The relationship between autonomy of local employees and performance of Japanese sales subsidiaries in Thailand

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Abstract

This paper clarifies the relationship between autonomy of local employees and performance of foreign subsidiaries. Although previous studies suggest~~s~~ Japanese multinational corporations should give autonomy to local employees in foreign subsidiaries, the relationship between autonomy of local employees and performance of foreign subsidiaries has not been examined quantitatively. To examine this relationship quantitatively, this study conducts a questionnaire survey to 216 Japanese foreign sales subsidiaries in Thailand and conducts a regression analysis. This study reveals the following significant relationships; (1) autonomy of local employees is negatively associated with performance of foreign subsidiaries, (2) The negative relationship between autonomy of local employees and performance of foreign subsidiaries become weaker with increasing the percentage of sales to local customers in their local sales. From this result, this paper discusses how Japanese companies should exploit local employees.

Key words expatriates, local employees, subsidiary performance, autonomy, 6208words

1. Introduction

In recent years, due to the expansion of the foreign market, the presence of foreign subsidiaries of Japanese multinational corporations is expanding year by year. Because of these tendencies, how to utilize foreign subsidiaries in Japanese companies has been much discussed (Ando, 2014; Inamura, 2007; Oki, 2011; Shiraki, 2006; Takahashi, 2005; Takeuchi & Takahashi, 2003). In addition, some previous studies have begun to consider foreign subsidiaries as a key source of competitive advantage for multinational corporations (e.g. Frost, Birkinshaw, & Ensign, 2002). How to manage foreign subsidiaries is a significant issue for Japanese companies.

But, there is a big problem in the management of foreign subsidiaries by Japanese companies. Since Japanese multinational corporations have a tendency to control foreign subsidiaries strongly (Bartlett & Ghoshal, 1989), Japanese expatriates (dispatched employees from Japanese headquarters to foreign subsidiaries) have more decision-making authority relative to multinational corporations in other countries, (Kopp, 1994; Jain & Tucker, 1995; Legewie, 2002:). Therefore, some previous studies mention that local employees in foreign subsidiaries have not been given decision-making authority in Japanese companies (Yoshihara, 1996).

This ethnocentric management has been often criticized because local employees tend to have dissatisfaction （Cho, Ikuta & Kobayashi, 2003; Nishihara, 1998） . Local employees cannot participate in decision-making and cannot have much promotion opportunity because there are a lot of Japanese expatriates in subsidiary (Legewie, 2002; Yoshihara, 1989,). Furthermore, Kopp (1994) explored statistically the delay of localization in Japanese companies lead to the incidence of problems such as "dissatisfaction for the promotion of local employees" and "the issues of friction and communication with Japanese expatriates and local employees".

Given these demerits of ethnocentric management by expatriates, there are arguments that local employees should be utilized more aggressively in foreign subsidiaries. For example, Beamish and Inkpen (1998) posited that the number of Japanese expatriates were decreasing in the 1990s, because utilizing local managers gave good business sense to Japanese multinational corporations. Also, Nakai (2001) suggested Japanese companies should address "localization of human resources" more aggressively and insisted the growth of Japanese companies has a limit if foreign subsidiaries depend on a management which focuses on Japanese employees. These studies mention that local employees in foreign subsidiaries should be given more autonomy.

However, there are few studies~~research~~ clarifying whether the autonomy of local employees really affects the performance of the foreign subsidiaries or not. Hence, this study clarifies the relationship between autonomy of local employees and the performance of foreign subsidiaries by conducting a questionnaire survey of Japanese sales subsidiaries in Thailand.

This study is structured as follows: The next section reviews the achievement of previous studies about what kind of influence the autonomy of foreign subsidiaries and local employees have on the performance of foreign subsidiaries. From this review, we explain our key research questions and set hypotheses of this study. In Section 3, we explain the research methodology. In Section 4, we conduct quantitative analysis to test the hypotheses. In Section 5, we discuss the relationship between the autonomy of local employees and performance from the results of analysis. Finally, in Section 6, we conclude this study, explain the contribution of this study, and point out the directions for future research.

2. Theoretical Background

2-1. The relationship between autonomy of foreign subsidiaries and performance

Many –previous studies have discussed the relationship between the autonomy of foreign subsidiaries and their performance (Kawai & Strange, 2013). Autonomy of foreign subsidiaries is discretion or degree of freedom that the subsidiary has to pursue its own independent agenda that may or may not be endorsed by the parent headquarters (Raziq, Borini, & Perry, 2014). If a foreign subsidiary is under strong control of headquarters, multinational corporations must consider whether they should give autonomy to the foreign subsidiary or not.

