

**Participation of Expatriates in International Firms' Subsidiaries –
Critical Success Factor for Effective Corporate Governance:
Focusing the Case of Vale from a Strategic Relational Perspective**

Authors:

T. Diana L. van Aduard de Macedo-Soares, Ph.D.
Associate Professor
Pontifical Catholic University of Rio de Janeiro – Business School
PUC-Rio/ IAG –
Rua Marquês de São Vicente, 225, Gávea
Rio de Janeiro, RJ - Brasil - 22453-900
Tels: (+55 21) 25523859; (+55 21) 93935649
Fax: (+55 21) 25544929
Email: redes@strategy-research.com
Website: www.strategy-research.com

Adriana Maria Gutierrez Schubsky, M.Sc.
Coordinator of Normalization
Corporate Development Department
Vale
Av. Graça Aranha, 26, Castelo
Rio de Janeiro, RJ – Brasil - xxxxxxxx
Email: adriana.gutierrez@Vale.com.br

Key words:

Corporate Governance, International Firms, Strategy, International
Strategies, Expatriates, Network organizations

Abstract

This article shares the results of a study that sought to verify whether the participation of expatriates in the management of international firms' subsidiaries constitutes a critical success factor for the strategic management of the networks of relationships between a parent firm and its international subsidiaries, by contributing to an effective corporate governance of these networks. It focused on an international firm, Companhia Vale do Rio Doce – Vale, a world leader in its industrial sector. The case study method was adopted and data collected from various sources, using different means: structured questionnaires, documental investigation and interviews. The results

strongly suggest that expatriates indeed contribute informal elements that are pertinent to social mechanisms of governance, such as commitment, communication, flexibility, trust, interdependence and cultural integration, and that have positive implications for the strategic management of the networks at issue. This benefit is perceived more intensely by the parent firm.

Key words: Corporate Governance, International Firms, Strategy, International Strategies, Expatriates, Network organizations,

Introduction

Leader firms respond to the competitive pressures of globalization by forming international alliances and networks of relationships. These are established by harmonizing the interests of firms subject to different legislations, tax systems, accounting criteria, regulatory environments, market practices, cultures and values. Given the complexity of the management of these relationships (Strikwerda, 2003), the importance of corporate governance practices in the promotion of transparent and healthy international relationships has become evident.

This article shares the results of a case study of Companhia Vale do Rio Doce - Vale - that is part of a wider research into the strategic management of international firms' subsidiaries from a network perspective. In the case of Vale, the study attempted to answer the following research question: does the participation of expatriates in the management of its international subsidiaries constitute a critical success factor for the effective management of the networks formed by the relationships between Vale and its wholly owned international subsidiaries, by contributing to an effective corporate governance of these networks.

Vale was chosen because it is a world leader in its sector – iron ore - that is undergoing a vigorous internationalization process (CVRD, 2005; 2007 a; b; c). Indeed, it is likely that a study of Vale can provide valuable insights for other firms that have international operations and

are concerned with their corporate governance and expatriate management.

Scientific studies usually analyze the expatriation theme from the perspective of recruitment and selection, training and development, remuneration and benefits packages and the management of cultural factors (Bueno, 2004). Although recognizing that these factors influence the expatriate's professional performance, the study concentrated on organizational aspects, with a focus on corporate governance, and investigated Vale's wholly owned international subsidiaries that were in operation in 2006 and its relationships with them.

The article is divided into four parts, besides this introduction. The first and second parts explain the theoretical references and research methods. In the third part the study's main results are presented and discussed in the light of the theoretical references. The last part assesses the study's contributions, given the limitations of the methods adopted, and makes suggestions for future research.

1. Theoretical References

First of all, it should be made clear that, in this study, it was considered that the relationships between a parent company and its international subsidiaries could be analyzed using the strategic network concept.

Indeed, one of the study's contributions stems from adopting a relational approach that takes into account the strategic implications of

relationships and of the network formed by them, given their characteristics.

