJV. A main benefit is stated as "+". Objectives which are usually better served by the other type of extensions but are still valid are noted as "(+)". For instance, while the transfer of scientific and technological know-how may be served by an IJV, it can also be achieved by a WOS. Objectives which are usually not relevant to one of the types are noted as "-".

Table 3: Classification of employee groups in international affiliates

EMPLOYEE GROUP	COUNTRY OF ORIGIN	RECRUITING ENTITY	COUNTRY OF EMPLOYMENT	POSSIBILITY OF EMPLOYMENT IN WOSs	POSSIBILITY OF EMPLOYMENT IN IJVs
(1) Foreign parent(s) expatriates	Foreign	Foreign parent(s)		YES	YES
(2) Host parent(s) transferees	Host	Host parent(s)	country	NO	YES
(3) Host country nationals	Host	Affiliate	in which	YES	YES
(4) Third country expatriates of the host parent(s)	third	Host parent(s)	the affiliate	NO	YES
(5) Third country expatriates of the foreign parent(s)	third	Foreign parent(s)	is located	YES	YES
(6) Third country employees	third	Affiliate		YES	YES
(7) Foreign HQ executives	Foreign	Foreign parent(s)	countries in which the HQ of parents are located	YES*	YES*
(8) Host HQ executives	Host	Host parent(s)		NO*	YES*

*As board members.

The actors in the decision-making process

WOSs and IJVs differ not only in their ownership patterns or their objectives but also in the actors taking part in the decision processes designed to reach those objectives. Figure 1 presents the different actors and the levels at which they may be involved in the decision processes in WOSs and in IJVs. The figure compares a WOS with an IJV having one foreign parent and one parent in the host country. Naturally, when an IJV has more than two parents, the case is much more complicated. The major components presented in Figure 1 are discussed below.

Policy-makers in HQ and board of directors

Policy-makers in HQ are major actors in the decision-making involving international affiliates. These decisions include the establishment of affiliates, their ownership structure, and their liquidation. In addition, HQ executives regularly participate in a variety of critical decisions regarding such issues as investment, growth, retrenchment and divestment which have major impacts on the human resources in each existing affiliate.

Table 4: Foreign parents' objectives in establishing international affiliates

Objectives	Affiliate Types	
	Wholly Owned Subsidiaries	International Joint Ventures
1 Entering new markets	+	+
2 protecting existing markets	(+)	+
3 Exploiting vital raw materials	+	+
4 Gaining scientific and technological know-how	(+)	+
5 Employing qualified, experienced staff	+	+
6 Exploiting outdated technologies	+	+
7 Cooperating with competitors	(+)	+
8 Reducing anti-trust obstacles	-	+
9 Overcoming trade barriers	+	+
10 Making use of local investment laws	(+)	+
11 Overcoming nationalistic feelings towards foreign ownership	-	+
12 Overcoming legal barriers preventing full foreign ownership	-	+
13 Mobilizing local financial resources	-	+
14 Spreading the risks involved in starting new ventures	-	+
15 Enhancing reputation	(+)	+
16 Reducing human capital costs	+	+
17 Achieving economies of scale	-	+
18 Improving local attitudes towards the firm's products	(+)	+
19 Integrating and rationalizing world-wide operations	+	(+)
20 Stimulating a stagnant company organization	(+)	+

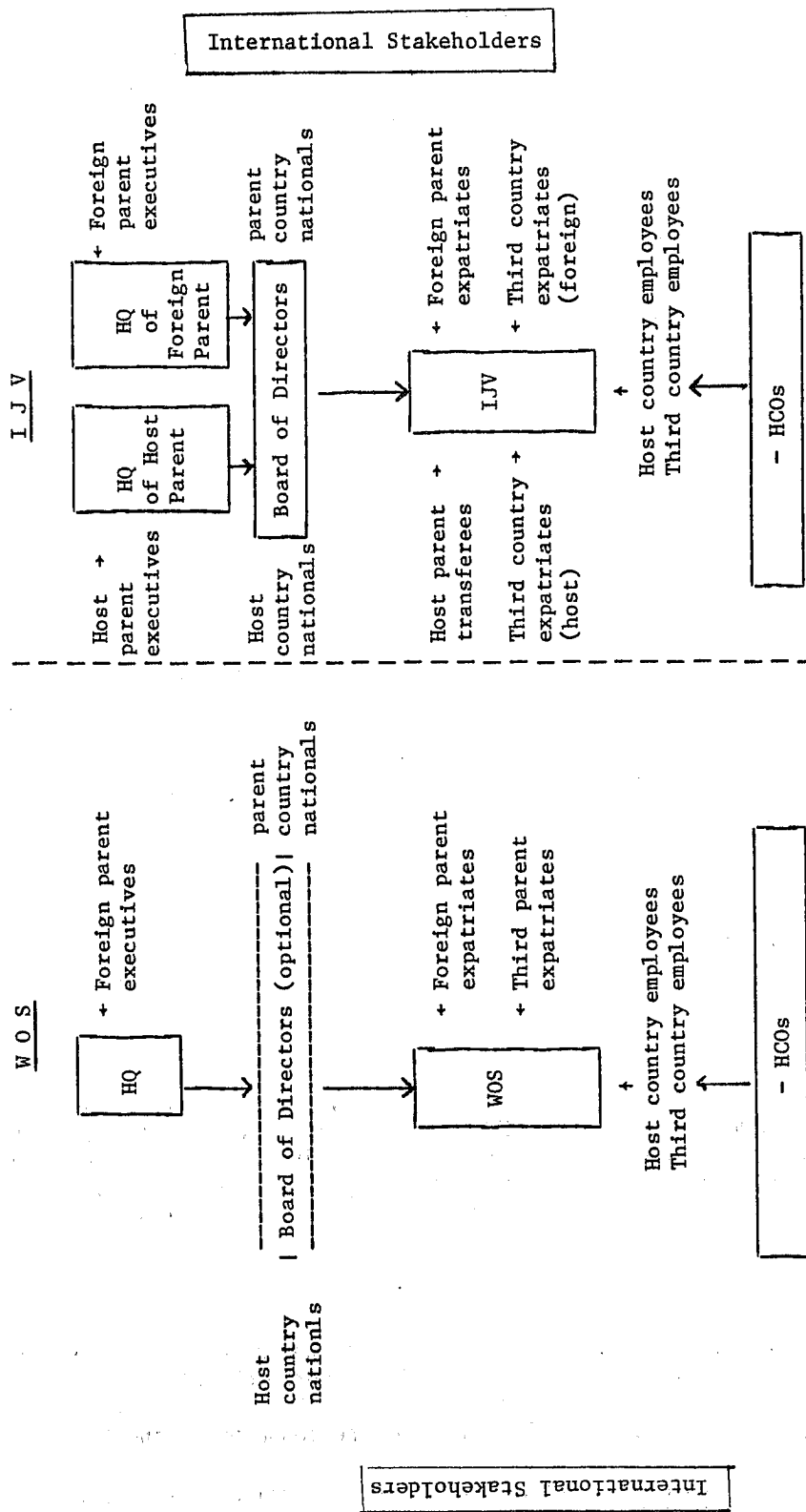
+ = Major Parent Objective
 (+) = Minor Parent Objective
 - = No Parent Objective

In contrast to WOSs, which report to a single HQ, IJVs report to at least two HQ and frequently to more. Policy-makers in these HQ are also crucially involved (though sometimes to different extents) in the decision processes relating to IJVs. This means that the decision processes in IJVs are potentially much more complex than those in WOSs. This complexity, which is inherent in the IJV multiple-parent structure, carries important implications for the personnel processes in those enterprises.

Besides HQ, a major potential arena of decision-making in international affiliates is the board of directors. While not all WOSs have such boards, most if not all IJVs have one. Furthermore, the board of directors in IJVs are frequently the crucial junction where major decisions concerning the IJVs are made. Because of the diverse objectives of the parent firms, the board of directors frequently serves as a "buffer" between the venture and the different HQ (Janger, 1980), as well as a "decoder" of the messages coming from those HQ.

At the affiliate level, where operational decisions are made, IJVs involve a larger number of actors than WOSs. As table 3 indicates, eight groups of employees can take part in the process. This heterogeneity implies that the actors in the decision-making process in IJVs have more to consider, since they have more role sets (Katz and Kahn, 1978), more sets of values, more expectations and more work modes. These factors are anchored in both their national and organisational diversity.

Figure 1: Decision-making actors in WOSs and in IJVs



Different employee groups - up to five at the WOS level and up to eight at the IJV level - can be actively involved in the decision-making process. In addition to direct participation in daily decision-making (each group in its own hierarchical level), these employee groups influence the collection of information, its analysis, and its direct or screened transmission to other decision-makers at HQ or the board of directors. As these groups are positioned in various hierarchical levels and in different functional areas, they represent diverse interests, environments and circumstances which are reflected in their positions vis-à-vis various policy issues contemplated by the policy-makers at HQ or by the boards of directors.

Host country environment

An additional factor which crucially influences decision-making in international extensions consists of various host country organisations (HCOs), such as political bodies, governmental agencies, trade associations, suppliers, clients, employers' associations, trade unions, financial institutions, competitors and the media, with which the international affiliates interact in the host country. Each of these organisations can become a "stakeholder" (Heenan and Perlmutter, 1979; Mitroff, 1983) and hence, their attitudes towards international affiliates may determine prospects for success or failure. The stakeholders in the task environment can (and in developing countries usually do) exert influence on the composition of the workforce in the WOS or the IJV. For example, an ethnocentric host government in a developing country may make it impossible for a WOS or an IJV to employ expatriate managers for long periods of time or to renew their employment contracts (Litvak, 1984).

