

Access of Host Country Nationals to Foreign Subsidiaries' Top Staffing Positions: Initial Statements for Latin America

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The substitution of expatriates by host country nationals is part of a foreign subsidiaries' development process; the extent of substitution depends not only on multinationals' strategies towards the host market but also on the economics of the site and the availability of local managers. The purpose of this paper is to establish initial statements for Latin America that will help us describe the phenomenon. The cross-checking of the literature, interviews with managers from Mexico, Brazil, Argentina and Colombia, and a description of Latin America as a subject of research provide hints for further steps in the consideration of this matter.

INTRODUCTION

Studies of foreign subsidiaries (fSubs) can be distinguished by their understanding of different entities' positions along the corporate network. These lead to perspectives that pre-set a specific business framework in which entities are immersed (Salgado, 2008). The collection of perspectives includes headquarters (HQ), peer subsidiaries, host country governments, home country governments, local/overseas suppliers and host country nationals (HCNs). This paper will concentrate on the latter.

The idea of the strategic importance of fSubs describes the rationale and mechanisms through which these entities acquire relevance in a corporate network. These begin with an initial role which is pre-defined by HQ according to the internationalization rationale and then moves towards site competence (Ferdows, 1997) and a degree of coordination and localization of companies' activities (Jarillo & Martínez, 1990); (Birkinshaw J. , 1995). Responding to the dynamism of the environment, fSubs evolve more complex mechanisms for penetrating the host country market, mainly by mastering the corporate knowledge that is transferred either from HQ or peer subsidiaries (Bartlett C. , 1986). The success of such a venture can partially explain differences in power among business units (Ghoshal & Bartlett, 1990); (Birkinshaw J. , 1995). Among these units, power contributions, control of critical linkages and distances from HQ influence the assignation of mandates that develop increased fSub responsibility, in terms of both function and geography (Birkinshaw J. , 1996). Authors have now acknowledged that highly developed fSubs emerge as centres of excellence that contribute significantly to corporate knowledge (Andersson & Mats., 2000) as a result of being embedded in locations which improve their performance in the market (Andersson & Forsgren, 1996); (Andersson & Forsgren, 1998); (Andersson, Forsgren, & Holm, 2002).

Multinationals' (MNEs) (Carpenter & Fredrickson, 2001) strategic postures, attitudes (Reiche, 2007) and mindsets (Bartlett & Ghoshal, 1992) explain differences in the use of expatriates to undertake specific roles for fSub coordination and control (Gupta A. , 1987); (Harzing, 2001). The substitution of expatriates by host country nationals (HCNs) is a step along the journey from having an initial role given by HQ to achieving recognition as a centre of excellence. The extent of the substitution depends not only on MNEs' strategies towards the host market but also on the economics of the site and the availability of local managers.

Therefore, the purpose of this paper is to set up initial statements for Latin America that will help us describe the access of HCNs to fSub top staffing positions as a further explanation of the development process. The cross-checking of the literature, interviews with managers from Mexico, Brazil, Argentina and Colombia and a description of Latin America as a subject of research provide hints for further steps in the consideration of this matter.

PHENOMENON AND SUBJECTS OF RESEARCH

The substitution of expatriates by HCNs as a step along fSubs' developmental journeys, the speed and extent to which this is done and what HCNs can do to be included in the process represent the phenomenon in question. The phenomenon acknowledges that there are gaps between what MNEs seek any given location and what HCNs are able to provide to satisfy those needs. The proper communication of such needs and how receptive HCNs are to understanding and conveying their own strategies to fulfil them may explain differences in the extent and timeframe in which the substitution is performed.

The Region

Although Latin America is a clearly located region, it is generally referred to as being those countries with Spanish as their official language. However, under a strict definition of "Latin" those countries or regions with Latin-derived languages such as Portuguese and French should also be integrated. According to this, it is not only countries with substantial similarities to Spanish-speaking countries like Brazil that should be included but also dissimilar territories such as Guyana and the Caribbean islands. Furthermore, there could not be a comprehensive description of Central America and the Caribbean market region without the inclusion of English-speaking countries and territories, especially those with Spanish origins but an adopted Anglo-Saxon culture such as Puerto Rico and Trinidad & Tobago. We also cannot deny the influence of Africa, not only in the Caribbean but also in Central and South American countries such as Belize & Brazil.

As briefly explained above, the region on which this paper concentrates needs a comprehensive delimitation before making any general assumptions. The reason for this is that authors mention cultural differences as an important factor in the internationalization process (Johanson & Vahlne, 1977) as well as in later fSub coordination and control (Banai, 1992).

The Companies

The MNEs described in this paper are those companies whose home countries are outside Latin America, even if cultural linkages are shown, as in the case of Spanish MNEs operating in the region. In consequence, the MNEs of Latin American countries such as Brazil & Mexico are not part of the analysis. This is done with the aim of claiming that the region's culture has its own peculiarities and is in cultural confrontation with overseas MNEs because of what it has been explained in the first paragraph of the introduction.

The Employees

For the purposes of this paper, HCNs are those employees whose 'origins' are from Latin America and who have been hired by the type of MNEs described above; therefore a Mexican manager working for a MNE in Mexico, as well as an Argentinean working for a MNE in Brazil, will be included in the definition. This definition *does exclude* HCNs working for a MNE whose home is in the region, as

well as HCNs hired by MNEs from overseas whose ‘origins’ are from outside it. The reason for this stress on ‘origins’ is to exclude US nationals (Latinos) whose predecessors are from Latin America but whose education and professional development is been carried out in the United States. The aim of this exclusion is to claim that Latinos are culturally different (for business purposes at least) to employees from this region and that they experience cultural shocks while doing business there.

Expatriates (Expats) are those employees working for a MNE in Latin America whose ‘origins’ are from elsewhere; in consequence, they are part of this paper but they *are not* part of the HCN definition. On the other hand, it is acknowledged in this piece of work that HCNs could have had either an international assignment or an expatriate experience and thus represent a modified cultural version (for business purposes) of those HCNs that have had none; thus they are HCNs and region returnee expatriates (RRE). For the purposes of this paper, a differentiation is made between an international assignment that is a formal expatriate experience in which the HCN has had an active role and responsibilities, and an expatriate experience that may be simply a long cultural exchange (at least a year). Furthermore, Expats that have had an international assignment or an expatriate experience in Latin America have adopted (or at least acknowledged) its culture and therefore the perceptions they may have about doing business there may be different to other Expats; therefore they are called overseas returnee expatriates (ORE).