1.1. Literature Review and Definitions

To define the network concept most studies have adopted an inter-organizational perspective, especially those regarding multinational firms, given the complexities of the relationships involved (Lü, 2001). Their object has generally been the relationships established between multinational firms and their international partners (suppliers, customers, competitors, etc.). In our study the focus is on the intra-organizational perspective (Lü, 2001; Oliveira, Sommer, & Colombini, 2001), where the parent company is the focal firm, and its object is the network formed by the relations between the parent company and its international subsidiaries, considering that the latter have a degree of autonomy similar to the one enjoyed by other international partners.

This view of multinational corporations as a network of intra-organizational relationships is not entirely new. Our contribution is to adapt the inter-organizational network constructs for carrying out relational analysis at an intra-organizational level. Indeed, the concept of strategic network draws on that of Gulati, Nohria and Zaheer (2000), but its scope is broadened by adding the intra-organizational dimension for the specific case of the relationships between the parent firm and its subsidiaries (wholly owned subsidiaries). Because it includes the relationships between legally distinct entities that enjoy a certain degree of autonomy and analyzes these relationships from a strategic network

perspective, the research considered that it would be possible to use the *Strategic Network Analysis – SNA* model (Macedo-Soares, 2002; Macedo-Soares et al. 2004; 2005). It was only necessary to adapt the model in order to contemplate specific intra-organizational relationship variables.

The definition of strategic network was also reformulated as follows:

*A firm's strategic network is composed of its relationships – horizontal and vertical – with other organizations, whether they are suppliers, customers, competitors, **subsidiaries** or other entities. These relationships are composed of **intra-organizational — in the specific case of networks between a firm and its subsidiaries that show a degree of relative autonomy – or resistant inter-organizational ties**, (...) that are strategically important to the member firm and include strategic alliances.*

It should be added that, drawing on Gao, Bao, and Wang's (2002) definition of international strategic alliances, international strategic networks were defined as those that provide opportunities *for obtaining international competitive advantages*.

A broad definition was also adopted for corporate governance, drawing on Cornelius and Kogut (2003, *apud* Cornelius, 2005) which included both formal and social corporate governance mechanisms:

the system constituted by the institutions, laws, values and formal and informal rules, that produce the different legal and organizational forms found in a country and which in turn, determine the distribution of powers – how authority is designated, management decisions taken and monitored, how information is audited and published, and profits and benefits allocated and distributed.

Kauser and Shaw (2004) observed that behavioral characteristics have a greater impact on the performance of international strategic alliances than organizational characteristics. Characteristics such as commitment, interdependence, coordination and communication

are seen to be factors that make success possible, whereas characteristics such as structure and control mechanisms do not seem to be determining factors in the success of international strategic alliances. In a complementary fashion, Bachmann (2001) analyzes trust and power as trans-organizational alliance coordination mechanisms.

In line with the views of Kauser and Shaw (2004) and Bachmann (2001), Moraes (2005) identified five variables associated with social corporate governance mechanisms: commitment, communication, flexibility, trust and interdependence. Moraes also analyzed the “power” variable associated with formal corporate governance mechanisms. His study was restricted to a single country and thus did not contemplate variables that are specific to a multinational context.

In the study at issue in this article, we drew on Bueno (2004), Meschi (1997) and Clarke and Lipp (1998), to include tools of cultural integration as a variable that is pertinent to social corporate governance mechanisms in an international context.

There are several factors that motivate the participation of expatriates in the management of the international units of multinational firms. Edström and Galbraith (1977) identified three motivating factors: i) transfer of technical knowledge to a developing country; ii) managerial development of the expatriate executive; iii) a strategy to coordinate and control the subsidiary. Boyacigiller (1990) analyzed motivating factors based on the characteristics of the subsidiary and respective to which it is considered necessary to make an international appointment: a) the political risk of the country where the subsidiary is

located, b) the subsidiary's complexity, c) the cultural distance between the country of the parent company and that of the subsidiary, d) the interdependence between the parent company and subsidiaries.