Although HCOs do not formally take part in the decision-making process in international affiliates, they greatly influence this process. They do so by creating the climate in which international affiliates operate. This climate affects employment decisions such as growth, lay-offs, redundancies or closures. Following the "open system" conceptualisation of organisations (Katz and Kahn, 1966, 1978), or the "resource dependence theory" (Pfeffer and Salancik, 1978), it is clear that HCOs set important constraints on both process and content of the decisions reached in international affiliates.

International environment

In addition to the host country environment which plays a major though usually informal part in the decision-making process, international affiliates are influenced by the international environment outside their host country. These stakeholders are entities upon which international affiliates are dependent. By virtue of their sheer size or power, governments, political blocs and multinational conglomerates carry tremendous influence on these affiliates. Since the majority of affiliates can hardly influence these powerful entities, they must take their expectations into account, regardless of their geographical distance from the country in which the affiliate operates. In addition to governments and political blocs, international stakeholders may consist of strong international competitors, international organisations (e.g., UN, OECD, EEC, FAO, UNIDO, ILO), international professional associations, international trade unions, and many more. The activity of those international stakeholders is frequently translated into laws, regulations and conventions which govern the climate in which the international affiliates are established and operate. Thus, while not directly involved in the decisions processes in international affiliates, the international stakeholders affect various decisions taken in those affiliates, including, of course, employment decisions.

Decision-making in the human resources realm

Decision-making in the human resources realm refers to decisions involving a broad range of personnel issues, such as the staffing of affiliates, selection of employees, promotion of affiliate personnel, severance of service, career development, compensation, training and development, morale and motivation, and the like.

Strategic decisions

Of major importance to decision-making, regarding human resources management in international affiliates, are the underlying strategies of their parent firms.

Dymsza (1972) classifies five types of strategic decisions regarding investment in international affiliates: (1) investment only in WOSs; (2) investment in IJVs only when those are required by law or where mandated by strong local pressure; (3) preference for WOSs but willingness to assume a majority control in an IJV; (4) choosing between a WOS and an IJV on a case-by-case basis; and (5) tendency to form IJVs, particularly in low-technology areas or politically high-risk areas.

The preference for one strategy or another has a major impact on the decisions involving human resources issues in the affiliates. Parents who solely establish WOSs wish to maintain full control of their affiliates. Therefore, they tend to appoint as many expatriate managers as possible to most key positions and to refrain from delegating decision-making authority to their local staff (Zeira and Harari, 1977). Parents who look at IJVs as a "last resort" possibility for extending business to other countries, usually attempt to maintain control over their extensions through action such as monopolising key positions; screening of information provided to host country employees who do not owe allegiance to that parent; creating conflict with the other parents; managing affiliates through the board of directors staffed by their expatriate managers. Parents who prefer WOSs but would compromise on majority ownership in IJVs are likely to demand a dominant position in the management of their affiliates through a majority on the board of directors or a right to nominate expatriate managers to most senior positions. When the choice of the affiliate type is done on a case-by-case basis, the possibility for involvement in human resources decisions may be a consideration in the choice of a WOS or an IJV. When an IJV is the preferred strategy, the parent firm is likely to be more flexible and tolerant towards the human resources policies and practices of the other parents. It goes without saying that each strategy has a different impact on the composition of the human forces in each affiliate as well as their prospects for training, development, promotion, rotation and other aspects of career development.

Typology of basic personnel policy assumptions: Ethnocentric/polycentric/regiocentric/geocentric

Perlmutter and Heenan (1974) discuss four "ideal types" of personnel policies in MNEs. In reality, parent firms of WOSs or IJVs may not necessarily adopt one of these "pure" policies but a combination of them.

The four "ideal types" as applied to human resources can be summarised as follows:

1. An ethnocentric policy assumes that managers who are citizens of the home country are loyal to the parent company HQ and can identify with the company policies. Such managers are considered superior to host or third country employees, either at HQ, on the board of directors, in the WOS or in the IJV.
2. A polycentric policy assumes that the vast differences between the environments of the host and home countries require the employment of host country nationals in WOSs and IJVs in all positions, including top positions. Host country nationals would not, however, be employed at HQ or in international affiliates in other countries. The perception is that host country nationals are familiar with the business world of their country of origin. No expatriate can be as familiar or as successful as a host country national.
3. A regiocentric policy assumes that within a culturally similar region, it is possible to employ people of different nations in any position in WOSs and IJVs as long as they all come from that region. They can also be employed at the regional HQ, on the board of directors or at the HQ as long as HQ and the affiliates are located in the same cultural region. It is thus implied that people from the same cultural region have similar work values and behavioural patterns and hence are interchangeable.

4. A geocentric policy assumes that professional managers are transferable and can function effectively in virtually any country. Hence, able managers can be placed at HQ, at regional HQ, on the board of directors and in WOSs or IJVs regardless of their national origin. This policy perceives management as a universal profession, unrelated to any particular cultural context. Consequently, the recruitment, promotion and rotation of personnel should follow a merit system regardless of citizenship, race, culture, national origin, creed or sex.

An integrative framework

The preceding discussion suggests that in order to understand, predict or control employment decision-making in a WOS and an IJV it is necessary to take several factors into account: (1) the home environment in which the HQ are located, particularly its expectations regarding MNE policies in host countries; (2) the HQ itself - its objectives, strategic decisions, basic personnel assumptions, and staff composition (parent country nationals (PCNs), host-country nationals (HCNs) and third country nationals (TCNs)); (3) the host environment, especially the behaviour patterns and expectations of the host country organisations; and (4) the international environment, including the expectations, laws and norms of the main stakeholders of which this environment consists.

These four factors can be considered as the independent variables influencing the process and content of employment decisions in WOSs and IJVs. They affect the dependent variable, namely, the human resource composition and the quality of working life in international affiliates. In other words, we suggest that the independent variables discussed so far mold the patterns of personnel decisions concerning staffing, selection, assessment, promotion, transfers and dismissals.

Figure 2(a) and (b) summarily presents the theoretical framework we will apply for describing decision-making in WOSs and in IJVs. Figure 2 portrays an ideal framework, namely, a desired research approach which incorporates the major organisations participating in the affiliates' systems and their concomitant environments. This ideal framework takes into account differences in the way decision-making processes function, ranging from participative to non-participative processes, as well as differences in decision-making contents (ranging from simple to complex).

Technical and resource constraints have prevented the authors from examining the ideal framework as a complete and systematic way at the present time. To do so, would require co-operation across national boundaries and co-ordination of research efforts in various industries and environments. The present paper has a more modest goal in terms of empirical findings: it examines decision-making processes in WOSs in different national environments as perceived by different employee groups and by one of the major stakeholders in these environments, namely, the representatives of local host country organisations. It also reviews decision processes in IJVs in one environment as perceived by the ventures' Chief Executive Officers (CEOs). As to decision contents, the paper concentrates on three key processes in WOSs - selection, staffing and promotion - while in IJVs we concentrate on a major selection decision, that of the CEO.

Figure 2(a): A framework for describing decision-making and building research hypotheses for WOSs

