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Ah Ba Sim

*University of Wollongong*, [absim@uow.edu.au](mailto:absim@uow.edu.au)

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## The management of subsidiaries in emerging Malaysian multinational enterprises

### Abstract

While there is increasing research on Asian multinational enterprises (MNEs) from the newly industrialized economies, there is a dearth of studies on MNEs from the lesser developed Asian countries, particularly in the area of subsidiary-management. This paper aims to contribute to this knowledge gap with empirical evidence from a study based on six case studies of MNEs from Malaysia, a rapidly developing country. Some differences as well as commonalities in subsidiary-management were found among our sample firms. These are discussed in relation to the literature on management of subsidiaries in other Asian and western MNEs. Implications for research and limitations of the study are covered.

### Keywords

management, subsidiaries, emerging, Malaysian, multinational, enterprises

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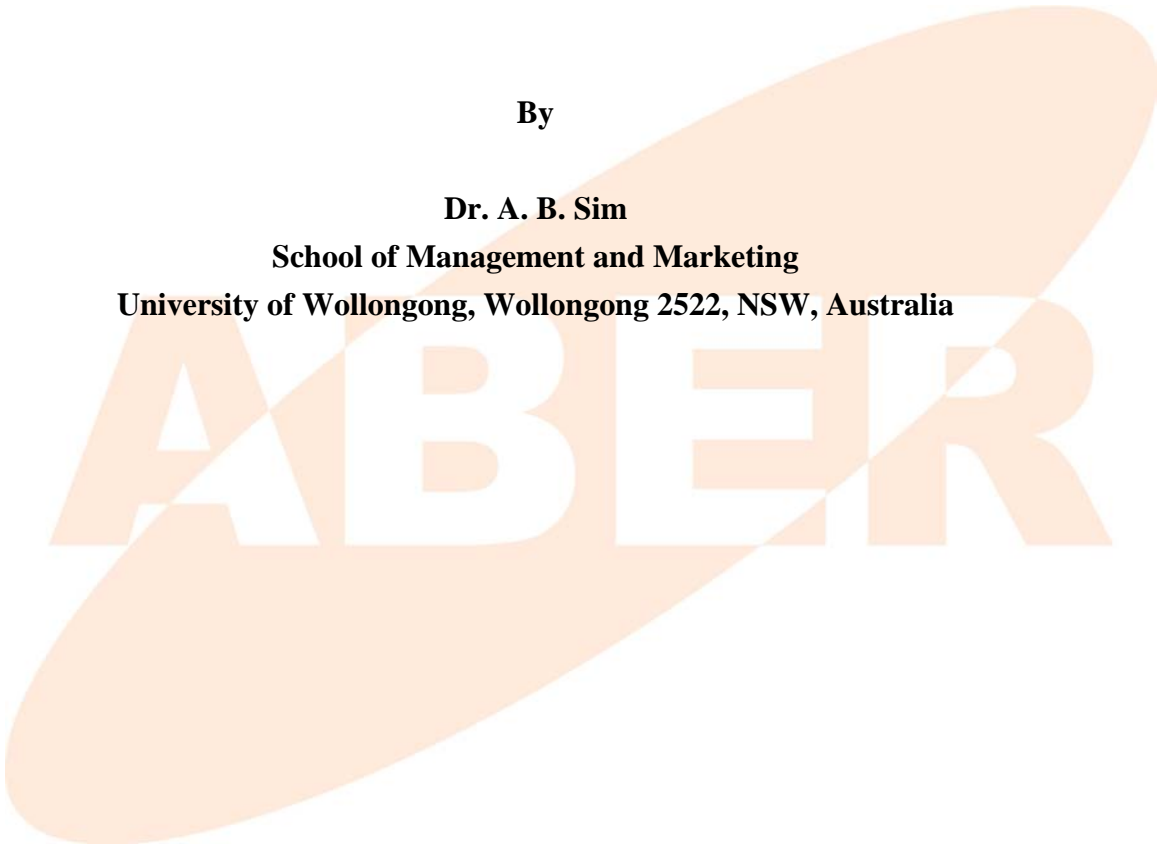
# **The Management of Subsidiaries in Emerging Malaysian Multinational Enterprises**