Based on preliminary documental research, it could be observed that Vale expatriates employees when the country of destination does not have people with the necessary technical and managerial competence or degree of corporate alignment required for key positions, or appropriate conditions for the development of high potential talents (CVRD, 2005).

Note that various definitions of the term "expatriate" were identified in the bibliographical and documental review. As we focused on the Vale case, we adopted the definition used in the Company, where an expatriate is an employee who is transferred to another country (independently of his hierarchical level) for a period of more than 3 (three) months.

The literature is not unanimous in recognizing the contribution of expatriate executives to the corporate governance of the relationship network between parent companies and international subsidiaries (Bjorkman, 2004; Volkmar, 2003). However, the role of expatriates has not yet been fully detailed or empirically tested (Riusala & Suutari, 2004; Minbaeva & Michailova, 2004).

Some studies analyze the participation of expatriates in the strategic management of firms from the point of view of the exchange of knowledge and information, cultural integration (Meschi, 1997; Clarke & Lipp, 1998), and the transmission of the values, rules and regulations of their unit of origin (Minbaeva & Michailova, 2004; Riusala and

Suutari, 2004; Harzing, 2001a; Edström and Galbraith, 1977). More wide-ranging studies relate the interchange of knowledge and information to accountability, the standardization of conduct, and to transparency and the control of the international relationship (Edström & Galbraith, 1977; Kobrin, 1989; Boyacigiller, 1990; Fenwick; De Cieri & Welch, 1999; Harzing, 2001b). These studies analyze the participation of expatriates in the management of international units from the point of view of corporate governance and strategic management in networks of international relationships. In our study we adopted a similar approach.

1. 2. Assumptions

The study was based on the following assumptions: (i) the parent company and international subsidiaries of the Vale Group form international strategic networks; (ii) the relationship network can be governed using both traditional formal mechanisms and social mechanisms; (iii) researchers in the strategic management area have already identified indicators that can measure the use of formal and social corporate governance mechanisms; (iv) the corporate governance of networks of international relationships is a critical success factor for the effective management of these networks; (v) the perceptions of management-level employees (of the parent company – expatriate or non-expatriate – and of the international subsidiaries) of the Vale Group are a valid means of assessing whether the participation of expatriates in the management of Vale's international subsidiaries constitute a critical success factor for the effective management of networks of

relationships between the parent company and its international subsidiaries.

1.3. Suppositions

On the basis of its theoretical references and in order to reply to its central question, the research formulated the following suppositions:

(i) the participation of expatriates in the management of international subsidiaries can be a critical success factor in the effective strategic management of networks of relationships between the parent company and its international subsidiaries, to the extent that they contribute informal elements (pertinent to social mechanisms) of corporate governance; (ii) Vale parent company perceives that it benefits from the participation of expatriates in the management of its international subsidiaries, due to their contribution to the corporate governance of the parent company → subsidiary relationship; (iii) the international subsidiaries –similarly to Vale parent company, albeit to a lesser extent– also perceive that they benefit from the participation of Vale parent company expatriates in their management, due to their contribution to the corporate governance of the subsidiary→ parent company relationship.

1.4. Conceptual Tools

The model of strategic analysis adopted in this study for firms that take part in strategic networks is the SNA Model mentioned earlier. Though this model does not contemplate intra-organizational networks,

it was deemed to be quite adequate after some adaptations, beginning by that of broadening the definition of strategic network (see section 1.1.).

Note that the SNA model includes two reference lists that make the operationalization of the strategic analysis from a relational perspective feasible. The first list contemplates industry-level constructs while the second one considers firm-level constructs. Three dimensions are used at industry level: (1) Network Structure, (2) Network composition and (3) Nature of Ties. A fourth dimension is considered at the level of the firm: (4) Network Management. It is in this latter one that the present study is inserted.

