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

**A 115.897 & 115.898 (total 120 credit) Thesis submitted in
partial fulfilment of the requirements of the degree of
Master of Business Studies at
Massey University,
New Zealand.**

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2015

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.

ACKNOWLEDGEMENTS

A thesis is not completed by one person in isolation and this thesis is no exception. I would like to sincerely thank Dr James Lockhart, School of Management at Massey University. Your genuine enthusiasm for my research and guidance through this process has been instrumental in getting this work to completion.

While they remain anonymous, I am thankful to the participants who generously gave their time to be interviewed. The knowledge contributed through your involvement is undoubtedly the keystone to understanding the 'Toyota New Zealand phenomenon'. Your contribution to this research is invaluable and greatly appreciated.

I would also like to thank my family, friends, and colleagues who have had to endure the ups and downs of this process over the past couple of years while still offering me their unwavering support. Many are now aware of the highs and lows, pitfalls and summits that accompany the undertaking of a thesis.

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CHAPTER ONE: INTRODUCTION

1.0 THE NEW ZEALAND AUTOMOBILE INDUSTRY

Since their inception, people around the globe have developed a keen fascination of the automobile. This enduring attraction has created the foundation for the now thriving global automotive industry. In 2014 the industry sold over 71 million cars worldwide with annual revenue of NZD\$180 billion (Statista, 2015), which contributed to 15% of the global economy (Konoema, 2015).

The first gasoline powered vehicle was invented in the late 1800s by Karl Benz but it wasn't until the early 1900s, when Henry Ford used an unique combination of assembly lines and employee pay to stimulate both supply and demand that the automotive industry was truly established (Eckermann, 2001; Setright, 2004). Since then the industry has continued to grow, through depressions, world wars, and financial crises to achieve record sales levels, namely, that achieved in 2014.

The "Big Three", of Ford, General Motors, and Chrysler dominated the American industry prior to WWI. They also contributed to large social and economic impacts (Binder, 2015; 2014). The growth of mass production in the automobile industry also created demand for the further mass production of vehicle components, stimulating the development of spin-off industries which, in turn, generated more jobs and further stimulated the economy (Binder). By the end of WWI Ford had established itself as the dominant manufacturer through investing surplus capital into manufacturing and plant development, not only in America but throughout the world in locations, such as, Coventry in the United Kingdom and Hamburg in Germany (Binder, 2015; Eckermann, 2001). Between 1919 and 1939 the automotive industry across Europe grew considerably, production increased 227% in the period from 1922 to 1929 alone (Binder, 2015; Eckermann, 2001; Setright, 2004). Key world events, such as, WWII stimulated the automotive industry further as the technology and facilities of automobile manufacturers were used to produce cars, trucks, military weapons, and aeroplanes (Binder, 2015). From 1940-1945 American automobile manufacturers alone contributed one fifth of the United States' entire GDP because of the increase in production for the war (Binder, 2015; Eckermann, 2001; Setright, 2004).

Between the end of WWII and the 1980s the world's vehicle production output increased almost ten-fold (Binder, 2015; 2014). But this increase in production was primarily from countries outside of America, such as, Germany and Japan (Binder, 2015). During this period the relative share of worldwide automotive production by American companies fell from approximately 80% to 20%. The United States retained the role as the dominant automobile producing nation up until the global recession of the early 1980s (Binder, 2015), brought about by the first oil shock. By this time Japanese companies, such as, Toyota, Honda, and Nissan, were achieving global success and, when combined at a national level, Japan became the leading global producer through the 1980s (Binder, 2015; 2015; 2014) usurping the United States. As globalisation increased manufacturers sought ways to reduce the costs of exporting to foreign markets (Binder, 2015). Many countries had tariffs in place to protect their local industries and the establishment of manufacturing facilities in other countries using completely knocked down¹ (CKD) assembly techniques were used to avoid paying automobile import taxes (Binder, 2015; Dolan, 2009).

The modern automobile industry is now highly competitive with well-established manufacturers representing Australia, America, Italy, Germany, South Korea, Brazil, China, and Japan (Binder, 2015). The one omission now is the United Kingdom who has retained off-shoot manufacturing but sold all scale manufacturing in the industry into foreign ownership. Some small producers have been consolidated into large companies as increasingly large investments are now needed to achieve high levels of production (Binder). The breadth of product choice has expanded with all major manufacturers offering passenger cars, SUVs², off-road vehicles, light commercial vehicles, and commercial vehicles (Ford New Zealand, 2015; Holden New Zealand, 2015; Hyundai New Zealand, 2015; Toyota New Zealand, 2015). The top five global manufacturers in 2014 were Toyota (1), Volkswagen (2), General Motors (3), Renault-Nissan (4), and Hyundai-Kia (5) (Statista, 2015). In the

¹ **CKD**, or completely knocked down, is when a product (i.e., an automobile) is assembled from a complete kit of disassembled items. In the automotive industry, the disassembled parts are sourced (imported) from the country of origin. In some instances, local manufacture or sourcing of components, such as, fabric and wiring is used instead of importing.

² **Passenger cars** are vehicles (excluding motorcycles) intended for passenger use that seat no more than 9 people. In this document the definition is limited to vehicles that are of hatchback, sedan, or wagon body type (i.e., Ford Focus, Toyota Corolla, and Holden Commodore). Passenger cars exclude utes, trucks, SUV, or off-road vehicles; **SUV** is a sport utility vehicle that is designed for passenger or recreational use, and may be two-wheel drive (2WD) or four-wheel drive (4WD) (i.e., Holden Captiva, Toyota Highlander, Ford Territory); **Off-road vehicles** are vehicles designed to be driven on and off paved, gravel, or dirt surfaces (i.e., Toyota Prado, Land Rover Defender, Jeep Wrangler); **Light commercial vehicles** are vehicles whose gross vehicle weight is no more than 3.5 tonne. They include all commercial good and passenger vehicles, such as, vans (i.e., Toyota Hiace, Ford Transit) and pickup trucks, 2WD or 4WD, (i.e., Toyota Hilux, Ford Ranger, Holden Colorado, and Mitsubishi Triton); **Commercial vehicles** are vehicles whose gross vehicle mass is greater than 3.5 tonne and used for commercial goods or passenger use.

Anglo-sphere (UK, USA, Canada, South Africa, Australia, and New Zealand) Toyota, Ford, and GM (Holden) have frequented the top five places over the past decade (Statista, 2015). The historical trends of the automotive industry are not unique to the traditional dominant players, such as, America and the United Kingdom but are also reflected in the assembly and component manufacturing industries of countries, such as, that found in Australia and New Zealand.

In Australia the automotive industry has, until now, been a crucial manufacturing sector and a large source of employment, revenue, and research and development (Australian Bureau of Statistics, 2004). The industry was created in the early 1900s as the American “Big Three” came to dominate the global market, setting up manufacturing plants in nearly every Australian state (Australian Bureau of Statistics, 2004; Technology in Australia 1788-1988, 2000). They were later joined by Toyota, Nissan, and Mitsubishi as these companies grew in their respective international markets (Australian Bureau of Statistics, 2004). Over time, and through exposure to the demands of globalisation, the Australian automotive industry developed to a level where it competed successfully on an international stage, and exported to many countries around the world (Australian Bureau of Statistics, 2004; Mellor, 2014), especially New Zealand. Vehicles and vehicle components are exported to countries, such as, Saudi Arabia, the United States, New Zealand, South Korea, Japan, and China (Australian Bureau of Statistics, 2004). In recent years, as globalisation has increased and the pressure to achieve low cost production became paramount, the Australian automotive industry began to suffer. Vehicle manufacturing is now expected to cease by the end of 2017 (Mellor, 2014). This outcome is largely to do with change in the Government’s import tax policy, moving Australia from being one of the most protected manufacturing nations to one of the least protected (Mellor, 2014). New Zealand removed similar protection and incentive measures during the 1984-1989 period, which resulted in the shutdown of all CKD operations, and the eventual closure of most automobile component manufacturers.

Australia has traditionally (since pre-1900) protected local industry through import tariffs but since the 1990s the tariff level on automobiles has been steadily reduced from a peak of 30% in the mid-1990s to just 5% in 2014 (Wood, 2014). This has undoubtedly had a significant impact on the Australian automotive industry as well as the Australian economy. Many workers are expected to be displaced and there is the potential for a large loss of intellectual property relating to the automobile industry across vehicle safety, high performance, motor sport, and reliability in adverse operating environments (Mellor, 2014; Wood, 2014). This scenario is not unique and has been experienced in

other countries, such as, New Zealand where upon deregulation entire provinces were challenged to find alternative labour uses, some of which have not yet recovered thirty years later (Pawson, 2012).

As with the rest of the world, New Zealanders have had an infinity with automobiles for over 100 years. The first two Benz automobiles were imported into Wellington in 1898, and by 1929 there were more than 150,000 vehicles (1 for every 10 people) on the road (Pawson, 2012). In 2014 the total number of new vehicles sold annually in New Zealand was over 127,000 (MIA, 2014). There are some clear eras in the history of the New Zealand automotive industry that follow the global trends identified earlier. During the 1920s the North American marques (Ford, General Motors and Chrysler) dominated New Zealand sales with over 83% market share (Pawson, 2012). In the late 1930s tax duties and import licensing were changed in favour of British manufacturing, resulting in a rise in British marque sales (2015; Pawson, 2012). The dominance of British and American manufacturers lasted until the 1980s, although by then United States' manufacturers were largely visible only through their Australian or British domiciled subsidiaries (Pawson, 2012). From the mid-1980s the Japanese manufacturers pursued the industry on a global scale and in 1988 Toyota took the market lead in New Zealand (Binder, 2015; MIA, 2015; Pawson, 2012; Toyota New Zealand, 2015). Up until this stage New Zealand had import protection policies in place to protect local industry (New Zealand International Business Forum, 2015).

With the changing face of global business policy towards open markets and internationalisation, the New Zealand government began to take steps towards removing import taxes (2015). The removal had a profound effect on the New Zealand economy allowing the New Zealand export market to expand and take advantage of global markets, but as a consequence local assembly and manufacturing suffered immensely and stopped completely by the end of the 1990s (New Zealand History, 2015; New Zealand International Business Forum, 2015; Pawson, 2012). The removal of import tariffs on the automotive industry was vast, it not only resulted in job losses in the assembly plants but also in the component manufacturing industries as well (Pawson, 2012). Additionally, there was an influx of used vehicles in the 1990s as the tariff reductions provided an opportunity for comparatively inexpensive used vehicle importation, as a result used vehicle car prices collapsed (Pawson, 2012). Throughout this turbulent period new vehicle manufacturers faced many challenges in the changing market, however, Toyota managed to maintain market leadership and has done so up until the present day, resulting in 27 years of market leadership (Toyota New Zealand, 2015). In more recent years the industry has seen the introduction of Korean, Chinese, and Indian brands, such as, Hyundai, Kia, Great

Wall, Mahindra, Foton, and Chery (Hello, this is Korea calling, 2006; Hyundai gears up, 2012; Koreans call for diesel consideration, 2006). Although these brands have, to some extent enhanced market competition they are yet to challenge market leadership in any vehicle segment (MIA, 2015).

1.1 TOYOTA

Toyota Motor Corporation (TMC) is a large successful multinational enterprise with strong family roots dating back to the late 1800s (2015). The Toyoda family are the founders of TMC and were initially successful in inventing the automated loom in a company named Toyoda Automatic Loom Works Limited (2015). In 1929, Kiichiro Toyoda began investigating automobile production and in 1933 established an Automobile Department in Toyoda Automatic Loom Works Limited (2015). After a few years of operation in subsidiary mode, the decision was made to manufacture and sell automobiles through a designated automotive company, the Toyota Motor Corporation Limited (TMC) was, therefore, established in 1937 (2015). Over the next two decades the facilities and operations of TMC expanded and numerous supporting companies were established to support manufacturing and research operations (2015). In 1959 annual production in Japan had reached 100,000 vehicles and cumulative production had achieved 500,000 vehicles (2015). It was around this time that Toyota Motor Corporation began exporting into select foreign markets (2015).

As Toyota Motor Corporation's operations and sales expanded, TMC began exporting to the United States of America and established Toyota Motor Sales, U.S.A., Inc. in 1957 (2015). Entry into the United States created opportunities for Toyota to export into other left hand drive foreign markets. Not all foreign markets were the same, and in many cases import tariffs were in place to protect the local industry. To reduce the cost of operating in foreign markets Toyota began building both manufacturing and assembly plants around the world from the early 1980s (Dolan, 2009). Today there are 50 manufacturing plants outside of Japan that produce vehicles and vehicle components, and export onwards to more than 140 countries. Toyota has now been widely credited as being the industry leader in manufacturing and production with innovations, such as, the Toyota Production System which is supported by two philosophies, 'lean manufacturing' and 'just in time production' (Liker, 2004; Magee, 2007). Lean manufacturing is a process by which waste is reduced within the

manufacturing process (Liker, 2004; Magee, 2007). Waste can be defined as a process, action, or object that does not add value, therefore, it can be something physical, an unevenness of workloads, or waste created by overburden (Liker, 2004; Magee, 2007). Just in time production is a methodology which aims to reduce time between processes, suppliers, and customers (Liker, 2004; Magee, 2007). In addition to production systems, Toyota has been one of the pioneers of alternative energy automotive technology, especially electricity. Toyota was the first company to commercially mass-produce hybrid electric vehicles with the Prius family (Prius, Prius V, and Prius C), and also offers alternative technologies, such as, plug-in hybrids; all electric vehicles; and, hydrogen fuel cell cars (Harwell, 2015; Magee, 2007; Vuuren & Mtongana, 2015). However, Toyota's most successful model has been the conventionally aspirated Toyota Corolla, which is the number one selling vehicle worldwide, of all time, of any manufacturer, having sold over 40 million units globally since 1966³ (JCN Newswire, 2013).

Toyota's global success is emulated in New Zealand where Toyota New Zealand (TNZ) has held market dominance across a broad range of segments for nearly three decades (MIA, 2015; Toyota New Zealand, 2015). Toyota's history began in New Zealand in 1946 when the company was registered as F. Butler Limited, the name was then changed to Consolidated Motor Industries Limited in 1965, and again to Consolidated Motor Distributors Limited in 1970 (Companies Office New Zealand, 2015). Up until this stage the company was not a subsidiary of Toyota Motor Corporation but was operating under a non-equity relationship with Japan. Toyota New Zealand was first registered in 1979 (Companies Office New Zealand, 2015) and in 1992 officially became a wholly-owned subsidiary of Toyota Motor Corporation (Toyota Global, 2012). In 1988 Toyota New Zealand had its first year as market leader creating the trend that has continued for the past 27 years (Toyota New Zealand, 2015).

During the entire period TNZ has had only two CEOs, Bob Field (1983-2008) and Alistair Davis (2008-present), both of whom have been instrumental in establishing and maintaining Toyota in the New Zealand market (Kean, 2010). Savvy marketing campaigns, such as, 'Welcome to Our World', 'Everyday People', and 'Believe', are some examples of the ways Toyota appears to have connected with New Zealanders and built a foundation for success (Kean, 2010). Toyota's success has not, however, been without hardships. During Toyota New Zealand's assembly era there were some 1000

³ Much rhetoric surrounds what constitutes a model in the automobile industry. The term model here is used to refer to the name of the vehicle. Other views exist, such as, the same shape, motor, design etc... The 2015 Toyota Corolla bears no resemblance to that produced in 1966 – it is, however, the same model for Toyota.

staff employed. But when the assembly plants closed only 220 were retained, the balance lost their jobs (Kean, 2010). The change in tariff regime also presented an opportunity in used vehicle sales which TNZ embraced. Toyota New Zealand established the “Signature Class” brand in 1997 under which they sell used Toyota vehicles imported predominantly from Japan, as well as vehicles sourced from their own channels in the New Zealand market (2015). Imported vehicles are hand-picked by Toyota buyers, in Japan, freighted to New Zealand, inspected, and refurbished before being sold to the consumer (Toyota New Zealand, 2015). Toyota New Zealand aims to provide the same level of quality, reliability, and service on their used vehicles as they do on new vehicles (Toyota New Zealand, 2015).

1.2 RESEARCH OBJECTIVES

Toyota’s success in the local market, market leader on a sales volume basis for the past 27 years suggests that something must be being done at a local level to achieve this sustained level of performance. In no other market in the world has Toyota achieved the same level of success as in New Zealand, and 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 in which to explore attributes/mechanisms used within a subsidiary business that actually achieve disproportionate performance relative to competitors.

The aim of the research is to determine the specific strategies or attributes that produce every-day, long-term performance in a subsidiary business. In order to do this two things must be understood; (1) the relationship between subsidiary ownership and business performance; and, (2) what influences the variation in performance of subsidiaries. The foundation of this research is based on the following two research hypotheses:

- Successful automotive subsidiaries have a different ownership structure compared with less successful subsidiaries
- Long-term market leadership is a result of subsidiary-level attributes

The intention of this research is to build on existing literature in the international business and corporate governance fields by investigating subsidiary performance from a subsidiary-level perspective⁴. This study aims to expand on the limited research available on automotive subsidiaries as well as subsidiary-level actions that enable subsidiary success. Additionally, this research will provide a foundation for the further study of multi-national subsidiaries in the New Zealand economy.

1.3 APPROACH TO RESEARCH

Through a mixed methods (Bryman & Bell, 2011) approach this research attempts to determine the specific strategies that produce every-day, long-term performance in subsidiaries through the Anglosphere (USA, Canada, Australia, New Zealand, South Africa, and the UK). Ownership structure arrangements will be discussed as well as subsidiary-level attributes that have previously been described in the literature. The key types of ownership structure will be investigated through secondary data sources, whereas, semi-structured interviews will be used to generate more in-depth primary data allowing for greater analysis of specific subsidiary-level attributes.

1.4 THESIS ORGANISATION

Chapter Two presents an examination of the relevant literature, specifically international business under the broader umbrella of corporate governance. The literature review identifies the complexities of governance and business on the international stage, all of which are influenced or constrained by country specific laws and legislation, subsidiary ownership structures, culture, board of directors, and methods of internal or subsidiary control. What is evident in the literature is that there is no 'one size fits all' prescription for international business success. The literature suggests that multinational enterprises (MNEs) adopt different tactics and strategies to achieve their goals based on the country specific factors (i.e., economy, laws, and culture) that they face (Dunning &

⁴ The dominant logic in international business has been to examine subsidiary performance from the perspective of the headquarters.

Lundan, 2010; Rugman, 1980). It is apparent that there is limited existing research that clearly discusses subsidiary-level attributes or actions that contribute to the success of the subsidiary and the success of the MNE from a global perspective, let alone a New Zealand perspective.

The methodology used to conduct the research and analysis as well as the limitations faced during this process are discussed in Chapter Three. A mixed methods approach was conducted for this research 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 an analysis. Secondary data was collected from publically available data sources via the internet in order to understand market histories in multiple countries. This approach involves accessing data directly obtained from companies or official organisations, namely the Companies Office, therefore, the data is of high quality and reliable for analysis. Semi-structured interviews were then used to gather “rich” data that provides a clearer insight into particular areas of interest (Bryman & Bell, 2011). This latter technique was employed to help to understand the finer details of subsidiary-level performance, specifically that achieved by Toyota New Zealand.

Chapter Four presents the results of the data collection from both the secondary data and semi-structured interviews. Tables and some basic statistics are used to present the data. The aim of this Chapter is to present the data in a logical and easily understood manner in order to conduct further and more detailed analysis in Chapter Five.

The data from Chapter Four is further analysed and discussed in Chapter Five. The results are contrasted with the literature presented in Chapter Two. This Chapter explores the link between market entry mode and subsidiary success as well as future implications for Toyota New Zealand; the New Zealand automotive market; and, the global automotive industry. Inferences for subsidiaries outside of the automobile industry are then drawn.

Chapter Six provides the concluding statements, the limitations for the research, recommendations for automotive subsidiaries, and identifies further research opportunities.

CHAPTER TWO: LITERATURE REVIEW

2.0 INTRODUCTION

The foundational literature on which the research is based is revised in this Chapter. First, the literature on international business is reviewed which considers the role of international business and some of the influential contributing schools of thought. Under this broad scope of international business, corporate governance is discussed focusing on multinational enterprises; their entry into foreign markets; methods for international business operations; and, methods for organisational and subsidiary control. With the vast amount of literature available the objective of this review is to refine and better understand the link between subsidiary control, subsidiary-level attributes, and consequently subsidiary performance.

Significant improvements in technology and transportation over the past 30 years have led to the substantial development of domestic and international business (Buckley, 2009; Cantwell, Dunning, & Lundan, 2010; Dunning & Wymbs, 2001). These advances have allowed for an increase in international trade through exporting, international joint ventures, and fully-owned subsidiaries (Dunning, Pak, & Beldona, 2007; Fisch, 2008). Firms that own and control value-added business activities in two or more different countries are referred to as multinational enterprises (MNEs) (Buckley, 2009; Peng, 2011). MNEs establish subsidiaries in foreign nations in order to diversify and grow their business (Goerzen & Beamish, 2003; Rugman, 1980). Automotive manufacturers are well documented examples of multinational enterprises, with parent companies based in select countries (Carr, 1993) and subsidiaries in many. As for all businesses, governance is an essential structure that facilitates business success through rules, regulations, customs, and procedures (Backer, 2011; Buckley & Strange, 2011). These structures can vary depending on the country of origin, industry, corporate direction and goals (Kocmanova & Simberova, 2012; Williamson, 2002). National systems and cultures frequent governance and international business literature, highlighting potential divergences in governance structures and strategies between MNEs based on the parent company (Bélis-Bergouignan, Bordenave, & Lung, 2000; Carr, 1993, 2005; Hofstede, 1983). As MNEs operate in countries that differ from the parent national system and culture, it is pertinent to consider if the governance structures of subsidiaries vary within the MNE.

The complexity of global business has resulted in numerous areas of study, in particular governance structures in MNEs. This Chapter presents a review of the literature which provides an understanding of the current research in governance and international business literature to date. The topics of international business, corporate governance, multinational enterprises, subsidiaries, culture, internalization and internationalisation are covered in that order. The literature review that follows explores various facets of international business and their relationship with subsidiaries. As globalisation has become more prolific it has become increasingly important to understand the various environmental factors that impact subsidiary performance, success, and contribution to the MNE parent.

2.1 THE LITERATURE OF INTERNATIONAL BUSINESS

International business is not a new concept and has been discussed in the research literature since the early 20th Century (Buckley, 1991). Trade and financial theory provided early international business authors (predominantly international economists, such as, Smith, Ricardo, Hecksher, & Ohlin) with the foundations for understanding and expanding the literature (Bond, Iwasa, & Nishimura, 2012; Hollander, 1977; Kucukaksoy, 2011). The current international business landscape has since moved on from the founding theories and the evolution of recent international business literature has three clear defining periods; pre-1960, 1960s-1970s, and from the 1980s to today (Rugman, Verbeke, & Nguyen, 2011).

Until the 1960s (pre-1960) the international business literature was predominantly focused on trade and financial theory. International economists were the dominant contributors to the literature and multinational enterprises were viewed as ‘arbitrageurs’ of capital and resources moving equity across borders to countries with the highest returns on investment (Buckley, 1991; Dunning, 1989; Rugman, Verbeke, & Nguyen, 2011). Analysis of international business focused on countries or nations as the unit of analysis (Rugman, Verbeke, & Nguyen, 2011). National statistics on trade and foreign investment were used to discuss and understand international business activities and specific advantages were considered at a national level (country-specific advantages) (Buckley, 2009; Rugman, Verbeke, & Nguyen, 2011). Country-specific advantages (CSA) are country-level or location bound factors which provide an advantage to all firms (in that country or location) on equal terms (i.e.,

technology, economy, infrastructure) (Buckley, 1988; Rugman, Verbeke, & Nguyen, 2011). At this point the literature failed to account for market variations, such as, risk and uncertainty, unpredictable exchange rates, transactional costs, and costs for acquiring information which made some of the predictions invalid (Buckley, 2009). These shortcomings were identified by Hymer (1960) which led to a significant shift in thinking among international business researchers (Dunning, 1989) late in this period.

During the 1960s and 1970s, literature promoting broader thinking and understanding about ‘the why’ rather than just ‘the how’ firms operate in foreign countries began to emerge (Buckley, 1988; Klein, Frazier, & Roth, 1990). The fundamental change occurred when Hymer (1960) introduced the concept of firm-specific advantages (FSA) in the context of foreign direct investment (FDI) by multinational enterprises (MNE) (Rugman, Verbeke, & Nguyen, 2011). Until that time it had been recognised that FDI involved only the transfer of capital between countries, however, Hymer (1960) established that in addition to capital, resources, such as, technology, management skills, and entrepreneurship, were also being transferred. Additionally, the notion of the firm was further developed by Hymer (1960), identifying that the international firm (MNE) internalises and supersedes the external market (Rugman, Verbeke, & Nguyen, 2011). This body of research led to the development of the theory of internalisation within MNEs by Buckley and Casson (1976). Internalisation is the act of an MNE creating an internalised market to limit the effects of the imperfect external market (Rugman, 1980). During this era the focus of analysis moved from country-level to firm-level, providing the foundation and prologue for further MNE theory development.

As theory around the multinational enterprise developed, a rich stream of research emerged investigating MNE subsidiaries (Rugman, Verbeke, & Nguyen, 2011). The literature to date had focused on a MNE typology that was centralised, hierarchical, and multidivisional (Rugman, Verbeke, & Nguyen, 2011). The focus in the literature began to move towards understanding the relationship between the parent company and its subsidiaries (Bartlett & Ghoshal, 1988; Cantwell et al., 2010; Peng, 2011) during the 1980s. Bartlett and Ghoshal (1989) were key authors in popularising research in this area which provided the foundation for further research to emerge, in particular around subsidiaries as a differentiated network (Buckley, 1991; Rugman, Verbeke, & Nguyen, 2011). As part of the study around differentiated networks within MNEs it was demonstrated that the subsidiary and in some instances the subsidiary manager are areas of innovation and other firm-specific advantages,

therefore, both can be used as units of analysis (Birkinshaw & Hood, 1998; Birkinshaw, Hood, & Jonsson, 1998; Rugman, Verbeke, & Nguyen, 2011).