**By**

**Dr. A. B. Sim**

**School of Management and Marketing**

**University of Wollongong, Wollongong 2522, NSW, Australia**



Please address correspondence to:

Dr. A B Sim

School of Management and Marketing

University of Wollongong

Wollongong, NSW 2522

Australia

Fax: +61 2 42272785

E-mail: [absim@uow.edu.au](mailto:absim@uow.edu.au)

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## **The Management of Subsidiaries in Emerging Malaysian Multinational Enterprises**

### **ABSTRACT**

While there is increasing research on Asian multinational enterprises (MNEs) from the newly industrialized economies, there is a dearth of studies on MNEs from the lesser developed Asian countries, particularly in the area of subsidiary-management. This paper aims to contribute to this knowledge gap with empirical evidence from a study based on six case studies of MNEs from Malaysia, a rapidly developing country. Some differences as well as commonalities in subsidiary-management were found among our sample firms. These are discussed in relation to the literature on management of subsidiaries in other Asian and western MNEs. Implications for research and limitations of the study are covered.

### **INTRODUCTION**

Since the 1990's, multinational enterprises (MNEs) from the Asian region have been playing an increasing role in international trade and investment. Considerable research attention has been focussed on the nature and operations of these Asian MNEs. However, most of these MNEs are from the Asian newly industrialized economies (NIEs) such as South Korea, Taiwan and Singapore. Hence the research attention has been on these so-called dragon multinationals (Mathew, 2006). These research studies generally cover the nature, characteristics, scope and internationalization strategies of these multinationals. Not much research attention is evident on the management, interaction with and role of the overseas subsidiaries and affiliates of these Asian MNEs from the NIEs. While the dragon multinationals are the key players among Asian MNEs in the global arena, there are now emerging Asian MNEs from other Asian developing economies, which are less industrialized, such as Malaysia, Thailand, China, and Indonesia. There is very limited research on these emerging Asian MNEs (Sim & Pandian, 2003). In addition, little of this

research work focuses on the management of their overseas subsidiaries and affiliates. Hence there is clearly a research and knowledge gap here.

The purpose of this paper is to provide some research data and analysis towards filling this research gap. Based on empirical data from a sample of six case studies, this paper will analyse and discuss the management of subsidiaries and affiliates of emerging MNEs from Malaysia, a rapidly developing country. This exploratory research explores the nature and scope of subsidiary management in the Malaysian MNEs and examines whether they are different from those of the Asian dragon multinationals and the western MNEs. A review of the literature is followed by research methodology, findings and discussion. Implications for further research are also discussed.

## **LITERATURE REVIEW**

The extant literature on multinational enterprises are predominantly based on western MNEs from advanced countries. In recent years there has been quite considerable research work on Asian MNEs (for example, Dunning et al., 1989; Van Hoesel, 1999; Pangarkar, 1998, Yeung, 1994, 1997, 2006; Mathews, 2006). However there is still much to be learned about these Asian MNEs, such as the dynamics of their competitive advantage (Mathews, 2006), the nature of institutional embeddedness (Sim & Pandian, 2003) and the applicability of current (western) MNE theory to the Asian MNEs (Dunning, 2006; Collison & Rugman, 2007; Peng et al. 2008). A particular gap of specific interest in this paper lies in the nature and dynamics of subsidiary-management within the MNEs from Asia, which I will come back to.

The management of subsidiaries of multinational enterprises has traditionally been included as a part of the study of multinationals and their strategy and structure (for example, Egelhoff, 1982; Stopford & Wells, 1972). Around the 1980s, greater focus on this area of subsidiary management began to emerge, with early studies such as Sim (1977), Otterbeck (1981), White & Poynter (1984), Etemand & Dulude (1986), and Bartlett & Ghoshal (1986). Otterbeck (1981) focussed on headquarters-subsidiary relationship. Sim (1977) found differences in degree and

pattern of decentralization in American, British and Japanese subsidiaries and a positive relationship between decentralization and performance of subsidiaries. The studies by Etemand & Dulude (1988) emphasized the roles of the subsidiaries.