Non-Corporate Regulatory Bodies

Non- Corporate Regulatory Bodies are those entities that do not belong to corporate networks and that might shape or influence the business environment for any entity at any location in which MNEs operate. These regulatory bodies include host country governments, home country governments and non-governmental organizations (NGOs). Although regulatory bodies act in either a country-specific (host and home country governments) or topic-specific (NGOs) manner, rather than responding to a specific region’s culture, they are usually more committed to regional developmental needs than any of the entities pursuing business purposes.

Local and Overseas Suppliers and Trading Partners

Local & overseas suppliers and trading partners are those entities that do not belong to corporate networks but participate in MNEs’ value chains; this excludes peer plants from both inside and outside the region. In cases where suppliers and partners are part of MNEs’ corporate networks, their cultural distance from fSubs may be closer than that of their indigenous counterparts. This is a fact that may shape business conditions at any given location.

EXPLORING CAUSES AND THE NATURE OF THE DATA

This paper reports on the early stages of the research and therefore its nature is exploratory. Activities carried out to date include:

1. Classification of proven successful HCNs into groups for interviewing.
2. Initial delimitation of Latin America with the aim of creating groups of countries sharing similar characteristics, which will help to generalize assumptions emerging from the research process in the future.
3. Interviews with managers from Mexico, Brazil, Argentina and Colombia as an exploratory sample, with the aim of gathering their views about the phenomenon.
4. Literature review of topics that partially explain the phenomenon in question in order to find hints for further steps.

Classification of Proven Successful HCNs into Groups for Interviewing

The purpose of the classification into groups of proven successful HCNs has the aim of picking those executives in the region that have shown expertise in creating excellent performance in fSub operations and have therefore gained trust and relevance in their corporate networks. The classification is as follows:

- Group A: members of fSub management boards whose responsibilities are mainly the strategic direction of the fSubs as well as negotiation and coordination with HQ.
- Group B: directors of fSubs whose responsibilities are the coordination and tactical direction of several departments under a specific function such as finance or sourcing.
- Group C: managers of departments that operate specific functions supervised by directors.

The availability of the above described positions depends on the operational complexity of the fSubs, such as product/market coverage; however it is expected that as soon as a fSub develops, its organizational hierarchy will become more complete. Increased complexity requires not only that more resources and knowledge be transferred from the corporate network but also calls for the collection of local knowledge. This will result in a particular type of fSub coordination and control from HQ (Gatignon & Anderson, 1988) that might or might not close the door to fSub top staffing positions for HCNs.

Delimitation of Latin America

As explained in Section 2.1, the aim of delimiting what Latin America means in this paper is not to give a fair description of the countries and areas of the region but to understand how the HCN phenomenon could vary depending on countries' characteristics. The delimitation was carried out in the first instance by selecting regional indicators that would give us a hint, on one hand, about the human development of citizens and, on the other, the impact of foreign direct investment (FDI) in the region. As an exploratory initiative, this delimitation could be modified further along the research once more information is collected.

The Human Development Index (HDI) is a figure which has been provided by the Development Programme of the United Nations since 1990, with the aim of putting forward critical issues in human development and as an alternative to income-based measures of national and individual well-being (UNCTAD, 2009). The HDI includes the life expectancy, education (adult literacy rate combined with gross enrolment ratio to primary, secondary and tertiary education), and gross domestic product (GDP) indexes (GDP per capita). Along with the HDI 2007 figures, foreign direct investment (FDI) as a percentage of GDP in 2007 (UNCTAD, 2009) was used to understand the impact of FDI on the HDI.

A K-means cluster analysis was carried out to group those countries that share similarities in above mentioned figures. In the first part of the analysis HDI, FDI, Main Export Industry (WTO, 2009), and countries' Heritage were the variables included. Four clusters (1 to 4) were formed containing 21, 5, 3, 3 countries respectively out of 32 recorded. The ANOVA tables highlight FDI as the variable that provides the greatest separation between clusters (see in attachments: Table 4) showing that this indicator may have an important impact on countries profile. Cluster table (see in attachments: Table 3) shows countries with highest HDI record also highest FDI as the case for cluster 3 and 4 that happen to be from Anglo heritage. Clusters 1 and 3 show the largest dissimilarities (see in attachments: Table 3) being the lowest and highest record of HDI respectively; cluster 1 is Latin heritage while cluster 3 is Anglo.

However, Cluster 1 in the above classification is quite heterogeneous in terms of the size of the economies, and this is possibly the reason why FDI for clusters three and four accounts high. Therefore a second analysis was constructed including the interaction between HDI and GDP. In this case, GDP is the variable that provides the greatest separation between clusters (see in attachments: Table 7) and countries grouped together change significantly (see in attachments: Table 10). Cluster 1 records highest in HDI although it does not on either FDI or GDP; this cluster contains just Mexico. On the other hand, cluster 4 contains only Brazil which does not record high in HDI and FDI but it is by far the biggest GDP of the region. Cluster 3 contains the middle sized economies of Latin America accounting second in HDI and FDI.

In summary, it is possible to give an initial description of the region by having four main clusters:

- Cluster ONE: Small economies highly open to FDI, mainly Anglo heritage diversified main export industries. (ONE-A: FDI percentage on countries GDP is lower).

- Cluster TWO: Largest Latin American economies, Low FDI as percentage of countries GDP, High HDI, Manufacturers. (TWO-A: Medium size economies, Agricultural and extractive activities).
- Cluster THREE: Small economies, low FDI as percentage on countries' GDP, Medium to Low HDI.