Over the past 50 years there has been an increasingly focused evolution in the understanding of business in the international market place. Analysis has moved from an economist's world-view, through to country-level, then firm-level, and finally subsidiary-level analysis. In addition to understanding the relationships and degree of analysis within international business it is important to consider the types of market entry methods that are employed by MNEs.

2.1.1 MARKET ENTRY METHODS

It is widely stated that the predominant benefit of international business is the ability to exploit economic benefits in foreign markets (Goerzen & Beamish, 2003). Although this is true, there are many difficulties and challenges for all businesses operating in international markets (Buckley, 1991). One such challenge is deciding on a method in which to operate internationally. In a global economy governments and businesses are competing for resources and customers in a market environment where foreign firms influence and are in turn influenced by local strategy (Dunning, 1989). Globalisation has been recognised as an important factor in developing an economy's maturity and advancement through the application of regulation, standards, and knowledge (Filatotchev, Strange, Piesse, & Lien, 2007; Filatotchev & Wright, 2011). As local and global economies become more connected there is more complexity. Global market uncertainty is multifaceted and forecasts cannot be made based on past behaviours and events (Cantwell et al., 2010; Dunning & Wymbs, 2001). Factors, such as, foreign exchange, government legislation, culture, and networks can be a source of ambiguity (Bhamornsiri, Guinn, & Schroeder, 2009; Rugman, Oh, & Lim, 2012). Different approaches are taken by MNEs to enter foreign markets. For example, exporting, licensing, and foreign direct investment are some ways in which MNEs seek to control their international operations (Grosse & Behrman, 1992; Rugman et al., 2012).

Many factors influence the foreign market entry mode selected by an MNE (i.e., size of the market, exchange rate, host country legislation) and can change over time (Horstmann & Markusen, 1987).

The common methods for market entry are exporting, licensing, and foreign direct investment (Buckley & Casson, 2009). There are sub-types for each of these methods and, in practice, the connections between the methods are very important (Buckley, 2009).

Out of the three, exporting stands alone because the value-adding activities do not take place in a foreign market but occur at home (Buckley & Casson, 2009; Grosse, 1985). Exporting is a relatively low-risk method of international investment as the only requirements on the exporter is to provide a product, directly or indirectly, to a foreign buyer. Few physical resources are actually required in the foreign market (Jiatao, 1995). Another advantage is that exporting allows for businesses to sell products despite changes in domestic (home country) conditions (Grosse, 1985; Jiatao, 1995).

The next step in foreign market entry is typically licensing. Licensing internationally transfers firm-specific assets into international markets through contracts without a large investment, for example, brand name, logo, slogan, characters, and processes (Grosse & Behrman, 1992; Horstmann & Markusen, 1987). Licensing can be considered a marketing or brand extension tool and is widely used by small and large businesses alike (Jiatao, 1995). The benefits of licensing is that it holds little financial risk, can potentially mitigate restrictions of foreign investment, and utilises both home (i.e., technology and skills of the multinational) and foreign (local knowledge) advantages (Buckley, 2009; Horstmann & Markusen, 1987). There is potential risk with this method as business success partly relies on the licensee to act in good faith. A breakdown in the professional relationship between licensor and licensee could limit future business success (Grosse, 1985; Horstmann & Markusen, 1987).

Moving from licensing into foreign direct investment is typically a one-directional commitment to internationalisation and can be achieved in several forms, such as, joint ventures, wholly-owned subsidiaries, purchasing shares, or portfolio investment (Buckley, 2009). Drivers to FDI can be market orientated, cost orientated, or for control of inputs, low-end assets, or high-end assets (Buckley & Casson, 2009; Jiatao, 1995). For example, FDI is an effective way to access foreign markets, increase access to resources, and reduce production costs by utilising cheaper labour or raw material costs (Horstmann & Markusen, 1987).

The variety of MNE operation modes implies that there is not one method or structure that suits all international businesses, and that different approaches will be used depending on organisational circumstances (Cantwell et al., 2010; Dunning, 2009). In the automotive industry a variety of market methods are used including exporting, licensing, joint-ventures, and wholly-owned subsidiaries (Carr, 1993; Lall, 1980). The literature explains that many variables, such as, the stage of a products' life-cycle, cost-benefit factors, technology, and product scale influence the market entry method (Buckley, 2009; Congcong, 2012). In the automotive industry it is common for large manufacturers to use wholly-owned subsidiaries for market entry, smaller manufacturers may use exporting, licensing, or joint-ventures to enter foreign markets (Natsuda, Otsuka, & Thoburn, 2015; Yeniyurt, Townsend, & Talay, 2007).

2.2 INTERNATIONALISATION TO INTERNALISATION

As the literature on international business has progressed the dominant paradigm has shifted from internationalisation (pre-1980s) to internalisation (1980s onwards). Early research concerning the global marketplace was grounded in the internationalisation school of thought (Buckley & Casson, 2009; Fisch, 2008; Rugman, 1980). Internationalisation is described by Rugman (1980) as a process of entering foreign markets at a slow and cautious pace. This process typically has the following stages; licencing, exporting, establishment of local warehouses and direct local sales, local assembly and packaging, formation of a joint venture, and foreign direct investment (Fisch, 2008; Rugman, 1980). It is argued that internationalisation theory is limited as it does not take into account the economics of foreign direct investment or the entrepreneurship of MNEs (Buckley, 2009; Buckley & Strange, 2011; Fisch, 2008). The theories and research produced in the 1960s and 1970s (Dunning, 2009; Hymer, 1960) provided the foundation for an alternative theory to develop which integrated existing areas of internationalisation study to form internalisation theory (Rugman).

Internalisation theory suggests that MNEs exist in an imperfect market that prevents efficient international trade and investment (Kundu, Kumar, & Peters, 2008; Rugman, 1980). Fisch (2008) adds that MNEs create internalised markets to overcome the imperfections of international markets and replace missing external markets. The process of internalisation tends to reduce the transaction costs

between the parent and host country by creating an internal market environment (Buckley & Casson, 2009). Internalisation allows for greater host country control, reduced transaction costs, and greater knowledge sharing (Buckley, 2009). As a governance mechanism, internalisation allows for the development and exploitation of firm-specific advantages (Filatotchev et al., 2007; Fisch, 2008; Morris et al., 2009). There is a vast array of research on internalisation and the multitude of facets of MNEs (Filatotchev et al., 2007; Fisch, 2008; Kundu et al., 2008; Rugman, 1980). However, it is Buckley and Casson (2009) that suggest that internalisation is a very specialised theory that specifically marks the boundaries, hence effectively delineating, the MNE. Additionally, when combined with other theories further analysis of MNE operations can be examined, for example, theories on the topic of innovation assist in analysing the MNE industry, or, if used in conjunction with organisation theory international joint ventures can be explained (Buckley & Casson, 2009).

2.3 MULTINATIONAL ENTERPRISES

Multinational enterprises (MNEs) are complex and vary in structure, performance, relationships, and behaviours (Afshan, Chhetri, & Pradhan, 2011; Dunning, 2009; Rugman, Verbeke, & Nguyen, 2011). A multinational enterprise is assumed to be a value-creating, cross-border business that has subsidiaries, operations, facilities, or assets in more than one nation and is managed from one (home) country (Cantwell et al., 2010; Goerzen & Beamish, 2003). Cantwell, Dunning, & Lundan (2010) define value-creation as the manufacture and supply of goods and services, involving exploitation and expansion of ownership, as well as, specific advantages related to resources, capabilities and markets.

The understanding of MNEs has developed significantly since the 1980s. Initially, research was focused around MNE headquarter-subsidiary relationships, foreign investment, network management, competitive advantage analysis, and the coordination of tasks (Ghoshal & Bartlett, 1990; Rugman, 1980). As academic understanding has developed this original view has shifted away from the headquarter-subsidiary relationship to one of the MNE as a differentiated network (Cantwell et al., 2010; Ghoshal & Bartlett; Peng, 2011; Rugman et al., 2012). Cantwell, Dunning, & Lundan (2010) explain that a differentiated network, in relation to a MNE, is where knowledge is generated in numerous areas of the MNE and transferred to several interrelated units. This perspective no longer views MNE subsidiaries as a repository of their parent organisation but as knowledge-creating entities,

which accumulate and distribute knowledge horizontally to other subsidiaries, vertically to headquarters, and between the MNE and its environment (Aoki & Miyajima, 2012; Cantwell et al., 2010; Wilson & Baack, 2012). Value-creation can occur within the hierarchy of the organisation, through informal social ties, or contractual relationships (Cantwell et al., 2010). With this evolution of MNE thought in mind there has also been some focus towards MNE subsidiaries (Kiel, Hendry, & Nicholson, 2006). The roles of subsidiaries are different under a differentiated network perspective than the traditional headquarter-subsidary view (Cantwell et al.; Dyer & Nobeoka, 2000). From a traditional perspective the subsidiary acts as a warehouse or branch for the parent company where goods are sold and distributed from (Cantwell et al.; Ghoshal & Bartlett, 1990). By comparison, in a differentiated network subsidiaries create value through, for example, R&D, technology, and product development, and distribute the assets through the MNE network (Ghoshal & Bartlett). A consequence of the change in subsidiary role is that there are different governance demands from the subsidiaries (Aoki & Miyajima, 2012). In response, MNEs have developed more decentralised, multi-divisional business structures to allow for greater flexibility (Aoki & Miyajima; Cantwell et al.; Dyer & Nobeoka, 2000). A decentralised structure provides more independence to the subsidiary units and is reflected in more managerial control, separate financial reporting, and independent business activities (Aoki & Miyajima).

MNE subsidiaries (MNSs) are most often legal entities of the host country where the MNE has created a legal entity to conduct business in that foreign country (Kiel et al., 2006; Kronborg & Thomsen, 2009). As with the literature of multinational enterprises, this aspect of multinational enterprise coordination and control has developed since the 1980s but still remains limited (Kiel et al., 2006). Early research identified that MNEs used subsidiary boards (SBs) to fulfil statutory duties legally required by the host country of the subsidiary and little more (Gillies & Dickinson, 1999), a compliance activity only to meet the needs of the host jurisdiction. Kiel et al. (2006) explains that as the literature on MNEs shifted towards differentiated networks, research on multinational subsidiaries uncovered a developing trend within MNEs. This trend was around subsidiary boards and their increasing involvement in subsidiary strategy and value-creation within the subsidiary (Kiel et al., 2006; Kriger, 1991). The understanding of MNEs and subsidiaries has progressed to a point where today MNEs are analysed as a network and subsidiaries are a unit of analysis (Rugman et al., 2012). This research follows that development and considers the subsidiary as a unit of analysis.

The multinational enterprise is an important function of international business. Research to date depicts how internalisation has allowed MNEs to function more efficiently in foreign markets through avoiding some external market functions (Dunning, 2009; Rugman, 1980, 1980). This functionality enables many companies in numerous industries to operate competitively worldwide (Dunning, 2009). The MNE structure appears to be critical in an industry, such as, the automobile industry. The ability to internalise key market conditions and avoid unknown foreign factors permits the company to create and utilise assets as a competitive advantage (Aoki & Miyajima, 2012; Rugman, 1980). The governance of the MNE and the MNE's subsidiaries plays a pivotal role in the strategy and structure of the MNE and the function the subsidiary has within the network (Judge & Li, 2012).

2.4 THE LITERATURE OF CORPORATE GOVERNANCE

Corporate governance has received a significant increase in attention from the research community over the past 15 years (Afshan et al., 2011; Filatotchev & Wright, 2011). Past corporate failures, such as, WorldCom, Xerox, and Enron, have highlighted the importance of the need for more effective separation of ownership and control within companies (Bhamornsiri et al., 2009). Organisational performance is measured and judged over time (Cardoş & Muş, 2012; Higdon, 2012; Warrad, Mohammad Almahamid, Slihat, & Alnimer, 2013), therefore, it is not the fact that Enron or WorldCom failed but the short space of time and manner within which they failed in (Rauterkus, Rauterkus, & Munchus, 2013; Stewart, 2006). These failures, as a result of poor internal controls and inadequate governance, led to the establishment of rules (Sarbanes-Oxley Act 2002 in USA) and principles (Corporate Governance Principles and Guidelines in NZ) to try and prevent similar situations recurring (Porritt, 2005; Securities Commission, 2004; Zegarowski, 2007) in the future. The introduction of the Sarbanes-Oxley Act 2002 in the United States has placed more accountability and expectations on company directors as well as legal and accounting consultants (Bhamornsiri et al., 2009; Rauterkus et al., 2013). Development of corporate governance rules and procedures have improved the corporate governance landscape since 2002 but are not safeguards against future spectacular failures previously seen, as demonstrated by recent failures in New Zealand (i.e., Pike River, South Canterbury Finance) (Bailey, 2013; Donnell, 2013; Rauterkus et al., 2013; Sun, Sun, Li, & Jin, 2008).

As globalisation has become a dominant feature in business, the governance of MNEs has become increasingly important, further highlighting the significance of effective corporate control and structures (Stewart, Day, Print, & Favato, 2009). Governance refers to the structure of rules, procedures, and responsibilities among shareholders of an organisation (Buck & Shahrim, 2005; Oh & Oetzel, 2011). Through addressing areas of conflict by focusing on business transparency, honest reporting, equity, prevention of deception, firms will operate more efficiently and have the ability to be more competitive in the market (Buckley & Strange, 2011; Filatotchev et al., 2007). The body of governance literature covers many areas of research, such as, the success and failure of firms; board structure and ownership; pay structures; risk management; and, the link with various financial crises (Buckley & Strange, 2011; Drew & Kendrick, 2005; Lockhart, 2006; Mishra & Bhattacharya, 2011). Policy and research specific to corporate governance of MNEs has seen an increase in interest as globalisation has become more prevalent (Filatotchev & Wright, 2011). Governance is practiced by company boards whose role has developed from one of minor engagement of legitimising managerial proposals, to in-depth strategic management (Ovidiu-Niculae, Lucian, & Cristiana, 2012; Ross, 2011). The role of company boards has been under scrutiny during this time and there is still little consensus on the strategic role that boards actually play (Hung, 1998; Ong & Lee, 2000; Ovidiu-Niculae et al., 2012) or the impact they achieve on performance. Previous authors have approached this issue by linking specific board roles with broader corporate governance perspectives (Hung, 1998; Ong & Lee, 2000).

There are five key perspectives of corporate governance; agency theory; stewardship theory; stakeholder theory; legalistic perspectives; and strategic choice (Cretu, 2012; Ovidiu-Niculae et al., 2012). Agency theory identifies the fundamental dimensions of corporate governance, specifically the role and nature of ownership, the structure of the board of directors, the separation of CEOs and board chairpersons, executive compensation, and the role of the market for corporate control (Costello & Costello, 2009; Filatotchev & Wright, 2011). Stewardship theory differs to agency theory as it assumes that managers are stewards whose actions are tailored to the objectives of the company; managers are seen as being loyal to the company and are motivated by achieving high company performance (Afshan et al., 2011; Ovidiu-Niculae et al., 2012; Pelayo-Maciél, Calderón-Hernández, & Serna-Gómez, 2012). The strategic choice perspective was a foundation theory through the 1980s and 1990s and explains that directors have a pro-active role in the company by acting as strategic advisors (Ovidiu-Niculae et al., 2012; Pelayo-Maciél et al., 2012). The legalistic perspective is concerned with the boards' involvement in decision control through the implementation of control roles; whereas, stakeholder theory takes a traditional outlook of the organisation where the

shareholders are the owners of the company and the organisation has an obligation to put their needs first (Afshan et al., 2011; Ovidiu-Niculae et al., 2012). Employees, suppliers, customers, government bodies, communities, and trade associations are considered stakeholders (Cretu, 2012). Ovidiu-Niculae, Lucian, and Cristiana (2012) argue that in reality the strategic roles of boards and governance are not so easily segregated by individual theories and should be viewed from a multiple theory approach.

These five perspectives, reflect each of the relevant theoretical approaches to corporate governance in both research and practice. However, regardless of which theory is used for analysis the reality is that current corporate governance is based on the rules or principles outlined by governments, predominantly initiated after the significant failures of Enron and WorldCom (Bhamornsiri et al., 2009; Stewart et al., 2009; Uddin Bhuiyan, Roudaki, & Clark, 2013; Zegarowski, 2007) and their like. Therefore, when examining corporate governance through a particular theory it is important to keep in mind that in the host nation's rules or principles imposed on the particular governance structure being analysed.

2.5 THE GOVERNANCE OF MNEs AND SUBSIDIARIES

The governance of multinational enterprises has been discussed at great lengths within the literature, predominantly from an internalisation theory perspective (Filatotchev & Wright, 2011). Through this lens governance is viewed as a tool to reduce transaction costs through bureaucratic control of production allocation and distribution systems (Buckley & Strange, 2011; Filatotchev & Wright, 2011). Agency theory provides a useful addition to the internalisation theory literature by extending governance as a mechanism to liaise, link, and inform shareholders with top management, as well as, control behavioural and strategic aspects within the MNE (Buckley & Strange, 2011; Filatotchev & Wright, 2011; Kriger & Rich, 1987). The key dimensions of MNE governance is the role and nature of ownership, the composition of boards of directors, the separation of CEOs and board chairs, executive remuneration, and the role of the market for corporate control (Filatotchev & Wright, 2011). Of more importance in this research is understanding governance and the relationship with MNE subsidiaries which is often overlooked in the literature (Kiel et al., 2006). Typically subsidiary governance is

covered from a legal perspective with a subsidiary board that primarily fulfils a 'token' role (Kiel et al.). In this respect governance has not emerged independently of internalisation, it is simply viewed as a local compliance activity. This next section examines the research on the boards of both MNEs and subsidiaries in more detail.

2.5.1 MNE BOARDS

Governance of an organisation is typically carried out through a board of directors (Adams, Hermalin, & Weisbach, 2010). The role of the board can vary from anywhere between the legal necessity of having a board to an active involvement in the overall management and control of the company (Adams et al., 2010; Aoki & Miyajima, 2012; Salteh, Nahandi, & Khoshbakht, 2011). Two main theories predominantly feature in the literature; agency theory and resource dependence theory (Du, Deloof, & Jorissen, 2011). On the one hand, agency theory suggests that the role of the board is to reduce problems between shareholders and top managers, in addition to having some form of strategic and behavioural control (Buckley & Strange, 2011; Du et al., 2011; Judge & Li, 2012). On the other hand, resource dependence theory proposes that boards are important to bridge organisational boundaries and make timely information available to managers (Du et al., 2011). There is an increasing amount of literature investigating the determinants of board composition (Feinberg & Gupta, 2009). Academic arguments and empirical results support the theory that board structures develop internally in response to governance issues faced over an exogenously formed board structures (Adams et al., 2010). Empirical studies from an agency perspective have examined the relationship between board composition and firm performance (Du et al., 2011; Feinberg & Gupta, 2009). These studies have predominantly used the proportion of outside directors on the board as a measurement and have produced only mixed results, most likely due to the fact that board structures are endogenously determined (Du et al., 2011). Firm performance has been positively linked with board resources, such as, director's expertise, experience, reputation, knowledge, and networks (Rugman, Verbeke, & Wenlong, 2011). In addition, organisations are found to respond to substantial changes in the exogenous environment by changing board structure (Adams et al., 2010).

2.5.2 SUBSIDIARY BOARDS

A key theme in international business research is around the management of multifaceted and geographically dispersed MNEs (Du et al., 2011; Judge & Li, 2012). As discussed, subsidiary boards (SBs) can be used to assist in the governance of subsidiaries. They are a tool that can be used to transfer knowledge, coordinate international operations, and relocate personnel internally (Björkman, 1994; Du et al., 2011). There is a growing body of literature around subsidiary boards covering topics, such as, subsidiary board activeness; the implications of subsidiary board structures; and, the specific role of subsidiary boards (Adams et al., 2010; Björkman, 1994; Leksell & Lindgren, 1982). The literature suggests that the use of SBs varies within and between MNEs and can be used to achieve different goals, such as, operation coordination, market development, and knowledge creation (Björkman, 1994). The age of the subsidiary, size of the market, and subsidiary location will influence subsidiary use (Björkman, 1994; Leksell & Lindgren, 1982).

Subsidiary boards can play various roles within the MNE, these can be predominantly external or internal roles (Adams et al., 2010; Kriger, 1991). External roles link the subsidiary to the host environment, providing information and advice on local conditions or participating in active decision making (Leksell & Lindgren, 1982). Internal roles include the control of management and operations of the subsidiary as well as to coordinate the subsidiary's operations with other facets of the MNE (Leksell & Lindgren, 1982). Research suggests that MNEs have shifted from using SBs for strictly external purposes to an active role including budget approval, performance monitoring, and developing and coordinating strategic plans with the home country (Björkman, 1994). Two key SB activities identified by Björkman are participation in strategic plan development and participation in strategic plan coordination with the MNE as a whole. At the other end of the spectrum, the SB may simply fulfil a non-active, legal role as required by the host country's law (Afshan et al., 2011). Academics agree that subsidiaries of different MNEs in different host country locations are under different environmental and internal influences which require tailored organisational designs and strategies (Björkman, 1994; Carr, 2005; Judge & Li, 2012; Kriger, 1991). Subsidiary boards, therefore, offer a platform from which MNEs can participate in subsidiary strategic planning (Björkman, 1994), and it is from subsidiary boards that the very concept of the transnational corporation appears to have developed by Bartlett and Ghoshal in 1994 emerged, for it is in the transnational corporation (a specific type and ultimate end state of MNE) that the optimal balance between subsidiary dependence and independence is proposed.

SUBSIDIARY BOARD STRUCTURE

Structural differences are typically used to describe differences in SB behaviour (Judge & Li, 2012). These differences have then been tested for any correlation between those differences and firm performance or function (Adams et al., 2010; Lockhart, 2006). Adams, et al. (2010), explains that a common belief is that non-management (outside) directors will have different behaviours and objectives than management (inside) directors. From this assumption, the relationship between variation in SB conduct and the ratio between inside and outside directors of SBs can be evaluated statistically (Adams et al., 2010). It is important to note that although conclusions can be drawn between SB actions and the SB personnel, differences in behaviour are difficult to observe without observable fieldwork and even harder to quantify for statistical analysis (Adams et al., 2010; Carr, 2005; Judge & Li, 2012). Financial performance can be an alternative or additional indicator used to examine differences in board structure (Judge & Li, 2012). Additionally, it has been suggested that there is an increase in the strategic appointment of expert board members which provide outside knowledge on prevalent issues (Huse & Rindova, 2001). For example, as environmental issues have become more common place, in some businesses environmentalists or environmental experts have been placed on boards to offer specific issue related views (Huse & Rindova, 2001). Although such specialisation appears to challenge the multi-skilled capabilities recommended of all board members.

A valuable study was undertaken by Judge and Li (2012) whereby existing literature on foreign subsidiary design was refined to provide a comprehensive understanding of organisation and subsidiary design. Two key contingency factors of the subsidiary were stated as the governance environment of the host country; and, the strategic role of the foreign subsidiary (Judge & Li, 2012). Initially Judge and Li established that the literature to date had predominantly implemented the contingency perspective, and, that no single organisational design was considered to be best practice. Some key variables from contingency theory are the task environment, transaction costs, and organisational context (Judge & Li, 2012). The task environment is the external environment which is important to organisational goal setting and goal achievement (Thompson, 1967). Transaction costs are the costs associated with business actions (Windsor, 2009). The organisational context refers to understanding the organisation's global strategy and relative size. Once this is known an effective design and strategy can be applied (Chandler, 1962). Judge and Li stated that in order to improve organisational value a simultaneous consideration of organisational and environmental contingency

factors should be considered, as well as well-defined specification of the organisational context (2012).

Once the contingency factors and organisational content have been resourced actual governance environments are established via an institutional and political economy literature approach (Judge & Li, 2012). Two environments are defined as either a rule-based governance environment, or a relation-based governance environment. A rule-based environment is characterised by transparent and fair law making processes, an independent law adjudication system, the law application branch is monitored and checked, and people rely on public rules to protect their social and economic exchanges (Judge & Li; Rawls, 1971). Society can be defined as having a rule-based environment. A relation-based environment is essentially the opposite of a rule-based environment and is characterised by the reliance on informal network and private relations to govern socioeconomic exchanges, in which the government typically controls mass media which means there is no free flow of information (Judge & Li, 2012). Public laws still exist in this type of environment. It is just that organisations and individuals evade public laws; laws are not transparent in their conception which means that laws cannot be enforced by the court system; and, that any enforcement is inefficient and ineffective (Judge & Li, 2012). Judge and Li (2012) argue that although two contrasting governance environments are described, in reality most governance environments occur along a continuum between the two.

Strategic roles of foreign subsidiaries are another key factor and were defined as belonging to either a global industry or a multi-domestic industry (Judge & Li, 2012; Porter, 1986). A global industry is one where an organisation's competitive standing in one country is impacted by competition in other countries. Subsidiaries of these MNEs display a higher degree of interdependence with other subsidiaries in the same MNE; an example is automotive companies (Judge & Li, 2012; Porter, 1986; Rosenweig & Singh, 1991). A multi-domestic industry is when competition in each country is segregated from competition in other countries, subsidiaries are mainly independent units, rely predominantly on inputs from the local environment, and compete with other organisations within the country (Judge & Li, 2012; Porter, 1986; Rosenweig & Singh, 1991). From this analysis Judge and Li (2012) proposed that the key design contingency for a foreign subsidiary situated in a rule-based environment is its strategic role. For a foreign subsidiary in a relationship-based environment macro-institutional factors are expected to dictate organisational design (Judge & Li). Additionally, four key design elements were discussed thoroughly and in specific context to a rule-based governance

environment and a relationship-based governance environment; staffing, structural design, reward system design, and planning design options (Judge & Li).

