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An Empirical Study on Performance of Subsidiary Impacting on the Multi-National Corporation Localization of Human Resources Allocation

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Abstract

The achievement of reasonable and effective human resources management in multinational company with the help of localization strategy is the key to implement enterprise internationalization successfully. On the basis of document systematic research, this article discusses Chinese multinational HR localization, and carefully sorts up current situation, necessity of implementation and a series of problems in Chinese multinational Human Resource localization. On this basis, with the basis of relevant theories of human resource management and localization, the article focuses to explore the series of effects on human resources for localization of the overseas subsidiary company features' factors of Chinese multinational companies. With Logistic regression model analysis, we see that investment ratio of Chinese multinational parent company, the setting up date of overseas subsidiaries and the host country nationality have significant impact on the implementation of human resource localization.

Key words: Multinationals; Human resource management; Localization strategy; Model construction

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INTRODUCTION

Chinese multinationals are developing overseas rapidly, meanwhile, because they does not adapt to the host country's legal system, culture and economic environment and they are lack of the ability and experience in operating overseas, at the same time, they have differences with some partners overseas in foreign cultural communication, relevant benefits, stakeholder, management and etc.. When Chinese multinationals build factories overseas, because of the differences in the host country in the political, economic, and cultural aspects, it is impossible that Chinese multinationals' employees are all from China. Similarly, we know it is impossible that Chinese multinationals will use human resource management mode and management concept mechanically in other countries. So, Chinese multinationals use localization strategy in order to get better support and effective communication in foreign countries and realize the interests of their own companies. Therefore, we can understand that the priority among priorities is that Chinese multinationals realize the localization in the host country, go into the culture of the host country and become the local enterprises.

Localization strategy has the development requirements of multinational corporations after a certain stage in the international level, as well as multinational corporate strategy in order to obtain certain overseas markets. So, localization is the guarantee multinationals fully accessing to the host country market. It mainly includes the brand localization strategy, production localization strategy, R&D localization strategy, human resources, strategy and marketing localization strategies... Human resources are the core resources among the many resources. The exploiting and using the talent fully and rationally is the top priority for business success. HR localization strategy is an important strategy for multinational companies vying for market share and competitive advantage with the host country, is also the basis for the implementation of other multinational localization strategy in the host

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country. Therefore, Chinese multinationals in order to truly open market must give sufficient attention to human resource localization. Our oversea permanent staffs are mostly domestic expatriate employees, these employees in general have stronger operational capability, higher overall quality and more experience compared to other employees, however, due to cultural differences, language differences, the related work of the company may be hampered. Only the host's local talent knows clearly on the local customs, policies and regulations, national culture, and they understand the local customer and consumer demand. Therefore, the implementation of human resources in the host country is the guarantee of success for China localization strategy in multinational operations outside.

Based on the above, the purpose of this paper is: First, in-depth analysis the status quo of China's multinational localization of human resources as well as the existence of a range of issues. Second, actively explore the effect and approaches of Chinese multinationals' human resource localization. Finally, analyze the impact of the implementation of China's multinational HR localization factors to provide positive suggestions and strategies to implement the correct localization of the human resources strategy for China's multinational corporations.

1. RESEARCH REVIEW

Wong and Law (1999) believes that the main reason that most multinationals implement the localization for managers has the following six aspects: First, the host country's local staff knows more than expatriates; Second, the company's expatriate management costs of education and training, wages, subsidies and welfare is too high; Third, expatriates in multinationals has big risk; Fourth, implementing managers localization in the company will enhance effective communication within the organization of foreign subsidiaries; Fifth, implementing managers localization in the company has strong encouragement and incentives for local morale; Sixth, host governments encourage and support generally human resource localization. Meanwhile, Wong & Law multinational sorted factors to limit the implementation of localization in the host country, divided into three aspects: First, after multinational temper the company's expatriate staff can accumulate rich operating capacity, while Globalization thinking patterns is also developed, which can make its contribution to the enterprise. Second, local workers with the high management skills in the host country are generally very difficult to appointment, which also will bring obstacles to promote the localization of the senior management in multinationals. Third, the relative expatriate has more understanding than local employee in corporate culture. At the same time, cultural differences in the host countries will make local staff recognizing corporate culture relatively difficultly.