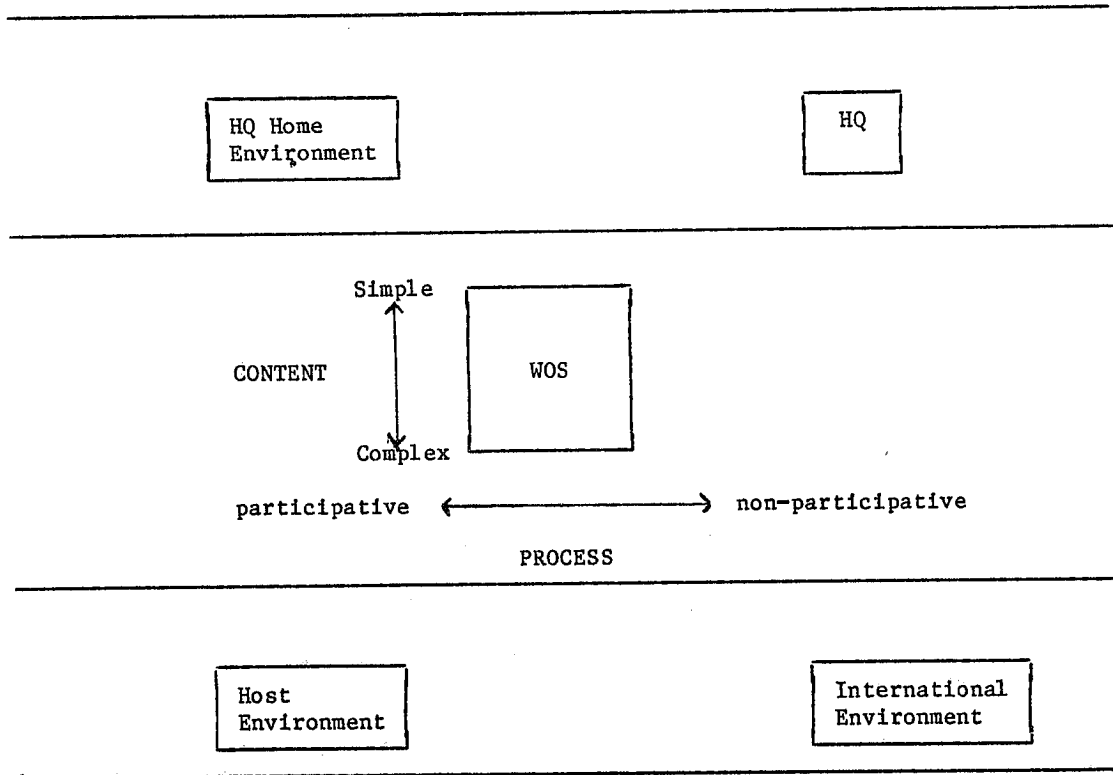
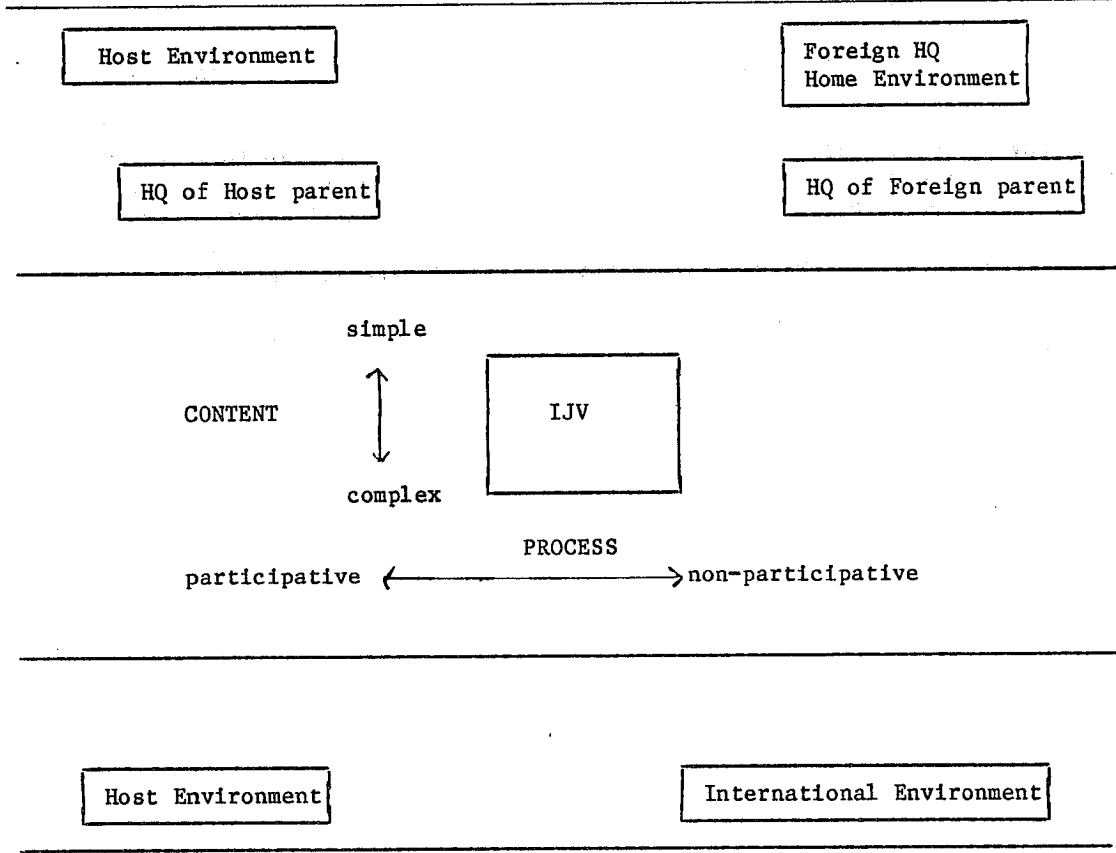


Figure 2(b): A framework for describing decision-making and building research hypotheses for IJVs



CHAPTER II: METHODOLOGY

The data in this report were collected in HQ of MNEs, in their subsidiaries, in HCOs interacting with these subsidiaries and in IJVs. The findings reported here represent only a small part of a data bank gathered for a larger international comparative study on multinational human resources management which began in 1977 and is still in progress. A variety of instruments has been used for this research project, including mail-out questionnaires, in-depth interviews, observations, and content analysis of organisational documents. In addition, in many WOSs which took part in our research, executives filled out questionnaires and expressed their points of view.

The research population discussed in this report consisted of 333 organisations: 81 MNEs, 80 WOSs of these MNEs, 131 HCOs and 41 IJVs. The WOSs were located in the United States, the United Kingdom, France, the Netherlands, Belgium, Brazil, Canada, Japan, the Federal Republic of Germany and Israel. They specialised in finance and investment, heavy industry, transportation, electronics, chemistry and minerals, textiles, clothing, food, tourism, plastics and retail.

The 131 HCOs interacting with the WOSs were located in the United States (20 HCOs), the United Kingdom (33 HCOs); the Netherlands (16 HCOs), Belgium (eight HCOs), France (16 HCOs), and the Federal Republic of Germany (38 HCOs). These organisations were active in the fields of finance and investment, transportation, electronics and electricity, chemistry and minerals, textiles, clothing and footwear, heavy industry, food, tourism, plastics, and retail.

The findings regarding the IJVs reported here, were based on a study of 41 ventures operating in Israel, with parents from Israel, the United States, the Federal Republic of Germany, the Netherlands, the United Kingdom, Brazil, Venezuela, Italy, Canada, Sweden, Switzerland, France and Liberia. The ventures specialised in finance and investment, electronics, chemical processes, heavy industry, textiles, foods, cosmetics, retail and services. These IJVs represented almost the entire population (41 out of 43) of IJVs operating in Israel. Two ventures did not respond on time and were omitted from our sample. The parent firms of these ventures specialised in investment and finance, heavy industry, electronics, textiles, chemicals, retail and services.

The questionnaires concerning personnel issues in WOSs were filled out by policy-makers at HQ of the MNEs, by expatriate managers heading the WOSs, by host country nationals employed in the WOSs, and by the representatives of the HCOs interacting with the WOSs. The questionnaires referred to a variety of managerial and personnel issues, including decision-making, communication, morale, motivation, leadership patterns, compensation, selection, recruitment, assessment, promotion, transfer, training, rotation and delegation (for further details on the methodology used, see Zeira and Harari, 1977, 1979; Harari and Zeira, 1978; Zeira and Banai, 1981).

The IJVs' questionnaires were filled out by the CEOs of the IJVs and included questions on decision-making, role conflict and ambiguity (Katz and Kahn, 1978), co-operation between the venture and its parents, perceptions of management styles and personnel issues. Since decision-making was only one of several issues examined, the questionnaires are not enclosed in the present report.

Because of the different research instruments, the data concerning the WOSs and the IJVs are comparable to a limited extent. Some findings are therefore presented for WOSs or for IJVs only, while some comparable tables contain only partial information on either type of affiliate. The differences between the data sets for WOSs and IJVs confine the comparisons to descriptive statistics rather than more sophisticated types of analysis. It should also be noted that only two of the 41 IJVs employed expatriate managers. Therefore the information on selection and promotion of foreign nationals in this type of affiliate is certainly of limited value. Thus, the main comparison is made between the attitudes of CEOs of IJVs and the expatriates heading WOSs.

Table 5 presents a list of the findings reported in the various sections of the next chapter: the research populations studied, the research instruments applied, and the main decision variables examined.

Table 5: Research populations, network, methods and variables in the present research

	<u>Research Population</u>	<u>Research Instruments</u>	<u>Decision Variables</u>
2.1.a Decision Processes in WOSs	(1) 8 WOSs located in the U.S.A. respondents are expatriate managers and HCN employees	- Questionnaires - Interviews	- Communication and information flow - Participation in d.m. - Cooperation - Team Work
	(2) WOSs located in Europe. - 44 headed by PCNs - 6 headed by TCNs 11 headed by HCNs Respondents are PCN, HCNs & TCNs	- Questionnaires - Interviews	- Participation in d.m. - Flow of information - Satisfaction from Communication and Consultation
	(3) 3 Foreign WOSs in Japan and three outside Japan (U.S., France & Israel) only Data for HCNs are presented	- Questionnaires	- Participation in d.m. - Communication & Information - Receptivity to Suggestions - Consultation in d.m. - Team Work
	(4) 8 WOSs located in Canada Brazil and Israel respondents are PCNs and HCNs	- Questionnaires - Interviews	- Participation in d.m. - Communication & Information - Receptivity to Suggestions - Consultation in d.m. - Team Work
2.2.a Decision Processes in IJVs	41 IJVs located in Israel Respondents are CEOs, all are HCNs	- Questionnaires - Interviews	Parents involvement in various decision processes
Comparative WOS - IJV data	80 WOSs 41 IJVs	- Questionnaires	Various decision issues
Decision contents in WOSs	81 policy makers at 81 HQ 80 WOSs respondents are PCNs, HCNs, TCNs & representatives of 131 HCOs all are HCNs	- Questionnaires - Interviews	Staffing Selection Promotion
Decision contents in IJVs	41 IJVs respondents are 41 CEOs	- Questionnaires - Interviews	Selection of ventures' CEOs

CHAPTER III: FINDINGS

This chapter presents in a summary form our major findings on the decision-making patterns in WOSs and IJVs. The chapter is divided into two major sections: (1) decision processes, and (2) decision contents.