Either because of the impact of FDI or the size of their economies, it is expected that clusters ONE and TWO are the most significant for the HCN phenomenon.
The complete delimitation (version 1.0) of Latin America is offered in Table 1:

**TABLE 1
DELIMITATION OF LATIN AMERICA**

NO .	GROUP	COUNTRY	HERIT-AGE	MAIN EXPORTS INDUSTRY	COUNTRIES' CHARACTERISTICS
1	ONE	Antigua & Barbuda	Anglo	Extractive	<i>Small economies highly open to FDI, mainly Anglo heritage diversified main export industries.</i>
2		Saint Kitts & Nevis	Anglo	Manufacturing	
3		Grenada	Anglo	Agricultural	
4	ONE-A	Saint Lucia	Anglo	Manufacturing	<i>Share similar characteristics than Group ONE but the percentage of FDI on countries' GDP is smaller.</i>
5		Dominica	Anglo	Manufacturing	
6		Bahamas	Anglo	Manufacturing	
7		Panama	Latin	Agricultural	
8	TWO	Brazil	Latin	Manufacturing	<i>Largest Latin American economies, Low FDI as percentage of countries GDP, High HDI, Manufacturers.</i>
9		Mexico	Latin	Manufacturing	
10	TWO-A	Argentina	Latin	Agricultural	<i>Share similar characteristics than Group TWO but they are rather Medium size economies and highly based on Agricultural and extractive activities.</i>
11		Venezuela	Latin	Extractive	
12		Colombia	Latin	Extractive	
13		Chile.	Latin	Extractive	
14	THREE	Barbados	Anglo	Manufacturing	<i>Small economies, low FDI as percentage on countries' GDP, Medium to Low HDI.</i>
15		Costa Rica	Latin	Manufacturing	
16		Uruguay	Latin	Agricultural	
17		Peru	Latin	Extractive	
18		Ecuador	Latin	Extractive	
19		Trinidad & Tobago	Anglo/Latin	Extractive	
20		Cuba	Latin	Extractive	
21		Belize	Anglo	Agricultural	
22		Suriname	Dutch	Extractive	
23		Guyana	Anglo	Agricultural	
24		Saint Vincent & Grenadines.	Anglo	Agricultural	
25		Dominican Republic	Latin	Manufacturing	
26		Paraguay	Latin	Agricultural	
27		Jamaica	Anglo	Extractive	

28	El Salvador	Latin	Manufacturing
29	Honduras	Latin	Manufacturing
30	Nicaragua	Latin	Agricultural
31	Bolivia	Latin	Extractive
32	Haiti	Latin	Manufacturing

Exploratory Interviews

Departing from the initial classification of HCNs and so-called ‘successful managers’, exploratory interviews with managers from clusters TWO and TWO-A were carried out as an exploratory sample (Mexico, Brazil, Argentina and Colombia) to obtain their personal views on this paper’s phenomenon. The interviewees are summarized as follows:

**TABLE 2
INTERVIEWEES**

NO.	COUNTRIES’ CLUSTER	HIER-ARCHY LEVEL	AREA	HCN ORIGIN	FSUB LOCATION	MNE ORIGIN	MNE INDUSTRY	R R E	EXPER-IENCE WITH ORE	EXPER-IENCE WITH EXPAT S
1	Two	One	HR & Sales ¹	Mexico	Mexico	Europe	Automotive	No	Yes	Yes
2	Two-A	Two	Sourcing	Argentina	Brazil	Europe	Automotive	Yes	Yes	Yes
3	Two		Finance	Brazil	Brazil	Europe	Automotive	No	Yes	Yes
4			Sourcing	Mexico	Mexico	Europe	Automotive	Yes	Yes	Yes
5			Finance	Mexico	Mexico	Europe	Automotive	Yes	Yes	Yes
6			HR	Mexico	Mexico	Europe	Automotive	No	Yes	Yes
7	Two-A	Three	Manufacturing	Mexico	Mexico	Europe	Automotive	Yes	Yes	Yes
8			Customer services	Colombia	Colombia	Europe	Energy	No	Yes	Yes
9			Customer services	Colombia	Colombia	US	HR	No	Yes	Yes
10			Finance	Colombia	Colombia	US	Oxygen	Yes	Yes	Yes
11			Marketing	Colombia	Colombia	US	Electronics	Yes	Yes	Yes
12			Customer services	Colombia	Colombia	South Africa	Beverage	No	Yes	Yes
13			Projects	Colombia	Colombia	US	Automotive	No	Yes	Yes
14			Operations	Colombia	Colombia	Europe	Telecomm	No	Yes	Yes
15			Finance	Colombia	Colombia	US	Banking	Yes	Yes	Yes
16			Finance	Colombia	Colombia	US	Banking	No	Yes	Yes

¹As members of the fSub management board, it is expected that they would have a comprehensive involvement in all areas in order to bargain for CEO positions.

Interviewees were asked to chronologically explain their professional careers to date. The topics included their education and advanced studies, companies they had worked for, the positions and business

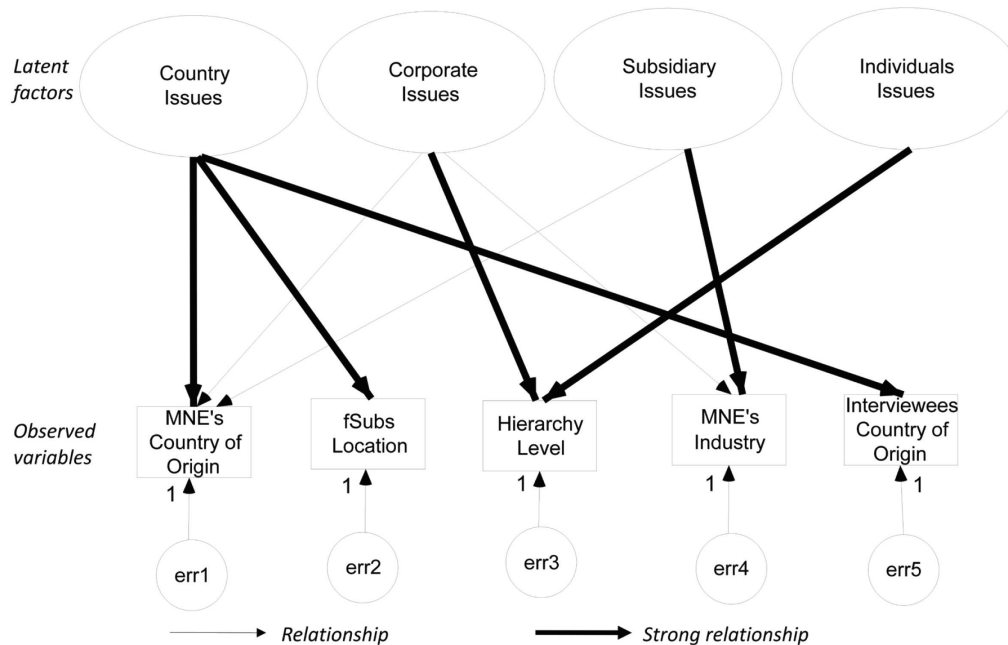
areas they had worked in, their relationships with direct bosses and the bosses of their bosses, relationships with colleagues, relationships with collaborators, what they consider their management style to be, projects they had participated in and led, the results they had had and their experiences with Expats, as well as their own experiences during international assignments or as expatriates. The interviews were transcribed and 976 ‘success issues’ were accounted and classified by its origins (see in attachments: Table 11):