In their comprehensive review of the development of subsidiary-management research, Paterson & Brock (2002) categorises four strands or streams of development. The earliest stream focuses on the strategy and structure of relationship of the MNE, with little attention on the subsidiary. Examples of these are Daniels et al. (1984) and Stopford & Wells (1972). The second stream emphasizes headquarters-subsidiary relationships, including the centralization/decentralization of decision-making. Explicit attention is hence given to the subsidiaries, as in Otterbeck (1982), Sim (1977), Gates & Egelhoff (1986) and Hedlund (1980). The nature, dynamics and changes in the parent subsidiary relationships are covered as well (Prahalad & Doz, 1981; Roth, Schweiger & Morrison, 1991).

The next phase places emphasis on the subsidiary as the unit of analysis. This stream focuses on the role of the subsidiary. Bartlett & Ghoshal (1986) examined different roles of different types of subsidiaries within the global MNEs. White & Poynter (1984) categorized different subsidiary roles such as marketing satellites, miniature replicas, rationalized manufacturers, product specialists, and strategic independent units according to the scope of product, market and value-adding activities allocated or undertaken by the subsidiary. Different typologies were used by different authors (for example, Birkinshaw & Morrison, 1995; Jarillo & Martinez, 1990; Gupta & Govindarajan, 1991; Porter, 1986). These are well summarized by Paterson & Brock (2002). The most popular typology is probably the integration- responsiveness one, used by Porter (1986), Bartlett & Ghoshal (1986) and Prahalad & Doz (1987). The recent attention on core competencies and the resource-based view of strategies also lend some subsidiaries to be considered as centres of excellence, which can excel or are based on selected areas of competencies or knowledge of strategic importance (Moore & Birkinshaw, 1998; Anderson & Forsgren, 2000; Holm and Pedersen, 1999).

The fourth stream of research relates to the subsidiary development stream, where the subsidiary can develop its own strategic decision and direction, particularly

in relation to its local environment or in relation to its networks (for example, Birkinshaw & Hood, 1998), The development or changes in roles of a subsidiary can be driven by several factors. These can relate to the MNE itself, such as the availability of resources, changes in global environment and competition. Another can be a subsidiary's initiative or choice to press for increased strategic importance and role in the international network (Birkinshaw, 1997; Birkinshaw, Hood & Jonsson, 1998). The local environment including the impact of government pressures can drive changes in subsidiary development (for example, Hood & Young, 1994). Subsidiary development is contingent on these factors or on a combination of them. For example, Egelhoff, Gorman & McCormick (1998) suggested that subsidiaries with clear headquarters mandates have greater level of development. Ghauri (1992) points to the greater network role of subsidiaries with small home countries, and Schutte (1998) argues for the development of regional headquarters. There is no general consensus as to the degree and nature of subsidiary development vis-à-vis the need for appropriate head office control and direction. Much research potential exists to explore the complex interrelationships (for example, degree of autonomy, network relationships) and the changing perspectives (subsidiary, headquarters and country perspectives) in decision making on subsidiary management. Research on these trends and the policy implications of subsidiary development (Paterson & Brock, 2002) and on the nature and choice of subsidiary strategy (Birkinshaw, 2001) have been suggested.

As indicated previously, the research attention on subsidiary management is largely on western MNEs. The research interest on non-Japanese Asian MNEs has grown in recent years, but the focus rests on internationalization strategies, competitive advantage, ownership strategies, institutional and cultural contexts and organizations. Specific research on the management of subsidiaries in these Asian MNEs is scanty. A recent study is Tsai et al's. (2006) mail questionnaire survey of 142 foreign subsidiaries of Taiwanese MNEs. They found 3 subgroups of subsidiaries according to the extent of global integration (GI) and local responsiveness (LR):

- active subsidiaries, with high degree of resource dependence and high HQ delegation and local responsiveness.