The section on decision processes presents findings which are related to the various stages in the decision process: analysing present and desired situations, collecting relevant information, assessing alternatives, choosing the alternatives, informing employees about decisions taken, and implementation. The findings illustrate the attitudes of the different relevant actors towards these processes.

The section on decision contents relates to the human resources decisions concerning the different employee groups in international affiliates. The findings in this section portray the criteria applied in personnel decisions, the alternatives chosen as a result, as well as the decisions concerning selection and promotion. This section also deals with the discrepancies between existing and desired decision contents as perceived by the various actors.

1. Decision processes

1(a) Decision processes in WOSs

The key decision treated here is that of HQ in appointing parent country nationals (PCNs), third country nationals (TCNs) or host country nationals (HCNs) to head the subsidiary, the human resources decisions ensuing from this basic option and the reactions of PCNs, HCNs and host country organisations to those decisions. The findings will be presented according to the location of WOSs.

United States

In this stage of our research, eight WOSs took part. Each of these subsidiaries, with its main office in New York City, had several branches located in other parts of the United States: on the east coast, in the mid-west, on the west coast, and in the south and south-east. In other words, respondents represented both different hierarchical levels and different geographical areas. The research tools used were questionnaires and in-depth interviews.

In the study of the eight WOSs of foreign companies in the United States, we found significant problems in some decision processes, especially from the point of view of the Americans employed in these WOSs. American administrative ideology emphasises the free flow of vertical and horizontal communication among top and upper-middle managers and the participation of professional subordinates in unprogrammed decision-making. These "ideal" patterns were clearly revealed in our study of the American nationals employed in the foreign affiliates. Unfortunately, respondents claimed that these patterns were not typical of wholly-owned foreign subsidiaries in the United States.

We found two categories of imported styles: (1) the European, and (2) the Japanese. Each had its own drawbacks. The first category included a low level of participation in non-routine decision-making; clogged information channels; restriction of decision-making to levels above those where adequate information was available; and a task-oriented leadership style resulting in a disregard of expatriate managers for their subordinates' organisational and personal problems while decisions were being made.

The feelings of the American nationals that they were not allowed to participate in the decision-making process of important decisions created a serious alienation among them. They attributed the non-participative style to a lack of trust on the part of the foreign top management. Moreover, the prevalent decision-making pattern, perceived as inconsiderate, led to scepticism among the American managers concerning the quality of managerial decision-making, and top management's ability to cope with environmental opportunities and challenges.

The second category (the Japanese), was characterised by the importation of the traditional Japanese system of decision-making known as the "ringisei". Both parent country and host country respondents perceived the aim of this system to guarantee the concurrence of all those in the subsidiaries who were concerned with a particular policy. This consent was formally secured by the horizontal and vertical circulation of a form designed for this purpose "ringisbo".

While "ringisei" could contribute to a sense of participation, and may have had other advantages in a Japanese setting, it also tended to get cumbersome and time consuming. In the WOSs in the United States, the Americans perceived it as "over-participation" and it was a major reason for their doubting the quality of decision-making. In the view of the Americans, postponing decisions meant losing opportunities and ignoring American business patterns characterised by prompt reactions to new opportunities and challenges. In other words, in spite of the formally participative style, American employees in these WOSs were dissatisfied because the Japanese expatriates who headed the subsidiaries did not sufficiently adapt their decision processes to the American managerial style and business world.

In another study involving a wholly-owned foreign subsidiary in the United States, the attitudes of various employee groups were surveyed in detail regarding a variety of decision-making processes. In ten questions, respondents in this WOS in the United States were asked to specify the desirability of certain leadership and group behaviour patterns. Table 6 presents the attitudes of the 37 top managers in this WOS, composed of 14 expatriates and 23 Americans.

Table 6: Desirability of certain decision-making patterns:
Employee perceptions in a United States subsidiary
of a non-American MNE

(Means on a 5-point Likert-type scale, 5 = highest, N = 37)

Patterns of Decision-Making	Nationality	
	Parent Country Nationals n = 14	Host Country Nationals n = 23
1. Superior should encourage his subordinates to make their best efforts	4.50	4.73
2. Supervisor should be willing to listen to subordinates' work problems	4.40	4.64
3. Mutual cooperation should prevail in the work group	4.73	4.27
4. Supervisor should be friendly and accessible to subordinates	4.40	4.59
5. There should be a group norm for making best efforts	4.45	4.41
6. Supervisor should encourage teamwork	4.70	4.50
7. Opinions and ideas should flow freely among group members	4.45	4.24
8. Supervisor should encourage the flow of unscreened intragroup communication	4.36	4.38
9. Supervisor should provide personal example of proper organizational behavior	4.20	4.50
10. Supervisor should coach his subordinates	3.86	3.90

The desirability of these patterns was high for both nationality categories, namely, the parent country expatriates and the host country nationals (HCNs). The interviews reassured us that the consistently high scores on all the questions were not due to a response set; a two-tailed t test indicated that there was no statistically significant difference between the scores of the two categories. In addition, no differences were revealed in the perceptions of the desired situation between hierarchical levels, seniority, and divisions. Thus, it appears that both parent country nationals (PCNs) and the host country nationals (HCNs) want a similar pattern of decision-making. When confronted with the perceived reality both groups were, however, less uniform (table 7 below). The ethno-centric policy of assigning parent country expatriates to senior positions in the subsidiary resulted in differences between PCNs and HCNs in terms of satisfaction with various decision processes. Although some of these differences were relatively minor, they indicated, taken together, variations between the two groups in their assessment of the situation.

Table 7: Employee perceptions regarding decision-making processes in a United States subsidiary of a non-American MNE

(Means on a 5-point Likert-type scale, 5 = highest, N = 37)

Pattern of Behavior	Nationality	
	Parent-Country Nationals n = 14	Host-Country Nationals n = 23
1. Receptivity to subordinates' ideas and suggestions	3.54	3.26
2. Willingness to listen to subordinates' work problems	3.64	3.74
3. Friendliness and approachability	3.82	3.91
4. Facilitation of flow of downward information	3.36	3.18
5. Clarity of organizational goals and objectives	3.45	3.52
6. Congruence between the levels at which decisions are made and those possessing the information essential for making the right decisions	3.18	2.85
7. Flow of necessary information between departments and shifts	3.04	3.04
8. Information flow within the team	3.45	3.83
9. Exchange of information and ideas	3.64	3.47

The survey revealed that PCNs were more satisfied than HCNs with the receptivity to subordinates' ideas and suggestions, the facilitation of flow of downward information, the exchange of information and ideas, and the congruence between levels of decision-making and the information essential for making those decisions. In contrast, HCNs were more satisfied with the information flow within the group, and derived somewhat more satisfaction from the clarity of organisational goals and objectives, friendliness and approachability, and the willingness to listen to subordinates' work problems.

In-depth interviews led to the conclusion that an ethnocentric staffing policy was problematic not only for HCNs but also for PCNs. Soon after being dispatched to the subsidiary, the parent country executives discovered, for instance, that their power and formal control did not prevent their exposure to a host of problems, stemming from the need to cope with a foreign and sometimes hostile internal and external environment.

Europe

Similar problems were observed in the research population in Europe. Here, we found differences between those WOSs headed by parent country expatriates and those headed by third country expatriates. In 44 WOSs in Europe headed by PCNs, the leadership style was generally perceived by the host country employees as being detached from that of the parent and aimed at limiting their participation in decision-making, and obstructing the free flow of communication between the two groups. According to the European employees, this imported style was expressed in the following patterns: making decisions at levels which were usually too high and at which the most adequate and accurate information was not available; making non-routine decisions without consulting the HCNs affected; failure to use group meetings for solving work-related problems; inadequate interdepartmental exchange of information; inadequate intrawork group exchange of information; and disruption of upward and downward communication. Both PCNs and HCNs employed in the WOSs were dissatisfied with these patterns. However, the PCNs were much less so.

The findings in the seven subsidiaries headed by TCNs were instructive in three respects. First, the level of satisfaction of the third country nationals (TCNs) was lower than that of their counterparts in the WOSs headed by PCNs. Second, the levels of satisfaction of the HCNs and the TCNs in the subsidiaries headed by TCNs were similar (see table 8 below), with two exceptions. Third, in the two cases in which there was a statistically significant difference, the direction of the difference was the opposite of the one found in the subsidiaries headed by PCNs: whereas the PCNs were more satisfied than their HCN subordinates, the TCNs who headed the subsidiaries were less satisfied than their HCNs' subordinates - a unique phenomenon.

The two items with which the TCNs were significantly less satisfied than the HCNs were upward communication (4.07 v. 2.86) and downward communication (3.78 v. 3.00). In the interviews, it was revealed that these findings reflected TCNs' dissatisfaction with both HQ and their HCN subordinates. The TCNs were convinced that HQ refrained from providing them with confidential information and from having them participate in critical decisions, especially those concerning investments, growth, disinvestments, staffing of parent country expatriates, global organisational policies and politically controversial issues. The TCNs claimed that the HCNs were deliberately withholding information essential for making effective non-routine decisions.