For example, some previous studies mention autonomy of foreign subsidiaries contributes to expanding the flexibility needed to cope with the local environment and to adapt business practice to local demands (Roth, Schweiger, & Morrison, 1991). In addition, many –previous studies surveyed about the relationship between autonomy of foreign subsidiaries and performance (Ambos & Birkinshow, 2010; Frenzen, Hansen, Krafft, Mantrala, & Schmidt, 2010; Gammelgaard, McDonald, Stephan, Tüselmann, & Dörrenbächer, 2002; Kawai & Strange, 2013).

The autonomy of foreign subsidiaries is also important for Japanese multinational corporations. In particular, Japanese companies tend to control foreign subsidiaries strongly by headquarters unlike Western companies (Ishida, 1994; Jain & Tucker, 1995; Legewie, 2002; Nagano, 1994). Foreign subsidiaries of Japanese companies are not given high autonomy by headquarters. Therefore, many studies have discussed how autonomy of foreign subsidiaries affects performance in case of Japanese companies. For instance, Yamashita, Fukutomi, Fukuchi, Uehara & Sasaki (2012) argued that giving autonomy to foreign subsidiaries can lead to high performance of foreign subsidiaries, because high autonomy of foreign subsidiaries help them to set the appropriate marketing policy for the local market.

2-2. The relationship between utilizing local employees and performance of

foreign subsidiary

In parallel with this discussion, it has been discussed that it is necessary for Japanese companies to utilize local employees. Japanese companies tend to utilize parent country expatriates to control foreign subsidiaries (Kopp, 1994; Rosenzweig, 1994; Yoshihara, 1996; Tungli & Peiperl, 2009). But, these tendencies were criticized because subsidiaries are not able to adapt local environment. For example, Yoshihara (1989) insisted the foreign subsidiaries of Japanese companies were not able to exploit local talents since Japanese expatiates were occupying the position of president in the subsidiaries. Moreover, Ishida (1994) stated that companies which have ethnocentric management such as not conducting local adaptation tend to be criticized by local people and organization and lose their local reputation.

Thus, many studies have discussed the importance of localization of human resources in Japanese companies (Belizon, Gunnigle, & Morley, 2013; Nagano, 1994). They emphasize many merits utilizing local employees. For example, Takahashi (2011) noted that it is difficult for multinational corporations to develop their original sales channels without considering local circumstances. In addition, it is preferable to utilize local people who know well local circumstances to grasp local customers' demands and preferences. Yoshihara (1989) shows multinational corporations can develop a product which fulfills the needs of the local market by using the brainwork of the local employees. Furthermore, Ishida (1994) mention that even if talented Japanese expatriates acquired local experience, they cannot match the excellent local talented people because local talented people have local environmental knowledge, acquaintances, and communicative competence. Therefore, for developing local market and motivating local employees, multinational companies should exploit local employees by giving them autonomy.

However, these studies have only discussed that local president should be a local person and the ratio of local employees in subsidiaries should be increased. These studies merely focus on positions of local employees. They have not explained whether the autonomy of local employees really lead high performance of foreign subsidiaries or not. In other words, although the relationship between autonomy of foreign subsidiaries and performance has been discussed, but the relationship between autonomy of local employees and performance of foreign subsidiaries has not been discussed.

Especially, in case of Japanese companies, high autonomy of foreign subsidiaries might not mean high autonomy of local employees. Even if foreign subsidiaries have high autonomy, there is a possibility that only Japanese expatriate have authority because Japanese companies tend to utilize expatriates to control foreign subsidiaries. Conversely, even if local employees take important positions in foreign subsidiaries, there is a possibility that local employees do not have enough autonomy when subsidiaries do not have high autonomy. Therefore, it is necessary to examine quantitatively the relationship between the autonomy of local employees and the performance of foreign subsidiary.

Hence, we made this key research question: “Does the autonomy of local employees really have the relationship with the performance of foreign subsidiaries?“. We answer this question by conducting quantitative analysis based on a questionnaire survey.

2-3. Hypotheses

This study set hypotheses about the relationship between autonomy of local employees and performance of foreign subsidiaries.