1. **Country issues**; interviewees mentioned that part of their success has to see with particular country issues such as infrastructure, mind-set, etc. The recorded frequency was 21 out of 976 (2.2%).
2. **Corporate issues**; interviewees mentioned that part of their success has to see with their corporation singularities such as non-hierarchical organizations, policy to nationalize subsidiary’s positions, etc. The frequency was 111 out of 976 (11.4%).
3. **Subsidiary issues**; interviewees said that part of their success has to see with certain subsidiary issues such as formal training programmes, rewarding assignments, etc. The frequency was 138 out of 976 (14.1%).
4. **Individual issues**; interviewees mentioned that part of their success has to see with their own personal attitudes such as willing to learn, disposition, etc. The frequency was 448 out of 976 (45.9%).

Crosstab tables were built for examining the relationship between interviewees’ answers and interviewees’ situational factors such as: MNE’s country of origin, fSubs location, Hierarchy level, MNE’s industry and interviewees’ Country of origin. Contingency tables showed the following:

1. **MNE’s country of origin** vs. Interviewees’ answers denoted a significant relationship only for country, corporate and subsidiary issues and between them; the stronger relationship is with Country issues. Therefore interviewees’ perception of success varies depending on MNE’s country of origin that they are working for (see in attachment Table 12).
2. **Foreign subsidiary location** vs. Interviewees’ answers showed a significant and strong relationship only with country issues. Interviewees’ perception of success varies depending on the country the foreign subsidiary is located (see in attachments Table 9).
3. **Hierarchy level** of interviewees vs. Interviewees’ answers denoted a significant and strong relationship with Corporate and Individual issues. Interviewees’ perception of success varies depending on MNE they work for and their own attitudes (see in attachments Table 13).
4. **MNE’s Industry** vs. Interviewees’ answers showed a significant relationship with corporate and subsidiary issues; a strong relationship is denoted with subsidiary issues. Interviewees’ perception of success varies depending on the industry type the MNE competes (see in attachments Table 15).
5. **Interviewees’ country of origin** vs. Interviewees’ answers showed a significant and strong relationship with country issues. Interviewees’ perception of success varies depending from their country of origin (see in attachments Table 17).

FIGURE 1
RELATIONSHIP BETWEEN INTERVIEWEES' ANSWERS AND INTERVIEWEES' SITUATIONAL FACTORS



LINKING INTERVIEWS TO THE LITERATURE AND REPORTING THE INITIAL FINDINGS

Although the phenomenon was described at the start, there were only basic boundaries to guide the interviews and literature reviews; therefore, what it is here reported does not constitute a detailed phenomenon delimitation but rather a pointing out of further directions for research.

Corporate Issues

All interviewees agreed on the fact that a MNE's culture permeates daily work at fSubs; however, rather than reporting how this culture facilitates and homogenizes transactions, interviewees mentioned how important it is to understand and accept the culture for future professional advancement. A lack of trust in HCNs was reported and correlated with the rationale of having Expats in specific fSub positions, which creates a negative impact on HCNs' professional advancement if careers are built in these areas. Authors (Reiche, 2007) have outlined how HQ attitudes towards fSubs have a specific impact on the number of Expats as well as on the development of MNE individuals. These attitudes can be ethnocentric – using Expats to fill specific areas; polycentric - having a low number of Expats due to the importance of local knowledge; or geo/regiocentric - with the aim of individual development. HCNs in subsidiaries operating in Brazil and Colombia emphasized the importance of local knowledge because of the fact that their fSubs concentrated on the local market, unlike the HCNs from Mexico, whose fSubs on overseas markets.

In contrast, all interviewees agreed on the fact that good individual and departmental results would improve lack of trust and have a positive impact on professional advancement because of the fact that Expats would recommend fSub individuals/departments to HQ. This finding goes against what it is reported by (Banai, 1992) about HQ executives being considered superior, leaving HCNs with a second class status that seriously hampers organizational identification among local staff. An interviewee mentioned that a long period of good results ended in the nationalization of all his departmental positions and a total lack of Expats. This particular example goes against the interviewees' consensus about the need for a programme of nationalization of fSub positions in order to improve the chances for

professional advancement, as well as reports by authors that MNEs need to adopt global mindsets (Gupta & Govindajaran, 2002) (Nummela, 2004) to balance dimensions of the environment such as standardization vs. localization, cultural similarity between HQs and fSubs, and managerial orientations towards fSubs (Tarique, Schuler, & Gong, 2006). It seems that good results are not only proof of having understood organizational culture but also give HCNs the possibility of having their value in the organization recognised by building their reputations.

Finally, most interviewees agreed on the fact that working for hierarchical organizations causes difficulties in daily work at fSubs; however, none of them agreed on a consensual description of hierarchies. On this matter, interviewees with higher ranks mentioned that, in terms of professional advancement, hierarchies will be always present in organizations and the crucial skill is how to interpret hierarchies with the aim of crafting personal strategies enabling one to become visible. The current review of the literature does not report anything about the interpretation of organizational hierarchies in order to improve the chances of professional advancement, and when interviewees were asked if getting into organizational politics was a way to interpret hierarchies, the common answer was that organizational politics harm relationships and the skill was not getting into politics but learning how to sail through them.