The approaches to staffing of foreign subsidiaries outlined by Judge and Li (2012) differ depending on the subsidiary circumstances. When a foreign subsidiary pursues a global standardisation strategy in a rule-based governance environment, expatriate managing directors are expected to be more effective than host country nationals (Judge & Li). However, if foreign subsidiaries pursue a multi-domestic strategy in a rule-based institutional environment, host country managing directors are expected to be more effective than expatriates (Judge & Li). If a foreign subsidiary is operating in a relation-based environment then managing directors who are parent-company nationals with host country origins are mooted to be the preferred choice over an expatriate (Judge & Li).

Structural design options for foreign subsidiaries follow the same structure as staffing. When foreign subsidiaries pursue a global standardisation strategy in a rule-based governance environment, a global product-based structure is recommended (Judge & Li, 2012). If foreign subsidiaries pursue a multi-domestic strategy in a rule-based governance environment, an organisational structure that imitates successful structures in the same industry will be most effective (Judge & Li). They add, that when foreign subsidiaries operate in relation-based governance environments, organisational structures that imitate successful local competitors will be more effective.

Reward system design options are also different depending on environment and strategy. When foreign subsidiaries pursue a global standardisation strategy within a rule-based governance environment, a behaviour-based reward system will generally be the suggested approach (Judge & Li, 2012). Foreign subsidiaries who pursue a multi-domestic strategy within a rule-based governance environment, an output-based reward system will be more successful than a behaviour-based or input-based system (Judge & Li). Consequently, if foreign subsidiaries operate in a relation-based governance environment, input-based reward systems will generally be most effective.

Planning design strategies of foreign subsidiaries vary with strategy and environment conditions. Under a global standardisation strategy in a rule-based environment, formal planning systems follow a top-down planning process, and are most effective if conducted on a regular, periodic basis (Judge

& Li, 2012). If foreign subsidiaries pursue a multi-domestic strategy in a rule-based environment, formal planning systems will likely follow a bottom-up planning process, and the recommended approach is to conduct these on a regular, periodic basis (Judge & Li). They add, that in a relation-based environment, the strategic goals and initiatives should be informally negotiated with corporate headquarters on an event-based schedule (Judge & Li).

Table 2.1 Summary of Theoretical Propositions offered by Judge and Li

Strategy/Environment Combination		Governance Environment	
		Rule-Based	Relation-Based
Strategic Choice	Global Standardisation	<ul style="list-style-type: none"> • Expatriates used for top management staffing • Centralised decision making organisational structure • Behavioural-based control reward design • Formal and global knowledge transfer 	<ul style="list-style-type: none"> • Parent country national with host country origin used for top management staffing • Centralised and decentralised decision-making organisational structure • Input based control reward design • Informal idiosyncratic knowledge transfer
	Multi-Domestic	<ul style="list-style-type: none"> • Host country nationals used for top management staffing • Decentralised decision making organisational structure • Output-based control reward design • Formal and local knowledge transfer 	

Source: Judge, W. Q., & Li, S. (2012). Organization design for foreign subsidiaries of multinational enterprises: A contingency perspective. *International Journal of Business & Management*, 7(3), 47-63.

In practice, countries sit along a spectrum between rule-based and relation-based economies. Eurocentric countries have economies that are typically more rule-based than relation-based, whereas, Asian countries are more likely to be relation-based (Lau & Young, 2013; Li, 2003; Li, 2013). For example, China’s current economic and government practices are a product of a relation-based cultural history. Chinese culture is based on small and extensive social group relations where a high importance is placed on the needs of the group rather than the individual (Huigang, Xue, Boulton, & Byrd, 2004; Lau & Young, 2013). In this type of environment business contracts and decisions are made through social connections, excluding those who do not have access to the right connections from business opportunities (Lau & Young, 2013). From a rule-based perspective this type of economy

may be viewed as cronyism which is linked to bribery and corruption, however, from a relation-based perspective it is normal business practice (Lau & Young, 2013; Li, 2013). This is common in many Asian countries due to the cultural heritage in which their economies have grown from and differ significantly from many Eurocentric countries, such as, New Zealand.

The New Zealand economy, like many Eurocentric countries, sits closer to the rule-based end of the economic spectrum. Economic and government practices typically avoid those commonly used in relation-based environments (Judge & Li, 2012). Policies and practices are founded by transparent processes which are open to independent review (Judge & Li; New Zealand Parliament, 2014). For example, New Zealand's law making process is transparent and well documented on the Government website, free public access to Bills and Acts are available from public libraries or online (New Zealand Parliament, 2014). Additionally, independent committees may review the processes and decisions of Government, local Council, Police, and any other law enforcing body, to ensure that fair and sound actions are taken, with the power to recommend or carry out necessary repercussions (New Zealand Parliament, 2009).

ACTIVE SUBSIDIARY BOARDS FROM AN AGENCY AND RESOURCE DEPENDENCE PERSPECTIVE

The 'activeness' of subsidiary boards is an important concept to consider as it creates the opportunity for real subsidiary governance (Du et al., 2011). Activeness refers to the MNE home country involving subsidiary boards in activities, such as, strategic development, budgeting, monitoring operating performance, and short term local planning (Björkman, 1994; Du et al., 2011). These activities are actions of the MNE used to capitalise on the subsidiary board as a resource and are more prominent, ironically, when MNE headquarters and foreign subsidiaries experience information asymmetry (Adams et al., 2010; Björkman, 1994; Du et al., 2011; Huse & Rindova, 2001).

Earlier research into SB activeness indicates that the role and importance of the subsidiary board in the MNE is ultimately determined by the home country (Judge & Li, 2012). This in turn provides the opportunity for local control. For example, in a study of Swedish and Finnish MNEs and the role of the board of directors in French and Norwegian subsidiaries a large variation was found in the tasks

performed and the primary role adopted by the board (Björkman, 1994). The French SBs were less active than the Norwegian SBs and were primarily used as a source to obtain information. Whereas, the Norwegian SBs were primarily used as a tool to control subsidiary operations, advise local management, and appraise management performance and compensation (Björkman, 1994). It is suggested that Japanese MNEs use SB boards more actively than European or North American MNEs (Adams et al., 2010; Du et al., 2011). As discussed previously, culture of the home country appears to influence corporate governance and structure which in turn determines the way subsidiaries are treated and, therefore, subsidiary board activeness (Bartlett & Ghoshal, 1988; Du et al., 2011; Hofstede, 1983). But, as highlighted by Björkman's (1994) study of Swedish and Finnish MNE subsidiaries a lot of variation was found between subsidiaries of "similar" (Eurocentric) national culture. Although broad culture statements of MNEs and SB activeness can be cast (i.e., European, North American), it is important to take into account individual subsidiary location. This suggests that two factors need to be taken in to consideration; 1) the nationality of the MNE; and, 2) the location of the local subsidiary. The MNE home country nationality will determine how the MNE expects the subsidiary board to operate and what role it will play in the subsidiary operations, whereas, the local subsidiary location will influence the activeness of the board as demonstrated in earlier examples.

Du et al., (2011) discuss how agency theory and resource dependence theory can be used to analyse conditions where active SBs may be employed. Under agency theory, the relationship of the home-host is a principal (home country) and agent (host country) structure (Costello & Costello, 2009; Du et al., 2011; Filatotchev & Wright, 2011). MNE headquarters develop and implement a global strategy but this does not eliminate the differences in individual subsidiary goals and risks from the home country (Costello & Costello, 2009; Filatotchev & Wright, 2011). This can lead to a disconnect between the home country and the host country, creating a situation where monitoring subsidiary behaviour by headquarters becomes challenging (Du et al., 2011). Du et al., (2011) explain that through the agency perspective outcome control or cultural control could be implemented. Outcome control requires certain and measurable performance outcomes, which are not always possible, and cultural control can be costly (Costello & Costello, 2009; Du et al., 2011). An alternative control mechanism is to implement an active subsidiary board which would improve headquarters' monitoring abilities and information transfer between the principal and agent (Du et al., 2011). From the resource-dependence perspective a business's survival is dependent on the external environment and that firm behaviour should adapt to capitalise on and obtain needed resources (Du et al., 2011; Ovidiu-Niculae et al., 2012). For a subsidiary the external environment includes MNE headquarters, customers, suppliers, and other stakeholders (Du et al., 2011). In order to facilitate subsidiary access to resources

MNE headquarters can adjust control mechanisms, such as, cultural, behavioural, and outcome control (Ovidiu-Niculae et al., 2012). Another option would be to use an active subsidiary board. This would aid in subsidiary key resource access by providing resource network stability, advice, and building subsidiary legitimacy (Du et al., 2011) in the local market. Agency theory and resource dependence theory, alternatively, highlight the different characteristics of active subsidiary boards and the context in which they can be used.

It appears that the concept of governance in relation to international business only emerges at a certain point of business development. All businesses have some form of governance regardless of whether they operate domestically or internationally (Dunning, 1997; Williamson, 2002). But for governance to be relevant in the context of international business it *must* operate at the level (Kriger & Rich, 1987) of the headquarters. But at what point does governance become important at the local subsidiary level? Businesses who export or license are not expected to have governance in their international businesses as strategy and control do not span borders (Daily, Dalton, & Rajagopalan, 2003; Kiel et al., 2006). However, governance of subsidiaries, particularly those that are involved with local investment and differentiation are thought to be highly relevant to international business (Kiel et al., 2006; Kriger, 1988; Kriger & Rich, 1987). The convergence between these two separate fields of study, namely, international business and corporate governance, particularly at the level of the host nation subsidiary is the subject of this research.

2.6 MECHANISMS FOR SUBSIDIARY CONTROL

It is important that subsidiaries are kept aligned with the home country's global objectives (Kronborg & Thomsen, 2009) within MNEs. There are a variety of coordination and control mechanisms that can be implemented to control subsidiaries (Adams et al., 2010; Judge & Li, 2012). Control mechanisms can be formal or informal. Formal mechanisms can be in the form of organisational structures, the use of expatriates, and financial reporting systems (Björkman, 1994). Informal mechanisms consist of international committees, informal communications, and ad hoc task forces (Björkman, 1994; Monteiro, Arvidsson, & Birkinshaw, 2008). There are three general types of control mechanisms; outcome control, behavioural control, and cultural control (Du et al., 2011). Outcome control measures the performance outcomes of subsidiary management, behavioural control examines the

behaviour of subsidiary management. These are both formal mechanisms (Du et al., 2011). By contrast, cultural control is an informal mechanism that uses shared values and norms to control subsidiary management (Du et al., 2011). A challenge for MNEs is deciding on what tool should be used for control, motivation, and context in order to establish knowledge accessibility and sharing within and between subsidiaries (Monteiro, Arvidsson, & Birkinshaw). Björkman (1994) observes that subsidiary boards (SB) are one way in which a subsidiary unit can be managed as well as tool for interacting with the external environment by the MNE. SBs can facilitate resource exchanges within the MNE as well as a mechanism for aligning MNE and subsidiary interests (Du et al., 2011; Monteiro et al.). Therefore, providing the headquarters is prepared to relinquish some degree of local control, the opportunity for effective (active) governance emerges in the subsidiary's host nation.

2.6.1 AUTONOMY AND SUBSIDIARY CONTROL

The level of autonomy of the subsidiary allowed by the parent is also a form of control (Taggart & Hood, 1999). Autonomy refers to the degree of strategic and operational decision making the subsidiary possesses to make decisions on its own behalf. Autonomous decision making requires resources, such as, managerial, technological, and access to information (Taggart & Hood, 1999; Young & Tavares, 2004). In order for subsidiaries to adapt processes and products for the local market a degree of autonomy is necessary (Ron, Ahmad, & Simon, 2002). However, it cannot be assumed that efforts towards autonomous processes automatically occur without some form of positive motivation (Taggart & Hood, 1999; Young & Tavares, 2004). Studies suggest that there is a positive relationship between a high level of subsidiary autonomy and longevity (Taggart & Hood). Acquired subsidiaries have a process and market history of their own and are more likely to have a higher degree of autonomy than newly established subsidiaries (Taggart & Hood). As subsidiaries age and gain more experience the more autonomy they are expected to possess.

Research suggests that MNE parent companies maintain a higher degree of centralisation (less autonomy) over subsidiaries with substantial levels of exports within the global enterprise, large international networks, as well as, the strategic processes and decisions of subsidiaries within the MNE (Ron et al., 2002). Where the subsidiary possesses more information, or, where subsidiary processes and decisions are at a local/domestic level autonomy is higher (Ron et al., 2002; Taggart & Hood, 1999). Global industries, for example, automotive have diverse networks, strong interdependencies,

and broad, global scope are more likely to possess higher levels of integration and centralisation (resulting in less autonomy) throughout the subsidiary network (Ron et al., 2002). Therefore, active governance is less likely to be found in the automobile industry than that found in others, such as, small and medium enterprises (SMEs) where management of large networks and multiple subsidiaries is non-existent (Ron et al., 2002).

2.7 MNEs, GOVERNANCE, AND CULTURE

Increases in globalisation are followed by an increase of knowledge flow, the movement of people, and an amalgamation of cultures, all of which be considered assets (Aoki & Lennerfors, 2013; Buck & Shahrim, 2005; Clark, Almond, Gunnigle, & Wachter, 2005). Through numerous studies it has been identified that there are similarities and differences between cultures which can both affect globalisation (Scheffknecht, 2011). Cultural similarities aid in the transition of assets between nations by removing potential barriers (Jelavic & Ogilvie, 2010). Whereas cultural gaps can provide impediments to the process on internationalisation and internalisation; cultural values of consumers will limit globalisation (Jelavic & Ogilvie, 2010). The discussion specifically of national culture and the management or governance of organisations is debated (McSweeney, 2002; Williamson, 2002). Hofstede (1983) proposed a theory of cultural dimension to explain the impact of a nation's culture on the values of society and the subsequent influence on behaviour. A nation was defined as a political unit by which the whole world is divided and to one of which every person belonged (Hofstede).

The four original central dimensions proposed by Hofstede (1983) are: power distance, uncertainty avoidance, individualism versus collectivism, and masculinity versus femininity. An additional dimension (long term/short term orientation) was added at a later date (Steenkamp, Hofstede, & Wedel, 1999). Power distance is the extent to which less powerful individuals within a nation expect and accept that power is distributed unequally. Individualism refers to the idea that an individual's identity is their own whereas collectivism is an idea that an individual's identity is tied to the identity of their collective group. Masculinity is a sex-role differentiator where men have occupations that recognise assertiveness and women work in caring professions, in contrast, femininity as a sex-role differentiator is where women hold positions that recognise assertiveness and men work in caring professions. Uncertainty avoidance is the extent an individual in a culture accept or avoid ambiguous

situations or uncertainty. Long term/short term orientation describes a societies' time horizon, for example, long term societies ascribe more importance to the future where short term societies place value on the past and present.

While Hofstede's (1983) theory has encouraged further research it has also drawn criticism (Peng, 2011). Opposing academics highlight several issues including the definition (or inability to define) cultural boundaries; Hofstede's bias toward Western culture; and, the data source being predominantly from one company (Peng, 2011; Williamson, 2002). In particular, McSweeney (2002) completes a full analysis in opposition to the cultural dimensions theory, citing methodological flaws and inaccurate empirical analysis. Additionally, it is sensible to recognise that the unit of a 'nation' is not necessarily the right criteria by which to distinguish a culture in regards to strength of individual member affiliation (Scheffknecht, 2011). Either the nation as a cast is too big, namely, there are numerous cultures within the nation, or, it is actually too small, that there are groups of nations at various nodes (McSweeney, 2002; Scheffknecht, 2011). However, due to national statistical data availability and the ability to use and build on prior research the 'nation' criteria remains the most rational choice (Scheffknecht, 2011). Despite the flaws in Hofstede's work his theory has provided a significant contribution to the cultural literature discussion (Peng, 2011; Scheffknecht, 2011; Williamson, 2002).

Hofstede's (1983) contribution has spilled in to studies of corporate governance. For instance, in one study cultural dimensions were used to understand changes in law and corporate governance (Licht, Goldschmidt, & Schwartz, 2005). Hofstede's dimensions, that were previously outlined, were used as a tool for analysing cultural traits specifically related to legal rights (Licht et al., 2005). The results indicated that corporate governance laws relate to the dominant culture of the nation (Licht et al., 2005). The relationship between corporate governance and culture is also reflected in a study conducted by Buck and Shahrin (2005) which investigated the implications of national culture on the translation of innovations in Germany. Culture had a strong influence on corporate governance which was illustrated by the retention of traditional German governance practices as well as the reluctance and slow uptake of United States governance practices (Buck & Shahrin, 2005). In contrast, one study examining the relationship between corporate governance, firm specific advantages, culture, and voluntary disclosure suggested that culture has little impact on corporate governance a part from determining the predominant race of board members (Haniffa & Cooke, 2002).

Corporate governance structures and systems are influenced by nationality and culture; research suggests that there are contrasting systems of corporate governance internationally and as the world becomes more interconnected adoption of foreign traits is becoming noticeable (Aoki & Lennerfors, 2013; Buck & Shahrim, 2005; Clark et al., 2005). For example, Buck and Shahrim (2005) conducted a study that demonstrated the adoption of US-styled governance strategies by German firms. Additionally, this study identified that UK firms share common governance traits with both US and German organisations (Buck & Shahrim, 2005). A similar result was found by Aoki and Lennerfors (2013) with the uptake of western governance strategies by Japanese companies. Their research indicates that as different cultures and practices come into contact with one another they are gradually incorporated into the organisation and organisational practices. This in turn can affect corporate governance structures and systems (Aoki & Lennerfors, 2013; Buck & Shahrim, 2005).

2.8 SUMMARY

This Chapter has provided a review of critical concepts from both the international business and corporate governance literatures. Based on the theories presented in this Chapter it is evident that the multinational enterprise is the preferred structure of international business and it has now been investigated to considerable detail, albeit sometimes without much real benefit. Even so, there remains a lack of understanding and a need for further research into subsidiary-level attributes, as opposed to headquarters, and how these attributes may or may not impact on subsidiary performance. It is not surprising that there is a lack of clarity and theory over subsidiary-level success factors when the thoroughly studied, multinational enterprise success attributes cannot be definitively determined. In the current literature there appears to be ambiguity around the role and strategic legitimacy of company boards, including the relevance of subsidiary boards; the relationships and roles of management and the subsequent influence on the company; the degree to which culture affects management or governance of a company; and, the degree to which control mechanisms impact subsidiary performance. There is little evidence in the literature of subsidiary-level attributes that influences performance, however, the function of local control, regardless of ownership, has been found to be a critical dimension of subsequent performance.

Taking the literature into consideration alongside the understanding of the automobile industry at a local level (Chapter One), it is proposed that subsidiary-level attributes and local control attributes contribute to subsidiary success in the local market. Established theory concerning governance, boards, culture, and management, needs to be considered when taking a subsidiary perspective on the MNE-subsidary relationship. The research does not propose to provide all of the answers or consider all of the possibilities of subsidiary-level performance factors, but strives to contribute to a better understanding of how subsidiaries contribute to and influence success in the local market.

CHAPTER THREE: METHODOLOGY

3.0 RESEARCH OBJECTIVES

The objective of the research is to determine the specific strategies or attributes that produce every day, long-term performance in a subsidiary business. This focus is underpinned by two key aspects; (1) the relationship between subsidiary ownership and business performance; and, (2) what influences the variation in performance of subsidiaries. Overall, this research is built from the foundation of the following two research hypotheses:

- Successful automotive subsidiaries have a different ownership structure compared with less successful subsidiaries
- Long-term market leadership is a result of subsidiary-level attributes

The research design is conducted in three stages. Stage One uses publicly available and data to identify the nature and structure of the HQ-subsidiary ownership, governance and potentially business performance. The aim of this stage is to understand the structure and governance landscape of automotive subsidiaries across the Anglosphere.

The aim of Stage Two is to more accurately determine the relationship between governance and business performance by conducting an investigation of an exemplary subsidiary case study. Toyota New Zealand (TNZ) is the subsidiary case used for this research for two reasons, firstly, its long term market success in New Zealand, and secondly, the researcher has access to TNZ staff. Stage Two involves interviewing managers in an attempt to try and account for variation in performance of the subsidiary and automotive subsidiaries in general. Toyota New Zealand appears to be an outlier in comparison to both the performance of other Toyota subsidiaries across the Western countries, and other automobile manufacturers in New Zealand and elsewhere. In New Zealand, Toyota has retained the highest market share and across multiple market segments for over two decades. This performance is not repeated by Toyota in the USA, Canada or the UK. It is, therefore, an opportunity to identify the subsidiary-level attributes that have attributed to Toyota's success in New Zealand.

Qualitative interviews will be used to identify the sources of sustained success within Toyota New Zealand.

The aim for Stage Three is to develop an understanding of the data collected in both Stages One and Two and to attempt to determine the implications for both research and practitioners alike. This inductive synthesis was then used to infer reasons for variation in the performance of automobile subsidiaries in New Zealand, and subsidiaries in general.

3.1 DATA COLLECTION TECHNIQUE

Table 3.1 Research design

	Data Type	Source	Research Objective	Theory	Limitations
Stage One	Secondary	Internet	Structure & governance	Internationalisation & governance	Restricted to the Anglosphere – data in English
Stage Two	Primary	Interviews & documentation	Strategy & organisational culture	Internalisation, governance, & strategy	Limited to a case – Entitled by access
Stage Three	Mixed methods from Stage One & Two	Both from Stage One & Two	Implications for case & competitors	Strategy & governance structure	Metaphysical elaboration delineated by contact

A mixed methods approach (Bryman & Bell, 2011) was chosen for this research. Traditionally qualitative and quantitative methods have been taught and practiced separately (Bryman & Bell, 2011; Tashakkori & Teddlie, 2003). However, recognition that operational research does not occur in qualitative or quantitative isolation is increasing (Tashakkori & Teddlie, 2003; Teddlie & Tashakkori, 2012). Various strengths and weaknesses of quantitative and qualitative research have been identified (Bryman & Bell), and a mixed methods approach (multi-strategy approach) enables the

researcher to better capitalise on the strengths of both research techniques. The mixed methods approach combines the best techniques from both quantitative and qualitative research within the one research project (Bryman & Bell). In this research the collection and analysis of secondary data (quantitative) is combined in a step-wise sequential manner with semi-structured interviewing (qualitative) to provide primary data.

An outline of the research design, segmenting the process into three distinct stages is presented in Table 3.1; Stage One involves the collection of secondary data primarily through internet sources; Stage Two uses interviews and documentation to collect primary data related to the subsidiary case; and, in Stage Three the analysis of results and metaphysical elaboration of results from Stages One and Two is to be completed.

Large amounts of data are collected on a daily basis as organisations and governments conduct their business. This data, known as secondary data, is a valuable source for researchers as it provides a low cost and less time consuming form of research in comparison with other methods (Bryman & Bell, 2011). Further benefits of secondary data⁵ are that the data is usually of high quality; there is opportunity for longitudinal analysis; and, opportunity for cross-cultural analysis (Bryman & Bell). There are, however, limitations that can impact research, such as, data complexity; the researcher not being familiar with the data; no control over data quality; and, an absence over key variables (Bryman & Bell). In order to obtain data for this research on the ownership, governance structure, and performance of subsidiaries of automotive MNEs in the countries under investigation, the use of secondary data was considered to be the most suitable choice (Stage One). All data collected was sourced through the public domain largely from internet searches. Websites belonging to automotive manufacturers and government websites were primarily used. The data was used to understand measurable characteristics (governance, ownership, structure at the subsidiary level) of each subsidiary, in each country.

An interview is a research technique used to gather knowledge about the topic under investigation (Mojtahed, Nunes, Martins, & Peng, 2014) and are consistently referenced as an effective tool for collecting data (Bryman & Bell, 2011; Huberman & Miles, 1983; Tashakkori & Teddlie, 2003).

⁵ Secondary data is data that was not originally collected by the user (i.e., census data, annual vehicle sales data, organisational records, or qualitative research) (Bryman & Bell, 2011).

Conducting interviews using a qualitative approach is considered more flexible and allows for “rich” data collection compared with quantitative interviews which are severely structured and are likely to limit deep investigation into emerging phenomenon (Bryman & Bell, 2011; Marais, 2012; Opdenakker, 2006). A semi-structured interview technique was used for this research (Stage 2). There are five reported advantages to using semi-structured interviews. First, it reduces the occurrence of poor response; Second, it allows for exploration of values, beliefs, attitudes, and motives; Third, non-verbal indicators are able to be observed which helps to validate participant response; Fourth, it ensures all questions are answered which allows for future comparability; and, lastly, it eliminates the ability for participants to receive assistance from others to generate a response (Bryman & Bell, 2011; Drew, 2014; Louise Barriball & While, 1994). The objective of the interviews was to attempt to identify the attributes that explain the point of difference within one automotive subsidiary (Toyota) in one country (New Zealand) in the Anglosphere. Bryman & Bell explain that a semi-structured interview technique is best used when there is a clear focus as it allows for specific topics to be addressed. Typically, the interview is directed by an interview schedule which contains topics and/or questions, the order of which can be varied between interviewees (Potter & Hepburn, 2005).

3.2 INTERVIEW SCHEDULE

The design of the interview schedule can vary depending on the path the researcher wants to take. Brief lists, memory prompts, visual cues, and written questions are examples of tools used to construct the interview schedule (Bryman & Bell, 2011; Louise Barriball & While, 1994). While the construct of the schedule can be tailored to each project, the essential aspect of the schedule is that it allows for flexibility within the interview and the capacity to gain a full understanding of the participants views, beliefs, and attitudes (Bryman & Bell, 2011; Drew, 2014; Louise Barriball & While, 1994). Furthermore, partaking in an interview can be a daunting process, this can be countered by beginning an interview with some closed-ended demographic questions (Bogdan & Biklen, 1992).

The interview questions were established through the study of the literature in Chapter Two. A wide scope of literature was examined before establishing a set of questions, such as, subsidiary manager strategy, knowledge flows and subsidiary power within MNCs, various levers of control, governance of MNE subsidiaries, as well as corporate success and failure. The literature provided a broad base

from which to derive the interview questions, focussing on subsidiary level levers of control. The questions were designed to encourage the interviewees to provide their views, experiences, and attitudes on the concepts under examination. This approach facilitated the collection of perceptions from the management of Toyota New Zealand, from a broad national and international research base.

