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**The Role of Expatriates in Managing MNC Subsidiary Companies:
A Management Control Package Perspective**

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Satoko Matsugi*

Faculty of Business Administration, Tezukayama University
7-1-1 Tezukayama, Nara
631-8501, JAPAN
e-mail:matsugi@tezukayama-u.ac.jp

Yoshinobu Shima

Faculty of Business Administration, Kindai University
3-4-1 Kowakae, Higashiosaka, Osaka
577-8502, JAPAN

Chris Akroyd

Collage of Business, Oregon State University
1500 SW Jefferson St., Corvallis, Oregon
97331, U.S.A.

*Corresponding author

The Melco Foundation

Nagoya, Japan

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Satoko Matsugi

Tezukayama University, Nara, Japan

Yoshinobu Shima

Kindai University, Osaka, Japan

Chris Akroyd

Oregon State University, Corvallis, USA

Abstract

The international business literature shows that a wide range of controls are applied to overseas subsidiaries by the headquarters (HQ) of multinational companies (MNC). However, the elements of control and the interaction between them have not been analyzed as a complete control package. This paper focuses on the interface between cultural control and other controls, based on a holistic understanding of the managemenet control package. Through a single case study of a subsidiary of a Japanese multinational company (MNC), we found that cultural control in a Japanese MNC was formed through its human resource management system which supported other controls and worked together as a package. However, we also found that while cultural control helped establish an effective control package, it also has risks that could cause a polarized control package in an overseas subsidiary.

1. Introduction

Establishing overseas subsidiaries gives companies access to global resources, which range from natural resources to intangible know-how. However, it can be a challenge to manage employees, products,

and capital assets that are located in countries with different cultures, habits, and languages (Teece, 2009). If companies decide to take advantage of global operations, they need to have a good system to manage and control their overseas operations.

International business studies show that MNCs implement different types of control depending on the role of the subsidiariy (Bartlett & Ghoshal, 1989), and that they can apply a wide variety of control systems to important subsidiaries that have a high level of interrelationship with their HQ (Martinez & Jarillo, 1989; O'Donnel, 2000). Among the different controls applied to MNC subsidiaries, organizational culture has been argued to be one of the most effective (Martinez & Jarillo, 1991; Miroshnik & Busu, 2014). Organizational culture is also regarded as an important control in the management control literature (Merchant & Van der Stede, 2007).

However, control systems often develop in an organic way that could lead to unintended negative consequences. For this reason we need to take a holistic view and include all potential control systems, such as personal control and cultural control as a control package (Chua & Abernethy, 1996; Malmi & Brown, 2008: O'Grady and Akroyd, 2016). Without consideration for the interrelationships among control systems in a control package the wrong conclusions might be drawn (Chenhall, 2003). To date, the interrelationship between different control systems use by overseas subsidiaries of MNC has not been a target of analysis, either in international business literature or in the management accounting literature.

In a Japanese context, companies are typically bond tightly with shared values and goals making culture control possible through clan control (Ouchi, 1979). But, clan style organizations also have a downsideas as they tend to exclude people who do not share the "culture" (Ouchi, 1981). Since the local staff of foreign subsidiaries may not always share the same 'culture' as Japanese expatriates, with their tacit and implicit communication patterns, local staff may be excluded from senior management positions in the Japanese overseas subsidiaries. The question then becomes how can a Japanese MNC establishe a control package in their overseas subsidiaries?

The aim of this paper is to shed light on the roles of expatriate managers by examining the interface between cultural control and other controls from the perspective of a management control package. We do this through the use of a case study of a Japanese multinational logistics company which uses many expatriate managers in their overseas subsidiaries. Our research extends international business studies on controlling MNC subsidiaries and management accounting studies on control packages.

The paper is organized as follows. Section 2 reviews control for MNC subsidiaries in international business studies and the control package in management control studies. Section 3 explains site selection and data collection. Section 4 presents our case study of a Japanese multinational logistics company and demonstrates how the control package was organized. Section 5 explains the interface between cultural control and other controls and the differences between the controls used for Japanese expatriates and local staff. It also explains how it might change so that cultural control could also be used more for controlling local staff. The final section presents the conclusions, contributions, and limitations of this paper.