P~~p~~revious studies argued that it is preferable for foreign subsidiaries to give autonomy to local employees. For example, Furuta (2004) mentioned that foreign subsidiaries need to utilize local employees to grasp local needs accurately and to acquire local resources. Therefore, if local employees are given high autonomy, it is easy for foreign subsidiaries to adapt to local environments.

From this point of view, we consider high autonomy of local employees in foreign subsidiaries leads to high performance of these foreign subsidiaries. Thus, we hypothesize:

Hypothesis 1a. Autonomy of local employees is positively associated with performance.

However, the demerit of giving autonomy to local employees has been discussed too. For example, if local employees are given high autonomy, it is difficult for headquarter to control the subsidiaries enough. Headquarters dispatch expatriates to foreign subsidiaries to coordinate between Japanese headquarter-subsidiary relationship, to infiltrate corporate philosophy and management method to local employees, and to train local employees thoroughly. (Maruyama, 2009; Shiraki, 2006). Therefore, giving local employees high autonomy may cause problems regarding employees policies of local management as follows; miscommunication between Japanese headquarter and subsidiary, miscommunication between Japanese expatriates and local employees, local manager's lack of understanding about headquarters' policy.

From this point of view, we also consider high autonomy of local employees in foreign subsidiaries leads to low performance. This leads to following hypothesis which is the opposite of hypothesis1a:

Hypothesis 1b: Autonomy of local employees is negatively associated with performance.

In addition, the relationship between autonomy of local employees and performance of foreign subsidiaries can be affected by company conditions. It is considered that autonomy of local employees is needed more especially if they focus on local customers in their country. Importance of the autonomy of local employees can change depending on how much they deal with local customers. Local employees have a strong point for dealing with local customers because they can understand local culture, language and business customs. For example, local employees who know well about local circumstances can develop a product in accord with the demands of the local market (Yoshihara, 1989).

From this point of view, autonomy of local employees is important to deal with local and national customers. Therefore, autonomy of local employees becomes more important when the percentage of sales to local customers in their local sales become bigger. Thus, if the autonomy of local employees is positively associated with performance, the sales to local customers will strengthen the relationship. If autonomy of local employees is negatively associated with performance, the sales to local customers will weaken the relationship.

Thus, this study proposes these hypotheses:

Hypothesis 2a. The positive relationship between autonomy of local employees and performance of foreign subsidiaries become stronger with increasing the percentage of sales to local customers in their local sales.

Hypothesis 2b. The negative relationship between autonomy of local employees and performance of foreign subsidiaries become weaker with increasing the percentage of sales to local customers in their local sales.

To test these hypotheses, this study conducts quantitative analysis based on a questionnaire survey to Japanese foreign sales subsidiaries in Thailand.

3. Method

3-1. Sample and data

Data were collected using a questionnaire survey. Questionnaires were mailed to Japanese foreign subsidiaries in Thailand.

A foreign sales subsidiary is defined as subsidiary which does not engage in the manufacture of product or resource development, but mainly engages in sales activities (Yoshihara, 1979: 2). Since sales subsidiaries dedicate sales activities which need more local adaptation than manufacturing or R&D activities (Ghoshal, 1987), they tend to need to adapt to local circumstances rather than transfer skills from the parent country. Hence, it is considered that utilizing local employees is more important in sales subsidiaries than manufacturing subsidiaries. Thus, sales subsidiary is an appropriate sample for seeing the relationship between the autonomy of local employees and performance of foreign subsidiaries. Therefore, we excluded subsidiaries that have both sales and manufacturing facilities from the sample.

Thailand has powerful momentum of establishing companies in the Asian area. Among them the number of subsidiaries in Thailand is ranked second after China. However, it is difficult to control the diversity of subsidiaries in China, since sales subsidiaries are dispersed regionally. Thus, we chose Thailand.