- autonomous subsidiaries, with high local responsiveness, but low integration, and
- receptive subsidiaries, with high integration but low local responsiveness.

Their analysis indicated that the degrees of integration, localization, and resource dependence, industry types and stage of internalization were important factors in the perceived satisfaction among subsidiaries. In another study of 52 foreign subsidiaries of Taiwanese MNEs, Tseng & Chang (2005) indicated that a subsidiary's integration with the parent company and its local responsiveness both have a positive influence on its performance.

Gress and Poon (2007) explored firm networks and locational decisions in their mail survey of 32 Korean subsidiaries in the United States. They found that inter-firm relations with customers and suppliers and intra-firm relations (in the form of parent's knowledge of the host country) played an important role in location decisions. Network relationships need to be considered in strategic decisions. In their research on 34 European subsidiaries of South Korean (10), Taiwanese (16), Hong Kong (16) and Singaporean (2) MNEs, Chen and Wong (2003) indicated that successful firms tend to have closer relationships with their parent companies and greater autonomy in strategy and pricing decisions, and also more standardized products. Successful firms were more proactive in seeking growth opportunities and more committed to their markets

The limited published research on subsidiary-management focussed on MNEs from NIEs. This is expected as the NIEs have the most number of MNEs from the non-advanced countries. There is a dearth of research specifically on subsidiary-management in MNEs from Asian economies that are less developed than the NIEs. Emerging MNEs from rapidly developing countries such as China, Malaysia and Thailand are becoming more important in global markets. Knowledge and research on subsidiary-management in such MNEs are lacking. This research tries to fill this gap with empirical research findings on the nature and scope of subsidiary-management in Malaysian MNEs.



## RESEARCH METHODOLOGY

While published research in this area is mainly based on mail questionnaire survey, this research utilises a case study approach to obtain comprehensive and holistic data (Eisenhardt, 1989; Yin, 1994) on the management of subsidiaries and affiliates of Malaysian MNEs. Malaysia is a rapidly developing country and has substantial direct foreign investment overseas and emerging MNEs (Rogayah, 1999; Sim, 2005). Hence our focus is on international firms from Malaysia and the management of their subsidiaries and affiliates. For purpose of this research, we will use the term subsidiary to refer to wholly-owned subsidiaries, joint ventures and strategic alliances where the Malaysian parent has and exercises management control (even with minority equity interest). The data is drawn primarily from field interviews with the chief executive officers or top executives responsible for the international operations of the firms at the home country in Malaysia. In addition to interviews, annual reports, prospectus, presentation to security analysts, news media releases and other publications were collected from the firms visited. In addition, data from other published sources (such as industry sources, business periodicals) and internet websites were used to supplement the primary materials. The use of data from various sources allows for cross-checking and verification of data to ensure validity. Six case studies are used in this paper to report on the nature and scope of subsidiary-management in Malaysian MNEs. These six firms requested confidentiality and anonymity and are accordingly disguised in this report. The reluctance of firms to participate in the research was encountered and is a common problem in research in Asian countries.

## RESEARCH FINDINGS

### Internationalization of Case Firms

Our six case firms vary in sales size from MYR18 billion to MYR382 million, with an average of MYR6.5 billion (the exchange rate of the MYR (Malaysian Ringgit) is about MYR3.40 – 3.50 to the USD, when the field work was undertaken in early 2007). The largest firms were the two diversified firms (designated as DL and DU), followed by one in consumer products (CP), packaging materials (PM), household and personal products (HP) and electronics components (EC). While these firms are much smaller in size compared to MNEs from the developed countries, they are representative of MNEs from Malaysia, as well as those of the NIEs. The attempt to internationalize started in the early 1970 for our case firm, DL, with a venture in Indonesia. However vigorous international activities started only in earnest in the 1990s. In fact, most of our case firms really began rapid internationalization in the mid-1990s. In the case of the firm, PM, international ventures only started in 2002/03. Hence most of our case firms are relatively late comers in internationalization. The Asian currency crisis in 1997/98 stopped the frenzy of overseas expansion, with international expansion proceeding at a much more tempered and considered phase.