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2. Literature review

2.1. Control of MNC subsidiaries

MNCs often need to manage subsidiaries located in different locations around the world, each playing a different role according to the strategy of the company. Focusing on the different roles subsidiaries have, a series of studies examined how control systems fitted these different roles. These studies firstly made a typology of subsidiaries and examined the relationship with some types of control systems. There are two ways of dividing subsidiary types. One is dividing them by the role of the subsidiaries depending on the interrelationship between HQ and the foreign subsidiary (Ghoshal & Nohria, 1989; Jarillo & Maltinez, 1990). The other is to divide the role of subsidiaries depending on the knowledge transfers between the units of the company group, which considers MNCs as a network, not a hierarchical dyadic relationship between subsidiaries and HQ (Gupta & Govindarajan, 1991, 1994; Chung et al., 2000; Lee, 2006; Tseng et al., 2002). These studies share a common conclusion about the way HQs control their subsidiaries. They show that subsidiaries with a strong relationship with HQs or other units tend to have greater control from HQs. In addition, they often include elements of "subtle and informal" control such as organizational culture, and formal and informal face-to-face communication.

2.2. Organizational culture

Studies of organizational culture have examined how values can be shared among members in an organization (Peters & Waterman, 1982; Schein, 1985; Cameron & Quinn, 2006). Schein (1985) defines the concept of organizational culture as taken for granted assumptions which are created, found or developed by a group. When one idea is repeatedly proved to be right, then the members of the group gradually begin to agree with the idea, finally they take the idea for granted. This accepted taken for granted idea is the essence of organizational culture. Barney (1986) also explains organizational culture as the complicated set of values, beliefs, assumptions and symbols that regulates the way companies do business.

The function of organizational culture is two-fold: responding to the outside environment and integrating company members (Schein, 1985). The former is related with strategies including distributing resources and appropriately responding to the ever changing environment. The other function of organizational culture is to integrate company members, in order to maintain good relationships among members and to encourage a sense of solidarity, resulting in effective performance. That is, organizational culture can be a tool for organization control (Jollands, Akroyd, & Sawabe, 2015; O'Grady & Akroyd, 2016).

The type of organization which emphasizes organizational culture as its main control mechanism is

called a 'clan'(Ouchi, 1979). A clan is an organization where values and beliefs are shared by the members. Because of this, members are highly committed to the companies' goals, so bureaucratic types of surveillance are not needed. This has been said to be one of the most efficient types of control (Ouchi, 1979).

2.3. Problems with clans

In the international business literature, control using organizational culture is referred as "control by socialization". Measures to promote control by socialization can include expatriate managers (Edströme & Galbraith, 1977), global human resource management (Furusawa, 2003), and education and training (Baliga & Jaeger, 1984; Martinez & Jarillo, 1989).

Edströme & Galbraith (1977: 251) introduced the concept of "control by socialization" after they found that some MNCs send host country nationals as expatriate managers in order to control through socialization. They explain that by being sent overseas an expatriate manager realizes their value to the company, which creates a strong bond with the company. They also argue that this not only includes the expatriate managers, but also local employees who can be socialized by the presence of expatriates in the subsidiaries. Harzing (1999) points out that the presence of expatriate managers in MNC subsidiaries promotes value sharing among members and informal networking. Baliga & Jaeger (1984), though, argue tht if the cultural proximity, or the degree of acceptance of a parent company's culture by MNC subsidiaries in a host country, is low, control by socialization may not be able to be applied. Japanese companies have beenreferred to as one of the typical countries that have low cultural proximity (Baliga & Jaeger, 1984).

When the cultural proximity is low between parent company and subsidiaries, the parent company sends more expatriate managers (often called 'parent company nationals') to control subsidiaries (Harzing,
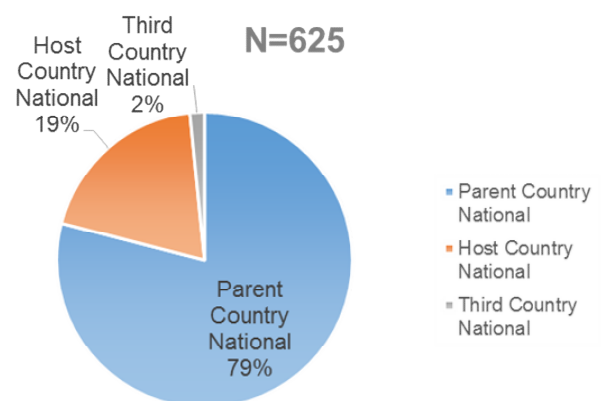
Figure 1   Presence of Japanese expatriates in overseas subsidiaries

Panel A: Nationality of Manging Directors of MNC from different countries

Panel B: Nationality of Managing Directors in overseas subsidiaries overheaded in Japan