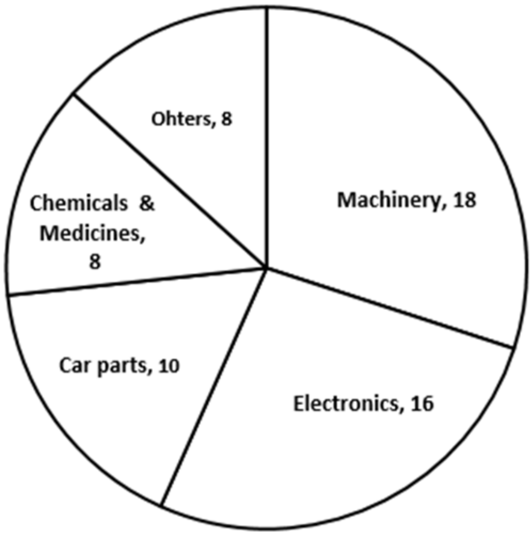
This study is required to focus on the nationality of customers. It is difficult to see the difference of nationality of customers of the companies which have only the product or service for consumers because this type of subsidiaries usually target almost local customers. Hence, we excluded subsidiaries that have only the product or service for consumers as sample, and used subsidiaries that have B to B business.

The *Kaigai Shinshutu Kigyo Soran* (2012) compiled by Toyo Keizai Shimposha was used to select samples which fill the above conditions. Among them, we chose subsidiaries whose presidents or top managers are Japanese and asked them to answer. Top managers can answer about performance of foreign subsidiaries. In addition, since Japanese managers know about the parent country, they can answer about autonomy of foreign subsidiaries and local employees. Hence, we choose subsidiaries whose presidents are Japanese as sample.

As a result we selected 216 subsidiaries as sample and sent questionnaires to them from June 3 2014 to July 13 014. A total of 61 questionnaires were returned (28%response rate). Figure 1 shows the industry of these companies.

After this questionnaire survey, we interviewed 5 companies and got additional information from Oct 22 2014 to Nov 3 2014. The industry which each company belongs to is as follows; Company A (electronic industry), Company B (electronic industry), Company C (Chemicals & Medicines industry), Company D (machinery industry), Company E (machinery industry). We refer some of these interviews in discussion.

Figure 1. industry of samples



Data source: Toyo Keizai. (2012)

3-2. Measures

We used multiple regression analysis to test our hypotheses. The dependent variable is performance of foreign subsidiaries. It is an average of sales growth by volume, sales growth by value, customer satisfaction, market share and productivity of operation, based on the index by Gammelgaard et al.(2012). For each of these five items, the subsidiary manager was asked to indicate on a 5-point scale (ranging from “1: significantly worse than competitors” to “5: significantly better than competitors”). The Chronbach alpha is 0.723. The high value shows the high performance of foreign subsidiaries.

The independent variable is autonomy of local employees. It is measured degree of decision-making by 5-point scale. Specifically, we used five items of decision-making;

selling price, discontinuing a product line, advertising (Gupta & Govindarajan, 2000), distribution channel, deciding business partners (Yamashita et. al., 2012). And we asked the manager to evaluate each item whether Japanese employees in subsidiaries have autonomy or local employees in subsidiaries have autonomy.

We used a 5-point scale. The choices are "1: decision made exclusively by Japanese employees", "2: decision made mainly by Japanese employees", "3: decision shared", "4: decision made mainly by Thai employees", "5: decision made exclusively by Thai employees", referred to Rabbiosi (2011). However, we excluded the case that foreign subsidiaries are not given autonomy. Finally, we calculated averages of these items and used it as autonomy of local employees (Chronbach alpha = 0.839).

We added percentage of sales to local companies as moderator variable that affects the relationship between dependent variables and independent variables. Local companies are the companies where local people and organizations have the majority of the stocks of the company. This value is calculated by the following equation.

$$Percentage\ of\ sales\ to\ local\ companies = \frac{\text{Sales to local companies}}{\text{Sales to companies in the country}} \times 100$$

We used this valuable because we supposed that the customer's nationality affects the relationship between performance and autonomy of local employees.

As the control variables, we included autonomy of foreign subsidiaries, subsidiary age, and number of employees. Autonomy of foreign subsidiaries is a measure that shows how much autonomy foreign subsidiaries have. P~~p~~revious studies have discussed the relationship between autonomy of foreign subsidiaries and performance of foreign subsidiaries (Gammelgard et. al., 2012; Yamashita, et. al., 2012). Therefore, we added this variable.

Autonomy of foreign subsidiaries is also based on Gupta and Govindarajan (2000) and Yamashita et al. (2012). We asked the subsidiary manager to indicate on a 5-point scale how much autonomy subsidiaries have. As well as autonomy of local employees, we used five items of decision-making; selling price, discontinuing a product line, advertising, distribution channel, deciding business partners.