Based in part on the constructs and variables developed by Moraes (2005), which in turn drew on the SNA model, the study at issue here proposed a new list of variables for the governance construct. Table 1 presents the variables pertinent to formal and social corporate governance mechanisms and respective indicators and sub-indicators. The indicators and sub-indicators with a positive implication are in bold type and those with a negative implication are in italics.

Table 1 - Variables, Indicators and Sub-indicators

The following may be highlighted among the differences introduced in relation to Moraes' version (2005): (i) definition of sub-indicators for each indicator in order to make the identification of the indicators more objective; (ii) elimination of the "alliance performance" variable, because it was beyond the scope of our study; (iii) extension of the original application (to strategic alliances) to the broader strategic

networks; (iv) adaptation to the nature of the network relationship under analysis, namely that between the parent company and international subsidiaries; (v) addition of the “cultural integration” variable, drawing on the works of Bueno (2004), Meschi (1997), and Clarke and Lipp (1998), in order to incorporate a variable that is specific to multinational contexts.

2. Research Methods

The main method adopted for carrying out the research at issue in this article was that of the case study. According to Halinen and Törnroos (2005), this method is particularly appropriate for investigating relationship networks, as it favors the analysis of their complexity and dynamics.

2.1. Data Collection

Data was collected through documental and telematic investigations, a perceptions survey, using a questionnaire, and a complementary perception survey by way of interviews with Vale Group executives, as well as participant observation. The use of multiple data collection sources made it possible to cross-check information and perform method triangulation, in order to seek data convergence (Yin, 1994) and thus make the study more robust and better grounded (Eisenhardt, 1989).

In order to carry out the first perception survey, a predominantly structured and closed questionnaire was applied. The

questionnaire was structured in keeping with a 1 to 5 Likert scale format, with a view to obtaining replies to those questions considered the most important to gain an understanding of how expatriates can complement the formal corporate governance mechanisms used to manage the international networks of relationships established between Vale parent company and its international subsidiaries. The questionnaire was divided into two parts: (1) evaluation of the networks of relationships between the Vale parent company and its international subsidiaries; (2) participation of expatriates in the management teams of Vale's international subsidiaries. The questionnaire was drawn up based on the theoretical references' constructs and indicators.

The first version of the questionnaire was submitted for analysis by deeply knowledgeable professionals in order to assure its clarity, validity and reliability. After this evaluation a pre-test was performed with representative members of the study's universe. The information obtained was used to prepare the final version.

The questionnaire was submitted via e-mail. Each member of the populations analyzed (expatriates and local employees) received an electronic copy of the questionnaire. The completed questionnaires were also returned via e-mail. In order to preserve the confidentiality of the respondents, the replies recorded were tabulated and consolidated, and the original electronic files containing the questionnaires and respective e-mails were erased.

2.2. Subsidiaries' Population

The population of wholly-owned subsidiaries was defined according to three criteria: (1) it was located abroad (in relation to the parent company); (2) it had management-level expatriates that had been transferred from the parent company to the wholly-owned subsidiary; (3) it had local employees (employed at the time by the international subsidiary, but who had not been previously employed by the parent company).

Based on these criteria, the subsidiaries' population analyzed worked for the following companies: CVRD International S.A. (CVRDi), RD Manganèse Europe (RDME), DOCENAVE Argentina S.R.L. (Docenave Argentina), Compañia Minera Miski Mayo S.A.C. (Miski Mayo), CVRD Venezuela S.A. (CVRD Venezuela), RD Australia Pty Ltd (RD Australia), RD Asia Shangai, RD Asia Tokyo, Tethys Mining LLC (TETHYS), RD South Africa (Proprietary) Limited (RDSA), RD Moçambique Ltda (RDMZ), Compagnie Minière Trois Rivières (CMTR), Compañia Minera Latino Americana Ltda (CMLA).

The universe of companies contained a total of 68 expatriates and 391 local employees (reference month: Nov/2006), with 49 expatriates and 42 local employees holding management positions. Expatriates and local employees were treated as separate populations and an expected sample size was calculated, in each case, using the formula of Rea and Parker (1997) for assessing the response rate of small populations.