In terms of international spread of internationalization, our Malaysian case firms have fewer overseas locations when compared to MNEs from the advanced countries and even the NIEs. The two diversified case firms have the most number of overseas direct investment locations. Firm DU, with diversified businesses largely in heavy equipment, automobiles and oil and gas, had operations in 10 countries. Firm DL with operations in retail motor, steel, computers and other industries had overseas ventures in 9 countries. Firm HP in household and personal care products had direct operations in 5 countries, while firm CP and firm EC had 4 locations each. Only the most recently internationalized firm, PM, had factories in one overseas country, Vietnam. In general, our case firms tend to concentrate their production facilities in the Asian region. China, Vietnam, Thailand, Indonesia and Myanmar were the favoured locations. The choice of neighbouring countries with lower psychic distance in the earlier stages of internationalization is consistent with the international

processes as proposed by the Uppsala School (Johanson & Vahlne, 1997). Our case firms are really regional multinationals, as claimed by Collinson & Rugman (2007) for all Asian MNEs. However, our case firms also ventured in other more developed countries. Our diversified case firms (DL and DU) had operations in countries such as Mexico, the U.S., Germany and Australia. So our case firms, like other Asian MNEs, have begun to venture to countries beyond the Asian region.

### **Management and Organization of Subsidiaries**

There were differences in the way the management and organization of their subsidiaries in our case firms. Two diversified firms were managed and organized along divisional lines. In firm, DU, only the heavy equipment and oil and gas divisions were internationalized and were separately managed. The Divisional Manager in the heavy equipment is in charge of operations in the four overseas countries. In the oil and gas division, the operations in the various countries reported to the Divisional manager, who in turn reported to the CEO. The overseas subsidiaries were either wholly owned subsidiaries or joint ventures. In the oil and gas division, a larger number were organized along joint venture or strategic alliance lines. This was necessary to acquire advanced technologies in oil and gas (as the firm did not have much inherent expertise) from partners in advanced countries such as Japan, Germany, Norway and Australia, or to enter with ease such markets like China. Nevertheless, the firm had substantial equity or management control to manage the subsidiaries and joint ventures. While the overseas subsidiaries in the heavy equipment division were tightly controlled due to the firm's traditional core competencies in this business, management in the oil and gas sector was more consultative and early emphasis was placed on learning and acquisition of expertise or strategic assets from the more technologically advanced partners. The firm had well developed reporting structure, with extensive reporting procedures and monthly executive meetings with senior and corporate managers. Business plans were prepared on an annual cycle, with quarterly reviews. All overseas operations were headed by Malaysian managers or third country managers recruited by head office.

In the diversified firm, DL, the management and organization of operations, both in Malaysia and overseas, was by business divisions. The biggest

international operations were in retail, motor and tyre and in computer components. The most substantial overseas operations were in the retail business, where the firm operated a large chain of departmental stores, particularly in China, and in motor and tyre sectors, where it had vehicle assembly plants and tyre manufacturing in China. The firm had two China offices in Beijing and in Shanghai where the China managers for the three divisions were stationed. These managers reported to their respective Divisional General Managers at corporate office in Kuala Lumpur. In the retail division, a team of executives in Beijing controlled and co-ordinated the 43 stores in China. These stores were largely majority owned. In the bigger stores, expatriate Malaysian managers ran them. There were about 20 senior Malaysian managers in China. In the tyre manufacturing plant in Shandong, an expatriate Malaysian manager was in charge, assisted by 5 Malaysian executives. In the motor division, the manufacturing and assembly plants were all joint ventures, which the firm did not have majority control. These were run essentially by local management, with broad supervision by the case firm's managers. Our case firm was trying to phase out of the motor assembly business in China as it did not have majority control.