Subsidiary Issues

Interviewees reported that several things can be done at subsidiary level that impact positively on professional advancement. All of them agreed on the need to have an official programme to attract the best local human resources along with a training programme; these two initiatives would not only pick the best human resources from the location but also bring them up to speed on fSubs' needs and MNEs' cultures. Although the literature reports on embedding fSubs into a wide involvement in local economic activities in order to improve fSub performance in the market (Andersson & Forsgren, 1996) (Andersson & Forsgren, 1998) (Andersson & Mats., 2000) (Andersson, Forsgren, & Holm, 2002), the hiring and training of local people is reported to have an impact not only on fSubs but also on the surrounding area because of the movement of workers from fSubs to their suppliers (Salgado, 2008).

Expatriate experiences during training programmes or along career paths are seen as an opportunity but a lack of these is not reported to be a barrier to professional advancement for HCNs. In contrast, assignments to particular fSub areas are seen key to professional advancement. Interviewees stated that being assigned to finance/controlling, procurement or product development give huge opportunities for professional advancement. Authors have written about the types of control HQ can exert on fSubs, such as financial, bureaucratic and strategic (Gupta A. , 1987), and, depending on the control, some particular assignments can offer higher opportunities to be seen, such as participating in budget planning (Hassel & Cunningham, 2004) and the implementation of rules and policies (Tosi Jr. & Gomez-Mejia, 1989). Furthermore, interviewees mentioned that, as well as assignments in the above-mentioned areas, temporary duties in recently opened departments or ensuring communication across the organization also give opportunities. Examples include managing the communication between departments during a new product development project or embedding Expats into fSubs. Up to now, it has not been yet reviewed any literature that explains the impact on professional advancement due to either HQ or fSub ensuring communication activities.

Individuals' Issues

During the discussions, the interviewees concentrated heavily on the skills people must have to increase their chances of professional advancement. Among these, personal communication skills were the most widely acknowledged. Interviewees mentioned that because of cultural differences between Expats and HCNs it was particularly important to ensure direct communication, transmit ideas clearly and attach them to facts; therefore, analytical and synthesizing capabilities seem to be a must. (Harzing, 2001) Claims that transferring knowledge and ensuring that fSubs' practices are attached to corporate knowledge are two of the most important roles of Expats. If fSubs fail in assimilating and replicating corporate knowledge, Expats are then sent to fill positions in them because of the lack of local talent

(Zander & Kogut, 1995), and with the purpose of boosting fSubs' absorptive capacity (Gupta & Govindarajan, 2000).

A second important skill mentioned by interviewees is the ability to network both within and without the corporate network. Networking is considered a crucial asset for Region Returnee Expats, and it weighs particularly highly when fSubs' directors and board members appoint HCNs to positions that require close communication with HQ. Mexican interviewees with higher ranks emphasized that their professional advancement was because of their substantial networking with HQ, while lower ranks put the emphasis on their results. The literature currently reviewed does not report anything in particular about the importance of networking for HCN professional advancement. However, (Harzing, 2001) developed a typology of Expats performing the role of linking fSubs to HQ which considers three main roles: Bear (Direct control), Bumble Bee (socialization) and Spider (Informal communication). In terms of networking outside of the corporate network, the interviewees argued that it was important when there was insufficient corporate knowledge to face particular local issues such as labour union strikes, cultural shocks between HCNs and Expats and local taxation.

Finally, the last skill concerns how HCNs behave in professional environments. On this matter, the consensus is that attitudes such as competitiveness, dynamism, flexibility, disposition, humility and willingness to learn are important. These attitudes are common even in indigenous business environments but two other widely-mentioned skills were adaptability and denunciation, and these are different. Some interviewees mentioned that a denunciation attitude was very much appreciated by Expats, whose expectation is to find a follower attitude in HCNs. In contrast, some interviewees mentioned that adaptability is a useful skill, especially in fast changing environments or specific situations that are not under one's control. This confrontation recalls the typical discussion of balancing global vs. local issues and how much control HQ should exert on fSubs but, focussing on this paper's phenomenon, all interviewees agreed on the risk of falling into a 'comfort zone' in which there is no call for denunciation or adaptation skills.

Country Issues

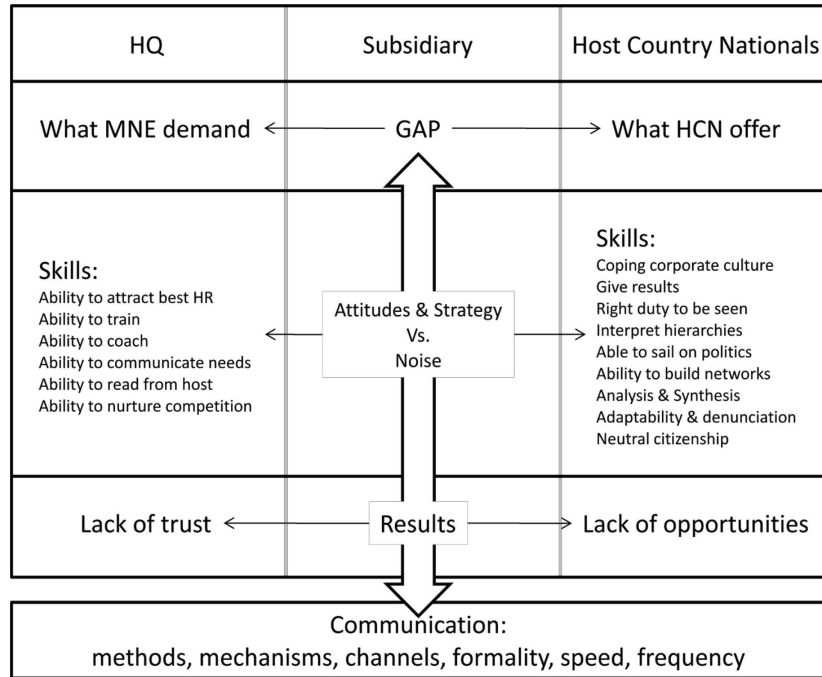
Within the interviews there were no specific examples of how differences in culture, as well as HCNs' country of origin, impact on professional advancement. Interviewees simply offered a personal opinion about how comfortable it was to work with Expats from a particular nationality by using stereotypes such as 'Americans are less involved in politics', 'Germans are too focussed on details', etc. On the other hand, interviewees showed their own attitudes about dealing with other nationalities; while Mexicans, Brazilians and Argentineans emphasized the peculiarities of their nationalities and openly expressed the attention Expats must pay to these differences, Colombians did not stress their nationality as a source of differences.