To select the number of subjects, the research determined a desired confidence interval of 95%, adopting a margin of error of $\pm 10\%$. In the case of the population of management-level expatriates, the

expected number of subjects in the sample was 33 people and, in the case of local management-level employees, 30 people. However, given that they were small populations, a sample composed of 50% of the population could be considered sufficient (Rea & Parker, 1997). Thus, the sample sizes were adjusted for 25 and 21 people respectively.

Thirty questionnaires were completed by management-level expatriates and 24 by local management-level employees, corresponding, respectively, to a response rate of 61% and 57%.

2.3. Data treatment

As mentioned, the analysis focused on the data and information gathered through documental research, a perception survey via a questionnaire and interviews with selected Vale parent company executives.

The replies to the questionnaire's questions were grouped and classified according to the constructs and indicators used in the research. The data was subsequently submitted to quantitative treatment in order to calculate the respective sample averages – expatriates and local employees were treated separately – of each question. The sample averages were compared, using the statistical analysis of variance method – ANOVA (McClave, Benson & Sincich, 2001). In the case of questions where there was no evidence of population variance equality, a necessary condition for the application of ANOVA, the latter was replaced by the Kruskal-Wallis (McClave et al., 2001) non-parametric test.

As to the interpretation of the statements and observations made in the scope of the interviews, content analysis techniques - categorizations of subjective information based on frequency of occurrence (Remenyi, Williams, Money & Swartz, 1998) - were used to carry out the necessary inferences (Weber, 1990).

3. Results and Discussion

The first part of the questionnaire – entitled “Evaluation of the Networks of Relationships between Vale parent company and its International Subsidiaries” – analyzed, in a general way, the networks formed by the relationships between the parent company and its international subsidiaries.

Table 2 presents the questions of the first part of the questionnaire, the constructs based on the SNA model associated with each question (where applicable), the maximum number of points on the Likert scale associated with each question (minimum in all cases is 1 point), the sample averages for each population analyzed, the p-value and in the case of differences in averages, the highest sample average.

Table 2 - Questions of the First Part of the Questionnaire and Statistical Results

As can be observed in Table 2, all the questions of the first part of the questionnaire, with the exception of questions 1 and 6, were related to constructs of the SNA model. Answers to Question 1 confirmed the perception of the importance, for Vale parent company's

strategy, of its participation in networks of relationships with its international subsidiaries.

The analysis of results presented in Table 2 suggests a convergence between the perceptions of management-level expatriates and local employees regarding most questions; only replies to questions 1, 6 and 8 showed a difference in sample averages, with a higher average for the expatriates.

The results of the second part of the questionnaire, entitled “Participation of Expatriates in the Management Teams of Vale’s International Subsidiaries”, evidenced that both expatriate executives (representatives of the parent firm) and local executives (representatives of international subsidiaries) perceived that the participation of expatriates in the management of international subsidiaries contributed positively to the governance of the relationship between the parent company and subsidiaries. However, in general, the perception of benefits was more intense on the part of expatriates.

In Table 3 are presented the variables used in the study, the pertinent questions of the second part of the questionnaire, the sample averages for each population, the p-value (in the case of questions 10 and 11 the results of the Kruskal-Wallis test), and, where there were differences in averages, the highest sample average.

For all questions in the second part, the respondent could choose between 5 options: 1 – Totally disagree, 2- Disagree, 3-Neutral, 4- Agree, 5 – Totally agree.