Country of origin of the headquarters	N	% of the subsidiaries' Managing Directors who are parent country nationals
Denmark	88	18.2%
UK	381	23.1%
Norway	49	24.5%
Switzerland	207	25.6%
France	247	30.0%
Finland	200	30.0%
Netherlands	196	32.7%
Sweden	389	34.2%
Germany	279	40.9%
Italy	52	48.1%
Japan	601	76.5%
Total	2,689	40.8%

(Harzing, 2001)

N=625

Host Country National 19%
Third Country National 2%
Parent Country National 79%

- Parent Country National
- Host Country National
- Third Country National

1999; Going, 2003). The number of expatriates sent from Japanese companies is statistically higher than that of other companies headquartered in other countries (Tung, 1982; Rosenzweig, 1994; Harzing, 1999). Instead of socializing local employees, Japanese companies tend to send already socialized Japanese expatriates to control their overseas subsidiaries (Figure 1).

Previous studies show that socialization for local staff is not used in Japanese MNC subsidiaries (Harzing, 1999). This result is supported by Furusawa (2003). Moreover, some studies imply that Japanese expatriates deal poorly with communication problems with local staff. Among four countries, Japan, Germany, the United States and the UK, Peterson et al. (2000) found that Japanese expatriates tend to have cultural problems with local staff. Ishida (1999) also comments that misunderstandings occur between Japanese expatriates and local staff because their communication styles are different. Strong bonds among clan members also make it difficult to socialize local employees and can exclude them from the clan.

2.4 Control package

It has been shown that there are many control systems in companies which influence each other (Chua & Abernethy, 1996). Management accounting research, though, has focused mainly one type of control, accounting control, and its effects on peoples' behaviour or performance. An example is the budget control research (Brownell & Dunk, 1991; Lau et al., 1995). However, Chenhall (2003) points out that we need to widen our research model in order to consider the interaction between control systems. Malmi & Brown (2008) offer a holistic framework of management control systems. They include a wide variety of control systems, including administrative control, planning, cybernetic control, reward systems, and cultural control. Research on the management control package now focuses on combinations of control systems which requires a detailed analysis of the interactions between control systems (Grabner & Moers, 2013; O'Grady & Akroyd, 2016).

There are studies such as Fullerton, Kenndy & Widener (2013) who examined relationships among control elements. They show that a complementary relationship among control practices can support lean production systems. They found that employee empowerment practices have a strong connection with such practices as visual performance presentation, simplified report format, and process based costing systems. Kristensen & Israelsen (2014) also found that behavioral control, output control and cultural control could all be used simultaneously in a lean production environment. As the above studies demonstrate, there can be groups of controls which work in synergy with each other.

Alvesson & Karreman (2004) focus on the influence of cultural towards formal control and output control. Through a case study at the subsidiary of an international consulting company, they found that the formal control and output control in the company were effective because they were supported by the employees' sense of self and identity as being elite, which was established by the systems within the company.

In this paper we examine the relationship among diferent management control systems through a case study of a Japanese MNC. We show the effect that expartriate managers have on control systemsand the interrelationship between different control systems in an overseas subsidiary.

3. Site selection and data collection

3.1. Research overview

This paper examines the role that expatriate managers play in the control of Japanese MNC subsidiaries using a management control package perspective. International business studies show that a wide variety of controls can be applied to subsidiaries; in particular 'cultural control' is regarded as an integral element used in addition to other types of control. It is not clear, though, how 'cultural control' interacts with other control systems. In this research, we explore how cultural control works in an overseas subsidiary of a Japanese MNCs along with other control tools. Because of the nature of our research purpose, we apply a case study research method (Yin, 2009; Merriam, 1998).

To examine this question we use the control package framework of Malmi & Brown (2008) as it helps us consider a holistic view of a management control package. This framework is composed of three layers: cultural control, planning/cybernetic and control/rewards, and administrative control.

In the Malmi & Brown (2008) framework cultural control includes clan control as well as values and symbols. In this control layer, the influence of shared values and symbols can be analyzed. Secondly, in the plan / cybernetic control / rewards layer, the influence of management accounting studies can be analyzed. Lastly, in the administrative control layer, the influences of governance structure, organizational structure, and policies and procedures can be analyzed.

3.2. Research process

This paper reports on a Japanese case company that relies on the use of expatriate managers for controlling its subsidiaries. We chose this company because even fifty years after establishing the first foreign subsidiary they still rely on Japanese expatriates for control purposes. This company shares many characteristics with typical Japanese MNCs. We call the company Transport, Co., (a pseudonym), because it operates in the logistics industry.