Finally, most HCNs expressed pride in belonging to MNEs because of how powerful/important the company was rather than because they shared common values. Valuable insight could be gained from gathering information on differences in attitudes between those who share MNEs' values and those who do not (Reade, 2001).

Theorizing Findings

Figure 2 shows the theoretical model of the phenomenon. The model starts with the basic assumption that there is a gap between what MNEs demand and what HCNs offer due to a lack of trust in the latter and a lack of opportunities to access fSubs' top staffing positions. The gap is shortened by long periods of good departmental/individual results. However these results depend on the establishment of proper communications, high quality reception and interpretation of what MNEs need and nurturing the skills of HCNs. As in any other kind of communication, this is affected by noise such as cultural shocks, exaltation of nationality, corporate politics, stereotypes of nationalities, short term visions by participating parties and the existence of comfort zones. Communicational effectiveness varies depending on methods, mechanisms, channels, formality, frequency and speed. fSubs can evolve to higher degrees of development if they are able to master effective communication between entities in the network.

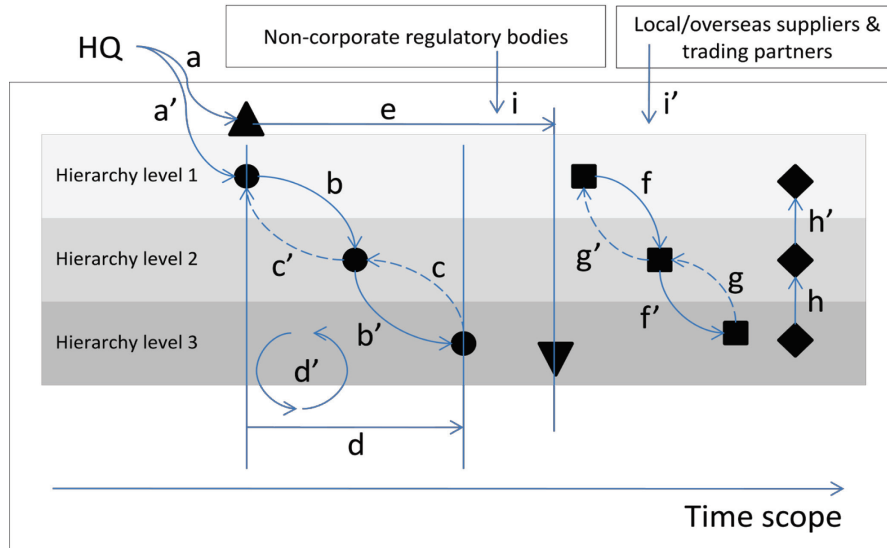
FIGURE 2
THEORETICAL MODEL OF HCNS PHENOMENON



Future Research

As mentioned before, it would be important to understand mechanisms of corporate communication in order to take apart HCN’s skills/potential from corporate communication mechanisms and casual or created communication noise; from the premise that as clearer the communication and communication mechanisms are, as more effective would be the efforts of HCN for professional advancement and MNE’s for making the most of fSubs. Figure 3 shows elements of corporate communications that point out future research on HCN phenomenon. The diagram starts explaining that HQ gives a mandate to fSubs (a’) for which it expects a planned output (a). Higher fSub hierarchy levels plan and communicate the decision to lower hierarchy levels (b, b’) that may or may not give feedback (c, c’) to higher hierarchy levels with the purpose of modifying the initial plan. The time scope between the order is given up to the order is executed (d) would depend not only on the number of iterations (d’) done until a qualified plan is released, but also to the communication effectiveness (speed, flexibility, quality, dependability, cost), which has a direct impact on differences between planned and given output (e). Rewarding mechanisms (f, f’) impact on performance indicators and HCN responses (g, g’), that under a long and sustaining period of good results it would end up on a professional advancement (h, h’). Non-regulatory bodies as well as local/overseas suppliers & trading partners may influence temporarily or permanently (i, i’) corporate communication mechanisms.

**FIGURE 3
ELEMENTS OF CORPORATE COMMUNICATION**



CONCLUSIONS

This paper aimed to understand the HCN phenomenon from fSubs point of view of rather than from the HQ perspective typically explained by Expatriates literature. The main conclusion is that it is possible to demystify the idea that some authors crafted about MNE may adopt a geocentric attitude towards fSubs which break into confrontation between Expatriates and HCN. This paper argues that far from planned or intended confrontation, there is a miscommunication going on fSubs that act as conveyors of MNE towards what HCN understand and prompt as response. If both MNE (HQ) and HCN understand that miscommunication across fSubs creates noise, they would put in practise strategies to reduce the noise; in consequence, the analysis of corporate communication would help to depict noise from clear commands and improvements on communication mechanisms can be created to tackle specific communication problems or HCN lack of skills.

ATTACHMENTS

**TABLE 3
Final clusters with FDI but without GDP interaction**

	Final clusters			
	Conglomerado			
	1	2	3	4
HUMAN DEVELOPMENT INDEX 2007	.7971	.7932	.8397	.8023
FDI AS PERCENTAGE OF GDP	4.20	12.36	33.10	22.17
MAIN EXPORT INDUSTRY	2	2	2	2
HERITAGE	2	2	1	1

TABLE 4
ANOVA (Final clusters with FDI but without GDP interaction)

	Cluster		Error		F	Sig.
	Mean square	df	Mean square	df		
HUMAN DEVELOPMENT INDEX 2007	.002	3	.005	28	.317	.813
FDI AS PERCENTAGE OF GDP	926.217	3	7.374	28	125.602	.000
MAIN EXPORT INDUSTRY	.538	3	.682	28	.788	.511
HERITAGE	1.416	3	.348	28	4.065	.016

TABLE 5
Distance between cluster centres (Final clusters with FDI but without GDP interaction)

