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**AN ANALYSIS OF MNE SUBSIDIARY PERFORMANCE:
THE EXEMPLARY CASE OF TOYOTA NEW ZEALAND**

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ABSTRACT

Within the ever-expanding global market place the importance of understanding MNE parent-subsubsidiary relationships and the impact on subsidiary performance has become increasingly important. International business researchers have examined MNE entry processes into foreign markets; the methods of international business operations; and, processes for organisational and subsidiary control as contributors to performance. But little attention has been paid to the contribution from subsidiary-level attributes, those attributes held and or developed within the subsidiary itself. Toyota New Zealand's (TNZ) sustained success in the New Zealand market place over the past three decades suggests that local-level factors must be enabling TNZ to achieve this level of performance. In no other market in the world has Toyota achieved the same level of success as that achieved in New Zealand, and concurrently across multiple market segments (e.g., small car, Corolla; light truck 4WD, Hilux; commercial van, Hiace). As a consequence TNZ appears to be a worthy site – an exemplar case study - in which to explore the attributes/mechanisms used within a subsidiary business that actually achieve disproportionate performance relative to competitors at a local level.

The aim of the research is to identify the specific strategies or attributes that produce every-day, long-term performance in a subsidiary business. The relationship between subsidiary ownership and business performance; and, what influences the variation in performance of subsidiaries must be understood. The methodology used to conduct this research is a mixed methods approach with the objective to maximise the ability for data analysis through multiple data sources. Secondary data complimented by primary data from semi-structured interviews were collected for the analysis. All secondary data collected was sourced through the public domain largely from internet and company searches. Websites belonging to automotive manufacturers and government websites were primarily used. Primary data was collected through semi-structured interviews were conducted with nine participants from various managerial levels within TNZ.

The nature of the headquarters-subsubsidiary relationship at TNZ is better understood following the completion of this research. The analysis suggests that the effective exercise of local control (subsidiary governance) appears to play just as large a role in subsidiary success as global company factors. It has already been recognised that a higher degree of subsidiary autonomy is related to

subsidiary success and that autonomy in relation to local or regional factors is common. The findings from this research have identified six “levers” which appear to be under and important to effective subsidiary control, either in a full or partial state; employees; strategy; brand; culture; product; and, pricing. The research suggests that by allowing employees a high degree of autonomy, employee engagement, motivation, productivity, and performance is improved. Local strategy is important for establishing a clear direction and defined goals which can be achieved through long-term strategic direction. It is demonstrated through this research that deliberate local brand messages can also be critical in ensuring long term success. A strong company culture with sound ethical and business values are observed to provide a foundation for all business practices, principles, and actions to stem from. Product can be restricted by the parent, however, localisation of a global product is an important point of control for a subsidiary. Similar to product, a global price is not suitable for all markets if the product is to be successful a local price must be set to meet the local market. All six levers of local control emerge from the research, all of which result from effective local governance.

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