The interview schedule was constructed using both closed and open-ended questions. The questions were designed to obtain demographic data as well as more in-depth operational, company level data within the subsidiary. A total of 18 main questions (3 closed questions & 15 open questions) and 21 sub-questions were asked in face-to-face interviews, the sub-questions were only used if the participant needed prompting or more detail was required for the answer. The participants were all asked the same main questions in the same order. To establish a rapport with the participant and collect demographic data, three closed questions were asked first which were followed by 14 open-ended questions. The open-ended questions were used to explore concepts in order to identify the attributes that contribute to success as well as allow the interviewees to express their own views and attitudes in a confidential environment.

The interview questions were arranged in the following way: four questions establish demographic data around tenure and current role; five questions relate to intra and inter department impact and value creation; one question explores the responsibilities of previously held positions; two questions were around autonomy and decision making processes; four questions ask about personal and company successes, failures, and learning experiences; the final two questions are then broad and sought to capture views or thoughts that may have been missed by earlier questions. The intent of finishing the interview with broad questions was to shift the interviewees' mind-set from a specific line of question to a more open format. At this stage, the interviewee will have recalled and responded to various questions, and, it was anticipated that open-ended questions would provide a platform for any other topics or thoughts that the participant thought relevant to be raised. A copy of the semi-structure interview guideline is included in Appendix 1.

3.3 SAMPLE SELECTION

Due to the long standing leadership in the New Zealand automotive industry (#1 sales for 27 years) and continuous large market share (approx. 21%), Toyota New Zealand (TNZ) was selected as the focus for this study. Additionally, the researcher had ready access to the management of Toyota New Zealand who were willing to participate in the interviews.

The sample also provided some insight into other manufacturers in New Zealand and Toyota subsidiary conditions due to respondents' previous job descriptions and/or employment across the automotive industry.

3.4 RESEARCH ETHICS

Before any interviews were conducted an application for clearance was submitted to the Massey University Human Ethics Committee (MUHEC). Once approval was given the interview process commenced. The process for ethics approval established by Massey University Human Ethics Committee achieves the Committee's requirements of informed and voluntary consent. The MUHEC low risk notification is included in Appendix 2.

In this research project there are issues of commercial sensitivity and confidentiality. The issues apply to individuals and companies. This thesis was rated as low risk by the Massey University Code of Ethics as the researcher did not seek to access commercially sensitive material, nor intellectual property, and was not in a position of authority over the participants. Confidentiality has been strictly adhered to where sensitive material was disclosed either intentionally or unintentionally. The names of interview participants have not been disclosed.

Signed consent was obtained from the interview participants before the interviews were conducted. Interview recordings and transcripts were kept secure until they are destroyed at the conclusion of this research.

3.5 PARTICIPANT ACCESS

For many years now it has been recognised that researcher access is an important part of primary data research (Crow & Lockhart, 2014; Gummesson, 1991, 2007). Access refers to the researcher gaining immediate and direct access to the phenomenon they intend to study and being able to observe, record (primary data), and analyse physical and/or verbal interactions (Gummesson). Examples include but are by no means limited to, sitting in on board meetings, observing a team interacting during a work day, or conducting in-depth interviews. Gummesson (2007) suggests that qualitative, observational techniques, which typically require access, are under-utilised compared with the excessive use of quantitative methods. Furthermore, access is essential for the researcher to get as close to the data as possible in order to understand the reality of the phenomenon in question. The same understanding is unlikely to be achieved through arms-length surveys or secondary data analysis alone (Gummesson, 1991). For this research the researcher was fortunate to have ready access to the participants.

3.6 INTERVIEW PROCEDURE

A letter was sent to Toyota New Zealand's Chief Executive Officer responsible for corporate business requesting permission to interview select management and staff. Once permission was granted specific members to the management team were invited to participate in the interviews. Each participant was supplied with an information sheet and signed a participant consent form, a copy of which is included in appendices 3 and 4.

A pilot interview was conducted in October 2014 with a more junior member of management who had extensive business experience outside of Toyota New Zealand (TNZ). This pilot interview allowed for minor adjustments to be made to some questions, and highlighted the need for additional questions. The data from the pilot interview has not been included in this study.

Participants gave their permission to be interviewed, however, they were provided with the option to decline. All interviews took place in the interviewee's work office, except for one instance where the interview was held in a TNZ meeting room. The interviews lasted between 30 and 100 minutes, if needed the interview was conducted in two parts – this was the case for two interviews only. All participants agreed to be recorded on a dictaphone. The interviews were digitally recorded and when saved to the computer each participant was assigned a code to help maintain anonymity and confidentiality.

3.7 DATA ANALYSIS

To allow for further analysis all recorded interviews were transcribed verbatim and double checked against the recording for accuracy. Transcribing the interviews makes the data more accessible and facilitates further analysis (Huberman & Miles, 1983; Miles & Huberman, 1984).

As qualitative research has evolved over the past few decades there has been much discussion over the benefits and difficulties of analysing qualitative data (McNulty, Zattoni, & Douglas, 2013). Initially authors, such as, Huberman and Miles (1983) set out to lay the groundwork and establish clear processes in the qualitative research field. At the time it was argued that to analyse qualitative data thoroughly and effectively a key process of data reduction must occur (Huberman & Miles, 1983; McNulty et al., 2013; Thomas, 2006). Data reduction is the act of aggregating and partitioning data through coding or summarising (Huberman & Miles, 1983; Thomas, 2006).

In the 1980s qualitative research was emerging as a commonly accepted research method but lacked defined methods or procedures for qualitative data analysis (Côté, Salmela, Baria, & Russell, 1993;

Huberman & Miles, 1983). Using their extensive research background and previous qualitative research experience Huberman and Miles documented and discussed methods, processes, and limitations to set a precedent in the qualitative research field. It was at this point that data reduction as a concept and process for qualitative analysis was thoroughly discussed. A common issue with qualitative research is that a vast quantity of data is collected, primarily in prose form (Bryman & Bell, 2011; Huberman & Miles, 1983; Teddlie & Tashakkori, 2012) and in its raw state qualitative data cannot be used for any meaningful analysis. The process of data reduction allows for analysis of the qualitative data to occur (Bryman & Bell, 2011; Huberman & Miles, 1983). In order to reduce data into a workable form Huberman and Miles (1983) outlined techniques for data reduction. To be most efficient data reduction should occur from the point that data collection begins, this can be in the form of coding or interim site summaries (Huberman & Miles, 1983). Site summaries are simply an abstract or overview of what data was collected at a particular site on a set date (Bryman & Bell, 2011; Huberman & Miles, 1983). Coding is when codes are used to highlight or identify a theme or topic in the data set (Bryman & Bell, 2011; Huberman & Miles, 1983; McNulty et al., 2013). In addition, Huberman and Miles (1983) outlined nine data reduction tools for the researcher to use in order to complete the data reduction process and arrive at the final write up stage with leaner, and better analysed data; they are: coding, policing, dictating, field notes, “connoisseurship”, progressive focusing and funnelling, interim site summaries, external critiquing, memos, and outlining.

Coding: By using codes to identify themes or topics within the data analysis of the data set can begin. This process also guides ongoing data collection if it is conducted as soon as data collection begins. If coding is left to the end of the data collection then there is risk that the analysis will not be as sharp, the data may be incomplete and the opportunity to gather more data has been missed (Huberman & Miles, 1983).

Policing: Policing is more than simply monitoring, is a tool that can highlight bias, keep research on track, ensure only relevant data is collected, and keep data lean (Huberman & Miles, 1983). If there is more than one researcher Huberman and Miles (1983) suggest that a senior researcher should be partnered with a more junior researcher and that each partner is to read one another’s notes in an effort to police the data collection process. Self-policing can also be implemented by keeping a ledger. Huberman and Miles (1983) found that ledger keeping helped to reduce data-redundancy and identified data that needed to be collected at the next site.

Dictating Field Notes:

The process of dictating field notes collected from observations and interviews not verbatim reduced the data set significantly (Huberman & Miles, 1983). It also was useful for highlighting any gaps in the data, was an opportunity for self-reflection, and condensed the data by uniting stands into meaningful or synthesising units.

Connoisseurship:

Connoisseurship is the ability to be able to relate to the interviewees. Huberman and Miles (1983) observed that interviewees were more receptive and forthcoming to the researchers who were able to relate to them and understand their background, issues, sector, and environment.

Progressive Funnelling and Focusing:

The establishment of methods for collecting, coding, analysing new data, limits, and data channels is progressive funnelling and focusing (Huberman & Miles, 1983). This process helps to protect reliability and strengthen validity of the data.

Interim Site Summaries:

As the name suggests, data from each site is summarised and pooled together. Insights and trends are highlighted, some of which may not have been identified without this process. Additionally, this procedure saves time in later analysis (Huberman & Miles, 1983).

Memos: Regular communication with the research team keeps everyone on the same track, helps to focus data collection, and focuses differentiated ongoing analysis (Huberman & Miles, 1983).

Outlining: Huberman and Miles (1983) found that by carrying out the mentioned data reduction techniques it came naturally to write site level case reports. By writing systematically about each research question and using data displays this process helped to reduce and focus the data set (Huberman & Miles, 1983).

Two mechanisms have been identified for qualitative data reduction and analysis (1) manual manipulation, and (2) software programmes (Bryman & Bell, 2011; Côté et al., 1993). As the name suggests, manual manipulation involves the researcher manually creating tags in their research notes

and keeping a log (Côté et al.). Once the tagging process is finished the tags are then manually sorted into categories which are then numbered and logged (Côté et al.). Another option is to use a software programme. There are several options to choose from when it comes to software but essentially they all complete the function of creating tags and categories in lieu of the manual process (Bryman & Bell, 2011; Côté et al., 1993).

The tool-kit outlined by Huberman and Miles (1983) lay the foundation for other researchers to develop and subsequently refine. Consensus has now been gained by the research community that the data collection/reduction process is important for achieving transparency, reliability, and validity in the research (Bryman & Bell, 2011; McNulty et al., 2013; Teddlie & Tashakkori, 2012; Thomas, 2006). As qualitative data is more subjective than quantitative data detailed notes and descriptions need to be taken and reported to assist with the credibility of the findings (Côté et al., 1993; Thomas, 2006). Additionally, it is recommended that a standardised process be used to document data reduction as it allows for an external audit, reproducibility of the findings, and the study to be replicated (Bryman & Bell, 2011; Huberman & Miles, 1983).

Within this research there are some key points that came under consideration; (1) how to determine when enough data has been collected; (2) is the meaning of a term uniform across all those interviewed; (3) how are variations in participant knowledge accounted for; (4) how is variation in participant experience accounted for; and, (5) how is participant reflective ability to be accounted for. This research was carried out using a non-probability, purposive sample. A probability sampling method (random sample) was not appropriate for this research as the objectives for data collection were specific to one organisation and strategic choice of participants was necessary. The criteria for participant selection were the following; (a) tenure in the company a minimum of 3 years; (b) experience in more than one department within the company; and, (c) currently hold a management position. When initial interviewing of participants began a definitive sample size had not been set. Data saturation was used to determine the final sample size. The literature explains that data saturation is the point during the data collection and analysis process where new information produces minimal or no change to the codes/categories already established (Bryman & Bell, 2011; Guest, Bunce, & Johnson, 2006). It took nine participants to achieve data saturation.

Variations in the understanding of words, knowledge, and reflective ability were accounted for through the structure of the interview questions. The interview schedule used was a semi-structured interview. A total of 18 main questions (4 closed questions and 14 open questions) and 21 sub-questions were asked, the sub-questions were only used if the participant needing prompting or more detail was required in the answer. The participants were all asked the same main questions in the same order. Due to the criteria for participant selection it is assumed that all participants have the same base knowledge and experience to be able to understand and answer the questions in a similar manner, that is to say, that all participants understanding of terms are the same. It was expected that there was a difference in knowledge and reflective ability due to different backgrounds and experiences, and the open-ended questions were tailored to extract this information from the interviewees.

3.8 LIMITATIONS OF THE STUDY

Each body of research is exposed to some degree of limitations (Bryman & Bell, 2011; Huberman & Miles, 1983). The key area of limitation for this research is the dilemma between researcher access and bias due to the researchers working relationship with the participants. Researcher bias can take many forms, for example, the researcher is not sufficiently prepared to conduct field research, the researcher has a mental discomfort or predisposition that threatens the truth of the data, or inappropriate questions are asked during an interview (Chenail, 2011; Onwuegbuzie & Leech, 2007). Some may argue that it is pertinent to avoid researcher bias in order to conduct valid research (Bryman & Bell, 2011; Onwuegbuzie & Leech, 2007), and, in this research it could be argued that the data obtained by the research may contain bias due to the working nature between the researcher and participants. However, if bias was to be completely avoided then it is unlikely that access to the participants would have been gained and, therefore, no primary data would have been collected. Therefore, in this instance the need and benefit of researcher access far outweighs the potential validity issues of bias.

CHAPTER FOUR: RESEARCH RESULTS

4.0 INTRODUCTION

The relationship between subsidiary ownership and business performance and, the influences that impact the variation in subsidiary performance are the two key objectives for this research. The data presented in this chapter was collected as a means to understand these objectives. As discussed in Chapter Three, the research design was segmented into three stages, of which, stages One and Two were accomplished through a mixed methods approach of secondary data analysis (Stage One) and semi-structured interviews (Stage Two). This Chapter presents the results from both the secondary data analysis and from the semi-structured interviews. The results are presented in a table format accompanied by a description. The data provides the foundation for further analysis and discussion in Stage Three of the research design which will be presented in the following chapter, Chapter Five.

Secondary Data

Through publically available data automotive manufacturer modes of distributorship and annual sales in of six countries within the Anglosphere were investigated. The countries studied were New Zealand, Australia, United States of America, Canada, United Kingdom, and South Africa. The benefits of secondary data allow for easy access of information but can be inhibited by a lack of key variables (Bryman & Bell, 2011). During the data collection phase there was limited access to annual sales data of South African manufacturers and, therefore, have been omitted from this research.

Semi-structured Interviews

Nine interview participants took part in this phase of the research. The participants were all from Toyota New Zealand (TNZ) and all held management positions within the company. All participants had interactions with customers or stakeholders external to TNZ; had hands-on involvement in strategic planning; and, direct or subsequent involvement in decision making processes across the business. This group of respondents also had comprehensive experience working in various areas of TNZ or other large companies, most notably in the automobile industry in New Zealand and abroad.

The results are now reported in the same order as discussed in Chapter Three. The secondary data was collected to identify the nature of differences in distributorship across Anglo-Saxon countries as well as sales success by different marques.

The interview schedule, developed from the literature review, was designed to capture the critical influences that lie within the control of the subsidiary, Toyota New Zealand, in New Zealand. Maintaining the anonymity of the participants was important, each has been allocated a letter as a reference ('A' through to 'I'). In each section the results for subject 'A' is reported first then those from each subsequent respondent follows. Demographic data is discussed first, followed by impact and value creation, job responsibilities, autonomy and decision making, personal and company successes and failures, and general view points or opinions.

As discussed in Chapter Three, the interview process and data is of a qualitative nature, however, when appropriate, participant responses have been summed or put in a table in order to highlight results and provide comparative statistics where appropriate.

4.1 RESULTS OF SECONDARY DATA

Detailed results on the ownership and performance of automobile subsidiaries across the Anglosphere is presented in this section. Two key areas were examined through this process; (1) a method of distributorship; and, (2) annual sales data. The data collected portrays consistent trends across the countries sampled, despite not always being possible to collect all the data required. The occasional missing data does not appear to have substantive impact on the trends and, therefore, overall ability to draw reliable conclusions.

4.1.1 METHOD OF DISTRIBUTORSHIP

The countries sampled for this study were New Zealand, Australia, The United States of America, Canada, United Kingdom, and South Africa. They were chosen as the countries make up the Anglosphere and have long established automotive markets whose data was relatively accessible. Thirty One automobile marques were examined across each of the six countries.

Table 4.1: The nature of automotive subsidiary-parent relationship

Overview: Ownership of subsidiary-parent relationship						
Ownership Method	New Zealand	Australia	USA	Canada	UK	South Africa
Wholly Owned Subsidiary	13	14	15	15	18	12
Partly Owned Subsidiary	0	0	0	0	0	2
Franchise	0	0	0	0	0	0
Licensed Distributor	18	15	11	13	12	16
Multiple Licenses	0	0	0	0	0	0
Parent Company	0	0	2	0	0	0
N/A	0	2	3	3	1	1
Total # Marques	31	31	31	31	31	31

Table 4.1 illustrates that the two main methods of ownership across all countries are the wholly-owned subsidiary (WOS) (47%) and the licensed distributor (LD) (46%). The category N/A refers to either a lack of data or the marque is not present in the country in question. Across all six countries in the Anglosphere there are only two instances where a parent company is still present, namely Ford Motor Company and General Motors Corporation, both of which are located in the USA.

In New Zealand wholly-owned subsidiaries make up 42% of the distributors and licensed distributors are 58%, Australia WOS are 48% and LD are 52%. In the USA, excluding parent companies, WOS are 58% and LD are 42%. For Canada, WOS are 54% and LD are 46%. In the UK, WOS are 60% and LD are 40%. In South Africa WOS are 40%, LD are 53%, and partly owned subsidiary are 7% of the total number of automobile distributorships in this study.

Table 4.2: Detailed summary of the nature of the subsidiary-parent relationship

Subsidiary-parent relationship						
Manufacturers	New Zealand	Australia	USA	Canada	UK	South Africa
Alfa Romeo	LD	LD	LD	LD	-	LD
Audi	LD	WOS	WOS	WOS	WOS	WOS
BMW	WOS	WOS	WOS	WOS	WOS	WOS
Chrysler	WOS	WOS	WOS	WOS	WOS	WOS
Citroen	LD	LD	LD	LD	LD	-
Dodge	WOS	LD	LD	LD	LD	LD
Fiat	LD	LD	WOS	LD	WOS	WOS
Ford	WOS	WOS	PC	WOS	WOS	WOS
Holden	WOS	WOS	PC	WOS	WOS	WOS
Honda	WOS	WOS	WOS	WOS	WOS	WOS
Hyundai	LD	LD	WOS	WOS	WOS	LD
Jaguar	LD	LD	LD	LD	LD	LD
Jeep	LD	LD	LD	LD	LD	LD
Kia	WOS	-	WOS	WOS	WOS	LD
Land Rover	LD	LD	LD	LD	LD	LD
Mazda	WOS	WOS	WOS	WOS	WOS	LD
Mercedes Benz	WOS	-	WOS	WOS	WOS	WOS
Mini	LD	LD	LD	LD	LD	LD
Mitsubishi	WOS	WOS	WOS	WOS	WOS	LD
Nissan	WOS	WOS	WOS	WOS	WOS	POS
Peugeot	LD	LD	LD	LD	LD	LD
Porsche	LD	LD	LD	LD	LD	LD
Renault	LD	WOS	-	-	WOS	WOS
Saab	LD	LD	WOS	LD	LD	LD
Skoda	LD	LD	LD	LD	LD	LD
Ssangyong	LD	LD	LD	LD	LD	LD
Subaru	LD	LD	WOS	WOS	LD	LD
Suzuki	WOS	WOS	-	-	WOS	POS
Toyota	WOS	WOS	WOS	WOS	WOS	WOS
Volkswagen	LD	WOS	WOS	WOS	WOS	WOS
Volvo	LD	WOS	-	-	WOS	WOS

Table 4.2: WOS (wholly-owned subsidiary), POS (partly owned subsidiary), F (franchisee), LD (licensed distributor), ML (multiple licences), PC (parent company), “-“ (data unavailable or marque not present in country).

Table 4.2 presents the ownership data on the structures adopted by different marques across the Anglosphere. The two main types of ownership were found to be the wholly-owned subsidiary and the licensed distributorship. In total data was collected for 31 marques in the countries sampled. The 31 marques listed represent some 85% of global car sales⁶.

⁶ Marques excluded from the analysis are Ferrari, Lamborghini, Aston Martin, Lotus, and Bugatti at the high end, and brands emerging from China, such as, Great Wall, Proton, and Chery at the low end.

The results demonstrated that 17 (55%) marques used the same method of ownership across all countries; 11 (35%) marques used one method in 83% of countries and then an alternate method in the remainder; 2 (6%) marques used one method in 50% of countries and another in the other 50% of countries; and, 1 (3%) marque used one method of ownership in 67% of countries and another for the remainder. In all cases (100% of marques) no more than two methods of ownership were used.

4.1.2 ANNUAL SALES DATA

The annual sales data of marques in the countries sampled was collected and then ranked, this process was repeated for select vehicle models. The summary tables below do not include sales figures. South Africa was excluded from this section of research as access to annual sales data was both scarce and appeared to be unreliable.

Table 4.3: Top 10 Marques 2011-2013 (based on annual sales data)

Top 10 Marques 2011					
Rank	New Zealand	Australia	USA	Canada	UK
1	Toyota	Toyota	General Motors	Ford	Ford
2	Ford	Holden (GM)	Ford	Dodge/Ram	Vauxhall (GM)
3	Holden (GM)	Ford	Toyota	Chevrolet (GM)	Volkswagen
4	Hyundai	Mazda	Chrysler	Toyota	BMW
5	Mazda	Hyundai	Honda	Hyundai	Audi
6	Nissan	Nissan	Nissan	Honda	Nissan
7	Suzuki	Mitsubishi	Hyundai	Nissan	Peugeot
8	Mitsubishi	Volkswagen	Kia Motors	GMC	Mercedes-Benz
9	Volkswagen	Subaru	Volkswagen	Mazda	Toyota
10	Honda	Honda	BMW	Kia	Citroen

Top 10 Marques 2012					
Rank	New Zealand	Australia	USA	Canada	UK
1	Toyota	Toyota	General Motors	Ford	Ford
2	Ford	Holden (GM)	Ford	Toyota	Vauxhall (GM)
3	Holden (GM)	Mazda	Toyota	Chevrolet (GM)	Volkswagen
4	Nissan	Hyundai	Chrysler	Hyundai	BMW
5	Hyundai	Ford	Honda	Honda	Audi
6	Mazda	Nissan	Nissan	Dodge	Nissan
7	Mitsubishi	Mitsubishi	Hyundai	Kia	Peugeot
8	Suzuki	Volkswagen	Kia Motors	Nissan	Mercedes-Benz
9	Volkswagen	Subaru	Volkswagen	Mazda	Toyota
10	Honda	Honda	BMW	Ram	Hyundai

Top 10 Marques 2013					
Rank	New Zealand	Australia	USA	Canada	UK
1	Toyota	Toyota	General Motors	Ford	Ford
2	Ford	Holden (GM)	Ford	Toyota	Vauxhall (GM)
3	Holden (GM)	Mazda	Toyota	Honda	Volkswagen
4	Hyundai	Hyundai	Chrysler	Chevrolet (GM)	Audi
5	Nissan	Ford	Honda	Hyundai	BMW
6	Mazda	Nissan	Nissan	Dodge	Nissan
7	Mitsubishi	Mitsubishi	Hyundai	Nissan	Mercedes-Benz
8	Volkswagen	Volkswagen	Kia Motors	Ram	Peugeot
9	Suzuki	Subaru	Subaru	Kia	Toyota
10	Honda	Honda	Volkswagen	Mazda	Citroen

Table 4.3: Holden, General Motors, Chevrolet, and Vauxhall are all branded marques by American General Motors (GM)

Table 4.3 illustrates the Top 10 marques from 2011-2013. For the purposes of analysis all branded marques that are American General Motors (GM) are counted as one marque. The marques with the highest occurrence rate in the top three are GM (93%), Ford (87%), and Toyota (73%). Of those Toyota (40%) and Ford (40%) feature as number one most frequently across the Anglosphere.

Table 4.4: Top 10 vehicle sales 2011-2013 by model

2011					
Rank	New Zealand	Australia	USA	Canada	UK
1	Toyota Corolla	Mazda3	Ford F-Series	Honda Civic	Ford Fiesta
2	Toyota Hilux	Holden Commodore	Chevrolet Silverado	Hyundai Elantra	Ford Focus
3	Suzuki Swift	Toyota Hilux	Toyota Camry	Mazda 3	Opel Corsa
4	Holden Commodore	Toyota Corolla	Nissan Altima	Toyota Corolla	Volkswagen Golf
5	Hyundai i30	Holden Cruze	Ford Escape	Chevrolet Cruze	Opel Astra
6	Nissan Navara	Hyundai i30	Ford Fusion	Volkswagen Jetta	Opel Insignia
7	Ford Ranger	Nissan Navara	Dodge Ram	Ford Focus	Volkswagen Polo
8	Mazda3	Toyota Camry	Toyota Corolla/Matrix	Hyundai Accent	BMW 3 Series
9	Toyota Yaris	Ford Falcon	Honda Accord	Ford Fusion	Nissan Qashqai
10	Toyota Hiace	Mitsubishi Lancer	Holden Cruze	Hyundai Sonata	MINI

2012					
Rank	New Zealand	Australia	USA	Canada	UK
1	Toyota Corolla	Mazda3	Ford F Series	Honda Civic	Ford Fiesta
2	Toyota Hilux	Toyota Hilux	Chevrolet Silverado	Hyundai Elantra	Opel Corsa
3	Suzuki Swift	Toyota Corolla	Toyota Camry	Toyota Corolla	Ford Focus
4	Ford Ranger	Holden Commodore	Honda Accord	Mazda 3	Opel Astra
5	Nissan Navara	Holden Cruze	Honda Civic	Chevrolet Cruze	Volkswagen Golf
6	Holden Captiva	Hyundai i30	Nissan Altima	Ford Focus	Nissan Qashqai
7	Holden Commodore	Toyota Camry	Toyota Corolla	Volkswagen Jetta	BMW 3 Series
8	Toyota Yaris	Nissan Navara	Dodge Ram	Hyundai Accent	Volkswagen Polo
9	Toyota Hiace	Mitsubishi Triton	Honda CR-V	Toyota Camry	Mercedes Benz C class
10	Ford Focus	Ford Ranger	Ford Escape	Ford Fusion	BMW 1 Series

2013					
Rank	New Zealand	Australia	USA	Canada	UK
1	Toyota Corolla	Toyota Corolla	Ford F Series	Ford F-Series	Ford Fiesta
2	Toyota Hilux	Mazda3	Chevrolet Silverado	Dodge Ram	Ford Focus
3	Ford Ranger	Toyota Hilux	Toyota Camry	Honda Civic	Opel Corsa
4	Suzuki Swift	Hyundai i30	Honda Accord	Hyundai Elantra	Opel Astra
5	Holden Commodore	Holden Commodore	Dodge Ram	GMC Sierra	Volkswagen Golf
6	Toyota RAV4	Toyota Camry	Honda Civic	Dodge Grand Caravan	Nissan Qashqai
7	Nissan Navara	Mitsubishi Triton	Nissan Altima	Ford Escape	BMW 3 Series
8	Holden Colorado	Holden Cruze	Honda CR-V	Toyota Corolla	Volkswagen Polo
9	Toyota Yaris	Nissan Navara	Toyota Corolla	Mazda 3	BMW 1 Series
10	Holden Captiva	Ford Ranger	Ford Escape	Chevrolet Silverado	Peugeot 208

Table 4.4 presents the rankings of the top automobile models by make from 2011-2013. In the New Zealand market Toyota Corolla (#1) and Toyota Hilux (#2) are the top two models in all years. Further, commercial vehicles, such as, Toyota Hilux, Ford Ranger, Ford F-Series, and Dodge Ram, account for 40% of vehicles in the top 10.