We started by conducting an initial interview with a manager at the compaies HQ. He was, at the time, in charge of the management of foreign subsidiaries. Since this manager used to be an expatriate in the US subsidiary (US Transport Co), we decided to focus on the US Transport Co. which operated in the America Group. According to him, the way of grouping overseas subsidiaries has remained almost unchanged. After several interviews with him, one of our research members visited the United States and interviewed an expatriate in US Transport Co at the Los Angeles branch. Following a few farther

interviews in Japan we visited the US HQ of US Transport Co. in New York, where we interviewed three expatriates who worked for the US HQ and an expatriate who worked in the JFK New York branch office. We then interviewed managers in the Global Business Administration division at the Japanese HQ (Table 1). Besides interviews, we also examined internal documents and a book about the company's history published in 2007.

4. The Case of Transport, Co.,

4.1. Context

Transport, Co. is the largest total logistics company in Japan, which includes air cargo, sea cargo, train cargo, truck and warehouse storage. It started as a part owned national company in 1937. In 1950 the company was privatized. Its main customers are Japanese companies. Transport, Co., set up their first overseas subsidiary in the United States, US Transport Co., in 1962, when many Japanese companies started to enter the US market. After that, they launched many overseas subsidiaries, Singapore in 1973, Hong Kong in 1979, UK and Germany in 1981, and currenlty have over 200 locations around the world. As of March in 2015, Transport Co. group, had 67,000 employees and consolidated yearly revenue is approximately two trillion yen (US$20 billion) with profit of about 30 billion yen (US$265 million).

Since the late 1990s, the company's Japanese HQs realized that they could not expect more sales growth in Japan, and began to turn to global markets. Since 2000, Transport Co., have begun reorganizing their foreign subsidiary companies into four world areas in an attempt to increase foreign sales: America, Europe, East Asia, and South Asia. They call these world areas "blocks". Japanese expatriates, who were directors in Japan, were appointed to head each of these regions and manage the subsidiaries in each block. Although the sales of their four blocks around the world just accounts for 12.7% of total sales of Transport, Co. group, they intend to increase its sales further up to 40 % in these foreign markets.

4.2. Controls in US Transport Co.

4.2.1. Administrative control
Investment decision-making

US Transport, Co. is 54 years old. The number of employees is about 1500. The annual sales is about 43 million US dollars. The main business of US Transport Co. is overseas logistic services of air cargo and sea cargo. Their main customers are Japanese companies who make up about 60% of the annual sales of US Transport Co. Because of this, US Transport Co. has been staffed with many Japanese expatriates. The number of Japanese expatriates is about 80 in total or 5% of all the employees of US

Transport Co. The roles of Japanese expatriates include the CEO/America block chief; vice presidents who are in charge of accounting, general affairs, etc., as well as the branch chieves who oversee the operations of a particular branch.

Transport, Co., "makes rules and procedures for every activity in the company"' describe a manager in the Global Business Administration division described. Transport Co. has a series of rules called the 'Kanri Yoryo' (management essentials) which explains authorities and responsibilities of units of the organization. Prior to the organization reform of overseas subsidiaries in 2000, the top subsidiary managers did not have investment rights. Now, the CEO of each overseas subsidiary has an investment right up to a designated amount and they have much more autonomy than before. Even so, Transport Co.'s principle of extensive documentation hinders its quick response to environmental change. Its decision making process is time-consuming, with circulating documents (Ringi-sho) for decision making among senior managers.

An investment proposal that needs permission by senior managers is prepared on a document and circulated among senior managers who are related with the proposal. If a manager agrees with the proposal, they put their signature stamp on the document and pass it on to the next manager. When all the managers put signature stamps on the document, the investment is ready to be carried out. Usually, about 15 signiture stamps are needed when US Transport Co. are required to get permission to make decisions. Although this process occurs a few times a year, it takes about two or three months to get an investment proposal approved. Transport Co. set about 20 conditions that world blocks need permission from senior managers in Japan. A manager from the Global Business Administration division jokingly described the company as "slower than elephants".

Regularly performance reporting

Japanese HQ regularly monitors the monthly performance of overseas subsidiaries using the report from the Treasurers, who are Japanese expatriates, of the four world blocks. Every month the Treasurer of US Transport Co. collects operating profit numbers from all the branches in America block, and reports to the Japanese HQ. The monitoring items of the HQ are mainly operating profit. The manager reports twice about a monthly performance to Japanese HQ: first, forcast performance of the month in the middle of the month, then actual performance of the month early in the following month they report actual profit performance. Besides monthly reporting, the Treasurer reports three-month revenue performance to the Japanese HQ. HQ occasionaly ask questions about these reports, then the Treasurer answere them by email or telephone to the managers in the Global Business Administaration division. The focus for HQ is profit. In this sense, US Transport Co. is regarded as autonomous entity as long as they can earn the targeted profit.