Fryxell (2004) considers the parent company's ability to choose the right expatriate employee is an important factor in the successful implementation of localization. If expatriate employees are willing to train the local expatriate personnel management skills, localization can be implemented successfully. Law (2004) considered the main factors that affect the localization have foreign parent employee's formulation, selection and recruitment for expatriate, goal-setting of human resource localization, local staff commitment and satisfaction. Hoskisson (2006) thinks that because of the certain cultural differences, so the company's expatriate staff will have many obstacles in the implementation of strategy, his achievements are: First, through localization, sub companies of multinational are better able to comply with local laws and regulations, to adapt to the local culture, and thus avoid certain business conduct conflicting with local laws. Second, multinational executives localization can make an effective communication platform in the enterprise structure, provides a good channel for corporate culture and communication. However, due to the influence of different expatriate cultural environment, the whole host of big development environment cannot be correctly grasped, and sometimes cannot even make a reasonable judgment. Finally, the host country has more excellent overseas returnees. On one hand, they should understand the local cultural environment, on the other hand, they have mastered a certain technical ability, and so multinational companies during the localization process should give them enough attention.

In the process of the implementation of human resource localization, the multinationals understand the local labor market and take the appropriate strategy based on this. Most importantly, companies can get efficient information that is conducive for company's development in this process. Overall, foreign-related research on human resource localization is more in-depth, but in some aspect of the study is not much: For example, for the localization stage model, research-related determinants involves less and the study is compared fragmented, lack of integrity, most of the research is to analyze the conclusions in certain types of data, which is not universal.

2. RESEARCH DESIGN

2.1 Research Hypothesis

Based on the above analysis, we propose the following hypothesis: H1: The smaller number of employees of foreign subsidiaries of multinational companies, the better implementation of human resource localization. H2: The lower funded ratio of the multinational parent company, the better implementation of human resource localization. H3: The longer operation time of multinational company in a foreign country, the better implementation of human resource localization. H4: the better performance of

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overseas subsidiaries of multinational corporations, the better implementation of human resource localization. H5: The country differences of multinational company in the host country will lead to the differences implementation in human resource localization. H6: Industrial type differences of overseas subsidiaries of multinational company can lead to the differences in the implementation of human resource localization.

2.2 Sample Characteristics

The sample companies involved in all walks of life, most of the industry is mainly based on Chinese multinationals, "2012 Statistical Bulletin of China's foreign direct investment", chose samples as development and investment of this industries oversea, the questionnaire issued a total of 480, 374 questionnaires were returned, response rate was 77.92%, excluding invalid questionnaires, the total of valid questionnaires is 312, the questionnaire effective rate is 65%. Distribution and characteristics of the sample of overseas subsidiaries are as follows:

Table 1
Distribution and Characteristics of the Sample

Subsidiaries characteristics	Classification criterion	Sample No (*N*=312)	Rate
Ratio of investment	Below 49%	30	9.62%
	50%	41	13.14%
	51%-99%	75	24.04%
	100%	166	53.20%
Found time	Below one year	16	5.13%
	2-5	112	35.90%
	6-10	68	21.79%
	Over ten years	116	37.18%
Staff number	0-499	266	85.26%
	Over 500	46	14.74%
Subsidiary's performance	Not good	37	11.86%
	Ordinary	146	46.79%
	Good	129	41.35%
Investment area	Hong Kong, Macao and Taiwan	72	23.08%
	Southeast Asia	39	12.5%
	Japan and South Korea	21	6.73%
	America	48	15.38%
	Europe and other country	132	42.31%
Type of industry	The first industry	29	9.29%
	The second industry	164	52.56%
	The third industry	119	38.15%
HR localization	Not Localize	123	39.42%
	localized	189	60.58%

Note. Source: Sorted out Survey in September 2014.

2.3 Variable Selection

Employee's Number: This value can be directly obtained through the questionnaire, is a continuous variable. Using indicators on other relevant research, the results show the impact of employee's number on human resource localization is significant. Haitis H. (2005) using the indicators on related research, results show the impact of employees number on human resource localization is significant.

Investment Ratio: Refers to the proportion of the amount of Chinese parent company's investment in the total capital of overseas subsidiaries. The value is obtained directly through the questionnaire, is continuous variables.