In the Australian market Mazda3 and Toyota Hilux are consistently in the top three. The number of commercial vehicles in the top 10 in 2011 make up 20% which increase to 40% in 2012, and 2013.

In the USA Ford F Series (#1), Chevrolet Silverado (#2), and Toyota Camry (#3) hold 1st, 2nd, and 3rd from 2011-2013. This set of top three are now all considered large vehicles. The Ford F Series and Chevrolet Silverado are both large, heavy duty pickup trucks, and the Toyota Camry is considered to be a large sedan. Large pickup trucks represent 30% of the Top 10 2011-2013.

In Canada the only consistent model in the top three in each year is Honda Civic. In 2011 and 2012 there were no commercial vehicles or pickup trucks in the top 10. In 2013 40% of the top 10 vehicles were commercial, all of which were pickup trucks.

In the UK the top three models 2011-2013 are Ford Fiesta, Ford Focus, and Opel Corsa. The UK market is the only one to have a luxury marque (BMW) feature in the top 10. There are no commercial vehicles or pickup trucks in the top 10 in any of the years studied.

4.2 RESULTS OF THE SEMI-STRUCTURED INTERVIEWS

Success in the subsidiaries of MNEs cannot be guaranteed from a specific set of attributes nor is it easy to identify causal performance influences when studying organisations (Fauzi & Locke, 2012; Mulok, 2010), especially as a finite number of independent variables. Were it to be that simple then the pursuit of competitive advantage would no longer be an enigma. In light of this it was, therefore, important that the interview questions were designed to capture a breadth of knowledge from the sample in order to attempt to uncover the performance attributes of Toyota New Zealand. Questions 1-3, and 7 were used to establish demographic data around tenure and current role; Questions 4-6, and 16 were used to understand intra- and inter- department impact and value creation; Question eight explored the responsibilities of previously held positions; Questions 9-11 were around autonomy and decision making processes; Questions 12-15 asked about personal and company successes, failures, and learning experiences; Questions 17-18 were very broad and sought to capture views or thoughts that may have been missed or stimulated by earlier questions.

The participant responses were recorded electronically and/or manually. All transcripts were subsequently transcribed. Data was then reduced (summarised) from each respondent's answers to each question.

4.2.1 DESCRIPTION AND DEMOGRAPHICS

The demographic information of the respondents (results of questions 1-3, 7) of TNZ Managers are presented in detail in this section. Where possible the data is presented in table or diagram format with a brief description. The demographic data is not the main focus of the study but allows a richer understanding of the context of subsequent data.

The demographic interview questions are listed below:

Question 1: How long have you worked for Toyota New Zealand?

Question 2: What is your current role/job?

Question 3: How long have you been in your current role/job?

Question 7: What other departments or areas have you worked in?

GENDER AND AGE OF MANAGERS INTERVIEWED

Table 4.5: Age and Gender of Interview Participants

Participant	Age	Gender
A	50-59	M
B	40-49	M
C	40-49	M
D	50-59	F
E	40-49	M
F	50-59	M
G	30-39	M
H	50-59	M

Age	Male	Female
30-39	1	0
40-49	3	0
50-59	4	1

In total nine managers were interviewed. Of that group eight (89%) were male, one was female; five (56%) were aged 50-59 years (1 female); three (33%) were aged 40-49 years; and one was aged 30-39 years.

TENURE AT TOYOTA NEW ZEALAND, MANAGEMENT LEVEL, AND OTHER EMPLOYMENT DATA

The participants were asked about their employment history with Toyota New Zealand and Toyota globally (where applicable).

Table 4.6: Tenure at Toyota New Zealand and Level of Management of Participants

Participant	Tenure (yrs)	Management Level	Tenure (yrs)	Junior	Middle	Senior
A	30-34	Senior	0-4	1	-	-
B	15-19	Senior	5-9	-	-	-
C	0-4	Junior	10-14	-	-	-
D	25-29	Middle	15-19	-	-	3
E	15-19	Senior	20-24	-	-	-
F	25-29	Middle	25-29	-	3	-
G	15-19	Senior	30-34	-	-	1
H	35+	Senior	35+	-	-	1
I	25-29	Middle				

Table 4.6 shows the tenure at TNZ of each participant and the management level of their current role. Only one participant had been employed less than 5 years, all other participants (8) had been employed 15 years or more; 15-19 years (3 people), 25-29 years (3 people), 30-34 years (1 person), 35+ (1 person).

The level of management was segmented into Junior Management (i.e., Team Leader, Assistant Manager), Middle Management (i.e., Manager, Senior Manager), and Senior Management (i.e., General Manager, CFO, COO, CEO). Of the senior management (5 participants) the TNZ tenure is split between 15-19 years (3 participants), 30-34 years (1 participant), and 35+ years (1 participant), an average of 20 years.

Table 4.7: Additional Participant Employment Data

Additional Employment Data				
Participant	First Area of TNZ Employment	# of Departments Worked in	Worked in other Toyota Subsidiary	Tenure of Current Role
A	Dealership	4-5	No	5-9
B	Head Office - Sales support	4-5	No	5-9
C	Head Office - Internal support	1	No	0-4
D	Head Office - Sales support	4-5	No	0-4
E	Head Office - Sales	4-5	No	0-4
F	NZ Assembly Plant	4-5	Yes	0-4
G	Head Office - Sales support	6-7	No	0-4
H	Head Office - Internal support	7+	Yes	5-9
I	NZ Assembly Plant	4-5	Yes	5-9

Table 4.7 shows additional employment data of the participants. Additional items include: what area each participant was first employed in, the number of departments they have worked in over that time, if they have worked in another Toyota subsidiary (i.e., Australia, USA, Japan), and the tenure in their current role.

The area of first employment is quite diversified, some started in the dealership (1 participant), the assembly plant when these were still operational in New Zealand (2 participants), in the head office supporting sales (3 participants), in the head office supporting internal functions (2 participants), or in the head office as a sales person (1 participant).

Over their tenure in TNZ eight out of nine participants have had experience in different departments. Six participants (67%) have worked in 4-5 departments, one participant has worked in 6-7 departments, and one participant has worked in 7+ departments. Additionally, three out of nine participants have worked in a Toyota subsidiary outside of New Zealand.

The tenure of participant's current role is all less than 10 years. Five of the participants (56%) have been in their current role 0-4 years and the remaining four (44%) have been in their current role 5-9 years.

Table 4.8: Overview of Participant Employment Details

Summary Table of Employment Details

	A	B	C	D	E	F	G	H	I
Age	50-59	40-49	40-49	50-59	40-49	50-59	30-39	50-59	50-59
Gender	M	M	M	F	M	M	M	M	M
Tenure (yrs)	30-34	15-19	0-4	25-29	15-19	25-29	15-19	35+	25-29
Management Level	Senior	Senior	Junior	Middle	Senior	Middle	Senior	Senior	Middle
First Area of TNZ Employment	Dealership	Head Office - Sales support	Head Office - Internal	Head Office - Sales support	Head Office - Sales	NZ Assembly Plant	Head Office - Sales support	Head Office - Internal	NZ Assembly Plant
# of Departments	4-5	4-5	1	4-5	4-5	4-5	6-7	7+	4-5
Other Toyota Subsidiary	No	No	No	No	No	Yes	No	Yes	Yes
Tenure of Current Role	5-9	5-9	0-4	0-4	0-4	0-4	0-4	5-9	5-9

4.2.2 IMPACT AND VALUE CREATION

Questions 4-6, and 16 were used to understand intra- and inter- department impact and value creation. This section presents the key themes and views from the participants in response to those questions.

QUESTION 4: WHAT AREAS OR DEPARTMENTS DO YOU IMPACT?

Table 4.9 summaries the participant responses from Question four. All participants (100%) identified with impacting more than one area of the business; 100% said they impacted internal support departments; 89% impacted TMC; 78% had an impact on internal operational departments; 56% impacted dealers; and, one participant said they impacted customers.

Table 4.9: Participant Responses from Interview Question Four

Participant	Internal Operational Departments	Internal Support Departments	Dealers	Customers	TMC
A	✓	✓	✓		✓
B	✓	✓			✓
C	✓	✓			✓
D	✓	✓	✓		✓
E		✓			✓
F		✓	✓	✓	✓
G	✓	✓			
H	✓	✓	✓		✓
I	✓	✓	✓		✓

Table 4.9: Internal operational departments are defined as areas of the business which directly sell vehicles, parts, or products to dealers or customers; Internal support departments are defined as areas of the business which support the operational departments (i.e., finance, IT, HR); Customers are specifically Toyota vehicle owners and is not referring to customers as an end user of a departmental product (excluding new and used vehicles) or service

QUESTION 5: HOW DOES THIS ROLE CREATE IMPACT OR VALUE?

The participants’ exact responses on how they considered that they create impact or value have been summarised into general topics with a short description. The general topics mentioned relationships, planning, profit, product, pricing, support, education, brand and marketing. The relationships topic addresses items around management, communication, and relationships between and within the business. Planning covers any topic around goal setting and goal achievement, such as, future development, renewal, strategic planning, budget, and product planning. Profit refers to TMC, TNZ, or dealer revenue and/or profitability. Any subjects that encompass vehicle sales or public (market) product reputation/image are included in the product topic. Pricing includes new vehicle pricing, used

vehicle pricing, and parts pricing. Subjects that specifically mention support or refer to contributing success of another party come under the support topic. Education refers to TMC, TNZ, or dealer training, up-skilling, or tertiary education. Brand includes any issue relating to the Toyota brand i.e., brand development, brand marketing, brand value. Marketing refers to retail marketing activity but excludes brand or product value creation. The participants' responses have been summarised in Table 4.10 and 4.11

Table 4.10: Categorised Responses from Interview Question Five

Category	Number of Participants
Relationships	2
Planning	6
Profit	2
Product	2
Pricing	1
Support	3
Education	1
Brand	1
Marketing	1

Table 4.11: Participant Responses from Interview Question Five

Participant	Topic	Summary of Responses
A	<ul style="list-style-type: none"> ▪ Relationships ▪ Planning ▪ Profit 	<ul style="list-style-type: none"> ▪ Interface between TMC and the customer (dealers) ▪ Dealer network succession planning ▪ Company revenue
B	<ul style="list-style-type: none"> ▪ Planning ▪ Product 	<ul style="list-style-type: none"> ▪ Product planning ▪ Used vehicles
C	<ul style="list-style-type: none"> ▪ Pricing ▪ Support ▪ Planning 	<ul style="list-style-type: none"> ▪ New vehicle pricing ▪ Strategic planning support ▪ Budget
D	<ul style="list-style-type: none"> ▪ Planning ▪ Education 	<ul style="list-style-type: none"> ▪ Business renewal/future planning ▪ Training of TNZ and dealer network
E	<ul style="list-style-type: none"> ▪ Relationships ▪ Planning ▪ Planning 	<ul style="list-style-type: none"> ▪ Manage the support departments ▪ Mid-term & long-term strategic planning ▪ Budget
F	<ul style="list-style-type: none"> ▪ Support 	<ul style="list-style-type: none"> ▪ Make customers (dealers, internal/external customers) successful
G	<ul style="list-style-type: none"> ▪ Brand ▪ Product ▪ Marketing 	<ul style="list-style-type: none"> ▪ Create brand value ▪ Create product value ▪ Retail campaigns
H	<ul style="list-style-type: none"> ▪ Planning ▪ Planning 	<ul style="list-style-type: none"> ▪ Strategic planning ▪ Future development/renewal
I	<ul style="list-style-type: none"> ▪ Support ▪ Profit 	<ul style="list-style-type: none"> ▪ Support the dealer network ▪ Make the dealer network profitable

QUESTION 6: WHAT LEVEL OF INFLUENCE DOES YOUR ROLE HAVE?

The objective of this question was to gauge the participants' perception of influence their role has on the outcomes sought by TNZ. Some participants specifically rate (i.e., low or high) their level of influence whereas others describe how they influence their team. Two categories were used to summarise the varied responses, whether they discussed internal influence or discussed external influence. 100% of participants discussed the internal influences of their role. Only three participants described their role as having any direct external influence.

Table 4.12: Participant Responses from Interview Question Six

Participant	Summary of Responses	Discusses Internal Influence	Discusses External Influence
A	<ul style="list-style-type: none"> ▪ Set new vehicle sales targets ▪ Set departmental strategies ▪ Set dealer sales targets 	✓	✓
B	<ul style="list-style-type: none"> ▪ "In terms of setting business plans, strategies, and objectives I have a huge amount of influence" ▪ "I have a huge amount of influence in terms of our teams, and the roles, and the tasks" ▪ "I have a huge amount of influence but I have chosen not to exercise that muscle" 	✓	
C	<ul style="list-style-type: none"> ▪ "influence within the department, it is about opportunity... giving people enough challenge but in a safe environment" ▪ "talking to TMC about our challenges and successes... communicating messages from TMC back into the management team of TNZ" 	✓	✓
D	<ul style="list-style-type: none"> ▪ "I have a macro style... I check in weekly with people... I am available daily, but I don't do the work for them" 	✓	
E	<ul style="list-style-type: none"> ▪ "I think extremely high" ▪ "your influences around how you get on with the team, how you lead by example, how you direct, and how you get people to take on ownership" 	✓	
F	<ul style="list-style-type: none"> ▪ "I have a fair bit of influence, especially over my own team members and structure" ▪ "for our customers (dealers) we have dealer standards... so they have to comply... that is quite a big influence" ▪ "quite a big influence internally and externally" 	✓	✓
G	<ul style="list-style-type: none"> ▪ "the work of the marketing department is usually a result of strategies... it is not dictatorial but the work comes from a partnership we have agreed on strategically" ▪ "I can say this is what we are going to do without consultation, but we don't tend to do that... you have to be cohesive in your approach" 	✓	
H	<ul style="list-style-type: none"> ▪ "the most significant amount of influence at a corporate level and power level but...little influence over day-to-day interactions and what people do" ▪ "more about setting up the culture and principles and being a flag waver for the company rather than actually doing anything" 	✓	
I	<ul style="list-style-type: none"> ▪ "I've evolved the way I have manage... you empower people" ▪ "I tell the team what the big rocks are... and what we have to do to support those big rocks and they (the team) have some input into that" 	✓	

Internal influences include any reference to TNZ internal departments or warehouse. External influences include any reference to dealers, the dealer network, public customers, Thames, or TMC.

QUESTION 16: HOW DO YOU THINK IMPACT OR VALUE IS MEASURED?

Participants’ responses to this question highlighted what they thought were TNZ’s strengths and weaknesses of impact or value measurement. The results have been summarised into two categories, one showing the current measurement strengths of TNZ and the other the weaknesses.

100% of participants discussed current processes where impact or value was successfully measured. A large number of measurement methods are qualitative based processes where actual figures (data) can measure impact or value, namely, sales volumes, profitability, customer retention, website statistics, and project time assessment. Some methods of measuring impact or value were more subjective (qualitative) and in some cases refer to an individual’s process of measurement. The qualitative measures mentioned were personal reflection, sponsorship, personal achievements, and staff annual reviews. Only two participants discussed areas where there was a lack of impact or value measurement both of which fall under the qualitative umbrella and are not easily supported by actual data.

Table 4.13: Participant Responses from Interview Question 16

Participant	Responses Supporting Strengths	Responses Highlighting Weaknesses
A	<ul style="list-style-type: none"> ▪ customer retention ▪ net promoter score (customers, new vehicle, service retention) ▪ dealer profitability 	
B	<ul style="list-style-type: none"> ▪ sales volume, record sales, market leadership, marketing spend ▪ extra care sales, service revenue ▪ business score card, individual performance metrics 	<ul style="list-style-type: none"> ▪ productivity and engagement of staff members (TNZ & dealerships)
C	<ul style="list-style-type: none"> ▪ staff (employee) annual review ▪ best places to work survey (engagement, views on the company) ▪ personal reflection 	
D	<ul style="list-style-type: none"> ▪ balance score card (KPIs, targets, benchmarks) ▪ mystery shoppers, customer radar (feedback) ▪ staff (employee) annual review 	
E	<ul style="list-style-type: none"> ▪ projects have time, money, value equation - common in IT ▪ quantitative and qualitative measures ▪ sponsorships 	
F	<ul style="list-style-type: none"> ▪ dealer profitability ▪ customer retention 	
G	<ul style="list-style-type: none"> ▪ ability to measure data funnelled through digital marketing 	<ul style="list-style-type: none"> ▪ hard to measure marketing impact that isn't in the digital space ▪ hard to measure brand exposure and impact
H	<ul style="list-style-type: none"> ▪ surveys (impact into communities and nationally) ▪ sales volume, customer retention ▪ profitability 	
I	<ul style="list-style-type: none"> ▪ dealer profitability ▪ sales volume ▪ personal achievements 	

4.2.3 RESPONSIBILITIES OF PREVIOUS POSITIONS

QUESTION 8: WHAT TASKS OR RESPONSIBILITIES DID YOUR PREVIOUS POSITIONS INVOLVE?

Participants were asked to discuss the tasks and responsibilities of previous positions they have had at TNZ. Only one participant had not had more than one role and, therefore, no response was offered to this question. A summary of participants answers are presented in Table 4.13.

Table 4.14 show extracts of participants' comments as well as a summary of whether previous tasks and responsibilities were operational or managerial. 100% of eligible respondents to this question had previously performed both operational and managerial tasks. Three participants had previous experience outside of the corporate office; one started in a dealership and then went on to the assembly plant before working in the office, and two participants started as engineers in the assembly plant.

Table 4.14: Participant Responses from Interview Question Eight

Participant	Summary of Responses	Operational Tasks	Managerial Tasks
A	<ul style="list-style-type: none"> ▪ Technician at dealership ▪ Toyota factory on the floor assembling vehicles then into management doing allocations, ordering, logistics ▪ Moved to TNZ doing allocations, ordering and logistics ▪ Used vehicles and New vehicles roles ▪ Used vehicles manager 	✓	✓
B	<ul style="list-style-type: none"> ▪ "when I started my job was making sure the spec on the website was correct" ▪ "set up the Toyota Lexus site and the dealer net sites" ▪ IT projects ▪ "New vehicles supply, demand, and national retail sales manager" ▪ Marketing 	✓	✓
C	N/A		
D	<ul style="list-style-type: none"> ▪ "started in marketing in a graduate role then moved into after sales administration... then marketing manager... then operations manager for Lexus, and then national manager for Lexus" ▪ "I looked at it as running a business unit... sales targets to deliver... working with 5 dealers... also had responsibilities for the customer and their experience... upskill teams of people in the dealership... work with the marketing team" - reference to Lexus Manager role 	✓	✓
E	<ul style="list-style-type: none"> ▪ Used vehicles buying and selling cars ▪ Marketing ▪ IT manger ▪ Corporate manager 	✓	✓
F	<ul style="list-style-type: none"> ▪ "as an engineer we would develop the components (CKD vehicles) locally" ▪ Developed local accessories ▪ "my first promotion from a senior engineer to supervisor was back in Johnsonville, back in the 1990s" ▪ "I have worked in C&A (customs & accessories), Extra Care, and the CDC (customer dialogue centre) ▪ "at one stage I was looking after C&A, Extra Care, and the CDC all at once" 	✓	✓
G	<ul style="list-style-type: none"> ▪ "I started in the Service area administrating warranty claims... approve or decline or ask them (dealers) questions" ▪ "I became the environmental officer when Prius launched" ▪ "then I went back into after sales and I also assisted with business training" ▪ "I moved to IT which was a bit of a shock... but that was around process focus and project management" ▪ "then I got promoted to IT manager... then got moved into New Vehicles as National Sales Manager... then marketing as the marketing manager, and then corporate manager" 	✓	✓
H	<ul style="list-style-type: none"> ▪ "I started in accounting... morphed into corporate planning... gathered up all the product planning and all of sales forecasting... ordering and production scheduling... product and pricing, as well as regular things like budgeting, key factor reporting, monthly reporting, board papers etc." ▪ "General manager for sales, marketing, after sales... then General manager for governance, finance, IT, and planning" ▪ "I went to the United States... strategic planning, sales and customer services... used vehicles, strategic planning for IT" ▪ "I have done every job apart except for engineering and assembly" 	✓	✓
I	<ul style="list-style-type: none"> ▪ "engineering, product, then I went to America and I worked in engineering, quality, IT, strategy, a data centre, then I came back here and did IT" ▪ "product engineer... at some time or another I was responsible for all the local engineered products that went into our cars... as an engineer I was doing it or as an engineering manager I was overseeing it" 	✓	✓

Where a participant has not held any previous positions with Toyota New Zealand the response is recorded as N/A

4.2.4 AUTONOMY AND DECISION MAKING PROCESSES

QUESTION 9: WHAT FREEDOMS WOULD YOU LIKE OR YOU COULD SEE BEING BENEFICIAL TO YOUR CURRENT ROLE OR THE COMPANY?

The responses to Question nine are summarised by table 4.15. Answers are categorised as a simple yes/no and then when applicable comments relating to TNZ and TMC are noted.

Six participants were happy with the status quo and did not want any more autonomy within their role, and three participants indicated that they would like or could see benefit in having a higher degree of autonomy. Of those three, all discussed freedoms related to TMC. No participants expressed a need for more autonomy from TNZ.

Table 4.15: Participants Responses from Interview Question Nine

Participant	Would You Like More Freedom?	TNZ Freedoms	TMC Freedoms
A	Yes	N/A	<ul style="list-style-type: none"> ▪ reduce limitations imposed by TMC (condition of globalisation)
B	No	N/A	<ul style="list-style-type: none"> ▪ TNZ has a lot of freedom compared with other subsidiaries such as TMCA
C	Yes	<ul style="list-style-type: none"> ▪ day to day is quite autonomous ▪ Toyota has strong processes 	<ul style="list-style-type: none"> ▪ less structure from TMC on occasion
D	No	N/A	N/A
E	No	N/A	N/A
F	No	N/A	N/A
G	No	N/A	N/A
H	Yes	N/A	<ul style="list-style-type: none"> ▪ less restriction on capital expenditure ▪ less restriction on land purchasing
I	No	N/A	N/A

QUESTION 10: IN RELATION TO YOUR ROLE HOW DO DECISIONS GET MADE?

QUESTION 11: IN RELATION TO YOUR ROLE WHERE DO DECISIONS GET MADE?

The results for questions 10 and 11 are presented in Table 4.16. Based on the answers to these questions the data has been identified as either being an operational decision or a strategic decision. A short summary referring to 'how' and 'where' decisions get made are then noted.

Strategic decision making was discussed by all participants. The involvement of the executive in strategic decisions was identified in every response. The terms "consensus" and "collaborative" were used to describe strategic decision making by six out of nine participants.

Operational decision making was mentioned by seven participants, all of which described the process as having no input from the executive and had a team or department focus. Five out of the seven participants also mentioned the terms "empower" and "collaborative" when discussing operational decisions.