4.2.2. Cybernetic control

In Transport Co., the budgeting process is carried out using a top-down approach. Once the budgets are set, subsidiaries are supposed to put maximum every effort into attaining the budget goal. This notion was shared by managers whom we interviewed.

The budgeting process of overseas subsidiaries starts in October, when they prepare capital budgets for investment in facilities or buildings. Then, also in October, they start preparing their profit budgets for the next year. The Treasurer requests the budget drafts from all the branches and their subsidiaries in the America block. Around this time of the year, a manager in Global Business Administration division in Japanese HQ contacts the Treasurer of US Transport Co. and suggests next yerar's profit budget. After a few discussions between the two, the next year's budget for America block is decided. Cost budgets are not discussed, as the cost structure is almost the same for all subsidiaries and Japanese HQ can estimate these numbers.

Once the budget numbers are set, the ways to achieve the budgets are delegated to CEOs of world blocks. The CEO and the Treasurer of US Transport Co. break down the budgeted profit number and send them to the branches and their subsidiaries. This is again done using a top-down approach, because the bottom line is already set, they have to earn the budgeted profit. All branches and subsidiaries will finalize the following year's budgets by the end of December and new fiscal year starts in January.

Prior to the final budget decision, several meetings are held between the four overseas block chiefs and the Global Business Administration division managers..In this sense, the budgeting process is not totally a top-down approach. Even so, so from the standpoint of expatriate managers including region chiefs and branch chiefs, it is a top-down approach, because they do not participate in budget making process

The budget number set at the beginning of the fiscal year would not be modified for any reason. So managers are held responsible for uncontrollable factors as well. While the target results are emphasized, the process to attain the target is delegated to the expatriates. According to the manager in Global Business Administration division, managers of this company have freedom to do anything to achieve the profit target, so even the sea cargo department could serve customers using airplanes if necessary.

Budget results would be reflected in the bonus amounts. A vice president of US Transport Co. mentioned that whether the budget target is attained or not would largely influence the yearly bonus amount. In the Transport Co. group, from senior manager to lower managers, budgets were regarded as very important.

4.2.3. Values

The CEO of US Transport Co. / America block chief is a Japanese expatriate and a director of Transport Co. in Japan. The Japanese parent company controled US Transport Co. and North and South American operations through him. Currently, Transport, Co. is reluctant to appoint a local manager as the

CEO of US Transport Co., because the Japanese HQ would find it difficult to control subsidiaries in the US with a local manager.

In Transport Co. employees tend to stay with the company until a designated retiring age under the lifetime employment system. The human reosource management (HRM) system used to mange them is based on the grades. The grades tend to be increased by years of service, so the HRM partialy reflects a seniority system. Within this HRM, the hierarchy is made clear by the grading system which is influenced with seniority, employees behave according to the grades. Since the interpersonal relationships are clear, they can give orders to the people whose grades are lower than theirs. It resembles the junior / senior relationship in Japanese school, where junior students would not argue with senior students, so senior students can give orders to or 'grip' junior students.

Briefly, a person who is promoted within a company and is transferred to a foreign subsidiary company as the CEO of an international block is still a junior colleague from the standpoint of the CEO of Transport Co. in Japan (the CEO of Transport, Co. is also promoted internally). Therefore, it is natural that the CEO of the subsidiary can get orders from Japan and will have to accept them.

The other reason why local managers are not appointed to managerial positions in US Transport Co. is because the customer base of US Transport Co. was mainly subsidiaries of Japanese companies. Thus, Japanese expatriates are useful to take care of Japanese customers who request Japanese style service. However, the corresponding person of these Japanese global customers in the US is gradually replaced from Japanese expatriates to local employees. For this reason the rationale of using Japanese expatriates in these positions is decreasing in importance. Against this backdrop, US Transport Co. is starting to value local staff and needing them to be more active players in managerrial positions. In the following section, we explain why US Transport Co. has difficulties to transfer the shared values among Japanese expatriates in the organization.

4.2.4. Gap of HRM between expatriates and local staff

In US Transport Co., most managerial positions, including branch chief and upper positions are occupied by expatriates: one of the three region chiefs, about 60% of branch chiefs and about 50% of Vice Presidents (VP) are Japanese expatriates. According to the interviewed expatriates, this is because of the scarcity of talented local staff. But the scarcity could be the result of the failure of managerial development system for local staff, and this could be caused by different HRM systems used for the US and Japanese empoyees.