We used a 5-point scale. The measures are "1: decision made exclusively by headquarters", "2: decision made mainly by headquarters", "3: decision shared", "4: decision made mainly by subsidiary", "5: decision made exclusively by subsidiary", referred to Rabbiosi (2011). Finally, we calculated averages of these items and used it as autonomy of foreign subsidiaries. (Chronbach alpha = 0.779)

Subsidiary age is the year of operation in 2014. If the subsidiary was established X year, subsidiary age would be calculated as "2014 – X". Number of employees means amount of employees in subsidiaries. These measures was used on some previous studies (Gaur, Delios, & Singh, 2007; Gong, 2003; Fang, Jiang, Makino, & Beamish, 2010; Raziq, Botini & Perry, 2014; Schüler-Zhou & Schüller, 2013; Takemura, 2008; Takeuchi, 2003; Yoshihara, 1996. Thus, we used these as control variables.

And then we chose 47 companies that we could collect all variables without missing value.

4. Results

4-1. Descriptive Statistics

Table 1 presents descriptive statistics and correlation coefficients for all of the variables.

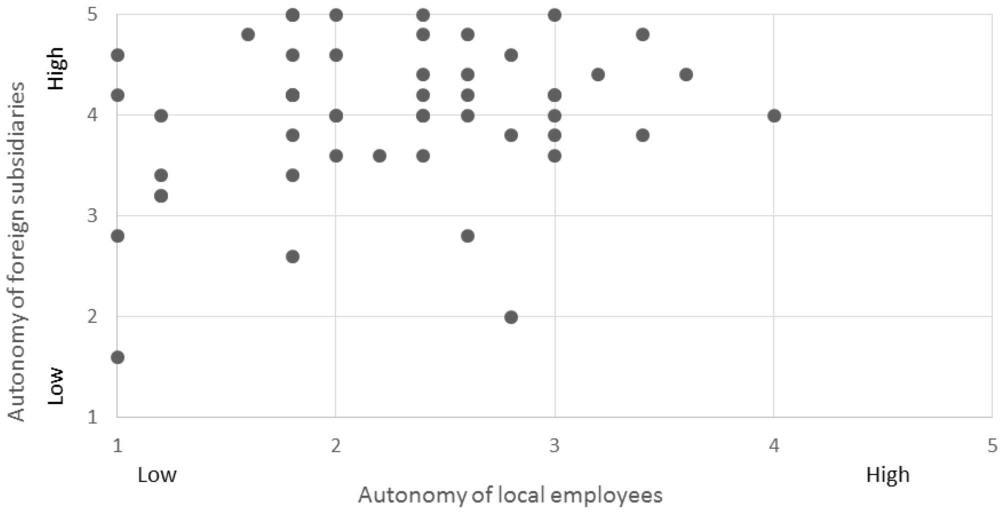
This shows autonomy of local employees is lower than autonomy of foreign subsidiaries. Figure 2 is a matrix that vertical axis represents autonomy of foreign subsidiaries and the horizontal axis represents autonomy of local employees. The matrix shows there are few companies giving autonomy to local employees even if foreign subsidiaries have autonomy. Thus, autonomy of local employees is different from and autonomy of foreign subsidiaries. Therefore, we should focus on the relationship between autonomy of local employees and performance of foreign subsidiaries.

Table 1. Descriptive statistics and correlations

	Mean	S.D.	1	2	3	4	5	6
1, Performance	3.1617	0.64016						
2, Autonomy of local employees	2.2426	0.75058	-.149					
3, Percentage of sales to local companies	27.1213	32.13071	.194 †	.449 **				
4, Autonomy of foreign subsidiaries	4.0213	0.76127	.239 †	.237 †	.184			
5, Subsidiary age	17.3830	13.84315	.139	-.027	.080	-.101		
6, Number of emoloyees	53.6170	138.80915	.230 †	.162	.289 *	-.023	.401 **	
7, Autonomy of local employees ×Percentage of sales to local companies	0.4651	0.98337	.315 *	.180	.400 **	-.037	-.120	.198

** p <0.01; * p < 0.05; † p < 0.1.

Figure. 2 Autonomy of local employees and autonomy of foreign subsidiaries



4-2. Regression analysis

Table 2 is a result of multiple regression analysis. Firstly, the result shows that *autonomy of local employees* is negatively associated with *performance of foreign subsidiaries*. ($p < 0.05$). Therefore, H1a is rejected and H1b is supported. On the basis of the positive correlation between autonomy of foreign subsidiaries and performance of foreign subsidiaries, it can be said that giving autonomy to foreign subsidiaries is related to the high performance of foreign subsidiaries, while giving autonomy to local employees is related to low performance of foreign subsidiaries.