Management and control of the overseas subsidiaries in firm DL was tight, with limited decision making authority being delegated. This was due to the Executive Chairman (CEO) of the DL group being a very hands-on CEO. In fact, it was the CEO who initiated and spent considerable time developing and establishing the China businesses and networks. The CEO and his senior executives travelled regularly to China and conducted at least two formal business reviews every year. This was in addition to the monthly operations reviews which are supported by detail monthly reports from the subsidiaries. With constant interaction between head office and the overseas locations, coupled with formal business and financial reports, the Kuala Lumpur head office maintained a very close supervision of all of its international operations.

In our consumer product case firm, CP, the management of the subsidiaries varied by country location. In its wholly-owned operations, including a processing plant in Vietnam, key management and decision making were made at head office in Malaysia. A Board of Directors was established for this Vietnamese legal entity with no Vietnamese members. Top Malaysian managers ran this business, while the

production manager and workers were Vietnamese. In its Indonesian joint venture, which was majority owned, the general manager and financial officer were Malaysians, while the local partner headed marketing in which he had expertise. Production personnel were local Indonesians. However, technical expertise was provided by technicians from Malaysia. The labour intensive operation in Myanmar was run out of head office, with local employees doing the production work. The Thai operation was managed by personnel from its associated company, which shared in equity participation and initiated the business.

Case firm HP in the household and personal care business was also ran on a country basis, with the country managers reporting to the CEO. Its China business, including manufacturing plants, was managed by a general manager, assisted with expatriate Malaysian managers, particularly in the financial and operations functions. The Indonesian business was headed by a Malaysian manager, supported by two other Malaysian senior executives. The Vietnam operations were headed by a third country manager, assisted by Malaysian managers in finance and operations. Operations in other countries were also managed by country managers. There were plans to group overseas operations under two regional heads, one with responsibility for China, Vietnam and Thailand, and the other for Malaysia and Indonesia. While the financial, strategic marketing and operations functions were closely controlled by head office, local sales and human resource matters were pretty decentralized to the subsidiaries.

Firm EC, in the electronic components business, manufactures largely on an OEM basis for global electronics customers. Its internationalization was essentially to follow its customers for marketing opportunities and to use lower cost bases. Due to its OEM nature, key strategic decisions on products, pricing, market cope and finance were centralized at the Malaysian head office. Local operations at the manufacturing levels were staffed by locals, with the exception of the Philippines where a Malaysian manager was used. However, all these subsidiaries were closely supervised and coordinated by the CEO and his executive team from Malaysia. This team made regular visits to the subsidiaries. Hence the overseas operations were highly integrated and decision autonomy was limited.



The packaging material case firm, PM, had two manufacturing subsidiaries, both wholly owned, in Vietnam. Their expansion into Vietnam was motivated by market opportunities, coupled by market saturation in the Malaysian market. The Vietnamese operations were basically managed by the Executive Director in Kuala Lumpur. Three Malaysian managers (in finance, operations and marketing) ran each of the two manufacturing operations in Vietnam. The rest of the workforce was local. Key decisions were centralized at the head office. Technical support and assistance were provided by technicians from Kuala Lumpur. Quarterly meetings on operations and business progress were held, usually at Head Office. However, frequent interactions and visits to Vietnam were undertaken by key executives. Due to the size and spread of the overseas operations, management and control was relatively easy. Due to the success of its Vietnamese operation, the company was already planning expansion in Vietnam as well as in Thailand and Indonesia.

## DISCUSSION

The above findings indicate differences in the management of subsidiaries among our six case study firms. Two firms were organized along business divisions while the remainder were largely country-based. None had the international division, which is a common organizational structure indicated in western literature for the early stages of internationalization (Stopford & Wells, 1972). The need for greater integration along business lines in the divisional setup or greater local responsiveness in the country structure were preferred by our case firms.