In Transport Co., in Japan, employees are trained through the HRM system, where most employees are supposed to work for the company until retirement age. Employees are transferred regularly to other sections every few years (often in different locations), whereby they accumulate a wide range of work experience in the company, then promoted step by step at a slow pace. Their transfer orders can arrive at short notice and require them to move their families. This is a normal part of their working life

and a part of management development.

However, local staff in US Transport Co., would not accept transfer offers that involved moving their family to a different locaation. Because of this, US Transport Co. could not apply the Japanese style managerial development program for them, resulting in lack of talented local staff in managerial positions in US Transport Co. Trying to apply the Japanese way of on-the-job-training to the local staff means unconsciously hoping to instill their 'culture' to the local staff. But the response from the local staff was failed, so they gave up trying to train local staff.

The attitude of local employees to work is also different from Japanese expatriates. In Transport Co., employees are supposed to be promoted to a managerial position in the long run. But in US, some of the local employees did not want to be promoted even after a long time working at the company, which caused a lack of potential managers in US Transport Co.

4.2.5. Difficulties to Communicate company values

Transport Co. started a global leadership program in 2012. In this program, talented local staff in the four world blocks were invited to join the program held by the Japanese HQ. Until then, HRM and training program for local staff was a subsidiary's responsibility, but talent for upper managerial positions had not been developed yet. For this reason, Transport Co. decided to start training and finding promising local staff by themselves. In this program, the company values were to be explained through voices from Japanese managers in person and to communicate the values they embraced in Transport Co. While formal company policy was translated into English and given to local staff, what it really meant was not explained in person.

This was also a challenge for the Japanese managers who were in charge of communicating company values. Because, the shared values of the company were learned through years working in the company, they were no explicitly taught by anyone. In order for the Japanese managers to deliver values of the company to the local staff, they had to reflect on them again and again to explain these values explicitly. The company mission of Transport Co. had three parts. "Our calling is to be a force for a society development", "Our challenge is to create a new value from logistics", and "Our pride is to become an entity to be trusted". However, the manager in the Global Business Administration division said he had never been taught what "Force of society development" meant in his 20 odd years at the company.

There were no special programs for teaching corporate culture in Transport Co. in Japan. Japanese managers who were interviewed both in Japanese HQ and in the US did not think they had a strong corporate culture. Rather, one of the managers thought the company was a bureaucratic organization rather than a company with strong culture such that a charismatic leader to communicate his values and goals to employees. This is partly because Transport Co. used to be a partially public owned company. Meticulous documentation and top-down budgeting process in Transport Co. conjures up a view of a strong bureaucracy. However, such bureaucracy is a part of the culture of Transport Co. and the way of thinking

is shared among employees. Unless this value and way of thinking is communicated to the local staff, local staff can never understand them.

When asked about what the important ideas are in Transport Co., a manager answered "Safety and Reliability" using an example of Japanese postal service.

"New Year card need to be delivered on the first day of January by Japan Post if you post it around the 25th of December, wouldn't it? Trust of Japanese people in the postal system is enormous. But once you go to other countries, it would not always be the same. The delivery of New Year card on the 1st of January becomes possible in Japan, because Japan Post regards it as being important." "It is the same in our company. We think that on-time delivery is important. Customers would feel safe if we assured them we would definitely do it. We deliver things with no mistake and no delay. It is taken as a matter of course. This is our culture." (Manager, Global Business Administration division, Transport Co.)

The notion of this "Safety and Reliability" shared by employees would enable them to become "the force for the social development" becomes possible. Reliable delivery system is the social infrastructure for the country, and that woule be the first step for "social development".

To make sure of "Safety/Reliability" in the work of Transport Co., work has to be done suraely as planned. So Transport Co. has made it a rule to double check so that any trouble would not happen, however troublesome it would be for employees. Accordingly, the norm that budget targets must be attained would be the same, because they are also the works that have to be done "Safety/Reliability". This way of thinking toward budget targets is nurtured and shared by employees of Transport Co. through the formal and informal indoctrination of the long-term work experience in the company. So cybernetic control and Administrative control are effective thanks to the shared values of the company.

Once the ways of thinking or values are internalized in the local employees, the company could rely on Japanese expatriates in their overseas operation, knowing that they would make decisions beneficial to the company.

5. Discussion

In this section, we consider the elements of control package of the case described above, and explain how the elements are related each other (Table 2).

Table 2　Two-types of Control packages in US Transport Co.