Table 3 - Variables, Questions of the Second Part of the Questionnaire & Statistical Results

From the results presented in Table 3, and the information obtained from the complementary perception survey (performed via interviews), one can perceive that:

- (i) in the case of the power variable, it was not possible to confirm whether its use by expatriate executives was coercive or non-coercive;
- (ii) as for the commitment variable, it was found that there was a collaborative commitment between the parent company and international subsidiaries, supported by the participation of expatriates in the management teams of subsidiaries;
- (iii) in the case of the communication variable, it was verified that there was frank communication between the parent company and international subsidiaries, and that expatriates contributed to this state of affairs. This verdict was more intense – and more positive – amongst expatriates;
- (iv) as regards flexibility, evidence was found that the participation of expatriates in the management teams of international subsidiaries contributed to a more flexible context;
- (v) expatriates perceived an atmosphere of trust between the parent company and international subsidiaries and ample recognition of the expatriates' role in strengthening trust. Local executives' perceptions, on the other hand, showed a neutral verdict and

benefits associated with the presence of expatriates in the subsidiary's administration were not so clear;

- (vi) the degree of interdependence was recognized by both groups analyzed and the study evidenced the importance of expatriates in the management of the interdependent relationship between Vale parent company and its international subsidiaries;
- (vii) as for the cultural integration variable, it was not possible to affirm the existence of a high or low degree of integration.

The results thus confirmed the supposition that the participation of expatriates in the management of international subsidiaries contribute informal elements (pertinent to social mechanisms) that complement formal corporate governance mechanisms. Based on the statements of the parent company's executives (expatriate or non-expatriate), the study also confirmed the supposition that Vale parent company perceives that it benefits from the participation of expatriates in the management of its international subsidiaries, due to their contribution to the corporate governance of the parent company→ subsidiary relationship.

On the basis of the perceptions of the local executives, the study confirmed the supposition that international subsidiaries perceive that they benefit from the participation of expatriates in their management, due to their contribution to the corporate governance of the subsidiary→ parent company relationship, but that this perception is less intense – that is, less positive – than that shown by the parent company.

4. Conclusions

This article's aim was to provide evidence, through a case study of Vale, of the contribution of the participation of expatriates in the management of subsidiaries of international firms to the success of the effective management of networks formed by the relationships between the parent company and its international subsidiaries, by contributing to an effective corporate governance of these networks.

The results of the research suggest that expatriates indeed contribute informal elements that are pertinent to social governance mechanisms, such as commitment, communication, flexibility, trust, interdependence and cultural integration, and that have positive strategic management implications, thus, complementing the formal corporate governance mechanisms of the networks at issue.

The case studied thus provided valuable insights for firms' top management, by showing how appointing executives to international positions can add value.

Despite the inherent limitations of the case study method that were mitigated mainly by method triangulation, the results obtained were in keeping with the exploratory nature of this research. It should be emphasized that this method's main drawback is that it is not possible to perform a statistical generalization of its results. Although we recognize this limitation, we believe that the study makes a significant contribution to academic research and business circles, as its results can be generalized analytically (Eisenhardt, 1989; Yin, 1994).

Similarly to Moraes' investigation (2005), our study's greatest contribution was to confirm research findings that make evident the importance of complementing the use of formal corporate governance methods with informal ones, pertaining to social governance mechanisms, in order to establish a more effective management of the networks of relationships between a parent firm and its international subsidiaries. The study characterized, by way of pertinent indicators and sub-indicators, the formal "power" mechanism variable and the variables relating to the social mechanisms of "commitment", "communication", "flexibility", "trust", "interdependence" and "cultural integration". This characterization made it possible to assess the positive and negative implications of each variable in the network of relationships analyzed.

In order to give continuity to this study, we make the following recommendations: (i) deepen the analysis developed in this study, extending its scope to include a greater number of firms of different industrial sectors; (ii) propose new variables, indicators and sub-indicators associated with formal and social corporate governance mechanisms; (iii) verify whether the contribution of the participation of expatriates in the management teams of international subsidiaries, as revealed by this study, varies according to the duration of the relationship between the parent firm and its subsidiary; (iv) verify how to increase the positive implications - or even revert the negative implications, transforming them into positive ones - of the social corporate governance mechanisms engendered by the participation of expatriates in the management of international subsidiaries.