In terms of development in subsidiary-management along the lines discussed by Paterson and Brock (2002), our case firms were in the early stages of development, with emphasis on the strategy-structure and the HQ-subsidary relationship stages. This can be explained in terms of the motives of our case firms investing in these countries. The internationalization motives of our case firms were largely market driven, aided by the availability of low cost inputs in these host countries. Malaysia, being a small market, the neighbouring markets, particularly China, provided a strong market incentive for internationalization. For example, four out of six of our case firms were in China to tap the Chinese market. Hence the roles of our case firms were a combination of what White & Poynter (1984) termed as marketing satellites and

miniature replicas. Only in the OEM manufacturing of electronic components by firm EC and of computer parts by DL can the role of the subsidiary be termed as rationalized manufacturers, thus producing products for the host country and other international markets as prescribed by the parent firm. Hence product and market scope of the subsidiaries were determined by head office and little value-adding scope, as described by Dorrenbacher & Gammelgaard (2006), was accorded to the subsidiaries.

Among the Asian MNEs from the NIEs, an emergent critical motive for internationalization was to acquire strategic assets and knowledge from partners or strategic alliances from advanced countries. This rapid learning and acquisition of expertise and knowledge was critical to the internationalization of Asian MNEs that were latecomers (Mathews 2003, 2006). This role was described as critical in the case of our firm DU in the oil and gas sector. DU had limited expertise in this field but substantial capital, and its rapid internationalization was facilitated by the use of joint ventures and strategic alliances to acquire and learn from its partners from advanced countries. A conscious attempt was made at learning and absorption with the use of 'shadow teams' attached to foreign technical and managerial experts in the subsidiaries or joint ventures for such purposes. Hence these subsidiaries or ventures had a strategic role to play in our firm DU. This knowledge acquisition role was also existent in our firm EC in electronic component manufacturing, but was not really stressed. Of course, our other case firms were also learning in terms of acquiring local market knowledge and business connections in the host countries. For example, China was a difficult market to crack and our case firms, particularly firm DL, had been successful in acquiring local market knowledge and networks (*guanxi*). Such market knowledge was required of any local subsidiary that aspired to be successful. However, in the majority of our case firms, the conscious acquisition of strategic assets and knowledge do not seem to be clearly articulated. It is necessary to articulate and plan the roles that the subsidiaries should play in order to facilitate and accelerate the rapid internationalization of our case firms. This implication also applies to all Asian MNEs.

The extant literature suggested a view towards increasing autonomy of subsidiary management, particularly in the context of a global network of parent and

subsidiaries (Birkinshaw & Hood, 1997; Paterson & Brock, 2002). In our case firms, autonomy and decentralization was generally limited. All strategic decisions were made at head office, though some autonomy and responsiveness were given for local production and human resource functions. This was necessitated by the use of local inputs and labour. In HRM at the host country level, a local responsiveness approach was usually undertaken, and is in line with the finding of a varied HR approach found by Chang et al. (2007) in their research on management of subsidiaries of Taiwanese MNEs.

For Asian MNEs from the NIEs, Chen & Wong (2000) suggested that successful subsidiary firms had greater autonomy in strategy and pricing decisions, and Tsai et al. (2006) indicated that active subsidiaries with higher satisfaction rating had liberal delegation from headquarters. This is not the case for our case firms from Malaysia. Our firm DL's retail subsidiaries in China were successful with limited autonomy as the CEO was a very hands-on executive and involved in all key decisions. The relative size of our case firms and the desire to ensure success for the early internationalization efforts contributed to the stricter control of overseas operations. A more nuanced approach to the issue of subsidiary autonomy depending on the decision issue can be adopted by our case firms for more effective subsidiary-management.