Otherwise, to focus on interaction between autonomy of local employees and percentage of sales to local companies, it is positively associated with performance of foreign subsidiaries. Because of the negative relationship between autonomy of local employees and performance of foreign subsidiaries, the negative relationship between autonomy of local employees and performance of foreign subsidiaries become weaker with increasing the percentage of sales to local customers in their local sales. Therefore, H2b is supported.

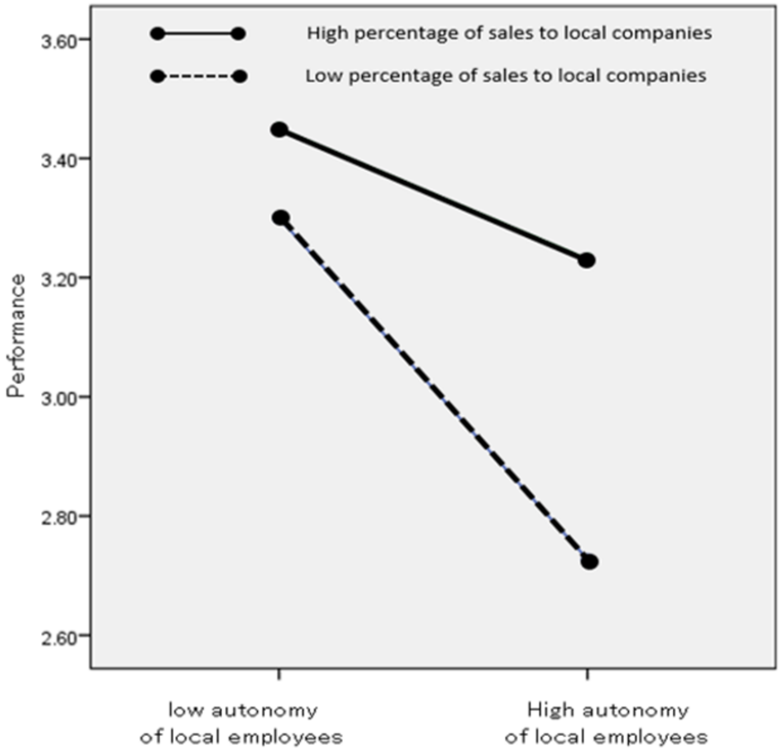
Table 2. Multiple regression for performance of foreign subsidiaries

Variables	B	t	Significant
(constant)		4.631	***
Autonomy of local employees	-.355	-2.367	*
Percentage of sales to local companies	.104	.639	
Autonomy of foreign subsidiaries	.334	2.419	*
Subsidiary age	.137	.924	
Number of employees	.143	.939	
Autonomy of local employees × Percentage of sales to local companies	.338	2.266	*
Model R^2		.311	
Adjusted R^2		.208	
F value		3.009	*
Case		47	

*** $p < 0.001$; ** $p < 0.01$; * $p < 0.05$; † $p < 0.1$.

Figure 3 shows the effect of interaction. We define the companies which have high autonomy of local employees (percentage of sales to local companies) as the companies whose autonomy of local employees (percentage of sales to local companies) is higher than the average of samples and define the companies which have low autonomy of local employees (percentage of sales to local companies) as the companies whose autonomy of local employees (percentage of sales to local companies) is higher than the average of samples. This result shows that the negative correlation between *autonomy of local employees* and *performance of foreign subsidiaries* are weakened when percentage of sales to local companies is high.

Figure 3. Autonomy of local employees and percentage of sales to local companies



5. Discussion

From the quantitative analysis, H1b and H2b were supported. This result shows that giving autonomy to local employees has a negative relationship with performance of the foreign subsidiaries. However, this negative relationship becomes weak with increasing the deal with local companies.

This result clarifies the different relationship between autonomy of local employees and performance of the foreign subsidiaries from that of previous studies for Japanese companies. One of the reasons of this negative relationship is the characteristics of

Thailand.