In the interviews, the HCNs did not completely deny the charges of their third country superiors. They explained that their behaviour was motivated by their grievances concerning the TCNs' managerial patterns, and their conviction that the TCNs could not perform the role of effective linking pins between the subsidiaries and HQ. The HCNs stated that the third country executives who headed their subsidiaries were not as loyal to the corporation as they claimed to be, since they tended to impose HQ managerial patterns on the subsidiaries without really trying to adapt these patterns to local needs. Thus, they reduced organisational effectiveness by making it difficult for the subsidiaries to adapt to their specific local environments.

Table 8: Employee perception regarding decision-making and communication in WOSs in Western Europe headed by TCNs

(Means on a 5-point Likert-type scale, 5 = highest, N = 43)

Pattern	Nationality	
	HCNs (n=36)	TCNs (n=7)
Decision making levels congruent with availability of adequate and accurate information	3.16	3.14
Prior consultation with those affected by decisions	2.27	2.71
Sharing of information	2.76	3.00
Use of group discussions for group decisions	2.95	3.14
Intra-group exchange of opinions and ideas	3.37	3.57
Interdepartmental flow of communication	3.09	3.00
Providing group members with essential work-related information	3.88	3.28
Flow of information for improving job performance	3.69	3.71
Upward transfer of information	4.07*	2.86
Downward transfer of information for effective group decision	3.78*	3.00

*Differences marked with asterisks were significant at the 0.05 level.

In addition, the HCNs expressed their view that third country expatriate managers usually made it impossible for senior host country managers to take part in critical decisions and major interactions with their environments. They adhered to this pattern primarily in order to cover their unfamiliarity with the new setting in the host country, especially during their adaptation and acculturation period. According to host country employees in the WOSs, this style was dysfunctional in two respects. First, it invited the third country managers to make mistakes and to reach inappropriate managerial decisions; second, it enabled them to censor information from their host country subordinates and to transmit to HQ a misleading picture which glorified their achievements and concealed their failures.

HQ officials denied the charges of the third country executives regarding screening of information and non-participative decision-making. They also disputed the validity of the explanations provided by the third country expatriates. They argued as follows.

First, the policy of having TCNs in top positions in WOSs in host countries was an irrefutable evidence of their confidence in the loyalty of these executives, and of HQ desire to promote the multinationalisation of the enterprises. Second, any feeling of insufficient say in decision-making stemmed from differences in rank and geographical distance between HQ and the subsidiaries; From HQ needs for integration versus the tendency of the subsidiaries to promote differentiation; and from HQ need to manage the corporations as one organic entity in an unstable and complex environment versus the particularistic approach of each subsidiary.

Japan

At this stage of our research, six WOSs took part. Three foreign WOSs in Japan were studied. They were later compared to three WOSs outside Japan: in the United States, France and Israel. The goal of this research was to diagnose the following issues: (1) existing organisational structures and patterns of organisational behaviour; (2) employee attitudes toward existing patterns of organisational behaviour; and (3) employee perceptions of the desirability of patterns of leadership, decision-making, communication, and group behaviour.

The items concerning leadership related to the superior's personal example of proper organisational behaviour; friendliness, accessibility; receptivity to subordinates' suggestions; coaching of subordinates toward higher positions; encouragement of subordinates to make their best efforts; and performance evaluation on the basis of objective criteria. The items concerning decision-making related to pre-decision consultation with employees affected by the decision or involved in its implementation; utilisation of group meetings for solving work problems; and definition of goals in clear-cut terms.

The questions concerning communication related to clear-cut downward information needed for doing one's job in the best possible way; transmitting upward communication; exchanging opinions and ideas; and transferring information for planning and rescheduling of work. The questions concerning group behaviour related to intragroup exchanging of opinions and ideas; group help to each member so that the members can organise their work ahead of time; group encouragement for making best efforts; group problem-solving; and team-work.

The attitudes were measured by a questionnaire administered to employees at all levels of the subsidiaries. In table 9, we present data concerning only the HCNs in the six subsidiaries.

In every subsidiary there was a difference between the mean score on the attitudes toward existing patterns and the scores of the desirability of these patterns. (These differences were found significant by a two-tailed t test at the level of 0.05.) These gaps between the employees' perceptions of how things are and how they would like them to be reflect a meaningful dissatisfaction with the present managerial behaviour in their organisations.

There were no significant differences in perceptions of the existing situation between the WOSs in Japan and the other subsidiaries. On certain aspects, subsidiaries in Japan differed from each other; so did subsidiaries in the other countries. At the same time, there were similarities between subsidiaries in Japan and subsidiaries outside Japan.

The scores on perceptions of desirability were high. There were no statistically significant differences (two tailed t and Kendall W tests) among the six subsidiaries.

We found a high degree of similarity in the perceptions of desired patterns between the respondents to our survey and Japanese employees in Japanese corporations as reported in the literature (cf. Harari and Zeira, 1977). Two exceptions deserve special attention, however, viz. goal definition in clear-cut terms and superiors' evaluation of performance based on objective criteria. Whereas the respondents to our survey considered goal definition in clear-cut terms and superiors' evaluation of performance based on objective criteria to be desirable, these two patterns were not considered desirable by Japanese employees of Japanese corporations.

Table 9: Attitudes of host country nationals toward existing and desired patterns of organisational behaviour in MOSS

(Means on a 5-point Likert-type scale, 5 = highest)

Patterns	Subsidiaries in Japan			Subsidiaries Outside Japan		
	Japan I	Japan II	Japan III	U.S.	France	Israel
Leadership	Desired	4.25	4.21	4.32	4.43	3.95
	Existing	3.12	3.28	3.35	3.18	3.10
Decision making	Desired	4.05	4.17	4.30	4.31	4.31
	Existing	3.09	3.32	3.04	2.84	3.05
Communication	Desired	4.20	4.30	4.34	4.31	4.30
	Existing	3.18	3.47	3.06	3.18	2.86
Group behavior	Desired	4.14	4.23	4.29	3.99	4.35
	Existing	3.30	3.71	3.21	3.34	3.08

The perceptions of desirability of Japanese HCNs in non-Japanese WOSs operating in Japan were generally similar to those of non-Japanese HCNs in non-Japanese WOSs outside Japan and to those of Japanese employees in Japanese uninational corporations as well. This finding is particularly striking, since it deviates from the mainstream of the available professional literature.

1(b) Decision processes in IJVs

The unique structure of IJVs as organisations with at least two parents suggests that we should first of all examine the involvement of both foreign and host country parents in the management of the ventures. All of the 41 IJVs we examined had an Israeli host parent and all were headed by HCNs, reflecting the ethnocentric policy of host parents and the polycentric policy of the foreign parents. It should be noted that such a combination may be unique to IJVs in Israel, so generalisations from the present findings must be qualified. Table 10 describes the extent of parents' involvement as perceived by the ventures' CEOs.

Table 10: Foreign and host parent involvement in the management of IJVs as perceived by CEOs

Involvement	Foreign-Parent		Host-Parent	
	N	%	N	%
Very low	10	25.0	2	4.9
Low	9	22.5	9	22.0
Med.	14	35.0	12	29.3
High	4	10.0	10	24.4
Very high	3	7.5	8	19.5
Total	40*	100.0	41	100.0

* Data for one parent are missing.

The data pointed at a greater involvement of the host parents as compared to that of the foreign parents. This greater involvement can be explained by the proximity of the host parent which enabled day-to-day contact with the venture, as well as the better understanding of the host environment and its requirements and constraints. The polycentric attitude of the foreign parents and the absence of foreign parents' expatriates helped the host parents to consolidate that dominant position.

The general orientation of parents and ventures, in terms of the relative emphasis put on accomplishing business objectives and/or satisfying social needs, is of special interest. Table 11 lists the findings pertaining to those questions. It is apparent that the differences among the parents and ventures were perceived as being relatively minor. The IJVs appeared to be closer to their foreign parents in terms of emphasising business objectives but somewhat closer to the host parents in terms of emphasising employee needs. The CEOs who headed the IJVs did not perceive any major conflict between their perceptions and those of their parent firms. Moreover, the ethnocentric staffing policy of the host parents did not bring about a strong emphasis on satisfying the social needs of the local employees. This contradicts somewhat major findings from the literature regarding the outcomes of ethnocentric staffing policies in developing countries.

Table 11: Objectives and social needs orientations of foreign parents, host parents, and IJVs as perceived by the CEOs of the IJVs

(Means on a 5-point Likert-type scale, 5 = highest, N = 41)

Orientation Organization	Emphasis on Economic Objectives	Emphasis on Employee Needs
Foreign Parent	4.15	1.29
Host Parent	3.93	1.34
IJV	4.29	1.37

Table 12 describes the decision-making processes in the IJVs in our sample. The data reveal that the host parents were perceived as having a much larger role in the decision-making processes in the IJVs than the foreign parents, at least as far as direct dealings with the IJVs were involved. In all the decision processes surveyed, interactions between the foreign parent and the venture were felt to be extremely limited (1.76 was highest score), especially when compared to host parent - IJV dealings (3.83 highest score, with all scores except one above the 3.0 level). This finding must again be considered in the context of our research population of IJVs, which is characterised by the fact that all had host parents and all were headed by host country nationals. The data suggested also that foreign parents participated in strategic decision-making mainly via the host parents: for most decision processes, the host and foreign parents co-operated, although always to a lesser extent than the host parent and the IJV.