In the control of subsidiaries, four types of control mechanisms were used. These included contractual control (e.g., ownership), the use of HQ personnel, organizational procedures (e.g., reports, board meetings), and training and socialization (Jaussaud & Schaaper, 2006). In our case firms, all four were used. There was a heavy emphasis on the use of human resources sent from the parent company. All our six case firms relied on their managers in the host countries to supervise and manage the subsidiaries. These managers in turn report directly to the senior managers or CEOs at the head office.

As evident from the findings, frequent interaction, meetings and visits between the subsidiaries and head office were the hallmark of subsidiary management in our case firms. Such interactions and close parent-subsidiary relations also facilitated socialization and the use of cultural control in subsidiary management. As



indicated by Chen and Wong (2003), closer parent-subsidiary relationship could lead to more successful subsidiary operations. The complex and interactive effects of the impacts of the four types of control mechanism were not ascertained in our exploratory study. As Jaussaud and Schaaper (2006) suggested, this is not a well research area and is worthy of further study, particularly for Asian MNEs, where much needs to be learnt.

Our research suggested some differences in subsidiary management within our sample as compared with those in other MNEs from NIEs and advanced countries. How important is country of origin, including the level of economic development of the country of parent firms, in determining the nature and type of subsidiary management practices? The picture is not clear. Edwards et al. (2002) suggested no differences in subsidiary autonomy by country of national origins, while Sim (1977) found differences in decentralization among American, British and Japanese firms. The situation for MNEs from the NIEs and lesser developed countries is even more opaque, owing to the fewer or lack of empirical research studies. Hence more research is indicated in the area of subsidiary management for Asian MNEs, particularly from countries less developed than the NIEs.

## **CONCLUSIONS AND IMPLICATIONS**

This exploratory study provides new empirical research data on the management of subsidiaries of emerging Malaysian multinational enterprises. This is an empirical contribution in an area that has been neglected as current research focuses on western MNEs. This paper also indicates that research studies on subsidiary management in Asian MNEs are limited and the few studies conducted have been on Asian MNEs from the NIEs. Research on MNEs from other Asian countries, less developed than the NIEs are scanty. The research findings from our six case firms reveal differences in subsidiary management as well as commonalities among them. While the diversified firms tend to use business divisional organizational structure to manage their subsidiaries, the rest tend to use a country structure. One of the case firms was planning to move to a regional structure. Unlike the western MNEs that utilizes the international structure during the early stages of internationalization, our case firms did not use this form.

In general, our case firms were tightly controlled, with key divisions made at the head offices. A certain amount of local responsiveness and adaptation were provided for local production, sales and human resource decisions. This pattern is probably not unlike most Asian MNEs from the NIEs. The size of our firms and initial internationalization stages of our case firms are key factors in determining this. Unlike western global MNEs, the roles assigned to the subsidiaries in our case firms were rather limited, with emphasis on meeting market demand of the host countries and manufacturing with low cost inputs. Little attention was given to development of strategic roles for subsidiaries, which is now the current emphasis in western global MNEs. Only in one case firm in our sample was conscious attention given to the acquisition of strategic assets and knowledge via its international alliances. For Malaysian, as well other Asian MNEs, greater attention should be accorded to the development of specific roles of subsidiaries for their rapid and effective internationalization and development.

In terms of control mechanism, our findings reveal the greater use of head office personnel and frequent HQ-subsidiary interaction and socialization as preferred forms of coordination and control. These are also given more attention in western MNEs (Jaussaud & Schaaper, 2006) now. How will control and management of our Malaysian subsidiaries evolve? This answer to this question will probably depend on more research to be undertaken in subsidiary-management among Asian MNEs, both in NIEs and lesser developed countries, such as Malaysia and China. Hence research in this key topic area is needed.

Our study is an exploratory one and is limited to only six case studies. Hence the small sample size and the use of the case study methodology have their limitations. The issue of applicability of research findings from this study to other contexts will depend on future studies with larger sample sizes, utilising both in-depth case study and other survey research methodologies. In addition, our research only interviewed executives at the parent offices. Managers and personnel at the subsidiary level need to be surveyed in order to gain a fuller and holistic picture of parent-subsidiary management.

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