First, the labor market of Thailand is fluid. Job hopping is common among Thai workers. According to company A, which we conducted additional interview, job market is more active in Thailand relative to other countries because job hopping leads to high salary. Hence, it is difficult for foreign subsidiaries to give autonomy to local employees because the risk of job hopping is high. In fact, company A mentioned that “even if we train local employees, they easily leave our company. We have high risk of turnover” In addition, company B, which is giving high autonomy to local employees, similarly mentioned that “as a problem, if we give autonomy to local manager and depend on them, there is no replacement of them when they quit their job.” Since local employees quit their job immediately, there is a possibility that giving autonomy to Japanese expatriates lead to high performance because they rarely quit their job.

Secondly, there is a problem about quality of local employees. There is a possibility that Thai employees cannot work in high level such as Japanese employees. For instance, company A mentioned as follows:

Thai people are good at conducting decided thing like machine. After Japanese people prepare for plan and the commercial distribution, they just do the decided things. Therefore, if they were given autonomy, they have to prepare for those things which

Japanese people have been prepared. It is difficult task for them. As a consequence, there is a possibility that performance declines.

That is, even if local employees are given autonomy, they cannot do the work at the same level as Japanese people. As a consequence, there is a possibility that performance is low when local employees are given high autonomy. In fact, in company A, Japanese expatriates usually conducts many sales activities by themselves, and the role of Thai employees in sales activities is only adjusting the delivery.

P~~p~~revious studies have mentioned giving autonomy to local employees lead to high performance (Maruyama, 2009). This study, however, showed the possibility that giving autonomy to local employees lead to low performance. Especially, there are several situations in which high autonomy of local employees lead to low performance; high fluid local labor market and low competence of local employees. Although the sample used in this study is only Thailand, there is a possibility that giving autonomy to local employees lead to low performance.

Furthermore, this negative relationship between the autonomy of local employees and performance might be a factor which localization of employees of Japanese companies is not aggressive. Owing to a problem of high mobility of labors and low competence of local employees, high autonomy of local employees can lead low performance. As a consequence, even if companies want to begin the localization of employees, there is a possibility that it stops halfway. This decline of performance might cause the situation that Japanese foreign subsidiaries are given high autonomy while local employees of the foreign subsidiaries are not given high autonomy.

Otherwise, the negative association between autonomy of local employees and performance of foreign subsidiaries becomes weak when foreign subsidiaries increase the deal with local companies. Local employees are able to conduct sales activities adapting language and social customs. Company B mentioned as follows:

Utilizing Thai employees could maintain smooth business relationship to Thai local companies. When we had some problem with the deal with local companies, they could easily fix the problem.

That means, Japanese people is not good at dealing with local customers, because they cannot adapt local customs and languages. Therefore, local employees can take advantage of their strength.

Han (2012) noted that it is essential for Japanese foreign subsidiaries to understand local culture, local customs, business systems and business customs. Especially, non-manufacturing industries are needed to understand local circumstances more because they targets local market.

These merits of utilizing local employees are also showed in current situation of Japanese sales subsidiaries in Thailand.

From these discussions, we can suggest the way to utilize local employees in Japanese sales subsidiaries of Japanese companies. This study clarifies giving autonomy to local employees lead to low performance. Therefore, giving autonomy to local employees might not be preferable for temporary performance.

However, because of the concern about shortage of parent country nationals, there is a possibility of the situation that Japanese companies have to utilize local employees more and more (Bartlett & Yoshihara, 1988). At that time, autonomy of local employees is needed to increase their work motivation (Furusawa, 2005; Ishida, 1994). In this case, it might be preferable for Japanese companies to give local employees the autonomy regarding deal with local customers to minimize their weakness and leverage their strength.

6. Conclusion

This study clarified the relationship between autonomy of local employees and performance of foreign subsidiaries. The result of this study showed that there are negative relationship between autonomy of local employees and performance of foreign subsidiaries. However, with increasing the deal with local customers, this negative association is moderated.

This study has two theoretical contributions. First, this study explored the relationship between autonomy of local employees and performance of foreign subsidiaries quantitatively, which have not discussed in –previous studies. Although many previous studies have showed the possibility that exploiting local employees lead to high performance of foreign subsidiaries, the relationship between autonomy of local employees and performance of foreign subsidiaries have not explored quantitatively.

This study finds the negative relationship between autonomy of local employees and performance of foreign subsidiaries. This is a novelty of this study.

Second, we discover the factor which moderates the negative relationship between autonomy of local employees and performance of foreign subsidiaries. With increasing the deal with local customer, this negative association is moderated. Therefore, we proposed the possibility that local employees can take advantage of their strength when the dealing with local customer is frequent.