2. A comparison of decision-making processes in WOSs and IJVs

Table 13 presents comparative data on decision-making processes in the two types of international affiliates, with IJVs headed by HCNs, and WOSs headed by PCNs, HCNs or TCNs. The issues presented in the table are those which were perceived by the CEOs who headed the affiliates as major problems usually hampering the decision-making processes.

Several interesting findings emerge from table 13. First, decisions in IJVs did not appear to take longer than in WOSs despite the multiplicity of headquarters in the first type of affiliate. A possible explanation to that finding lies in the preceding analysis showing that most decisions in IJVs were reached between the host parent and the ventures. "Bureaucracy" and paperwork were perceived as non-threatening in both IJVs and WOSs headed by PCNs, but very threatening in WOSs headed by HCNs or TCNs. The reason is probably that both the CEOs of IJVs and the PCNs heading the WOSs were familiar with the culture and procedures of the dominant HQ.

A second finding is the relatively low dependence of both IJVs and WOSs headed by HCNs or TCNs on their HQ vis-à-vis that of WOSs headed by PCNs. Thus, it appears that while IJVs headed by PCNs shared with WOSs headed by PCNs a familiarity with the dominant HQ, this familiarity had been translated to tight dependence on HQ for the WOSs, but not for the IJVs.

A third finding concerns the perceptions of CEOs who are PCNs. They tended to argue that decisions take too long, but did not think that there was too much bureaucracy, paperwork, or disagreement regarding the importance of given problems. In contrast, TCNs or HCNs who headed WOSs tended to see these problems as frequent and important and, indirectly, as a cause of lengthy decision-making processes.

Table 12: Decision processes in IJV systems as perceived by their CEOs

(Means on a 5-point Likert-type scale, 5 = highest, N = 41)

Decision Process	The Host Parent and the Foreign Parent	The Host Parent and the IJV	The Foreign Parent and the IJV
1. Determine together IJV's objectives	3.54	3.98	1.66
2. Reach a compromise in order to achieve venture's goals	3.18	3.51	1.56
3. Settle together the authority structure in the IJV	3.56	3.59	1.61
4. Formulate together operational rules and regulations for the IJV	3.12	3.24	1.49
5. Participate together in professional committees in the various functional areas	2.0	2.9	1.2
6. Reach a consensus in decision-making at the Board level	3.83	4.05	1.76
7. Consult each other how to operate under conditions of uncertainty	3.68	3.93	1.71
8. Appoint together the senior officers of the IJV	3.08	3.24	1.46
9. Conclude new programs only after mutual consultations	3.07	3.61	1.51

Table 13: Decision problems in different types of international affiliates as perceived by their CEOs

(Means on a 5-point Likert-type scale, 5 = highest, N = 41)

Decision Problems	Affiliate type		WOSs headed by PCNs		WOSs headed by TCNs or HCNs		IJVs headed by PCNs	
			n = 62		n = 18		n = 41	
	N	%	N	%	N	%	N	%
1. Reaching a decision takes too long because we must get approval from headquarters	47	75%	17	94.4%	26	63.4%		
2. There is too much bureaucracy in the organization	12	19.35%	17	94.4%	11	26.8%		
3. Too much paperwork has to be send to headquarters	12	19.35%	17	94.4%	11	26.8%		
4. Headquarters staff and subsidiary management differ about which problems are important	22	35.48%	16	88.88%	19	46.3%		
5. Headquarters tries to control its subsidiaries too tightly					19	46.3%		
6. The subsidiary is too dependent on headquarters for new product development	55	88.7%	7	38.88%	15	36.6%		
7. Headquarters makes decisions without thorough knowledge of marketing conditions in the subsidiary's country	62	100%	6	33.33%	10	24.4%		
8. The company doesn't have a good training program for its international managers	53	85.48%	18	100%	9	22%		
9. The company has an inadequate procedure for sharing information among its subsidiaries	32	51.61%	18	100%	14	34.1%		
10. There is very little cross-fertilization with respect to ideas and problems solving among functional groups within the company					12	29.3%		
11. Headquarters is too home-country orientated	45	72.58%	16	88.88%	6	14.6%		
12. Headquarters managers are not truly multinational personnel	45	72.58%	16	88.88%	8	19.5%		

2(a) Decision contents in WOSs

In this section, the strategic decisions taken by HQ regarding the appointment of CEOs to head their affiliates are considered. The choice of either of the three alternatives (appointing nationals of the parent, a third or the host country) is treated here as a key decision which triggers a variety of other decisions in the human resources realm. These decisions and the reactions of the different actors in the system are presented in the following pages.

Staffing

Analysis of the survey data reveals that according to the host country nationals (HCNs) employed in the WOSs in the United States, Japan, and Western Europe, the proportion of PCNs in the affiliates was excessive. Respondents claimed in general that most upper-middle and even most top positions should not be held by PCNs. The HCNs argued that the linkage between the WOSs and HQ should be confined to the peak of the local hierarchy because all of the other positions required much more familiarity with the local environment than with the ropes at HQ.

A related argument by HCNs for limiting the number of PCNs in the WOSs was that it took newcomers from the parent country a long time to learn how to function properly in the new environment. During this period, they felt pressured to justify their being stationed abroad, so they tended to refrain from seeking information and advice from their subordinates. PCNs therefore, reached poor decisions which had negative repercussions on the subsidiaries. They also covered up mistakes out of apprehension of HQ criticism. Furthermore, the patterns of social etiquette, which they brought from the home countries were quite often perceived as "poor manners", and sometimes as personally offensive to the host country nationals. The HCNs contended that limiting the number of PCNs would spare HQ such problems, as well as save the expenses involved in sending and maintaining PCNs abroad. This position was very close to that expressed by the representatives of the HCOs who took part in our study.

Selection

In this part of our research, 131 representatives of HCOs who dealt with the WOSs sampled, were requested to state the desired selection criteria for chief executive officers (CEOs) heading wholly-owned foreign subsidiaries (WOSs). All respondents had more than five years of experience in business interactions with different types of foreign affiliates. Table 14 summarises the findings relating to the desired selection criteria of expatriates as perceived by these 131 representatives of host country organisations (HCOs) in Western Europe and the United States.

Most respondents endorsed 13 of the 14 criteria listed in table 14. Only "sex" was considered not to be a relevant criterion by the majority of HCO respondents.

In the interviews, however, we discovered an inconsistency in attitudes toward women expatriate managers between those endorsed in the questionnaire and those expressed in the interviews. Many respondents described the dysfunctions of appointing women as international executives and emphasised their preference for business interaction with male executives (for a detailed discussion, see D. Izraeli, M. Banai and Y. Zeira, 1980).

The four selection criteria most widely endorsed by HCOs related to achieved characteristics: proficiency in the host country language (100 per cent); expertise in the specific assignment in the host country (98.9 per cent); expertise in the host country business world (98.6 per cent); and knowledge of headquarters internal organisational processes (98.6 per cent).

Table 14: Attitudes of HCOs toward desired selection criteria of expatriate managers: A cross-country analysis*

Criterion	Country	Belgium (8 HCOs)	Netherlands (16 HCOs)	U.K. (33 HCOs)	Fed. Rep. of Germany (38 HCOs)	France (16 HCOs)	U.S.A. (20 HCOs)
1. Proficiency in the host-country language		100.0% 8 (8)	100.0% 12 (12)	100.0% 32 (32)	100.0% 38 (38)	100.0% 15 (15)	100% 20 (20)
2. Expertise in the specific assignment in the host country		100.0% 8 (8)	100.0% 16 (16)	93.9% 31 (33)	100.0% 38 (38)	100.0% 16 (16)	100% 20 (20)
3. Expertise in the host-country business world		100.0% 7 (7)	100.0% 15 (15)	97.0% 32 (33)	94.7% 36 (38)	100.0% 16 (16)	100% 20 (20)
4. Knowledge of headquarters internal organizational processes		100.0% 6 (6)	100.0% 11 (11)	100.0% 32 (32)	92.1% 35 (38)	100.0% 16 (16)	100% 20 (20)
5. Age		100.0% 3 (3)	62.5% 5 (3)	92.6% 25 (27)	96.8% 31 (32)	100.0% 16 (16)	75% 15 (20)
6. Seniority in the MNC		100.0% 5 (5)	100.0% 3 (3)	91.6% 22 (24)	90.1% 30 (33)	93.3% 14 (15)	100% 20 (20)
7. Appearance (dress and looks)		85.7% 6 (7)	70.0% 7 (10)	93.1% 27 (29)	94.6% 35 (37)	100.0% 14 (14)	60% 12 (20)
8. Adaptability of spouse		60.0% 3 (5)	100.0% 6 (6)	75.9% 22 (29)	81.1% 30 (37)	86.6% 13 (15)	90% 18 (20)
9. Hierarchical position at headquarters		100.0% 4 (4)	100.0% 10 (10)	88.9% 24 (27)	59.0% 23 (39)	100.0% 14 (14)	100% 20 (20)
10. Previous success in foreign assignment		100.0% 6 (6)	100.0% 7 (7)	75.0% 18 (24)	68.4% 26 (38)	92.8% 13 (14)	80% 16 (20)
11. Academic education		80.0% 4 (5)	100.0% 10 (10)	86.2% 25 (29)	35.1% 13 (37)	100.0% 16 (16)	80% 16 (20)
12. Country of origin		66.6% 4 (6)	70.0% 7 (10)	60.7% 14 (23)	58.8% 10 (17)	73.3% 11 (15)	50% 10 (20)
13. Marital status		- -	- -	56.5% 13 (23)	52.0% 13 (25)	57.1% 8 (14)	40% 8 (20)
14. Sex		25.0% 2 (8)	46.2% 6 (13)	46.8% 15 (32)	31.6% 12 (38)	43.7% 7 (16)	35% 7 (20)

*In each cell, the upper figure indicates percentage of affirmative responses of total responses. The lower left-hand figure indicates the actual number of affirmative responses; the figure in parentheses, the total number of responses.