Establishing Date: Established date of overseas subsidiaries of Chinese multinationals, in 2011 as the base, such as foreign subsidiaries of multinational companies established in 2006, its establishing date is 5 years, this number is continuously variable.

Subsidiary Performance: Now the financial information in one hand of foreign multinational subsidiaries operating performance is more difficult to obtain, so in this research the performance of overseas subsidiaries of multinational companies uses profits to represent. as Liker scale sorted earnings of subsidiaries into "very not good", "very good", "average", "better", "very good" five dimensions, at the same time, the number 1, 2, 3, 4,5 respectively represent the five dimensions, the differences in these five dimensions are the same, it is quantitative variable, you can directly get the value from the questionnaire.

Host Country: Refers to the country or region Chinese multinationals overseas subsidiaries located in. Host country is divided into five regions, namely Hong Kong, Macao, Taiwan, Europe, Southeast Asia, United States and Japan and South Korea, respectively are signified by numbers 1, 2, 3, 4, 5. It is categorical qualitative variables.

Industry Category: Because of the numerous industry categories of overseas subsidiaries of Chinese multinationals, the specific analysis is more difficult. This article is to classify the industry based on three criteria, also known as the primary industry, secondary industry and tertiary industries, it can be separately represented by values 1, 2, 3, and it is the classification qualitative variables.

3. MODEL BUILDING

HR localization in this paper is defined as Chinese multinationals employ host country's local staff as foreign subsidiaries supreme leader, production technology director, personnel manager, head of research, sales and marketing manager, financial officer, procurement responsible person, logistics director. Empirical Analysis analyzed the factors that affect human resource localization of regression mode. HR localization measure, in namely production technology director, personnel manager, head of research, sales and marketing manager, financial officer, procurement responsible person, logistics director, locals are three or more kinds of directors, then

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regard as the subsidiary achieve localization of human resources, refer to as "1"; if less than three categories, then did not realize human resources localization, refer to as "0".

3.1 Regression Model

"Whether realize the human resource localization or not" is dependent variable, which is a binary variable, namely "realized human resource localization" as "1", "Unrealized HR localization" as "0".

Logistic regression analysis model idea is: we set the probability of an event occurring is P, including the probability of the event that does not occur is 1-P, convert P with Logit to be In (P/(1-P)), we denoted Logit$P$, meaning that it represents the ratio of the value of the event. We will regard Logit$P$ as dependent variable to establish the regression equation:

$$\text{Logit}\alpha+\beta_1 X_1+ \ldots+\beta_p X_p . \quad (1)$$

In Logit model coefficients α and coefficients β can be explained by ordinary regression coefficients, if the effect of a variable is to reduce the number of Odds, then the probability of the event will go down, but if a variable's effect is to increase the number of occurrence ratio, then the probability of the event will raise.

The main emphasis of this study is the relationship between the number of employees, the proportion of investments, subsidiaries performance, setting up time, the host country and industry category and other factors and implementation of human resource localization. Among these factors, the number of employees, the proportion of investments, subsidiaries setting up time are continuous quantitative variables of independent variables; Industry category and the host country nationality are multi-qualitative classification variable of independent variable, dichotomous dependent variable is "implementation of human resource localization".

In the early stages of modeling, the first is to examine the binary relationship between each independent variable and the dependent variable to identify and predict good candidates independent variables of the dependent variable, and finally to put them all into the model. In the Logistic model, the qualitative categorical variables usually are tested by contingency table likelihood ratio Z to understand significant variables; on continuous variables, understanding the variables significance is through fitting univariate Logistic regression models.

If an independent variable tested in a simple relationship, when P is less than 0.25, the independent variable should be the other variables together as an important candidate variable of the regression model. From Table 2, we know that only the variable "subsidiary performance," P is more than 0.25, reaching 0.546, so need to be weeded out, P of the remaining variables are less than 0.25; these variables are included in the regression the model. In summary, the model and the underlying assumptions of this study are reasonably higher.