Panel A: Control package applied to expatriates (PCN)

Types of Control	To Japanese Expatriates (PCN)
Cultural control	**Bureaucratic:** ✓ Documentation is emphasized in the operation for reliable delivery **Long-term employment system influenced Hierarchy:** ✓ Subordinates follow superiors (elders tend to be in a higher position than youngers) ✓ Career development through regular job rotation for future promotion. **Reliable:** ✓ Delivery must be done surely at any cost. ✓ ・Preparation is the most important for on-time delivery
Cybernetic control	**Budget:** ✓ Budgeting process is in a top-down manner. ✓ No modification is not allowed during the fiscal year. ✓ Profit budget must be achieved, which is reflected on yearly bonus.
Administrative control	**Strong presence of Japanese Expatriate** ✓ in Board members ✓ In higher managerial positions.

Panel B: Control Package applied to local staff (HCN)

Types of Control	To Local staff (HCN)
Cultural control	✓ Company culture and values are not transplanted to local staff, since HRM system is different from the one in HQ in Japan.
Cybernetic control	✓ Job performance is evaluated comparing with the job description.
Administrative control	✓ Just a small number of managers are in managerial position of profit centre manager.

5.1. Control package revolving expatriates

What is characterized in the control package of the case company is an emphasis on implementing 'cultural control' at subsidiary companies through Japanese expatriates. Although the number of expatriates has gradually been decreasing over the last ten years, expatriates were still in important managerial positions, including the CEO/ America block chief, a region chief, and the branch chief in each region. They were all managers promoted within Transport Co. in Japan so they could be trusted to work based on the 'culture' of Transport Co. This culturally supported control is a noticeable characteristic applied to US Transport Co.

The shared values are installed in all the employees of Transport Co. through the HRM that follows many traits of what is called Japanese HRM (Baliga & Jaeger, 1989). In this HRM system, each employee is graded. Through the grades given to employees, you could see how experienced or talented they were regarded in the company. The hierarchical relationship created by the grading system in the company stated clearly the relationship among employees, indicating who was supposed to order whom, so people could behave accordingly. This hierarchy works as a strong control mechanism in the company (Snodgrass & Grant, 1986).

Through this HRM system, several values were learned by the employees in the long term employment system and they begin to take it for granted. The values included obeying many different rules, putting importance on documentation and making manuals for every task, collecting signature stamps from managers for consensus based decision making.

Budget control was used as a cybernetic control. We found that the values nurtured by Transport, Co. were reflected in the budget control system. As the excerpt 'When you are given a budget number, you make every effort to achieve the number in our company" indicates, budgets are understood as fixed targets which have to be achieved. That is, cybernetic control is effective thanks to the 'cultural controls'. When the shared value emphasizes the norm of attaining budget target, the budget target becomes the target that has to be attained at any cost by the members of the company. All these things are related with the value of 'Safety and Reliability'.

The same is true for meticulous documentation as an administrative control. Transport, Co. emphasizes the meticulous preparation of manuals and the observance of the rules. In order the tasks to be achieved securely and to deliver goods to the designated place securely and punctually, no mistake is allowed, so the habit of "double checking" is important in the company. Also observing rules or work procedures is important for the safe delivery of cargo. All these ways would lead to the concept of 'Safety/Reliability", that is a core value of Transport Co.

Consequently, cybernetic control and administrative control are supported by the values of the companies 'cultural control' (Alvesson & Karreman, 2004). But at the same time, the values are established by the acts including double-checking and making manuals for every task. Thus, the three layers of the control package support each other. This results in a strong management control package. Because of this control, the Japanese HQ can feel safe to delegate decision making to subsidiary managers.

On the whole, the role of expatriates in US Transport Co. is two-fold. One is the role to control directly the subsidiary on behalf of Japanese HQ (Harzing, 1999). The other role is for position filling (Edström & Gralbraith, 1977). But they don't always play the role for socialization of the local employees. Therefore, the value of the Transport Co. in Japan is not shared with local staff in US.

5.2. Control package involving local employees

When we shift the focus from expatriates to local staff, not the same CP is not applied by HQ. 'Cultural control' was not working on them as in the way it worked on the Japanese expatriates and the values and culture of Transport Co. were not communicated explicitly to the local employees. This is because the shared values of Transport Co. are not taught explicitly but are learned through the HRM in Japan over a long period of time. While expatriates internalized the values, they didn't know how to communicate the values to local staff. This resulted that local staff remained ignorant with the company values in Japan. While Expatriates were given a small card on which the company mission was printed,

they didn't required that local staff learn the mission or chant the mission together with Japanese expatriates.

