

Staff Localization and Survival of Foreign Subsidiary of Japanese MNCs in China

Katsuhiko Inamura
Shibaura Institute of Technology

For multinational companies (MNCs), a foreign subsidiary can be considered as an agent who pursues a part of their parent's global strategy in each host country. Those foreign subsidiaries are required to contribute to the growth of their parent firm. To achieve that, having some superlative managers in a subsidiary has been thought to be critically important (Black, Morrison, and Gregersen, 1999; Delios and Bjorkman, 2000). When MNC considers this problem of staff deployment, sending expatriates to their foreign subsidiaries is often-used solution for that. However, at the same time, it has been said that using expatriates does not always contribute to higher performance of a foreign subsidiary, and the need and the effectiveness of exploiting local staff have often been pointed out. In fact, according to Beamish and Inkpen (1998), Japanese companies have been reducing the numbers of expatriates sent from a parent firm, recognizing the importance of delegation and staff localization. In this study, we review the previous research on staff deployment and its effect on foreign subsidiary performance. Then, focusing on the foreign subsidiaries of Japanese MNCs in China, the relationship between the expatriation/localization and the survival of the foreign subsidiaries is analyzed.

Our results of the analysis based on the sample of 383 subsidiaries of Japanese MNCs in China show that the effect of staff localization on the survival of a foreign subsidiary varies with the staff position and the business purpose of a subsidiary. Specifically, while there is no relationship between the top management localization and the subsidiary survival, the employee localization affects positively on the survival of manufacturing subsidiaries and negatively on the survival of the other subsidiaries.

Keywords: staff localization, subsidiary survival, multinational company, China