Table 2
Significance Test of a Single Variable and Dependent Variable

Variable	Significant testing mode	Sig(*P*)
Ratio of investment	Single variable fitting regression model	.000
Staffs number	Single variable fitting regression model	.217
Setting up time	Single variable fitting regression model	.204
Subsidiary corporation performance	Single variable fitting regression model	.511
Industry category	Contingency table analysis	.031
Host country nationality	Contingency table analysis	.008

Table 3
The Correlation in Variables

	Host country nationality	Industry	Ratio of investments of China	Setting up time	Employee number overseas
Host country nationality	1	.145	.231	.202	-.058
Industry	.145	1	.107	-.073	-.172
Ratio of investments of China	.231	.107	1	-.055	-.023
Setting up time	.202	-.073	-.055	1	.261
Employee number overseas	-.058	-.172	-.023	.261	.1

Before the general regression analysis, we examine the relevance and multi-collinearity in variables. We can see from Table 3, there is no particularly evident collinearity in the variables. We can analyze it with Logistic regression models.

In logistic model, if there are m classification level in categorical variables, when $m \geq 3$, we need to specify (m-1) multi-categorical variables as dummy variable, otherwise dichotomous dependent variable and multi-categorical variables will not exist linear relationship, in this study,

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the multi-classification variables have "industry category" and "host country", their classification level is more than 3, so it can be specified as dummy variable. In the Logistic model, after Logit model converted, the model is shown in the following equation:

$$\text{Logit } P' = \alpha' + \beta_1' X_1 + \beta_2' X_2 + \beta_3' X_3 + \beta_4' X_4 + \ldots + \beta_9' X_9. \quad (2)$$

We can see that on several human resource localization logarithm ratio is represented as LogitP', X_1, X_2, X_3 respectively mean "the number of employees, the proportion of investments and the establishing time," they belong to continuous arguments in the model; generally in SPSS software we regard the last category of multi-categorical variables as the default reference variable, which can make the multi-categorical variables of m taxonomy becomes (m-1) dummy variables. Therefore, in multi- categorical variables of the host country nationality "Hong Kong, Macao and Taiwan" is the reference variable, then X_4, X_5, X_6, X_7 represent the" Southeast Asia, Japan and South Korea, the United States and Europe and other countries (regions), "they belong to the host country dummy variables; in multi-categorical variable" industry category", "third industry" is reference variable, X_8, X_9 represent the "first and secondary industries", they belong to the industrial category dummy variables.

3.2 Results Analysis and Discussion

In Table 4, three statistics are completely the same, because the study uses the enter method, Table 4 shows only carried out more step, we can see P value ≺ 0.05, it indicates that the test statistic is significant. In the model, the independent variables have remarkable interpretation effect on the dependent variable.

Table 4
Model Coefficient Significance Likelihood Ratio Test

		Chi-square	*df*	Sig.(*P*)
Step1	Step	30.152	9	.000
	Block	30.152	9	.000
	Model	30.152	9	.000

If the continuous independent variables exist in Logistic model, we can find a Logistic regression models goodness-of-fit method to test, while statistic is more than the critical value. In Table 5, Hosmer & Lemeshow test that P of χ^2 was 0.462, at 10% level it is not significant, so the model fits the data well, we cannot refuse good assumptions of the model fitting data.

Table 5
Hosmer&Lemeshow Test of Goodness of Fit

Step	Chi-square	*df*	Sig.(*P*)
1	7.016	8	.462

In Logistic regression models, the output of the most important part is the results shown in Table 5, including the P and the regression coefficient of statistics test. However, the exclusion of the variables in the SPSS system will default to the statistical test P is more than 0.1.

Table 6 shows that, "funded ratio", "establishment date" as well as the "American" category in the host country nationalities is significant variables included in the model. The variables pass through significant coefficient test; the impact of the remaining variables on the dependent variable was not significantly enough, they did not pass the significance test coefficient.