Table 4.16: Participants Responses from Interview Questions 10 & 11

Participant	Type of Decision	How Do Decisions Get Made	Where Do Decisions Get Made
A	<ul style="list-style-type: none"> ▪ Operational ▪ Strategic 	<ul style="list-style-type: none"> ▪ Executive input not necessary, decision can be approved by 1 GM ▪ Gain consensus from the Executive 	<ul style="list-style-type: none"> ▪ Department meeting or ad hoc by team members/management ▪ Executive meetings
B	<ul style="list-style-type: none"> ▪ Operational ▪ Strategic 	<ul style="list-style-type: none"> ▪ Executive input not necessary, decision can be approved by 1 GM ▪ Gain consensus from the Executive 	<ul style="list-style-type: none"> ▪ Informal discussion with other executive members/CEO ▪ Executive meetings
C	<ul style="list-style-type: none"> ▪ Strategic 	<ul style="list-style-type: none"> ▪ Collaborative process involving other departments & Executive - occasionally dealers, TMC 	<ul style="list-style-type: none"> ▪ Formal meetings or ad hoc discussions
D	<ul style="list-style-type: none"> ▪ Operational ▪ Strategic 	<ul style="list-style-type: none"> ▪ Collaborative process made amongst the team and related parties, Executive input not necessary ▪ Overall strategy set by Executive and departmental progress reported ad hoc, subsequent strategic decisions can be made by Manager without Executive input 	<ul style="list-style-type: none"> ▪ Formal meetings or ad hoc discussions ▪ Executive meetings, department meetings
E	<ul style="list-style-type: none"> ▪ Operational ▪ Strategic 	<ul style="list-style-type: none"> ▪ Empower the team to make day to day decisions ▪ Gain consensus from the Executive, has the ability to have the final say in decision making 	<ul style="list-style-type: none"> ▪ Department meeting or ad hoc by team members/management ▪ Executive meetings or ad hoc discussions
F	<ul style="list-style-type: none"> ▪ Operational ▪ Strategic 	<ul style="list-style-type: none"> ▪ Collaborative process made amongst the team, empower team members to make their own decisions on operational matters, Manager input minimal, on occasion matters might be escalated to Executive level ▪ Overall strategy set by Executive 	<ul style="list-style-type: none"> ▪ Formal meetings, department meetings or ad hoc discussions ▪ Executive meetings, department meetings
G	<ul style="list-style-type: none"> ▪ Operational ▪ Strategic 	<ul style="list-style-type: none"> ▪ Collaborative process involving consultation with operational departments that are involved ▪ Overall strategy set by Executive 	<ul style="list-style-type: none"> ▪ Formal meetings or ad hoc discussions ▪ Executive meetings, department meetings
H	<ul style="list-style-type: none"> ▪ Strategic involving TMC ▪ Strategic internal TNZ 	<ul style="list-style-type: none"> ▪ Consultation and negotiation ▪ Consultation and majority consensus gained 	<ul style="list-style-type: none"> ▪ Formal meetings with TMC or Executive Director ▪ Formal meetings with related committee or delegate of authority
I	<ul style="list-style-type: none"> ▪ Operational ▪ Strategic 	<ul style="list-style-type: none"> ▪ Empower the team to make day to day decisions ▪ Overall strategy set by Executive, subsequent strategy is a collaborative process within the department occasionally requiring Executive input 	<ul style="list-style-type: none"> ▪ Department meeting or ad hoc by team members/management ▪ Executive meetings, department meetings

4.2.5 SUCCESS, FAILURE, AND LEARNING EXPERIENCES

QUESTION 12: WHAT HAS BEEN YOUR BIGGEST SUCCESS?

Participants were asked to discuss their successes that they have had in any time over their career at TNZ. To assist in categorisation the responses have been classified as a 'type' of success with a summary or description accompanying it. Success was viewed differently by each participant, some types of success mentioned were sales or performance targets, specific projects that they have worked on, relationship development, processes, and future development. All participants discussed successes that were not solely individualistic, they involved input from other people or departments. Status, rank, or job title was not mentioned as a success by any of the participants

Table 4.17: Participants Responses from Interview Question 12

Participant	Type of Success	Summary of Responses
A	<ul style="list-style-type: none"> ▪ Sales targets ▪ Sales records ▪ Role development 	<ul style="list-style-type: none"> ▪ has not missed an annual sales target for the last 9 years ▪ previous 3 years has achieved sales records ▪ growing the New Vehicle business, improving processes, taking advantage of opportunities
B	<ul style="list-style-type: none"> ▪ Staff development 	<ul style="list-style-type: none"> ▪ targeted career development of an individual - from team leader progressed them through the ranks to manager level
C	<ul style="list-style-type: none"> ▪ Relationship development ▪ Internal processes 	<ul style="list-style-type: none"> ▪ building stronger relationships with TMC ▪ development of internal processes to be able to understand the market better, develop internal knowledge, and have stronger discussions with TMC
D	<ul style="list-style-type: none"> ▪ Project work 	<ul style="list-style-type: none"> ▪ success with marketing campaigns, TV commercials, sponsorships ▪ current project work around future development and renewal
E	<ul style="list-style-type: none"> ▪ Project work 	<ul style="list-style-type: none"> ▪ having the autonomy to go out and establish and complete value add projects over the years
F	<ul style="list-style-type: none"> ▪ Engineering - product ▪ Role development 	<ul style="list-style-type: none"> ▪ in 1980s/1990s assembly period development of the McKenzie seat for Corolla ▪ growth of the accessories department <\$600 p/month to \$1m+ p/month business
G	<ul style="list-style-type: none"> ▪ Sales targets ▪ Team work 	<ul style="list-style-type: none"> ▪ in previous role(s) achieving sales targets were good successes ▪ building cohesive teams and managing relationships to achieve projects
H	<ul style="list-style-type: none"> ▪ Company establishment ▪ Company viability 	<ul style="list-style-type: none"> ▪ being a part of establishing Toyota as the best car company in NZ through the 1980s ▪ rebuilding the company after assembly closure in NZ in the 1990s, also maintaining leadership, dealer viability, and brand image through this period
I	<ul style="list-style-type: none"> ▪ Engineering - product ▪ Project work ▪ Future development 	<ul style="list-style-type: none"> ▪ was an achievement any time a new model was "up and running" successfully during CKD period ▪ completing projects that are beneficial to the company and dealer network ▪ being involved in the future development of the company, being able to contribute to the future legacy

QUESTION 13: WHAT HAS BEEN YOUR BIGGEST LEARNING EXPERIENCE OR FAILURE?

Following the same format as Question 12, the learning experiences described in the interviews are summarised into a type with a brief description. Participants A, B, D, F, & G (5 out of 9) expressed learnings that related to personal growth and development. The remaining four participants' learning experiences can be classified as operational or work focused learnings.

Table 4.18: Participants Responses from Interview Question 13

Participant	Type of Learning	Summary of Responses
A	<ul style="list-style-type: none"> ▪ Self belief ▪ Personal growth 	<ul style="list-style-type: none"> ▪ biggest learning is that you can achieve what you want to achieve in TNZ - went from assembly in factory to GM ▪ learning, growing, developing personally, learning when to put the ego to one side
B	<ul style="list-style-type: none"> ▪ Management style 	<ul style="list-style-type: none"> ▪ understanding personal management style and how to grow as a manager. Also understanding that different people prefer different styles of management
C	<ul style="list-style-type: none"> ▪ Cultural ▪ Processes 	<ul style="list-style-type: none"> ▪ learning and understanding the cultural differences between TNZ and TMC ▪ understanding how process work in TNZ and in TMC and how they impact decision making
D	<ul style="list-style-type: none"> ▪ Professional growth 	<ul style="list-style-type: none"> ▪ Surviving professional situations where you are out of your depth due in inexperience rather than failure to do background research
E	<ul style="list-style-type: none"> ▪ Processes 	<ul style="list-style-type: none"> ▪ processes can be lost during handover between different roles, it is important to slow down the handover to minimise this impact
F	<ul style="list-style-type: none"> ▪ Achieving goals 	<ul style="list-style-type: none"> ▪ learning to keep persevering when trying to achieve goals at work, keep driving the progress, and working through the negative responses
G	<ul style="list-style-type: none"> ▪ Continuous improvement 	<ul style="list-style-type: none"> ▪ learning from past actions and continually reflecting and improving the processes to achieve success
H	<ul style="list-style-type: none"> ▪ Company renewal 	<ul style="list-style-type: none"> ▪ forgetting all of your old concepts and notions and developing a new "normal" for the company, developing new processes and new ways of thinking
I	<ul style="list-style-type: none"> ▪ Continuous improvement 	<ul style="list-style-type: none"> ▪ during engineering period working under pressure to solve product issues and learn from past occurrences

QUESTION 14: WHAT ARE SOME OF THE BIGGEST ACHIEVEMENTS FOR TNZ?

Participants were asked to comment on what they thought were successes for Toyota New Zealand. As with the previous two questions the data was then categorised, a process that then highlighted some consistent topics within the responses.

Brand was mentioned as an achievement by TNZ by six of the nine participants. Market leadership, including sales successes and market dominance, were discussed by four participants. The status and success of TNZ assembly plants during the CKD (completely knocked down) era was mentioned by three participants. Product quality and product localisation were viewed as achievements for TNZ by three participants. Two participants thought the values and beliefs of TNZ are an achievement and, two participants said leadership was also a TNZ achievement. The shift of TNZ from Wellington to Palmerston North in the 1990s is discussed as a success by one participant. TNZ structure, in particular, the ability for TNZ to maintain a flat structured organisation is an achievement identified by one participant. TNZ's focus on renewal is mentioned by one participant as a success.

Table 4.19: Participants Responses from Interview Question 14

Participant	Type of Success	Summary of Responses
A	<ul style="list-style-type: none"> ▪ Assembly operations ▪ Local product ▪ Brand ▪ Market Leadership 	<ul style="list-style-type: none"> ▪ during CKD period TNZ was rated as one of the best assembly plants in the world ▪ during CKD period TNZ was making local modifications to product so CKD vehicles were unique to others produced globally ▪ achieved brand image where the public think Toyota is a quintessential New Zealand company, aligned brand, values, people with the New Zealand psyche ▪ being number 1 (sales) in New Zealand for last 27 years
B	<ul style="list-style-type: none"> ▪ Brand ▪ Values ▪ Leadership 	<ul style="list-style-type: none"> ▪ successfully establishing a Japanese car brand as a kiwi heartland brand ▪ TNZ success has been underpinned by strong ethical and moral values ▪ taking a long term approach - leadership is long term, previous CEO had 20 year tenure, Executive team have all been with TNZ for 15+ years
C	<ul style="list-style-type: none"> ▪ Product ▪ Brand 	<ul style="list-style-type: none"> ▪ Product fit with NZ lifestyle and psyche such as Hilux, Hiace, Corolla ▪ Establishing brand and product as kiwi
D	<ul style="list-style-type: none"> ▪ Assembly operations ▪ Market Leadership ▪ Relocation 	<ul style="list-style-type: none"> ▪ when we had the plants we had world class facilities, networks and procedures ▪ milestones with leadership over the years, triple crown, Corolla, Hilux ▪ relocating facilities from Johnsonville to Palmerston North
E	<ul style="list-style-type: none"> ▪ Leadership ▪ Values ▪ Structure 	<ul style="list-style-type: none"> ▪ leaders/management who have had long tenures and long term perspectives ▪ family orientated company, paternalistic ▪ try a maintain as flat a structure as possible
F	<ul style="list-style-type: none"> ▪ Brand ▪ Product 	<ul style="list-style-type: none"> ▪ having people in NZ think that Toyota is a NZ brand ▪ in the early days strong product like Corolla was well ahead of everyone else
G	<ul style="list-style-type: none"> ▪ Market Leadership ▪ Brand 	<ul style="list-style-type: none"> ▪ market leadership ▪ being able to connect with kiwis as a kiwi company
H	<ul style="list-style-type: none"> ▪ Brand 	<ul style="list-style-type: none"> ▪ removing the prejudice of Japanese products and strategically establishing Toyota in the hearts of the NZ public
I	<ul style="list-style-type: none"> ▪ Market Leadership ▪ Assembly operations ▪ Renewal 	<ul style="list-style-type: none"> ▪ being number 1 (sales) ▪ being the top non automated plant in the world for quality ▪ transitioning from CKD to CBU product

CKD & CBU refer to the type of vehicle that is imported from overseas. CKD stands for Completely Knocked Down, these vehicles are imported in pieces and are then assembled. CBU stands for Completely Built Up, these vehicles come complete and require little to no further adjustments once they arrive at their destination.

QUESTION 15: WHAT DO YOU THINK A LEARNING EXPERIENCE FOR TNZ HAS BEEN?

Table 4.20 shows the summary of participants' responses regarding learning experiences for TNZ. Answers are categorised as a 'type' with a short description or excerpt from the interview transcript. There were two participants who did not respond to this question which has been noted with an N/A.

The New Zealand market de-regulation in the 1990s is mentioned as a learning experience by three of the seven participants. Comments around this experience discuss the risk and adaptation undertaken by TNZ. Continuous improvement and product localisation were linked and identified by one participant. This concept was around improving imported product through local modifications. Two participants discuss the market place and market timing. One participant mentions being too ahead of the market and the other refers to being behind the market in the online space. One participant identifies a learning experience within completing the PDCA (Plan Do Check Act) process.

Table 4.20: Participants Responses from Interview Question 15

Participant	Type of Learning	Summary of Responses
A	<ul style="list-style-type: none"> ▪ Continuous improvement ▪ Product localisation/Continuous improvement 	<ul style="list-style-type: none"> ▪ company learning to "put their hand up" and admit to a problem and fix it by reviewing and improving processes - during period of assembly had rust issues highlighted by Chris Amon, company admitted there was an issue, recalled all vehicles and improved the processes to eliminate the problem ▪ Localising product to suit NZ - Chris Amon (NZ professional race car driver) was on TV talking about issues with Toyota product such as suspension and handling so TNZ invited Chris Amon to come and work with them to improve the product for NZ conditions and customers
B	<ul style="list-style-type: none"> ▪ Market de-regulation in 1990s 	<ul style="list-style-type: none"> ▪ when de-regulation of NZ car manufacturing allowing for an open market occurred TNZ had to adapt to surviving in an open market so got involved in selling used vehicles
C	N/A	N/A
D	<ul style="list-style-type: none"> ▪ Online market space 	<ul style="list-style-type: none"> ▪ not at the forefront of the online market space, provides continuous learning
E	N/A	N/A
F	<ul style="list-style-type: none"> ▪ Market de-regulation in 1990s 	<ul style="list-style-type: none"> ▪ taking the risk to accept the change of moving to an open market and getting involved in the used vehicle business
G	<ul style="list-style-type: none"> ▪ Market de-regulation in 1990s 	<ul style="list-style-type: none"> ▪ taking the risk for TNZ to start their own used vehicle programme
H	<ul style="list-style-type: none"> ▪ Market acceptance 	<ul style="list-style-type: none"> ▪ Small failures have taught TNZ not to get too ahead of the market or customers
I	<ul style="list-style-type: none"> ▪ PDCA cycle 	<ul style="list-style-type: none"> ▪ Over time numerous projects are started but not all are reviewed completely with the PDCA cycle (Plan Do Check Act).

4.2.6 ADDITIONAL COMMENTS

QUESTION 17: IS THERE ANYTHING YOU CAN IDENTIFY AS BEING A CONTRIBUTING FACTOR FOR TNZ'S ACHIEVEMENTS (OR FAILURES) TO DATE?

Question 17 was designed to be very open ended in order to capture any data, opinions, or thoughts that the interviewee hadn't expressed in earlier questions. 78% of participant responses to this question were about qualitative aspects of the business (i.e., values, culture, and work environment). Twenty two percent of responses were referring to tangible aspects of the company.

When asked this question 100% of the respondents discussed factors that contributed to TNZ's achievements, no one discussed any instances of failure. Based on the example or situation the respondent used to explain their answer provided that basis to determine whether the factor was either a positive or negative influence. Therefore, the factors identified by the respondents are all positive contributing factors, no negative factors were raised from this question.

Factors concerning the culture and values of TNZ were highlighted by 56% participants. The next factor with the largest response was leadership which was mentioned by 33% of participants. The Toyota product, marketing, and size of the company were each only mentioned in one instance.

Table 4.21: Participants Responses from Interview Question 17

Participant	Contributing Factors to Success	Summary of Responses
A	<ul style="list-style-type: none"> ▪ Good employer 	<ul style="list-style-type: none"> ▪ stable leadership, shared company culture, company focus on good work environment, people and fairness
B	<ul style="list-style-type: none"> ▪ Culture 	<ul style="list-style-type: none"> ▪ trying to shift towards a truth telling and truth listening culture
C	<ul style="list-style-type: none"> ▪ Product ▪ Marketing 	<ul style="list-style-type: none"> ▪ Good quality product, reliable ▪ strong marketing campaigns and brand development
D	<ul style="list-style-type: none"> ▪ People ▪ Relationship with TMC 	<ul style="list-style-type: none"> ▪ being able to talk to all levels of the company, small enough to know each other well, close to our dealer network, good franchise relationship, culture, renewal activity ▪ TNZ size is small enough that we are out of sight out of mind, a degree of autonomy to try stuff out
E	<ul style="list-style-type: none"> ▪ Culture ▪ Leadership 	<ul style="list-style-type: none"> ▪ culture, people, processes, values, structure, how you work as a team, how you make decisions ▪ having long term leaders, management, and team members
F	<ul style="list-style-type: none"> ▪ Leadership 	<ul style="list-style-type: none"> ▪ good leadership from past/present CEOs and the executive
G	<ul style="list-style-type: none"> ▪ Company Size 	<ul style="list-style-type: none"> ▪ developed an infrastructure that supports our size, not run like Holden and Ford out of Australia
H	<ul style="list-style-type: none"> ▪ Values ▪ Respect for people ▪ Continuous improvement 	<ul style="list-style-type: none"> ▪ Toyota global values are strong around integrity, quality, and making contributions to the community and they feed TNZ company values ▪ aim to build long term relationship with staff, customers, and networks ▪ "we are always dissatisfied and always trying to improve"
I	<ul style="list-style-type: none"> ▪ Leadership 	<ul style="list-style-type: none"> ▪ consistency of the management group

QUESTION 18: IS THERE ANYTHING ELSE YOU WOULD LIKE TO ADD?

The interview ended with an open ended question allowing the interviewee to discuss anything else they wanted to. Only two participants discussed any further topics.

Participant H expressed that they thought that outstanding leaders, autonomy from TMC, and the ability to identify with the local market contributed to Toyota’s success in the New Zealand market.

Participant I added that they thought the culture at TNZ was what made Toyota successful in New Zealand.

Table 4.22: Participants Responses from Interview Question 18

Participant	Summary of Responses
A	No
B	No
C	No
D	No
E	No
F	No
G	No
H	<ul style="list-style-type: none">▪ outstanding leaders▪ autonomy from TMC▪ ability to identify with the local market
I	<ul style="list-style-type: none">▪ TNZ culture

4.3 SUMMARY

This data presented in this Chapter sought to identify the relationship between subsidiary ownership and business performance and, the influences that impact on the variation in subsidiary performance within the automotive industry using an exemplar case study, Toyota New Zealand. Without conducting further analysis the data collected in Stage One provides insight into subsidiary ownership and performance based on the annual sales data presented in Section 4.1. Additionally, the results from the Stage Two interviewing highlight some interesting areas and topics that potentially can help answer the research questions introduced in Chapter One. Based on the results presented in this Chapter an in-depth discussion analysing these results now follows.

CHAPTER FIVE: DISCUSSION

5.0 INTRODUCTION

This Chapter presents a discussion of the research results. The discussion presents a synthesis of the data and the literature presented in Chapter Two. The discussion explores the relationship of the mode of market entry of automotive marques and the phenomenon of Toyota subsidiary success, especially in the New Zealand market. Future implications for Toyota New Zealand, the New Zealand and global automotive industry, and for subsidiaries outside of the automobile industry are then presented in the form of a metaphysical elaboration.

The first section presents a discussion of market modes of entry and explores why each mode of entry may not be a clear indicator of future subsidiary success. The second section takes an in depth look at Toyota New Zealand and the drivers of success that emerged through the analysis of the interviews conducted with nine of the subsidiary's managers.

5.1 MARKET MODES OF ENTRY AND SUBSIDIARY SUCCESS

One of the most important topics in international business research is the type of market entry mode (Ahsan & Musteen, 2011). When expanding into foreign markets businesses have several options for market entry. The most common options for organisations contemplating international expansion include exports, licensing or franchising, joint ventures (JV), and wholly-owned subsidiaries (WOS) (Ahsan & Musteen, 2011; Horstmann & Markusen, 1987). As discussed in Chapter Two different modes of market entry suit different organisational stages and requirements, where one organisation might benefit from exporting or licensing formats another might be more suited to an internalisation structure, such as a WOS (Ahsan & Musteen, 2011; Grosse & Behrman, 1992; Horstmann & Markusen, 1987).

For automotive marques in the Anglo-sphere (New Zealand, Australia, Canada, UK, USA, and South Africa) the analysis of data demonstrates that there are two dominant market entry types used, licensed distributors (46%) and wholly-owned subsidiaries (47%). Licensed distributors (licensing) are considered a non-equity mode of entry (from the perspective of the parent) where resource requirements, organisational control, expected future returns, and risk exposure are all low (Ahsan & Musteen, 2011; Horstmann & Markusen, 1987). At the other end of the spectrum, wholly-owned subsidiaries are a full-equity mode of entry with high resource requirements, organisational control, expected future returns, and risk exposure (Ahsan & Musteen, 2011; Horstmann & Markusen, 1987). Uncertainty factors in the foreign country are commonly said to be large determinants of market entry type. Macroeconomic, political, institutional, legal, cultural, and market factors are all uncertainty factors, the two most commonly investigated are cultural and institutional (Ahsan & Musteen). Typically, as the level of uncertainty increases the desire for a high control mode (such as WOS) decreases, whereas, when uncertainty levels are low full-equity entry types are preferred (Ahsan & Musteen, 2011; Grosse & Behrman, 1992; Horstmann & Markusen, 1987). Additionally, target market size is another determinant of entry type, a large target market will usually attract WOS and a small target market will attract non-equity entry modes (Ahsan & Musteen, 2011; Grosse, 1985).

The research findings show that automotive marques predominantly use one main market entry mode (55% of marques) across all of the markets analysed and, if applicable, a subsequent method less often (35% of marques), where change of market entry mode was observed. The literature would suggest that the marques who use licensing as a method of entry are minimising risk and resources, and/or have a small target market, whereas, marques using a WOS method are targeting a larger market, trying to reduce internal uncertainty by having a high level of control, and/or are taking advantage of future growth opportunities (Ahsan & Musteen, 2011). The countries with the highest percentage of WOS were the UK (60%), USA (58%), and Canada (54%). These countries have low levels of political or legal uncertainty; all have large markets of their own; and, are geographically close to other large or emerging markets which present growth opportunities (du Venage, 2015; Oh, 2014; Pavlínek, 2015). WOS in Australia (48%) and New Zealand (42%) are also the dominant method and both countries are politically and economically stable but have smaller markets than the former, and are geographically more isolated (Lall, 1980; Mackay, 1993). In South Africa, which is now also a politically stable country with potential for market growth (du Venage, 2015) WOS were the subsidiary structure of 40% of the marques studied. Based on this analysis the following assumptions can be made: (1) marques who choose non-equity methods of market entry are seeking to reduce resource costs and/or have a small target market (low sales volume/market share); and, (2) marques who establish

wholly-owned subsidiaries have a large target market (high sales volume/market share), see opportunities for growth, and/or seek to reduce internal risk.

The research also suggests that the market entry method is not necessarily a determinant of success but may be so. For example, in 2013, 20% of the top 10 marques in New Zealand, Australia, and the UK were licensed distributors, none of which were ranked in the top three. This indicates that non-equity market entry in the automotive industry is not necessarily restrictive to sales success. Additionally, Toyota, the world's top manufacturer (Statista, 2015) is consistently in the top five marques across New Zealand, Australia, USA, and Canada but ranks 9th in the United Kingdom consecutively from 2011-2013. Toyota globally sells 62% more vehicles than Ford yet in the United Kingdom Ford registers approximately 250% more vehicles than Toyota (Statista, 2015). Interestingly, The United Kingdom and New Zealand markets have anomalies compared to the other markets studied. The United Kingdom is the only market to have three 'luxury' marques (Audi, BMW, and Mercedes Benz) feature in the top 10 and Ford has held market leadership for 38 consecutive years (@FordOnline, 2015). This phenomenon of market leadership also occurs in New Zealand where Toyota has held the market leader title for each of the last 27 years in succession (Toyota New Zealand, 2015). These results suggest that other country specific market factors in the automotive industry appear to play a role in the success of automotive marques.

While this result cannot be argued to be definitive, and exceptions appear to occur, a WOS appears to result in greater market share in the long term. While not studied in detail over the last four decades, in New Zealand license agreements for distribution as a market entry mode have been replaced by a wholly-owned subsidiary over time, of which Toyota New Zealand is no exception. This result further supports the internalisation framework promoted in the international business literature. It also raises questions over the longevity of current licensed market entry modes of some franchises, in particular Hyundai in the New Zealand market. The current distributor management model appears to be transitory at best.

5.2 TOYOTA NEW ZEALAND: WHY SO SUCCESSFUL?

Toyota has had a unique and successful sales record in New Zealand. Toyota's history begins in New Zealand in 1946 when the company was registered as F. Butler Limited, the name was then changed to Consolidated Motor Industries Limited in 1965, and then again to Consolidated Motor Distributors Limited in 1970 (2015). Up until this stage the company was not a subsidiary of Toyota Motor Corporation and was operating under a non-equity format, essentially a licenced distributorship. Toyota New Zealand was first registered in 1979 (Companies Office New Zealand, 2015) and in 1992 officially became a wholly-owned subsidiary of Toyota Motor Corporation (Toyota Global, 2012). In 1987 Toyota New Zealand achieved its first year as market leader which was a trend that has continued for 27 consecutive years (Toyota New Zealand, 2015). This section examines the success of Toyota New Zealand as well as discussing the future implications for Toyota New Zealand, what it means for the New Zealand automotive industry, and the contribution to international business knowledge from this research.

5.2.1 TOYOTA NEW ZEALAND: A SUBSIDIARY AS A DIFFERENTIATED NETWORK

As discussed in Chapter Two, the understanding in the literature of the MNE-subsidary relationship is at a point where subsidiaries are now considered to be an important part of a differentiated network (Cantwell et al., 2010; Ghoshal & Bartlett, 1990; Rugman, Verbeke, & Wenlong, 2011). Some subsidiaries play a more significant value creating role than others (Rugman, Verbeke, & Wenlong, 2011; Wilson & Baack, 2012). But despite Toyota New Zealand's size, which is approximately only 2.5% of global Toyota sales (Statista, 2015), TNZ has demonstrated its ability to be a value creating entity in a differentiated network; (1) through local product modification; and, (2) establishing a unique used vehicle business.