This phenominon would be often seen in many overseas subsidiaries of Japanese companies. The intentional sharing of values is not encouraged in overseas subsidiaries headquartered in Japan even if the large number of expatriates are deployed in overseas subsidiaries (Harzing, 1999; Chung et al., 2002; Furusawa, 2008). This is also the case in US Transport Co., so the basic assumption (Schein, 1985) is not communicated to local staff. Moreover, the attitude of local employees that they would not accept transfer orders might be recognized as a sign that they were not a member of the clan, because not obeying transfer offer would be out of the question in the perspective of employees in Japan. For this reason local staff might be seen as unreliable employees compared with expatriates.

This leads to the polarization of Japanese expatriates and the local staff at US Transport Co.. Therefore, they work under different control packages. The former is tightly controlled; the latter is under loose control from HQ. Or it could be said that local staff are excluded from the membership of the clan (Ouchi, 1981), resulting in filling only minor positions of US Transport Co. (Figure 2)

Figure 2: Polarized Control Packages in US Transport Co.
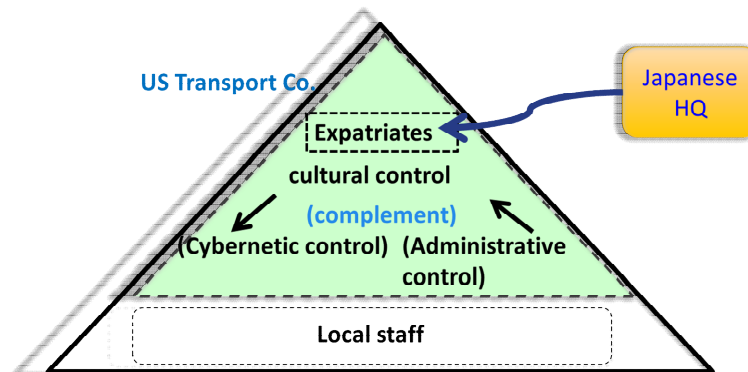
This polarized control packages have both advantages and disadvantages. The advantage for the Japanese HQ is that they can safely delegate overseas operations to expatriates. But the disadvantage is that Transport Co. cannot utilize the talented human resources and their knowhow in US Transport Co.

Recently, Transport Co., though, has begun to modify the criteria for membership in their clan and began to take steps to communicate their values to local staff. One of the steps was the start of the global leadership program in 2012, where promising local staff from the four overseas blocks are sent to Japanese HQ to learn about the company and its values.

With this measure, Transport Co. is now shifting the focus of control to local staff so that promising employees could be controlled using cultural control and be included in the expatriates' clan in US Transport Co. Once cultural control can be applied to the selected group of local staff, other controls, including administrative control and cybernetic control could be applied along with cultural control,

establishing a stronger control package for overseas subsidiaries.

But this shift is occurring at a slow pace. While middle managerial positions, including branch chief and section chief are being replaced by local staff, the highest positions such as CEO will not be replaced by local employees in the near future.

6. Conclusion

This paper focused on the control package in overseas subsidiaries which is mainly run by expatriates from the HQ. Taking one US subsidiary headquartered in Japan, we described the present control packages, and explained how 'cultural control' is connected to other controls in the company.

Control through shared values or cultural control has the advantage that it could control subsidiaries in far away places without direct monitoring by the HQ. Cultural control also supports other controls to be effective. However, the values are hard to communicate to local employees as it is shared tacitly among expatriates. If one hopes to instill the values to the employees in a different culture, the shared values have to be made more explicit. A strong culture could also exclude employees who do not share the culture if a substantial effort is not paid to proactively communicating the values.

The case of US Transport Co. exemplified the polarized control regime which is typically seen in subsidiaries of Japanese headquartered companies. The subsidiaries would be split between the ones who share and the ones who do not share the values, causing complexity in the control system.

The contribution of this paper toward management control studies is three-fold. First, we provided knowledge about the management control package in a subsidiary company headquartered in Japan, and demonstrated how the two polarized control packages are working in the US subsidiaries. Secondly, we demonstrated how the elements of controls interact as a management control package. In particular, we focused on the role of expatriates and showed how cultural controls support other controls and vice versa. Thirdly, with respect to our contribution towards practitioners in global companies, we suggested how global companies with strong cultural controls could avoid excluding their local staff who do not share their values, and include them under the same control package. In order to communicate the unique values to the local staff, some modification is needed, for instance through the HRM systems which are idiosyncratic in Japan. We demonstrated that without systematized measures, relying only on expatriates to encourage value sharing could be hard to achieve.

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