Distance between cluster centres				
Cluster	1	2	3	4
1		8.183	28.916	17.992
2	8.183		20.759	9.867
3	28.916	20.759		10.938
4	17.992	9.867	10.938	

TABLE 6
Final clusters with FDI & GDP interaction

	Final clusters			
	1	2	3	4
HUMAN DEVELOPMENT INDEX 2007	.8540	.7911	.8488	.8130
FDI AS PERCENTAGE OF GDP	3.10	11.32	3.97	2.60
MAIN EXPORT INDUSTRY	3	2	2	3
HERITAGE	2	2	2	2
GDP 2007	1.02E12	1.49E10	2.16E11	1.33E12

TABLE 7
ANOVA (Final clusters with FDI & GDP interaction)

	ANOVA					
	Cluster		Error		F	Sig.
	Mean square	df	Mean square	df		
HUMAN DEVELOPMENT INDEX 2007	.005	3	.005	28	.968	.422
FDI AS PERCENTAGE OF GDP	97.336	3	96.183	28	1.012	.402
MAIN EXPORT INDUSTRY	.708	3	.664	28	1.065	.380
HERITAGE	.154	3	.484	28	.318	.812
GDP 2007	8.696E23	3	6.415E20	28	1355.521	.000

TABLE 8
Distance between clusters centres (Final clusters with FDI & GDP interaction)

Distance between cluster centres				
Cluster	1	2	3	4
1		1.008E12	8.073E11	3.105E11
2	1.008E12		2.006E11	1.318E12
3	8.073E11	2.006E11		1.118E12
4	3.105E11	1.318E12	1.118E12	

TABLE 9
Chi-square table of fSubs locations vs. interviewees' answers

Chi-square test				
RELYON		Value	df	Asymp. Sig. (2-sided)
Country issues	Pearson Chi-square	8.900 ^a	2	0.012
	Likelihood ratio	9.905	2	0.007
	Linear-by-linear association	1.871	1	0.171
	N of valid cases	32		
Corporate issues	Pearson Chi-square	5.622 ^b	2	0.06
	Likelihood ratio	4.992	2	0.082
	Linear-by-linear association	3.015	1	0.083
	N of valid cases	144		
Subsidiary issues	Pearson Chi-square	4.901 ^c	2	0.086
	Likelihood ratio	4.884	2	0.087
	Linear-by-linear association	0.003	1	0.959
	N of valid cases	224		
Individual issues	Pearson Chi-square	2.113 ^d	2	0.348
	Likelihood ratio	2.14	2	0.343
	Linear-by-linear association	1.767	1	0.184
	N of valid cases	576		

TABLE 10
Clusters & Cases (Final clusters with FDI & GDP interaction)

Clusters & Cases			
Case	COUNTRY	Conglomerado	Distancia
1	Antigua & Barbuda	2	1.38E+10
2	Saint Kitts & Nevis	2	1.44E+10
3	Grenada	2	1.43E+10
4	Saint Lucia	2	1.40E+10
5	Dominica	2	1.46E+10
6	Bahamas	2	7.70E+09
7	Panama	2	4.55E+09
8	Brazil	4	0
9	Mexico	1	0
10	Argentina	3	4.69E+10
11	Venezuela	3	1.25E+10
12	Colombia	3	7.75E+09
13	Chile	3	5.17E+10
14	Barbados	2	1.15E+10
15	Costa Rica	2	1.13E+10
16	Uruguay	2	9.32E+09
17	Peru	2	9.26E+10
18	Ecuador	2	3.09E+10
19	Trinidad & Tobago	2	6.78E+09
20	Cuba	2	1.49E+10
21	Belize	2	1.37E+10
22	Suriname	2	1.25E+10
23	Guyana	2	1.39E+10
24	Saint Vincent & Grenadines	2	1.44E+10
25	Dominican Republic	2	2.64E+10
26	Paraguay	2	2.72E+09
27	Jamaica	2	2.09E+09
28	El Salvador	2	5.44E+09
29	Honduras	2	2.95E+09
30	Nicaragua	2	9.21E+09
31	Bolivia	2	1.82E+09
32	Haiti	2	8.71E+09

TABLE 11
'Success issues' classified by its origin

Contingency RELYON * ISSUESVAL					
			ISSUESVAL		Total
			0	1	
RELYON	Country issues	Count	11	21	32
		% total	1.10%	2.20%	3.30%
	Corporate issues	Count	33	111	144
		% total	3.40%	11.40%	14.80%
	Subsidiary issues	Count	86	138	224
		% total	8.80%	14.10%	23.00%
	Individual issues	Count	128	448	576
		% total	13.10%	45.90%	59.00%
Total		Count	258	718	976
		% total	26.40%	73.60%	100.00%

TABLE 12
Chi-square table MNE's country of origin vs. Interviewees answers

Chi-square test				
RELYON		Value	df	Asymp. Sig. (2-sided)
Country issues	Pearson Chi-square	8.235 ^a	2	.016
	Likelihood ratio	9.569	2	.008
	Linear-by-linear association	.089	1	.765
	N of valid cases	32		
Corporate issues	Pearson Chi-square	12.610 ^b	2	.002
	Likelihood ratio	14.021	2	.001
	Linear-by-linear association	2.108	1	.147
	N of valid cases	144		
Subsidiary issues	Pearson Chi-square	10.276 ^c	2	.006
	Likelihood ratio	10.589	2	.005
	Linear-by-linear association	3.207	1	.073
	N of valid cases	224		
Individual issues	Pearson Chi-square	3.857 ^d	2	.145
	Likelihood ratio	3.770	2	.152
	Linear-by-linear association	3.850	1	.050
	N of valid cases	576		

TABLE 13
Chi-square table Hierarchy level vs. Interviewees answers

Chi-square test				
RELYON		Value	df	Asymp. Sig. (2-sided)
Country issues	Pearson Chi-square	1.574 ^a	2	.455
	Likelihood ratio	1.539	2	.463
	Linear-by-linear association	1.313	1	.252
	N of valid cases	32		
Corporate issues	Pearson Chi-square	11.097 ^b	2	.004
	Likelihood ratio	9.196	2	.010
	Linear-by-linear association	8.081	1	.004
	N of valid cases	144		
Subsidiary issues	Pearson Chi-square	1.949 ^c	2	.377
	Likelihood ratio	2.097	2	.351
	Linear-by-linear association	1.441	1	.230
	N of valid cases	224		
Individual issues	Pearson Chi-square	7.243 ^d	2	.027
	Likelihood ratio	7.611	2	.022
	Linear-by-linear association	.698	1	.404
	N of valid cases	576		