From the research some participants explained that, unlike today, vehicles used to be assembled in New Zealand, 70% of the vehicle components arrived in a completely knocked down (CKD) format and 30% was sourced locally. In the late 1960s two plants were established in New Zealand for the assembly of Toyota vehicles. In Christchurch in 1967 Steels Motor Assemblies (later renamed TNZ

Christchurch) was established for the assembly of the Toyota Corona, and then in Thames in 1968 Campbell Industries Limited (later renamed TNZ Thames) was established to assemble the Toyota Corolla (Toyota Global, 2012). Participants A and F discussed some key examples of local product modification that were carried out during the CKD assembly era. Local modifications were primarily initiated through feedback during the 1980s from Chris Amon (former New Zealand Formula One driver) “there was this driving programme where Chris basically took a Corolla and absolutely shredded it in terms of its ability and reputation” (Participant A). TNZ took the opportunity to work with Chris Amon and modify the vehicles and tune them for New Zealand conditions; participant A recalls “putting a New Zealand flavour on the cars we assembled by doing local modifications”, such as, tuning the “suspension, ride and handling... because our roads are so different than what the cars were set up for”. Participant A added that, “when we localised suspension with Chris on our first FWD Corolla... we didn’t tell Japan because we weren’t allowed to. We changed the roll bar, and the sway bars, and the suspension, and the springs”. Furthermore, “when we built the last Corona... it was probably the best handling FWD car that Toyota had ever built. We bought a Peugeot 405 and benchmarked our car against that, did all of the suspension development, and then that suspension development became the basis for the Corona for global production” (Participant A). Participant F added that “we designed on the earlier Corolla what was called the McKenzie seat... we decided to work with the McKenzie Institute... McKenzie was a specialist in back care... we thought we would work with them... and developed into the seat of the vehicle, into the frame, that sort of McKenzie roll as part of the actual foam design... it was a huge success”. These local modifications were done without approval from Toyota Motor Corporation (TMC). Eventually the chief engineers at Toyota Japan were made aware and came out to New Zealand to investigate. “We didn’t tell Japan because we weren’t allowed to... the chief engineer found out and came out and he drove the car and said ‘that car is better than the car I built’” (Participant A). As the local modifications continued the TMC engineers returned to New Zealand to investigate and eventually adopt some of the modification for global production, “... then that suspension development became the basis for the Corona for global production” (Participant A). These examples of local modification demonstrate value creation at the subsidiary level, likewise, a more recent example of this is the TNZ Signature Class used vehicle business.

During the 1990s the New Zealand government started to remove the tariffs and unsubsidised local manufacturing moving New Zealand towards operating as an open deregulated market (Willis, 1994). This policy change impacted the automotive assembly industry in New Zealand and as a result the TNZ Christchurch and TNZ Thames assembly factories were closed in 1996 and 1998 respectively (Toyota

Global, 2012). The consequence of the open market meant that used vehicles imports increased significantly and TNZ saw this as a new business opportunity. “The whole market de-regulation, the open market, the ability to survive in an open market... no other car company has a used car programme like we do... it is how to survive without a manufacturing operation” (Participant B). TNZ established the Signature Class franchise under which used vehicles would be sold (Toyota New Zealand, 2015). The old TNZ Thames assembly plant was “re-purposed” as the Thames Vehicle Operations facility where vehicle refurbishment is undertaken (Toyota New Zealand, 2015). Signature Class vehicles are typically ex-lease Toyotas that were sold new in New Zealand. As well as Signature Class vehicles, used vehicles are imported from Japan and then certified to specific standards at the Thames facility before being sold on (Toyota New Zealand, 2015). Participant E views the TNZ used vehicle business as value creation to TNZ, “we can now sell rental cars which we couldn’t have done without a used vehicle department, so you get one bite of the cherry, then you get a bite of the cherry selling used cars (imports)”. The used vehicle programme has been operating for approximately 20 years and Participants A, B, E, F, and G all discussed this topic as one of TNZ’s biggest successes and learning experiences. The involvement of TMC in Signature Class is non-existent and, even 20 years on, their impact on strategy is minimal, “other than the Executive giving their report on the health of the business, which used cars was a 1-pager in that discussion, nothing. They were not interested in what we were selling... they didn’t hold that business as a priority” (Participant B). Participant B went on to say, “in the last five years as world car markets have stabilised and as globalisation has really hit even harder with the lifting of tariffs and introduction of free trade agreements, the flow of cars between countries has increased in volume”. The consequence of this is that other markets are now experiencing the impact of an open market as New Zealand did in the 1990s, “other distributors similar to what Toyota New Zealand did 20 years ago” (Participant B).

The change in regulation across the world has meant that TNZ’s used car business has now become a best-practice format for other subsidiaries to follow, “in the last five years we have had, through TMC, host so many countries in New Zealand to give them information of our used car operation... three years ago we held a used car conference in New Zealand and we hosted 16 different Toyota distributors from around the world” (Participant B). The consequence of that is now TMC see the value and opportunity in the used car business established by TNZ, “a lot more contact with TMC now...I am giving EAOD a detailed presentation on used cars, it is the first time ever... they are now trying to develop global KPIs for used car performance for distributors around the world... first time ever” (Participant B).

The example of local product modification and the used car operations is located within the literature as a value creation activity. Value can be defined as a monetary value (i.e., cost and benefit), or non-monetary such as, improved capability, social relationships, knowledge, or time management (Lai, Chan, Yang, & Hsu, 2015). Value creation at a subsidiary level and its distribution – almost in reverse – through the MNE network is an essential function for network growth, learning, and company competitive advantage (Dyer & Nobeoka, 2000; Rugman & Verbeke, 2001). The activity of local product modification produced value through product development, knowledge creation, and knowledge sharing. The outcomes are observed to benefit Toyota New Zealand, Toyota customers in New Zealand, as well as TMC through the knowledge gained and potential benefits for future projects. In the case of the used vehicle operations this value creation has played out over many years. There has been value for TNZ's business since its inception but it appears that only in recent years, due to global economic changes, value has flowed back through the Toyota network. The ability for TNZ to re-sell vehicles through Signature Class and reach a wider market has benefitted them at a local level, and, through knowledge sharing and establishing a global best practice this value will be able to be distributed through the global Toyota network. The net result is that one in every four vehicles on the road in New Zealand is now a Toyota (MIA, 2015), a domination of one brand thought not to occur in any market outside of the former Soviet Bloc.

The examples of product modification and used car applications also embrace organisational learning which, is an important aspect of sustaining a competitive advantage (Bartlett & Ghoshal, 1988; Dyer & Nobeoka, 2000). Toyota's ability to distribute knowledge and productivity enhancing factors, as conceptualised by Dyer & Nobeoka (2000), through their network is superior to others in the automotive industry. The development of unilateral knowledge sharing processes within the network and Toyota's leadership in continuous improvement and learning and thought to be two key reasons for this success.

5.2.2 TOYOTA NEW ZEALAND: ORGANISATIONAL VS. NATIONAL CULTURE

As globalisation increases culture is becoming an increasingly important aspect of the business world (Buck & Shahrim, 2005; Clark et al., 2005). What is important to note is that in a multinational enterprise (MNE) business operations occur throughout many differing host nation cultures, as a MNE

is essentially a group of companies around the world rather than one homogenous unit (Li & Harrison, 2008; Scheffknecht, 2011). A common organisational culture or value structure is often established by the parent company through workshops and training. It can, therefore, be assumed that any differences at a national level are a result of differences in national culture (Jain & Singh, 2013; Li & Harrison, 2008; Scheffknecht, 2011). Considering this some observations can be drawn between Toyota's organisational culture at the parent and the culture at Toyota New Zealand.

Toyota's organisational culture of today is developed from the strong core values that Toyota's founder, Sakichi Toyoda, laid down. There were five founding principles Sakichi Toyoda established Toyota from (Toyota Global, 2015):

- Always be faithful to your duties, thereby contributing to the company and to the overall good
- Always be studious and creative, striving to stay ahead of the times
- Always be practical and avoid frivolousness
- Always strive to build a homelike atmosphere at work that is warm and friendly
- Always have respect for spiritual matters, and remember to be grateful at all times

These principles are placing importance on family-like values such as duty, care, and spirituality and, the collective need. Topics that are typically of high importance to companies, such as, profit, sales volume, and market share are not mentioned at all. When these founding principles were modified and established as the guiding principles at Toyota (TMC) in 1992 (Toyota Global, 2015), the overall essence remained the same:

1. Honour the language and spirit of the law of every nation and undertake open and fair business activities to be a good corporate citizen of the world.
2. Respect the culture and customs of every nation and contribute to economic and social development through corporate activities in their respective communities.
3. Dedicate our business to providing clean and safe products and to enhancing the quality of life everywhere through all of our activities.
4. Create and develop advanced technologies and provide outstanding products and services that fulfil the needs of customers worldwide.
5. Foster a corporate culture that enhances both individual creativity and the value of teamwork, while honouring mutual trust and respect between labour and management.
6. Pursue growth through harmony with the global community via innovative management.

7. Work with business partners in research and manufacture to achieve stable, long-term growth and mutual benefits, while keeping ourselves open to new partnerships.

The updated principles retain the same family-like theme as the founding principles while reflecting the growth of Toyota globally with mention of modern day corporate concerns. The principles discuss respect for cultures and customs of every nation, product innovation, environment, growth, and building business networks.

In comparison, Toyota New Zealand have developed their own set of guiding principles in which they operate their business. The following are Toyota New Zealand's eight Believe Statements (guiding principles) (Toyota New Zealand, 2015):

1. We believe every day is an opportunity to improve
2. We believe if you can dream it you can do it
3. We believe a better tomorrow starts today
4. We believe in respecting others
5. We believe in trying to make a difference
6. We believe in working together
7. We believe good things stand the test of time
8. We believe in going the extra mile

Although the wording differs slightly there are clear links between the guiding principles laid out by both the parent and the subsidiary. For example, TNZ states "4. We believe in respecting others" which links with TMCs "2. Respecting the culture and customs...in their respective communities". Organisational values can be shared and taught throughout a MNE but for it to become organisational culture intrinsic knowledge and shared basic assumptions must be adopted (Scheffknecht, 2011). It appears that the Toyota organisational culture is present within TNZ, this is further supported by the research findings. Participants A, B, C, D, E, G, and H discussed culture or values as a contributing factor to what makes TNZ different and/or successful. Toyota has a global set of values (culture) and therefore organisational culture could be deduced as being a contributor to success. However, it cannot automatically be assumed that solely organisation culture (parent) or national culture (subsidiary) is what is being described by the participants. Common terms that were used to describe

TNZ's culture were "values based" (Participants B, C, and H), "family orientated" (Participants D and E), "kaizen" or "continuous improvement" (Participants A, D, E, G, and H), "respect for people" (Participants D, E, and H), "long term" (Participants E and H), and "kiwi culture" (Participants B and D). The terminology used by participants clearly reinforce the TNZ Believe statements; "kaizen" is the Japanese word for continuous improvement which is reflected in Believe Statement 1, respect for people links back to Believe Statement 4, Believe Statement 7 is expressed with the phrase "long term". This suggests that the Toyota organisational identity and culture is recognised within TNZ. All the participants interviewed attributed this strong local culture to the success of the subsidiary (alongside other attributes). While causality is not established there was a commitment to the belief that the subsidiaries' positive and constructive culture makes a significant contribution to performance.

5.2.3 TOYOTA NEW ZEALAND: SUBSIDIARY CONTROL MECHANISMS

The literature has continued to express the importance of MNE competitive advantage by way of knowledge transfer and subsidiary control over the years (Adams et al., 2010; Björkman, Barner-Rasmussen, & Li, 2004; Hamilton III & Kashlak, 1999; Hamilton III, Taylor, & Kashlak, 1996; Jaussaud & Schaaper, 2006; Judge & Li, 2012; Kronborg & Thomsen, 2009). MNE headquarters use foreign subsidiary host country existing conditions and local resources to help determine the relationship between subsidiary and headquarters and, therefore, what control mechanisms to use (Hamilton III & Kashlak, 1999). Control mechanisms are not mutually exclusive and can be used by the parent company in various combinations and to varying degrees of intensity in order to achieve the desired result(s) (Chang & Taylor, 1999). As identified in Chapter Two, local control is aligned with governance processes at a local level.

The findings from the interviews identified several instances which represent the various control mechanisms within TNZ. Participants A, B, C, D, E, F, H, and I discussed processes or activities which can be considered as formal control mechanisms, in particular outcome control and behavioural control. As previously discussed output control measures an individual manager's performance based on performance indicators, such as market share, revenue, and profitability (Chang & Taylor, 1999; Hamilton III & Kashlak, 1999). Tasks such as budgets, profit and loss statements, and ROI statements

are examples of output control (Chang & Taylor, 1999; Hamilton III et al., 1996). Financial reporting and annual sales targets (AST) are examples given by participants of outcome control. “My responsibilities are around financial reporting to Japan on the performance, month to month, quarter to quarter, year to year of Toyota New Zealand” (Participant C). “There is red tape for Africa when it comes to us reporting into TMC” (Participant E). “Weren’t growing our share, we weren’t meeting AST” (Participant A). “We report back to TMC through various channels and we have to send technical reports” (Participant F). “All the operational reporting I do goes through the TNZ BOD then back to TMC” (Participant I). “We have our balanced scorecard now that will come down to measures of success in terms of our KPIs and targets” (Participant D). These quotes are all examples of outcome control and give a clear indication that they are used throughout TNZ. In order to measure subsidiary performance output control is an important and tangible method implemented by MNE headquarters (Chang & Taylor, 1999). In addition, it is an effective way to ensure that a subsidiary’s performance is meeting the parent’s strategic objectives (Chang & Taylor, 1999). As well as outcome control, behavioural control appears to be present within TNZ.

Behavioural control uses culture, policies and procedures to guide managerial decisions and is described as shaping the actions required to operating successfully (Hamilton III & Kashlak, 1999). The parent company achieves this by using policies or standards to direct how inputs become outputs (Hamilton III et al., 1996). The policies and standards outline procedures on how to respond in certain situations which is appropriate under normal circumstances. In foreign subsidiaries there are, however, occasions when local responsiveness is necessary and some independence from the set policies and standards is essential in order to adapt to the local market conditions (Hamilton III et al., 1996). Note that this is not to suggest that standards are compromised. As observed in the earlier section on local responsiveness operating standards are actually increased. Based on the descriptions provided by participants D, F, and I, behavioural control is used for training and technical reporting in TNZ. “Our reporting covers our certification programmes that TMC run... TMC monitor our results, monitor the number of people who are on the ground who are certified in those areas” (Participant D). “We have to report back to TMC through various channels and we have to send technical reports” (Participant F). “We report on things like the customer first programme, training, service and parts, as part of this programme called the Customer Service Excellence Award... that is a TMC incentive programme” (Participant F). “A little bit on the Kodawari and TSM side. They have a field representative come here on a regular basis” (Participant I). These are all examples of TMC implementing behavioural control methods within TNZ. In the training and technical service areas TMC have provided a curriculum or best practice policies in which TNZ are to operate those functions.

In one instant Participant F mentions a TMC incentive programme which is representative of a motivational tool used to encourage the subsidiary to follow the set guidelines (Bjöorkman et al., 2004; Taggart & Hood, 1999).

Staffing is another way in which parent companies can control subsidiaries. Subsidiary control can be achieved placing a staff member in a top management position who is from the same culture as the parent company (Chang & Taylor, 1999). Participant H mentions an expatriate present at TNZ to, “either consult with TMC about or consult with my Executive Director (expatriate)”. There is only one managerial expatriate present at TNZ and Participant H described the expatriate as another form of consulting with TMC but in a face-to face capacity. MNEs use home country nationals because the expatriate’s culture and norms are the same as the parent company and will better reflect the parent company’s culture within the foreign subsidiary (Chang & Taylor, 1999).

In addition to formal control mechanisms attributes of informal control were also mentioned by Participants A, B, C, and H. As mentioned earlier informal communication, international committees, and cultural control are also mechanisms of informal control (Bjöorkman et al., 2004; Monteiro et al., 2008). Examples given by participants of informal communication are, “I have weekly communication with TMC management” (Participant A); “relationship with TMC” (Participant C); “contact and communication with them (TMC) is quite regular” (Participant B). Additionally, cultural control is the alignment of values and principles between the parent and subsidiary (Bjöorkman et al., 2004; Chang & Taylor, 1999). The benefit of this is that when values are aligned subsidiary decision making is usually in the best interest of the MNE as a whole (Chang & Taylor, 1999). Participant H provided an example of cultural control when describing the values of the company, “I think the big reason the Toyota is successful comes down largely to value”. During this section of the interview the global Toyota values were used to describe the global success of the company as well as the success of Toyota New Zealand. Based on the literature this would suggest that the values of TNZ are well aligned with the values of the parent company (TMC) and, therefore, TNZ’s decision making is in the best interest of the MNE. It was clear that several forms of control are used by TMC in the subsidiary. It is widely agreed that parent companies will use control methods, such as, cultural, behavioural, and output in varying degrees of intensity (Chang & Taylor, 1999). As the subsidiary size and importance increase the level of formal control is also expected to increase (i.e., use of expatriates and output control) (Chang & Taylor, 1999). The literature suggests that Japanese parent companies tend to use a high level of cultural control (compared with American parent companies) in the form of staffing and the

use of output control has increased over the years (Chang & Taylor, 1999). In addition, MNE control systems must be flexible enough to enhance the achievement of the subsidiary-level strategy and operation in the local environment as well as the MNE's global strategies and internal environment operations (Hamilton III et al., 1996).

Another topical mechanism of subsidiary control is the degree of subsidiary autonomy. Much has been written about autonomy levels of subsidiaries and the variation of autonomy between MNEs as well as within MNEs (Ron et al., 2002; Taggart & Hood, 1999; Young & Tavares, 2004). The benefits of providing subsidiaries with appropriate levels of control over their own subsidiary resources and strategies to meet organisational goals have been discussed (Monteiro et al., 2008; Taggart & Hood, 1999; Tang, 2013). In the case of Toyota New Zealand there were several clear examples mentioned by participants that illustrate autonomy; brand, local product modification, used vehicles business, internal autonomy, product planning, and the method of TNZ business operations in New Zealand. In this respect TNZ is unique, they have been able to exercise effective local governance (subsidiary control) that has been both responsive and creative.

A brand is a combination of tangible and intangible attributes relating to a good or service. For physical, tangible goods the product emerges partly as the brand while the company provides the balance of the brand in intangibles, such as, services, values, reputation, and aspiration (Berry, 2000). During the interviews it was strongly evident that the Toyota New Zealand brand is perceived to be one of TNZ's biggest achievements as well as a critical factor for local success. "One of the biggest achievements that TNZ has done is marketed itself to a point that it is so well recognised in New Zealand" (Participant A); "having people think Toyota is a New Zealand brand" (Participant F); "I think one of the biggest successes Toyota New Zealand has had is being able to connect with Kiwi's as a Kiwi company. I think without that there is no way our brand strength would be there and then we just wouldn't have what we have got now" (Participant G). During the late 1970s the public perception of Toyota product was not favourable, participant H recalls "when we first started, we (Toyota) were seen as "Jap crap" and people would joke about the fact that if you scraped the paint off the Toyota you would find Watties labels underneath because they were made out of recycled tin cans". This negative stereotype was not exclusively an issue for Toyota but for all Japanese product as public perceptions still hungover from World War II, "there was an incredible negative view about Japanese cars. Part of that was prejudice from the war because people who were buying cars in the 1970s... either they or their parents had fought in World War II and the Japanese were seen as the enemy"

(Participant H). In addition to a negative public perception, Toyota faced staunch market leadership from long established marques Ford, British Leyland, and Holden, “Ford and to a lesser extent British Leyland had been the dominant force in New Zealand basically since the 1930s, Holden emerged in the 1950s out of General Motors. And they had the high ground” (Participant H). From this foundation Toyota New Zealand began a very targeted and strategic journey to establish itself in the New Zealand market. In the 1990s the importance of establishing an organisation as a brand in the eyes of the customer was increasing (King, 1991) and around this time TNZ launched its first of three Toyota brand campaigns. Participant H explains that, “what we tried to do, it was quite a deliberate strategy, was around hearts, minds, and wallets. So we set out to really try and win the public’s hearts about Toyota...we started peppering them with logic... and then ultimately you win their wallets because they are convinced they want to buy a car”.

Three key brand campaigns were identified as the strategies used to establish the Toyota brand in New Zealand, “so ‘Welcome to Our World’ was all about the Japanese car brand coming into New Zealand, ‘Everyday People’ was about recognising Kiwi’s in our product, and ‘Believe’ has been about walking the talk and it is about connecting and proving...the previous two decades of work” (Participant B). The literature suggests that a brand is a combination of what the company is saying about the brand, what others say, and the level of product or service, from the perception of the consumer (Berry, 2000). From these excerpts it is clear that Toyota New Zealand deliberately established the Toyota brand as a ‘Kiwi’ brand, specifically targeting what was most important to New Zealanders. “We have been very deliberate about trying to win heartland and being a heartland brand” (Participant H). The initiative for this brand establishment was not led by headquarters (TMC) but was a local subsidiary strategy, “done over many years, led by Alistair and Bob Field” (Participant F). Research suggests that subsidiary autonomy over operational functions, such as, marketing, is high in comparison to functions, such as, finance and R&D (Vachani, 1999; Young & Tavares, 2004). This success factor is evident in the interview findings. Participant G discusses the relationship between TNZ marketing and TMC, “we do not have to report to TMC with our marketing portfolios... marketing is one of those things that TMC have quite an ‘act local’ sort of mentality... you take local people who understand their country and the distributor and the dealers and you let them go with their marketing. We do not tend to have a lot of guidance from TMC from a global perspective around ‘you must market our products or services these ways’, it is sort of left to each country” (Participant G). The interview findings are representative of a high level of marketing and brand autonomy within Toyota New Zealand which is consistent with the literature reviewed (Vachani, 1999; Young & Tavares, 2004).

Other examples of subsidiary autonomy are local product modification and the used vehicle business which have previously been discussed in Section 6.2.1. In both of these cases TNZ made changes to either product or business strategy in the absence of headquarter directive or approval. TNZ used local product modification to improve the Toyota product at a local level following feedback from the consumer. In the wake of local manufacturing tariff reductions TNZ developed a used vehicle business and established the Signature Class used car brand. These examples are locally/regionally directed, value creating activities. The literature suggests that the parent company reduces subsidiary autonomy where central MNE resources are impacted, when the MNE is committing to long-term obligations, and where decisions involve a common framework of organisational routines and practices (Taggart & Hood, 1999). The activities demonstrated by TNZ do not fit under these concepts and, therefore, are not restricted by centralised MNE processes and have a high degree of autonomy. Characteristics of subsidiaries that have high level of autonomy include, but are not limited to, the company exists as a result of acquisition and has no local history or established processes, have no product manufacturing or R&D functions, are a small company relative to other subsidiaries, sell a small share of product or make low profit relative to other subsidiaries (Ron et al., 2002; Taggart & Hood, 1999; Vachani, 1999; Young & Tavares, 2004). Toyota New Zealand fits this general description as it was essentially “acquired” by Toyota Motor Corporation, has no manufacturing or product development function, sells approximately 2.5% of total Toyota vehicles and from this it can be deduced that TNZ also contributes to only a small percentage of profit. Several articles discuss the differing levels of autonomy and the relative innovation or value-add initiatives attempted by subsidiaries. The relationship being that the higher the level of autonomy the more innovation or attempts at value-add initiatives undertaken by the subsidiary (Birkinshaw et al., 1998; Edwards, Ahmad, & Moss, 2002; Taggart & Hood, 1999). It can be assumed that the level of autonomy possessed by Toyota New Zealand has had a direct impact on the ability of the company and management to carry out value-add initiatives.

Two areas where there is a lesser degree of autonomy are in new vehicle pricing and new vehicle product planning. Participant C describes these two facets as being closely related functions of the business, “product planning and pricing go together a long way... that is a key relationship”. From the findings of the interviews pricing and product planning appear to be process-based activities involving ongoing negotiation with TMC. “New vehicle pricing, negotiating with Japan on pricing for the New Zealand market” (Participant C). “We can’t control what TMC decides to develop... I think they give us enough product diversity to be successful... we have influence on what models and model ranges we will introduce” (Participant B). An impact of globalisation is that pricing for a MNE is not an entirely

straightforward processes (Cavusgil, 1996). Factors, such as, production costs, transport, FX rates, and supply and demand, have contributed to MNEs establishing thorough policies and procedures for price setting (Cavusgil, 1996). It is important to note that pricing refers to the price the subsidiary purchases the product from the MNE as well as the local market product price. Additionally, globalisation of the automotive industry has allowed dominant marques to establish global product lines while still maintaining variation (Shah, Ball, & Netessine, 2013). For example, Toyota produces multiple models (i.e., Corolla, Camry, Hilux) which are available globally, yet, they are all able to be modified in local markets due to specification selection (i.e., petrol/diesel, 2WD/4WD, cloth/leather seats, body colour) (Shah et al., 2013). This is true for most dominant manufacturers (Shah et al., 2013). The implications of this for Toyota New Zealand is that there appears to be formal processes in place for agreeing product and pricing. On the other hand, it is implied that there is a degree of autonomy around product choice for the local market (through specification selection) and, based on the literature, although product purchase pricing is negotiated with TMC, local level RRP is flexible and can be adjusted as needed (Cavusgil, 1996).

Considering all that has been discussed it is not surprising to learn that TNZ is continuing to push the boundaries, boundaries enabled by local governance and long serving CEOs and Chairs. Where once it was challenging the status quo of product or establishing used car brands, TNZ's next venture is around future selling. "At the moment we are reinventing franchise of the future... change is inevitable so you change proactively, what we are trying to do with Franchise of the Future is beat the market by three years" (Participant E), "Franchise of the Future... why can't they ultimately buy on the web?" (Participant G), "everything we built up got destroyed and so we had to reinvent ourselves... and that is what we are about to do again with Franchise of the Future" (Participant H). There was not a lot of detail disclosed about this initiative but based on the excerpts it appears that TNZ is trying to change the way they do business in the New Zealand market, a reinvention as one participant mentioned. Again, and as before, this sort of business renewal activity is only possible with a high degree of autonomy from the parent company. If TNZ was a larger company in a larger market, possessed manufacturing, or R&D functions potentially these same freedoms would not be enjoyed.