This study also has some empirical contributions. This study shows the negative relationship between autonomy of local employees and performance of foreign subsidiaries. We show the possibility that the negative relationship between autonomy of local employees and performance of foreign subsidiaries is natural under specific situation (e.g. fluid labor markets, low competence of local employees).

Moreover, this study suggests the way to use of local employees. The negative relationship between autonomy of local employees and performance might be the factor which some companies hesitates to utilize local employees. If these companies give autonomy to local employees, they should give local employees autonomy regarding the deal with local customers at first. It is preferable to give them autonomy regarding areas in which local employees can exhibit their advantages.

This study has several limitations. First, the sample was limited to Thailand. We cannot say that autonomy of local employees are always negatively associated with performance of foreign subsidiaries in Japanese companies. To examine the generalizability of this study, it is required to increase the sample of Thailand or conduct a survey in other countries.

Second, we don't sufficiently clarify the reason of the negative relationship between autonomy of local employees and performance of foreign subsidiaries. It is required to clarify this reason by conducting detailed additional interview to companies. Especially, by conducting an interview to companies which quit giving autonomy to local employees deliberately, we could explore why autonomy of local employees lead to low performance of foreign subsidiaries.

In addition, the way to improve performance with utilizing local employees is not revealed in detail. If there is a way to prevent job hopping or to train competence of local employees, the negative relationship between autonomy of local employees and performance of foreign subsidiaries might not exist. Furthermore, there might be more proper way to utilize local employees other than giving them autonomy regarding deal with local customers. To discuss above things, we should conduct an interview with companies which have high performance with giving high autonomy to local employees.

Although this study has several limitations, we contribute to clarify the relationship between autonomy of local employees and performance of foreign subsidiaries. We hope discussions about the empowerment of local employees in Japanese foreign subsidiaries become more aggressive.

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Appendix. The questionnaire items of each variable

① Performance

Following questions, about sales activities, please imagine your strongest company in local. (Regardless of Japanese company, foreign affiliated, Thai company.) Compared to your competitor, how do you evaluate your company?

1. Sales growth by volume

※Please answer on the basis of the sales by volume.

2. Sales growth by value

※Please answer on the basis of the sales by value.

3. Customer satisfaction

※For example repeat rate, complaint and so on

4. Productivity of operation

※Compared to your competitor, operation of product selling or services are smoothly and effectively?

5. Market share（Basis on value）

※Please compare with market share of the central business.

【Scale】

1: Significantly worse than competitors

2: Worse than competitors

3: About the same

4: Better than competitors

5: Significantly better than competitors

② Autonomy of local employees

What do Thai in Thailand sales subsidiary or Japanese in Thailand sales subsidiary assign the following decision-making?

Please rate the following statements on a scale of 1-5.

But, if decision made exclusively by headquarter, please ✔ in □

1. Decision of discontinuing existing product or product line
2. Decision of product price
3. Decision of contents of advertisement

※For example homepage, pamphlet, media and so on.

4. Decision of deciding business partners
5. Decision of distribution channel

【Scale】

1: Decision made exclusively by Japanese in Thailand sales subsidiary

2: Decision made mainly by Japanese in Thailand sales subsidiary

3: Decision shared

4: Decision made mainly by Thailand in Thailand sales subsidiary

5: Decision made exclusively by Thailand in Thailand sales subsidiary

③Percentage of sales to local companies（Basis on value）

（If putted trading company and agency, please think last destination from it.）

To Japanese company（　　　　）%＋To Thailand capital local company（　　　　）%

＋To other company（　　　　）%

＝Total 100%

※If there is no selling a product, please check ✔ in □

There is no product to company　□

※The definition of the nationality of company is the nationality of people or which has the majority of stocks of the company.

④Autonomy of foreign subsidiaries

What do headquarter or Thailand sales subsidiary assign the following decision-making?

Please rate the following statements on a scale of 1-5.

1. Decision of discontinuing existing product or product line

2. Decision of product price

3. Decision of contents of advertisement

※For example homepage, pamphlet, media and so on.

4. Decision of deciding business partners

5. Decision of distribution channel

【Scale】

1: Decision made exclusively by headquarter

2: Decision made mainly by headquarter

3: Decision shared

4: Decision made mainly by subsidiary

5: Decision made exclusively by subsidiary