TABLE 14
Directional measures of Hierarchy level vs. Interviewees answers

Directional measures				Value	Asymp. Std error ^a	Approx. T ^b	Approx. Sig.		
RELYON									
Corporate issues by nominal	Nominal by nominal	Lambda	Symmetric	.038	.037	1.003	.316		
			ISSUESVAL dependent	.091	.087	1.003	.316		
			HLEVEL dependent	.000	.000	. ^c	. ^c		
	Goodman and Kruskal Tau	Lambda	ISSUESVAL dependent	.077	.051		.004 ^d		
			HLEVEL dependent	.023	.020		.040 ^d		
			Uncertainty coefficient						
	Uncertainty coefficient		Lambda	Symmetric	.049	.033	1.444	.010 ^e	
				ISSUESVAL dependent	.059	.041	1.444	.010 ^e	
				HLEVEL dependent	.041	.028	1.444	.010 ^e	
Individual issues by nominal				Lambda	Symmetric	.000	.000	. ^c	. ^c
					ISSUESVAL dependent	.000	.000	. ^c	. ^c
					HLEVEL dependent	.000	.000	. ^c	. ^c
Goodman and Kruskal Tau	Lambda	ISSUESVAL dependent	.013	.009		.027 ^d			
		HLEVEL dependent	.007	.006		.015 ^d			
		Uncertainty coefficient							
Uncertainty coefficient		Lambda	Symmetric	.010	.007	1.423	.022 ^e		
			ISSUESVAL dependent	.012	.009	1.423	.022 ^e		
			HLEVEL dependent	.008	.006	1.423	.022 ^e		

TABLE 15
Chi-square table MNE's Industry vs. Interviewees answers

Chi-square test				
RELYON		Value	df	Asymp. Sig. (2-sided)
Country issues	Pearson Chi-square	7.619 ^a	7	.367
	Likelihood ratio	9.970	7	.190
	Linear-by-linear association	.000	1	.993
	N of valid cases	32		
Corporate issues	Pearson Chi-square	14.428 ^b	7	.044
	Likelihood ratio	16.242	7	.023
	Linear-by-linear association	2.264	1	.132
	N of valid cases	144		
Subsidiary issues	Pearson Chi-square	34.087 ^c	7	.000
	Likelihood ratio	37.107	7	.000
	Linear-by-linear association	.331	1	.565
	N of valid cases	224		
Individual issues	Pearson Chi-square	11.993 ^d	7	.101
	Likelihood ratio	12.561	7	.084
	Linear-by-linear association	3.019	1	.082
	N of valid cases	576		

TABLE 16
Directional measures of MNE's Industry vs. Interviewees answers

Directional measures				Value	Asymp. Std error ^a	Approx. T ^b	Approx. Sig.	
RELYON								
Corporate issues by nominal	Nominal by nominal	Lambda	Symmetric	.010	.028	.333	.739	
			ISSUESVAL dependent	.030	.090	.333	.739	
			MNEIND dependent	.000	.000	. ^c	. ^c	
	Goodman and Kruskal Tau	Uncertainty coefficient	Lambda	ISSUESVAL dependent	.100	.046		.046 ^d
				MNEIND dependent	.011	.005		.120 ^d
				Symmetric	.052	.021	2.432	.023 ^e
				ISSUESVAL dependent	.105	.042	2.432	.023 ^e
			MNEIND dependent	.034	.014	2.432	.023 ^e	
Individual issues by nominal	Nominal by nominal	Lambda	Symmetric	.000	.000	. ^c	. ^c	
			ISSUESVAL dependent	.000	.000	. ^c	. ^c	
			MNEIND dependent	.000	.000	. ^c	. ^c	
	Goodman and Kruskal Tau	Uncertainty coefficient	Lambda	ISSUESVAL dependent	.021	.011		.101 ^d
				MNEIND dependent	.002	.001		.196 ^d
				Symmetric	.010	.005	1.835	.084 ^e
				ISSUESVAL dependent	.021	.011	1.835	.084 ^e
			MNEIND dependent	.007	.004	1.835	.084 ^e	

TABLE 17
Chi-square table Interviewees' country of origin vs. Interviewees answers

Chi-square test				Value	df	Asymp. Sig. (2-sided)
RELYON	Country issues	Pearson Chi-square		8.900 ^a	3	.031
		Likelihood ratio		9.905	3	.019
		Linear-by-linear association		.728	1	.394
		N of valid cases		32		
Corporate issues	Country issues	Pearson Chi-square		5.622 ^b	3	.132
		Likelihood ratio		4.992	3	.172
		Linear-by-linear association		1.906	1	.167
		N of valid cases		144		
Subsidiary issues	Country issues	Pearson Chi-square		5.052 ^c	3	.168
		Likelihood ratio		5.028	3	.170
		Linear-by-linear association		.121	1	.728
		N of valid cases		224		
Individual issues	Country issues	Pearson Chi-square		2.193 ^d	3	.533
		Likelihood ratio		2.224	3	.527
		Linear-by-linear association		1.714	1	.190
		N of valid cases		576		

TABLE 18
Directional measures of Interviewees 'country of origin vs. Interviewees answers

Directional measures					Asymp. Std error ^a	Approx. T ^b	Approx. Sig.
RELYON				Value			
Country issues	Nominal por nominal	Lambda	Symmetric	.160	.062	2.138	.033
			ISSUESVAL dependent	.364	.145	2.138	.033
			CTRY dependent	.000	.000	. ^c	. ^c
		Goodman and Kruskal Tau	ISSUESVAL dependent	.278	.087		.035 ^d
			CTRY dependent	.052	.037		.185 ^d
		Uncertainty coefficient	Symmetric	.185	.073	2.206	.019 ^e
			ISSUESVAL dependent	.241	.110	2.206	.019 ^e
			CTRY dependent	.150	.054	2.206	.019 ^e

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