Table 6
Logistic Model Estimation Result of Human Resources Localization

Project	*B* (coefficient)	Sig.(*P*)
(X1) staffs number	-.003	.179
(X2) investments ratio	-6.054	.007***
(X3) setting up date	.117	.015**
Host country nationality:		
(X4) southeast Asia	.448	.752
(X5) Japan and Korean	20.816	.982
(X6) America	3.249	.051*
(X7) Europe and other country	1.018	.415
Industry Category:		
(X8) primary industry	15.204	.999
(X9) secondary industry	1.135	.349
constant	2.826	.066*

Note. *** indicates 1% significant level; ** indicates 5% significant level; * indicates 10% significant level.

a) In Table 6, "funded ratio" variable (X2) regression coefficient is -6.054 that is negative, while its statistic P is 0.007, less than 0.001, α at 1% level is significant, so H2 hypothesis is accepted, namely that the implementation of human resources localization of overseas subsidiaries of Chinese multinationals affected by the parent company funded ratio is significant. The lower proportion of capital contribution of the parent company, the better degree of localization of human resources

b) The regression coefficient of "setting up time" variable (X3) is 0.117 that is positive, while its statistic P value of 0.015, less than 0.05, in the 5% significance level, so the hypothesis H3 is acceptable, i.e., that human resources localization of overseas subsidiaries of Chinese multinationals affected by the implementation of operating time is significant, and the longer operation time of multinational company in a foreign country, the better implementation of human resource localization.

c) In the "host country" variable, USA (X6) regression coefficient is 3.249, that is positive, while the statistic P is 0.051, less than 0.1, α at 10% level is significant, so the hypothesis H5 is acceptable, namely that the implementation of human resources localization of overseas subsidiaries of Chinese multinationals affected by the host country is significant, especially the host country is United States.

d) "Employees number" variable (X1) and "industry category" variable (X8, X9) P values were 0.179, 0.999

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and 0.349, which is more than 0.1, so the statistics are not significant, that is, the implementation of HR localization of overseas subsidiaries of Chinese multinational affected by employees number and industry category is not significant, so H1 and H6 hypothesis is rejected.

e) In the previous model analysis, that is as shown in Table 2, in the significant test of single factor, the statistic P-value of subsidiary performance is greater than 0.25, reaching 0.511, so which does not pass the significant test, so it's about H4 hypothesis is rejected.

Table 7
Hypothesis Test Results Summary

Hypothesis	Hypothesis test	Results
H_1	The smaller number of employees of foreign subsidiaries of multinational companies, the better implementation of human resource localization	Refused
H_2	The lower funded ratio of the multinational parent company, the better implementation of human resource localization	Accepted
H_3	The longer operation time of multinational company in a foreign country, the better implementation of human resource localization	Accepted
H_4	The better performance of overseas subsidiaries of transnational corporations, the better implementation of human resource localization	Refused
H_5	The country differences of multinational company in the host country will lead to the implementation difference of human resource localization	Accepted
H_6	Industrial type differences of overseas subsidiaries of multinational company can lead to the differences in the implementation of human resource localization	Refused

CONCLUSIONS AND RECOMMENDATIONS

The empirical study results show that Hl, H4 and H6 hypothesis are rejected. The influence of these factors "the number of employees, industry category and subsidiaries Performance" for the implementation of the human resources localization in the subsidiary companies is not significant; H2, H3 and H5 hypothesis passed through the verification that the influence of these factors "the establishing date, the proportion of investments and the host country nationality" for the implementation of localization of human resources in subsidiary is significant. From empirical analysis, we know that the enterprise features which have significant impact on the level of implementation of human resource localization of overseas Chinese multinational subsidiaries include "the establishing date, the proportion of investments and the host country nationality". The results indicate that The longer Multinational in a foreign operation time is, the better implementation of human resource localization is; The lower the multinational parent company funded ratio is, the better the implementation of human resource localization is; Chinese multinationals Select the United States as the host, the degree of the human resources localization of overseas subsidiaries also will be significantly improved.

These characteristics provided some valuable experience for the future operating of Chinese multinationals abroad. First, Chinese multinationals should identify opportunities, seize opportunities, earlier implement going out strategy, which will accumulate some experience in operating abroad earlier; Second, in start-up phase of overseas subsidiary, look for local partners to take advantage of the joint venture to introduce local talent; Third, overseas subsidiaries of Chinese multinationals in host country as the United States has large talent pool and advanced management experience, the Chinese overseas subsidiaries of multinational companies have the necessary to implement human resources localization strategy actively.

In summary, the implementation of human resource localization of Chinese overseas subsidiaries of multinational is not only to make the performance of overseas subsidiaries improved and to make the parent developing the global strategy in line with its own long-term development, but also is the effective way that Chinese multinationals overseas subsidiaries rapidly integrate into the host market.

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