During the interviews, respondents insisted that these four qualifications were absolutely necessary and vital for expatriate managers' success. Under no circumstances should HQ appoint international executives who lacked proven competence in these four areas. Respondents claimed that when MNEs are short of such candidates, they should appoint host country managers as heads of their subsidiaries. Apparently, when HQ assigned expatriates to the subsidiaries, the host environment reacted in an ethnocentric manner and developed unrealistic expectations from such expatriates. This critical conclusion cannot be avoided when looking at the findings in table 14.

A cross-country comparison of frequencies of responses leads clearly to the conclusion that, generally speaking, the host country environment sponsors its own ethnocentric approach toward foreign CEOs of wholly-owned foreign subsidiaries.

Promotion

The policy decision of who to appoint as leaders of foreign affiliates and who to transfer to HQ strongly affects the attitude of the staff in the affiliates concerning their career development.

Our studies revealed that TCNs, HCNs and PCNs perceived the issue of promotion in WOSs as a major problem. Each group of employees had its specific point of view.

As for the TCNs who headed subsidiaries, they felt that they had to cope with the problem of blocked promotions - the tendency of MNEs to reserve top positions at HQ and in many of their major subsidiaries for parent country managers. TCNs developed a strong sense of relative deprivation with regard to promotion opportunities, especially in comparison with those of their parent country counterparts. Their dissatisfaction stemmed from the following:

1. Top positions at HQ were almost completely out of reach for most of them.
2. Their career ladders were much more intricate than those of the parent country expatriates.
3. They became homeless once they left the subsidiary in their home country. They could not return to the subsidiary in their own country, since a return would usually mean a step down in the organisational hierarchy. For them, each promotion meant a new transfer for a new foreign subsidiary abroad.

This situation caused an atmosphere of uncertainty about their future in the MNE (when would they be transferred, to where, to what position, and for how long), and brought about feelings of dependence on remote HQ officials who determined the employees' personal status in the corporation.

By comparison, the promotion opportunities of PCNs seemed to the TCNs to be far better. Their rotation abroad was part of their development programme, preparing them for important positions at HQ or abroad. Upon completion of each assignment abroad they could easily return to the main office, since HQ felt obligated to find proper jobs for them, usually at higher managerial levels.

The strongest grievance concerning promotion was voiced by the HCNs (except those heading subsidiaries), caused by their observation that key positions at the major or prestigious subsidiaries and at HQ were usually reserved for PCNs. Since the promotion limitations had not been made known to most of them before they joined the subsidiary or during the orientation period, they claimed that they had been misled. They considered this situation rather frustrating - not only because promotion was a high-ranking goal, but also because many had already invested years of work in the subsidiaries by the time they became aware of these limitations. Employees who had few better labour market alternatives, did not seriously consider leaving. A few, however - professionals and young employees without seniority - stated that they would prefer leaving the subsidiaries. A follow-up study of several subsidiaries revealed that many of these did in fact leave after they had received on-the-job training. The level of dissatisfaction was especially high among those respondents who stressed that the economic success of the subsidiaries was in large measure achieved because of their deep sense of responsibility and loyalty.

Another reason for high dissatisfaction was the fact that the PCNs who were their immediate superiors tended not to take the initiative in promoting them. This was especially true when PCNs followed HQ advice to reserve key positions for expatriates. Quite often, the HCNs found it necessary to press for their own promotion - a practice which most of them considered degrading. They argued that those who were inhibited from pressing their own case suffered delays in promotion which annoyed and frustrated them.

Even HCNs who headed WOSs expressed concern about their own promotion possibilities. Since most of them could not reach top positions at HQ, they were left with two alternatives: to move to a subsidiary in a third country, and consequently face the problems mentioned above by the TCNs who head subsidiaries, or stay in their own country, causing stagnation at the top positions in the WOSs. Both alternatives were considered by respondents as highly dissatisfying.

As for the parent-country expatriates, most of them were convinced that the advantages of having PCNs in top and upper-middle positions overruled the disadvantages. They claimed that their knowledge of the ropes at HQ was conducive to a better adaptation of each subsidiary to its local environment. They considered themselves to be in a better position to persuade HQ to change its personnel policies - such as obtaining improvements in "hygiene" factors (salaries, conditions of work, equipment, etc.) for the HCNs. The PCNs said that they were able to raise these to a level comparable to other organisations in the same industry in the host countries and sometimes even higher than the level acceptable at HQ, because of HQ tradition of putting more trust in its expatriates than in HCNs.

While granting that familiarity with the local environment was of crucial importance, the PCNs differentiated among various types of such environments. They argued that each managerial level was actually interacting with a different type of environment; therefore, because of the tradition of reserving key managerial positions for PCNs, they were as familiar with their specific environment as the HCNs were with theirs. They did not consider their acculturation period as overly long.

PCNs - excluding top executives in the WOSs - were aware of the HCNs' feelings that promotion opportunities were not equal. However, top management did not consider this inequality of opportunity. To them, promotion to top-management positions - excluding that of the CEO - was only a matter of merit. PCNs in their opinion had greater loyalty to the company and were more immune than HCNs to raising by other companies.

The PCNs, the TCNs and the HCNs, were all discontented with the absence of career ladders in most MNEs included in our sample. They tended to feel that they were left in the dark about the specific requirements leading to a promotion, including those for influential jobs back at headquarters. In the interviews, expatriates considered that this uncertainty put pressure on them to present their performance in the most favourable light by concealing mistakes and shortcomings. In addition, they felt compelled to invest a considerable amount of time and effort in playing host to influential visitors from HQ in order to assure themselves an appropriate assignment on returning to the parent country. The same was true for most HCNs and TCNs in top positions in the subsidiaries.

HQ point of view

The reaction of HQ officials in the 81 MNEs participating in our research to the findings of the attitude surveys conducted in the 80 subsidiaries covered, revealed a wide gap in the perceptions of the policy-makers at HQ vis-à-vis TCNs, HCNs and PCNs in middle-, upper- and top-managerial positions. HQ officials usually argued as follows:

1. Top positions at HQ were indeed out of reach for most TCNs and HCNs. However, outstanding TCNs and HCNs who excelled abroad could attain important positions at HQ; the problem was that these two groups tended to reject such offers. They preferred to stay in top jobs in their home country or in third countries - jobs in which they felt more established, more powerful, and relatively much more independent, than working in HQ.

2. The policy of not letting TCNs return and lead the subsidiary in their home country was of vital importance. Management of subsidiaries by HCNs (including those who served abroad as TCNs and returned) would not only be contrary to multinationalisation, but would also have several specific detrimental effects - such as in-breeding, particularistic approach to problems and opportunities, and a narrow local outlook. Consequently, the implementation of corporation-wide changes and innovations would be jeopardised in such subsidiaries.
3. In the constantly changing international environment, manpower planning for the higher echelons in MNEs was extremely complicated, if not impossible. Hence, TCNs' and HCNs' demand for clear-cut career ladders was immature and unrealistic; HQ could not reserve top jobs and make them available to TCNs, HCNs or even PCNs under conditions determined prior to their initial transfer from their home country.
4. PCNs, HCNs and TCNs were not blind to the unique problems awaiting them abroad prior to their first transfer. Rather, their ambition and eagerness for promotion convinced them of their ability to cope. However, once they realised that the hardships associated with their transfers were too trying for them, and especially for their families, they preferred to stay permanently in a top job in a particular host or third country. Blaming HQ for poor pre-departure orientations was an unfair way to justify their desire to stay permanently in that one top job. This was so because no pre-departure orientation programme would be sufficiently powerful and persuasive for the young, mobile, ambitious, and promotion-oriented PCNs, TCNs or HCNs. Hence, in the opinion of the officials, PCNs, TCNs or HCNs refusing offers of further transfers should leave the corporation; otherwise, they would bring about stagnation at the top jobs in the subsidiaries.

As for the claim that the career path of the PCNs was less intricate than that of the HCNs or the TCNs, the HQ officials gave the following explanations:

1. The transfer of PCNs abroad was usually part of their personal development programme, aimed at giving them international experience. After gaining such experience, they could return to the main office. HQ was interested in the return of those PCNs who excelled abroad, since it needed managers with international experience who were highly familiar with HQ methods and goals, and with the political, economic and social characteristics of the parent country.
2. It was easier to bring back to the main office even the less successful PCNs. The managerial workforce at HQ was in most cases bigger than that of each of the subsidiaries, and the constant circulation of managers between HQ and subsidiaries made it possible to have sufficient openings for such managers.
3. HQ transferred abroad in most cases those PCNs who were perceived to have great potential for reaching top positions at HQ. Their performance was intensively evaluated at HQ before their transfer, during their stay abroad, and afterwards.