Employee autonomy is becoming an important topic to practitioners and researchers alike (Langfred, 2013). Autonomy can be described as the amount of freedom or discretion an individual has in their role (Jønsson & Jeppesen, 2013; Langfred, 2013). Additionally, it has become a key aspect of creating and driving employee engagement (Cardus, 2013). Parallels can be drawn between the autonomy of the relationship between TMC and TNZ, and the autonomy of staff of TNZ. During the interview participants were asked if there were any freedoms they would like or could see being beneficial to their role. Out of all nine participants only three recognised a need for more autonomy, all of which were related to TMC. “More freedom would be dangerous... I don’t think anybody here would argue we need more control over x, y, and z than we do already” (Participant B); “how I structure my day is fairly autonomous... a little less structure from Japan from time to time would be quite nice” (Participant C); “everyone in this company has got full autonomy” (Participant E); “I have a good level of autonomy at the moment” (Participant F). Employee autonomy is linked to higher job satisfaction, higher employee motivation, and strong performance (Allen, Ericksen, & Collins, 2013; Jønsson & Jeppesen, 2013; Langfred, 2013). Links can be made between the autonomy and performance of TNZ employees and the autonomy and performance of TNZ as a subsidiary. TNZ employees are allowed a high degree of freedom to achieve tasks within their role which, as the literature suggests, provides higher motivation and performance that subsequently contributes to company success (Allen et al., 2013; Jønsson & Jeppesen, 2013; Langfred, 2013). This is mirrored by Toyota New Zealand at a subsidiary level; it has been demonstrated that TNZ is a high performing subsidiary which appears in part to be due to the autonomy afforded to it by parent company TMC. As with employees, autonomy of subsidiaries leads to high value creation and success of the MNE as a whole (Rugman & Verbeke, 2001; Taggart & Hood, 1999; Vachani, 1999). Autonomy at a national and international level appears to have allowed TNZ to be innovative and responsive to the local market providing it with a competitive advantage. Which begs the question would this same autonomous environment afford other marques the same success?

The interview results have been discussed through the theoretical lenses discussed in Chapter Two. Key factors contributing to sustained local success have been identified. It was determined that the market mode of entry was not a sole determinant of success (Section 5.1) and that other market factors contribute to the success of subsidiaries. Section 5.2 discussed value creation in a differentiated network, organisational culture, subsidiary control mechanisms, subsidiary autonomy,

and employee autonomy. A link between the degree of subsidiary autonomy, employee autonomy, value creation and success was then drawn. Where there is a balance of autonomy (subsidiary and/or employee) there appears to be more value creation which contributes to competitive advantage at a local level. Balance is manifest by high perceived autonomy at a local level in an environment of subsidiary control through culture, policy, and procedures.

5.3 TOYOTA NEW ZEALAND: FUTURE IMPLICATIONS

Inferences from the research are now drawn about the future for Toyota New Zealand. The fundamental aspect for TNZ appears to be retaining autonomy, being able to maintain an appropriate balance between local decision making, and parent control. As the company is not manufacturing or involved in R&D it is unlikely that the freedom provided by headquarters in Japan will be reduced over the foreseeable future. Providing, of course, negotiated performance outcomes continue to be achieved. Therefore, TNZ needs this mechanism for success through the combined attributes of employee autonomy, value creation, brand perception, and renewal.

The ability for employees to have freedom over their roles creates a higher level of value creation and productivity within the workplace. Over the next 3-10 years, maintaining the current level of employee autonomy ought to allow TNZ to continue to achieve high internal value creation and engagement. A productive workforce should assist in successfully implementing company level strategy and also create competitive advantage. Strong relationships have been identified linking employee engagement and productivity with company success so it would appear to be unwise for TNZ to reduce the level of employee autonomy in the future. Additionally, encouraging value creation initiatives, such as, local product modification or Signature Class used vehicles, should be continued. Business activities that differentiate Toyota from the other marques may contribute to disproportionate market share. If possible, introducing a new business activity or point of difference into the market in the next 5-10 years could be of further benefit to TNZ.

Toyota New Zealand has established a 'local' brand image and appears to have won NZ customers' hearts, minds, and wallets. It is essential that this market position and 'local' recognition is

maintained. Continuing to promote, discuss, and practice the values of the current “Believe” campaign appears to be one way in which this can be achieved. However, such campaigns have been identified as having a maximum 10 year life cycle, at best. Therefore, it would be beneficial for TNZ to start developing their next long-term campaign within the next four years.

Having a strong company culture and values was viewed as an important factor of success. Employee engagement in the company ought to help maintain the strong values and culture which is in turn led from top management. Therefore, the CEO and Executive need to continue to believe, practice, and encourage the culture and values they wish to maintain within the subsidiary going forward.

5.4 AN INDUSTRY PERSPECTIVE: WHAT DOES THIS MEAN?

In the New Zealand automotive industry Toyota has held market leadership for the past 27 years. Prior to that Ford, British Leyland, and Holden were the dominant competitors at various times. The loss of dominance by the American marques is not typical at a global level, therefore, the New Zealand market, individual distributor circumstances, and the unique actions of TNZ appear to have played a key role in shifting market share. Essentially, competitors in the New Zealand market need to fundamentally change the way they operate if they want to achieve or regain the market leadership held by Toyota New Zealand.

The first significant difference between Toyota, Ford, and Holden in New Zealand is their management structure. Toyota has a designated CEO based in New Zealand who has held that position for the past nine years (2015). The previous CEO’s tenure was 20 years. This is not the case for Ford and Holden who have managing directors based in New Zealand, not local CEOs (Dobson, 2014; 2015). Holden New Zealand’s most recent managing director was active in the role for only three years (Dobson). It appears that this is not uncommon for Holden New Zealand, the status quo is for managing directors to have a three year tenure then move on to another position within the Holden/GM establishment (Dobson). Ford New Zealand is in a similar situation where there is one CEO for both Australia and New Zealand, based in Australia, with a managing director based in New Zealand. Ford recently announced that the current CEO of Australia and New Zealand would be stepping down and that he

would be replaced by a New Zealand national who has 18 years' experience with Ford (Edwards, 2015). The outgoing CEO is an American national with over 30 years' experience with Ford (Edwards). One learning from this study suggests that long-term leadership with a local focus enables a company to better respond to the local market. Additionally, subsidiaries typically have a higher degree of autonomy around local or regional decision making, therefore, it is important for a subsidiary's CEO or top management to be focused on, and in-tune with the local market in order to leverage this to their advantage. The research conducted in TNZ in this study supported what has emerged in the academic literature over the last decade. Furthermore, the ability to think, act, and plan locally and long-term provides a subsidiary with a clear direction and defined goals. Other distributors could benefit by implementing a considerably longer-term, locally-based management team.

The findings of this research are insightful for other distributors in the New Zealand automotive industry and could be applied to any subsidiary, namely, beyond the automotive industry. The specific activities of Toyota New Zealand may not directly apply but the broader principles appear to do so. Through adopting a business model, such as, the one implemented by Toyota New Zealand, other automotive distributors could have the tools to start to build a more successful business in New Zealand. Increased market, share, increased profits, market leadership and so on, would be achieved – at Toyota New Zealand's expense – should a subsidiary adopt the learnings from this study.

There is an exciting opportunity for organisational change within the Australian automotive subsidiaries at the moment. In 2013, the last manufacturing subsidiaries in Australia, Ford, Holden (GM), and Toyota, all announced that they would cease manufacturing in Australia due to a combination of factors, such as, increased costs of manufacturing and a reduction in local tariffs (Cogan, 2013; Taylor, Chan, & Jabour, 2014). This appears to initially have negative implications for the employees, local networks, and economy, it has been proven, as in the case of Toyota New Zealand that a time like this is an opportunity for change and value creation. The closure of manufacturing means that the subsidiary will no longer need the tighter control mechanisms associated with production or R&D. The absence of manufacturing or R&D roles may provide an opportunity for greater autonomy for the subsidiaries. At the point where the business is changing from manufacturing to importing, appears to be an ideal time to change business model to one of increased local autonomy. It is an opportunity to amalgamate change and start "fresh" with a renewed business purpose. The current culture of the subsidiary will be embedded in the company psyche and may require a long-term, purposeful, direction shift into a new mind set. In reality, it is likely that Ford,

Holden, and Toyota will retain some form of R&D or product development facilities (Ford Ranger is designed and engineered in Australia) which is likely to reduce the level of autonomy afforded to them (Ford New Zealand, 2015). However, sitting in the portfolio of opportunity is the introduction of global model platforms, especially Ford with Focus, Fiesta, Mondeo and now Mustang. There appears to be evidence from this research, should Ford so choose, that it could compete more effectively in New Zealand in the future.

5.5 CONTRIBUTION TO KNOWLEDGE

The research findings highlight key relationships and areas which appear to contribute to the success of an automotive subsidiary, and provide inferences for non-automotive subsidiaries. The key factors are attributes which the subsidiary has either full control of or partial control in their implementation and outcome. These attributes include the headquarter-subsidary relationship model as *conducted* by the subsidiary, local control, and areas or levers that appear to need to be under subsidiary control.

This research has enhanced the understanding of the headquarter-subsidary relationship. The analysis suggests that the subsidiary complies with all formal control mechanisms issued by the parent, as well as partaking in informal control mechanisms instigated by both the subsidiary and the headquarters. Where there is no additional requirement to report to headquarters it appears that business initiatives can be undertaken by the subsidiary without necessarily headquarters input, knowledge, or consent. This aspect of the relationship is touched upon in current literature concerning differentiated networks (Cantwell et al., 2010; Dyer & Nobeoka, 2000), but it is not clear whether decentralised business structures in differentiated networks are required to seek approval or report their activities to the parent company. Additionally, the findings suggest that when the subsidiary does report to headquarters on local initiatives it may be overlooked or not gain much interest from the parent company until a time comes when the local initiative is relevant on a global level. This may simply be a matter of tolerance or considerable asymmetry in size and investment between the subsidiary and the parent that does contribute to disproportionate performance locally and effective outcomes internationally.

Interestingly, local control seems to play just as large a role in subsidiary success as global company factors. It could be argued that the impact of local control on subsidiary success is more important than 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 (Ron et al., 2002; Taggart & Hood, 1999; Young & Tavares, 2004). What isn't clearly identified is the key areas which need to be under subsidiary control. The findings from this research have identified six "levers" which appear to be under subsidiary control, either in a full or partial state. The levers of success identified in this study are: employees, strategy, brand, culture, product, and pricing. Toyota New Zealand has demonstrated that through the successful management of these levers in unison, competitive advantage in the form of sustained market share can be gained.

Employees: By allowing employees a high degree of autonomy, employee engagement, motivation, productivity, and performance is greater than those with less autonomy. These factors lead to higher levels of value creation and company performance. This lever is in full control of the subsidiary and should be used when appropriate to manage employee function and performance. Through correct use this lever can contribute to increased subsidiary value creation and market performance.

Strategy: This lever is important for establishing a clear direction and defined goals which can be achieved through long-term strategic direction. Ideally, top management will have tenures within the company greater than five years, as in TNZ, but this is not always possible (i.e., Ford/Holden NZ). A way to mitigate the short tenure of top management is through setting long-term strategic direction. Toyota New Zealand provides a template for an ideal situation, a long-term, locally focused management team dedicated to setting and achieving subsidiary goals and objectives.

Brand: Targeted, strategic branding is important in establishing an emotive relationship with the public at a local level. As the consumer begins to identify and associate with the brand, the brand gains power and leverage can occur. Toyota New Zealand demonstrated how deliberate brand messages have been critical in ensuring long term success by running campaigns specifically pursuing customers' hearts, minds, and eventually wallets.

Culture: Having a strong company culture with sound ethical and business values provides a foundation for all business practices, principles, and actions to stem from. It also distinguishes a company identity which engaged employees will associate with and adopt into their sense of work culture. A cohesive link of company culture between business directives and employees allows for the values, principles, and company identity to be visible in all aspects of business activity, providing a uniform message to the consumer, the industry, and the country.

Product: This lever is restricted by the global product choices made available by headquarters, however, localisation of a global product is an important point of control for a subsidiary. Understanding what the local conditions and market require and then making those selections is important. The example of suspension and handling modifications made by TNZ to CKD product demonstrates how global products do not necessarily meet the requirements of every market. Therefore, when there is the ability to choose the desired specification for the local market the subsidiary must use this lever astutely to better meet customer expectations and demand.

Pricing: Similar to product, a global price is not suitable for all markets if the product is to be successful, therefore, a local price must be set to meet the local market. This lever is ultimately controlled by the headquarters but involves a joint negotiation process between HQ and the subsidiary. The ability for the subsidiary to manage this lever appears to be less than others but it is still critical for local success.

The six levers that emerge from this research as being important areas of subsidiary control contribute to the success of the subsidiary, at the subsidiary level. In addition to being beneficial to the subsidiary the levers also benefit the parent company, the market, the industry, and the economy as a whole. The success of the subsidiary benefits the parent company through factors, such as, market share, volume, profits, and positive reputation. The market and industry benefit from factors, such as, increased competition from the subsidiary's innovation, high product and service quality, and customer focus. The economy benefits from increased business activity and consumer spending.

CHAPTER SIX: CONCLUSION

6.0 RESEARCH OBJECTIVE REVISITED

The genesis for this research lay in the observation that Toyota New Zealand's historical long-term success in the local market was unique and, therefore, specific factors must be being implemented, likely at a subsidiary level, to achieve such results. Developed from literature within international business and corporate governance fields, the idea of subsidiary-level attributes determining local market success was introduced, and this thesis sought to answer two hypotheses:

- Successful automotive subsidiaries will have a different ownership structure compared with less successful subsidiaries
- Long-term market leadership is a result of subsidiary-level attributes

Chapter Two explored the literature on which this research has been based. The complexities of international business, in particular corporate governance, were outlined and, the lack of literature discussing subsidiary-specific performance attributes was highlighted. The mixed-method methodology used for this research was described in Chapter Three. The distinction between secondary data sources (mostly from the web and quantitative in nature) and primary sources (mostly interview data from TNZ managers) was upheld. Data collection was then conducted in a sequential manner beginning with the broad, structural and ownership attributes of subsidiaries and finishing within TNZ itself. The results for the research were then presented in Chapter Four. The results of both the secondary data analysis and the semi-structured interviews were provided in detail. The discussion in Chapter Five then examined the results and contrasted these against the findings of the literature reviewed in Chapter Two and linked these to known performance attributes.

This Chapter provides a summary of the implications of this research. First, the future implications for Toyota New Zealand are summarised. Second, the implications for the industry are reviewed. Third, the contribution to knowledge made from this research is then highlighted. This Chapter also discusses the limitations of this study and the areas for future research.

6.1 IMPLICATIONS

The fundamental aspect for Toyota New Zealand appears to be retaining adequate local autonomy and being able to maintain that autonomy within the MNE structure. As the company is not manufacturing or involved in R&D it is unlikely that the freedom provided by headquarters will be reduced in the foreseeable future providing performance continues. Therefore, TNZ needs to take full advantage of the opportunity and continue to use it as a mechanism of success, namely, maintain employee autonomy, value creation, brand perception, and renewal.

The ability for employees to have freedom over their roles appears to create a higher level of value creation and productivity within the workplace. Over the next 3-10 years, maintaining the current level of employee autonomy will allow TNZ to achieve high internal value creation and engagement. A productive workforce will assist in successfully implementing company level strategy. Strong relationships have been identified linking employee engagement and productivity with company success so it would be unwise for TNZ to reduce the level of employee autonomy going forward. Additionally, encouraging value creation initiatives, such as, local product modification and Signature Class used vehicles, should be continued. Business activities that will differentiate Toyota from the other marques is one way to achieve an advantage over their competition. If possible, introducing a new business activity or point of difference into the market in the next 5-10 years would be beneficial for TNZ.

The deliberate positioning of the Toyota brand in New Zealand over the last 30 years appears to be an important variable. Targeting a heartland brand persona New Zealander's have come to identify with Toyota. As the market place continues to grow and advantages become harder to achieve, maintaining this brand perception in consumers' minds is expected to be needed. Continuing to promote, discuss, and practice the values of the current 'Believe' campaign is one way in which this is expected to be achieved, but as these campaigns have been identified as having a 10 year life cycle it would be wise for TNZ to start developing their next long-term campaign within the next 3-5 years.

Although not researched entirely in the interviews it was clear that having a strong company culture and values was viewed as an important factor of success. Employee engagement in the company

appears to contribute to strong values and culture, but essentially this needs to be led from top management.

The broader principles discussed in Chapter Five appear to be applicable to subsidiaries outside of the automotive industry. An increased level of subsidiary-level autonomy, influenced by the levers identified in Section 5.5, contribute to local-level subsidiary performance, namely, sales performance, market share, and profits. This research has identified one particular set of tools that can be used by automotive and non-automotive subsidiaries to increase local autonomy and subsidiary performance, however, this is not to say that there are not alternative levers that could be applied to achieve the same result across non-automotive industries. The central message is that high local-level autonomy, exploited by key levers, can be used to benefit subsidiary performance.

6.2 LIMITATIONS OF THE STUDY

There are two main limitations of this study; access to secondary data; and, access to automotive subsidiary management within other brands and distribution channels within other brands and distribution channels. Although the automotive industry is large and a lot of public commentary is provided on annual results worldwide, the ability to access comprehensive public data across numerous countries was found to be limited. For example, when annual sales results are discussed it is common for the top five models or marques to be mentioned but it is extremely difficult to access public data that display the sales results of all models or all marques. Out of the countries studied in this research New Zealand provided, by far, the most comprehensive and easily accessible data. At the other extreme, it was difficult to gain access to sales or ownership data for South African automotive subsidiaries and, therefore, South Africa was eventually removed from the list of countries studied.

Secondly, the ability to interview managers at Toyota New Zealand was greatly assisted by previously established connections. There were no existing relationships with any other New Zealand or foreign automotive subsidiaries and, therefore, the interviews could not be conducted in other subsidiaries with the same accessibility and ease as that with Toyota New Zealand. Consequently, primary data

collection was restricted to TNZ, any consequent productive discourse has the limitation of being biased mostly by the collective experiences identified at Toyota. Clearly, extrapolating to other exemplary company subsidiaries must be conducted with care.

6.3 AREAS OF FUTURE RESEARCH

This thesis has produced some fascinating knowledge but due to the limitations of this project, was restricted to studying only one subsidiary in detail. This presents an opportunity for future research into other automotive subsidiaries within New Zealand and across the Anglo-sphere. This thesis proposed six subsidiary 'levers of control' that contribute to subsidiary success in the local market. As this study only focused on one subsidiary there is a pressing question of replicability across other subsidiaries; do the subsidiary levers of control presented in this thesis apply to other automotive subsidiaries within New Zealand and the Anglo-sphere? Additionally, subsidiaries of MNEs outside of the automotive industry could be examined to determine whether the levers of control apply across more than one industry. The additional research will be able to either support or disprove the levers presented here as contributing to subsidiary success in the local market.

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APPENDIX 1: INTERVIEW QUESTIONS

- Question One: How long have you worked for Toyota?
- Question Two: What is your current role or job?
- Question Three: How long have you been in your current role?
- Question Four: What areas or departments do you impact?
- Questions Five: How does this role create impact and/or value?
- Question Six: What level of influence does this role have?
- Question Seven: What other departments or areas have you worked in?
- Question Eight: What tasks or responsibilities did your previous positions involve?
- Question Nine: What freedoms would you like or you could see being beneficial to your current role or the company?
- Question Ten: In relation to your role how do decisions get made?
- Question Eleven: In relation to your role where do decisions get made?
- Question Twelve: What has been your biggest success (in any role at TNZ)?
- Question Thirteen: What has been your biggest learning experience (or failure)?
- Question Fourteen: What are some of the biggest achievements for TNZ?
- Question Fifteen: What do you think a learning experience for TNZ has been?
- Question Sixteen: How do you think impact or value is measured?
- Question Seventeen: Is there anything you can identify as being a contributing factor to TNZs achievements (or failures) to date?
- Question Eighteen: Is there anything else you would like to add?

APPENDIX 2: LOW RISK NOTIFICATION



MASSEY UNIVERSITY
TE KUNENGA KI PŪREHUROA

13 August 2014

Sheina Osten
22B Wood Street
Takaro
PALMERSTON NORTH 4410

Dear Sheina

Re: Empirical Investigation of the Governance of Multinational Subsidiaries in the Global Automotive Industry

Thank you for your Low Risk Notification which was received on 13 August 2014.

Your project has been recorded on the Low Risk Database which is reported in the Annual Report of the Massey University Human Ethics Committees.

You are reminded that staff researchers and supervisors are fully responsible for ensuring that the information in the low risk notification has met the requirements and guidelines for submission of a low risk notification.

The low risk notification for this project is valid for a maximum of three years.

Please notify me if situations subsequently occur which cause you to reconsider your initial ethical analysis that it is safe to proceed without approval by one of the University's Human Ethics Committees.

Please note that travel undertaken by students must be approved by the supervisor and the relevant Pro Vice-Chancellor and be in accordance with the Policy and Procedures for Course-Related Student Travel Overseas. In addition, the supervisor must advise the University's Insurance Officer.

A reminder to include the following statement on all public documents:

"This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named above are responsible for the ethical conduct of this research.

If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher(s), please contact Professor John O'Neill, Director (Research Ethics), telephone 06 350 5249, e-mail humanethics@massey.ac.nz".

Please note that if a sponsoring organisation, funding authority or a journal in which you wish to publish requires evidence of committee approval (with an approval number), you will have to provide a full application to one of the University's Human Ethics Committees. You should also note that such an approval can only be provided prior to the commencement of the research.

Yours sincerely

John G O'Neill (Professor)
Chair, Human Ethics Chairs' Committee and
Director (Research Ethics)

cc Dr James Lockhart
School of Management
PN214

Prof Sarah Leberman, HoS
School of Management
PN214

Massey University Human Ethics Committee
Accredited by the Health Research Council

Research Ethics Office, Research and Enterprise

Massey University, Private Bag 11222, Palmerston North 4442, New Zealand T 06 3505573; 06 3505575 F 06 350 5822
E humanethics@massey.ac.nz; arimaethics@massey.ac.nz; gtc@massey.ac.nz www.massey.ac.nz

APPENDIX 3: INFORMATION LETTER



Massey University

Massey University
College of Business
School of Management

Empirical investigation of the governance of multinational subsidiaries in the global automotive industry

INFORMATION SHEET

Researcher(s) Introduction

My name is Sheina Osten and I am completing a Master's of Business Studies at Massey University. The purpose of this project is for the completion of my thesis.

Project Description and Invitation

My Master's Thesis is looking at Subsidiaries within the automotive industry across Western countries (Australia, New Zealand, USA, Canada, & UK). My initial research (desk research) focused on the subsidiary governance structures of each subsidiary within each country to understand if these factors are determinants of success or performance. I have since learned that there is little difference between subsidiary governance structures within and across the different countries. My next step is to try and account for the variation in subsidiary performance.

Toyota New Zealand appears to be an outlier in relation to other Toyota subsidiaries in the UK, Canada, & USA, as well as other marque subsidiaries across the Western countries in question. I aim to understand why Toyota New Zealand is an outlier through identifying specific subsidiary-level attributes. I will do this by collecting qualitative data from a broad spectrum of managers.

I invite you to participate in my research by completing an aural interview.

Participant Identification and Recruitment

My target research group is managers at Toyota New Zealand. Ideally I would like to cover a broad spectrum of managers who have had varying roles and tenures within the company. I will interview between 8-15 managers.

Project Procedures

There are 18 interview questions that I have prepared. They cover tenure in company, job/role description and impact, networks/relationships, decision making, achievements, learning experiences, critical success factors.

The interview may take between 50mins – 1 ½ hours depending on the length of the answers.

Data Management

Once the interview is completed I will transcribe the interview to a Word document. The interview data will be kept and used only for the purpose of the completion of this Thesis. The data will be stored on a password protected hard drive. The data will be destroyed once the Thesis is completed. No names, descriptive personal references, or job titles will be used in the Thesis.

After the interviews have been completed the data will be analysed to determine key themes or common elements.

Participant's Rights

You are under no obligation to accept this invitation. If you decide to participate, you have the right to:

- *decline to answer any particular question;*
- *withdraw from the study (specify timeframe);*
- *ask any questions about the study at any time during participation;*
- *provide information on the understanding that your name will not be used unless you give permission to the researcher;*
- *be given access to a summary of the project findings when it is concluded;*
- *ask for the recorder to be turned off at any time during the interview*

Project Contacts

If you have any questions or concerns about the project please do not hesitate to contact either myself (Sheina, researcher) or James Lockhart (research supervisor).

Sheina Osten
021 023 58113

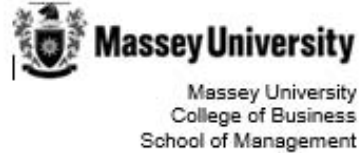
James Lockhart (Supervisor)
(06)356 9099 ext. 81065

Compulsory Statements

"This project has been evaluated by peer review and judged to be low risk. Consequently, it has not been reviewed by one of the University's Human Ethics Committees. The researcher(s) named above are responsible for the ethical conduct of this research.

If you have any concerns about the conduct of this research that you wish to raise with someone other than the researcher(s), please contact Professor John O'Neill, Director, Research Ethics, telephone 06 350 5249, email humanethics@massey.ac.nz".

APPENDIX 4: PARTICIPANT CONSENT FORM



Empirical investigation of the governance of multinational subsidiaries in the global automotive industry

PARTICIPANT CONSENT FORM - INDIVIDUAL

I have read the Information Sheet and have had the details of the study explained to me. My questions have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I agree/do not agree to the interview being sound recorded.

I wish/do not wish to have my recordings returned to me.

I wish/do not wish to have data placed in an official archive.

I agree to participate in this study under the conditions set out in the Information Sheet.

Signature: **Date:**

Full Name - printed

APPENDIX 5: LIST OF ABBREVIATIONS

AST – Annual Sales Target

BOD – Board of Directors

CBU – Completely Built Up

CKD – Completely Knocked Down

GDP – Gross Domestic Product

JV – Joint Ventures

KPI – Key Performance Indicators

MNE – Multinational Enterprise

SB – Subsidiary Board

TMC – Toyota Motor Corporation

TNZ – Toyota New Zealand

WOS – Wholly-owned Subsidiaries