2(b) Decision contents in IJVs

Selection of CEOs

This section deals with the decision taken by the foreign and host parents regarding the appointment of CEOs to head the venture. The potential alternatives here are more numerous than in the case of WOSs: In addition to PCNs and HCNs, host parent transferees and different types of TCNs (those recruited by the foreign parent, those recruited by the host parent, and those recruited directly by the venture) may be candidates for CEO positions. Another decision issue which is unique to IJVs concerns the influence exercised by each parent in the CEO's selection.

In the Israeli IJVs we studied, all 41 CEOs were nationals of the host country. This finding may be unique to the Israeli situation. The country has distinctive cultural and social traits and a particular economic system on the one hand, and a relatively large pool of educated and experienced managers on the other (65 per cent of the CEOs had full academic education). This combination of distinctiveness and availability of local managerial talent

probably makes the choice of HCNs for CEO promotion more likely. Another possible explanation to the choice of HCNs by the parent firms is the reduction of risks. Sending of foreign expatriates to the host country is perceived as an unnecessary risk factor which should be avoided in IJVs.

In the interviews with CEOs, we discovered that many of them were "de facto transferees", i.e., individuals who formally joined the venture directly and were no longer employees of the host parents. In fact, however, they were transferred from that parent with the understanding that they would join the parent enterprise again at a later stage. These "de facto transferees" saw the host parent as their employer and looked at the IJV chairmanship as part of their career ladder within that parent organisation.

A major issue in the selection of CEOs in IJVs is of course the input of each parent in that decision. In seven out of 41 IJVs we studied, it was exclusively the host parent which appointed the CEO, while in six ventures this decision was the prerogative of the foreign parent (see table 15). Nevertheless, in the majority of the ventures (28, or over 68 per cent of the population study), host and foreign parent countries jointly appointed the CEO, reflecting a shared control over the most important personnel selection decision in the venture.

Table 15: CEOs' appointments in IJVs

CEO Appointed By	Frequency	Percentage
Host Parent	7	17.1
Foreign Parent	6	14.6
Both Parents	28	68.3

The interviews conducted with the ventures' CEOs indicated that foreign parents have seldom participated in the appointment of any other office-holders in the ventures; in only two cases did the foreign parent hold a veto right over the appointment of the financial officer. Thus, the appointment of the CEO was their major contribution to the selection process within the enterprise. In some of the cases where both parents appointed the CEO, the foreign parent had "the last word" in this decision. Some foreign parents required that final candidates to the CEO post be sent to the foreign parent HQ to examine their capabilities and abilities to work with that parent. As to the host parents, some of them preferred to see "their own person" (i.e., a transferee) in the CEO chair rather than recruit an outsider for the job. This policy reflected both a wish to establish a better control of the venture and, sometimes, a desire to enable host managers to gain more practice, especially in international operations.

In general, the foreign parents exhibited a basically polycentric policy for selection decision, which is in marked contrast to our findings regarding WOSs. As a matter of fact, the foreign parents' policy was purely polycentric because it resulted in the exclusive choice of HCNs; but they made it impossible for the CEOs to get key jobs at their HQ. As for the host parents, all of them exhibited an ethnocentric staffing policy. They preferred HCNs and appointed them as CEOs and later made it possible for them to get key jobs at the HQ of the host parent.

The selection criteria sponsored by the foreign parents' HQ were similar to those we found in MNEs with WOSs. These included proficiency in the host country language, expertise in the specific assignment in the host country, expertise in the host country business world, knowledge of host HQ hierarchical position within it (for transferees), seniority (for transferees), international experience, academic education and sex (all CEOs were male).

Another crucial selection issue in IJVs is the composition of the board of directors, which, as explained earlier, usually plays a much more important and active role in the management of IJVs than in the management of WOSs. As can be seen in table 16, in 11 of the 41 ventures studied, the host and foreign parents maintained the same number of representatives on the ventures' boards. In all other 30 cases, one parent, the foreign or the host, maintained a majority representation on the board and therefore dominance over decisions made at that level. In 14 IJVs, the CEO had no voting rights in board decisions while in 24 ventures the CEO held voting rights under all circumstances. Only in two cases the CEO's voting right was suspended when the other board members were tied in their vote.

Table 16: Foreign parent representation on IJVs' boards of directors

PERCENTAGE OF HOST PARENT REPRESENTATION	FREQUENCY	RELATIVE FREQ (PCT)	ADJUSTED FREQ (PCT)
0	1	2.4	2.5
14.	1	2.4	2.5
17.	1	2.4	2.5
18.	1	2.4	2.5
25.	1	2.4	2.5
29.	1	2.4	2.5
30.	1	2.4	2.5
33.	3	7.3	7.5
38.	1	2.4	2.5
38.	1	2.4	2.5
40.	4	9.8	10.0
43.	4	9.8	10.0
44.	1	2.4	2.5
50.	11	26.8	27.5
55.	1	2.4	2.5
57.	2	4.9	5.0
60.	1	2.4	2.5
67.	2	4.9	5.0
75.	1	2.4	2.5
100.	1	2.4	2.5
BLANK	1	2.4	MISSING
TOTAL	41	100.0	100.0

CONCLUDING COMMENTS

The analysis of the professional literature (for a review of the literature, see Shenkar and Zeira, 1984; Zeira and Shenkar, 1985; Shenkar and Zeira, 1986), the working papers published so far by the Bureau of Multinational Enterprises in the ILO, as well as the present study, suggests that the knowledge on personnel decision-making processes and contents in international affiliates is still very limited. There are several reasons for this data scarcity, in particular for IJVs.

First, comprehensive research on personnel decision-making in different types of international settings requires the co-operation of a great variety of actors and stakeholders, such as the WOS or IJV management, policy-makers at parents' HQ, members of the IJV board of directors, government representatives (when the venture is state owned), expatriates, transferees and local employees, as well as stakeholders in the host environments, such as suppliers, clients, competitors, unions, etc. That complicated co-operation can rarely be achieved in the case of WOSs and even more complicated as far as IJVs are concerned, especially when relations among their parents and the parent and the IJV are tense. Since the different parties in international settings have different manifested and latent goals, it is extremely difficult to convince such a heterogeneous population of interest groups participating actively and consistently in such a comprehensive research.

Second, the potential existence of many distinct employee groups in international affiliates creates a system which is not only complex to manage but also complex to study. Decision-making should be examined in terms of the different employee group affected, as well as in terms of various variations in parent characteristics. For example, representatives of higher-standing parents of IJVs may make decisions independently of representatives of lower-standing parents.

Third, the research necessitates the application of various research instruments (questionnaires, interviews, observations, content analysis of organisational documents) in a variety of languages in order to arrive at a common denominator across different national environments. The identification of that common denominator is particularly difficult in the IJV system, where different cultural environments and different employee cultural dispositions cut across. The methodological problems typical to cross-cultural decision research are aggravated in research on IJVs because of multiplicity of parents and employee groups and the impact of cultural differences within the system as well as between the system and its environments.

Fourth, logistic problems constraining any cross-cultural research are especially acute in researching decision-making in international affiliates. For instance, who will select and appoint the researchers? Will it be the affiliate's chief executive, the board of directors, all parents, or, perhaps, the parent with the majority control (in IJVs)? Or, how autonomous will the researchers be in conducting the study: will they be limited to pre-determined issues and employee groups?

Other questions concern the method of inquiry, the funding of the various research stages and, in particular, the authority over research findings. These questions become quite complex in the multiple organisation systems of international affiliates. It is doubtful whether all internal and external actors (e.g., HCOs or stakeholders) will be motivated to co-operate.

In light of the logistic and methodological problems, and in particular due to the nature of the study required, it is possible that a phenomenological approach should also be used (Sanders, 1982). This approach requires that researchers follow a detailed case study of the population research without predispositions through extended field observations.

Fifth, the lack of agreement on the conceptual and operational definitions of the different types of international affiliates is a special obstacle to a meaningful comparative study. For instance, definitions of IJVs vary from those referring to just about any form of co-operation among firms (e.g., Bivens and Lovell, 1966; Spinks, 1978; Hibner, 1982), to more specific definitions emphasising the separate legal existence of the venture (Boyle, 1968; King, 1969; Joelson and Griffin, 1975; Pfeffer and Nowak, 1976), the economic

independence of each parent (Bernstein, 1965; Byrne, 1978), and their joint control over the enterprise (Liebman, 1975; Zaphiriou, 1978).

Such disagreements result in different types of organisations being included in the various study populations, and make comparison and synthesis of findings virtually impossible. These disagreements must be overcome in the form of standardised definitions and measures used across studies.

These methodological difficulties imply also, of course, limitations on the results of the present study. It has, however, tried to solve some of the problems in applying an "ideal" framework which incorporates the actors, organisations and environments affecting personnel decision-making in international affiliates of decision processes, as summarised in figure 2(a) and (b). The framework makes it possible to identify the attitudes of each employee group on a variety of decision issues, as well as assess the reaction of environmental stakeholders to those decisions. It also enables the formulation of specific research hypotheses. Its dependent variables are decision contents and processes concerning human resources management. The independent variables are the attitudes, the policies or the managerial behaviour of HQ, their environments, the affiliate environment, and the international environment.

The present paper has expressed only some of these relationships, the authors are convinced, however, that their elaboration in further research can provide essential insight towards the development of more effective decision-making concerning human resource development in international affiliates.

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