Studies of the social corporate governance mechanisms used in the strategic management of networks of international relationships are still far and few between. Thus, there are vast opportunities for fresh contributions to research on this topic through pertinent investigations from a strategic relational perspective of firms from different sectors that operate in the current context of growing internationalization.

References

Bachmann, R. (2001). Trust, power and control in trans-organizational relations. *Organization Studies*, 22 (2), 337-365.

Bantham, J. H., Celuch, K. G., & Kasouf, C. J. (2003) A perspective of partnerships based on interdependence and dialectical theory. *Journal of Business Research*, 56, 265-274.

Bjorkman, I. (2004). Managing knowledge transfer in MNCs: the impact of headquarters control mechanisms. *Journal of International Business Studies*, 35, 443-455.

Boyacigiller, N. (1990). The Role of Expatriates in the Management of Interdependence, Complexity and Risk in Multinational Corporations. *Journal of International Business Studies*, 21 (3), 357-380.

Bueno, J. M. (2004). *O Processo de Expatriação como Instrumento de Integração de Culturas em uma Organização no Brasil – O Caso Renault*. Master's Thesis, Pontifical Catholic University of Paraná.

Chiles, T. H. & McMackin, J. F. (1996). Integrating variable risk preferences, trust, and transaction cost economics. *The Academy of Management Review*, 21 (1), 73-99.

Clarke, C. C. & Lipp, G. D. (1998). Conflict resolution for contrasting cultures. *Training and Development*, 52 (2), 20-33.

Cornelius, P. (2005). Good corporate practices in poor corporate governance systems. *Corporate Governance*, 5 (3), 12-23.

CVRD (2005) *Relatório Anual 2005*

_____ (2007a). *Estatuto Social da CVRD*, 27 April 2007,.

_____ (2007b) Pursuing Long-term Growth. Dublin, *Merrill Lynch Global Metals Mining and Steel Conference*, May 2007.

_____ (2007c). Relatório “*Company Fact Sheet IT 2007*”.

Dickson, M. A. & Zhang, L. (2004). Supplier-retailer relationships in China’s distribution channel for foreign brand apparel. *Journal of Fashion Marketing and Management*. 8 (2), 201 -216.

Edström, A. & Galbraith, J. R. (1977). Transfer of managers as a control and coordination strategy in multinational organizations. *Administrative Science Quarterly*, 22, 11-22.

Eisenhardt, K. M. (1989). Building Theories from Case Study Research. *Academy of Management Review*, 14 (4), 532-550.

Fenwick, M. S., De Cieri, H., & Welch, D. (1999). Cultural and Bureaucratic control in MNEs: The role of expatriate performance management. *Management International Review*, 39 (3), 107-124.

Gao, T., Bao, Y., & Wang, Y. (2002). Plural Governance forms for International Strategic Alliances: An Integrative Framework. *American Marketing Association. Conference Proceedings*, 187-188.

Gulati, R., Nohria, N., & Zaheer, A. (2000). Strategic Networks. *Strategic Management Journal*, 21, 203-215.

Halinen, A. & Törnroos, J. (2005). Using case methods in the study of contemporary business networks. *Journal of Business Research*, 58, 1285-1297.

Harzing, A. W. K. (2001a). Who's in charge? An empirical study of executive staffing practices in foreign subsidiaries. *Human Resource Management*, 40 (2), 139-158.

_____ (2001b). Of bears, bumble-bees and spiders: the role of expatriates in controlling foreign subsidiaries. *Journal of World Business*, 36 (4), 366-379.

Heide, J. B. & Miner, A. S. (1992). The shadow of the future: Effects of anticipated interaction and frequency of contact on buyer-seller cooperation. *Academy of Management Journal*, 35 (2), 265-291.

Hunt, S. D. & Morgan, R. M. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58, 20-38.

Kauser, S. & Shaw, V. (2004). The influence of behavioural and organizational characteristics on the success of international strategic alliances. *International Marketing Review*, 21 (1), 17-52.

Kobrin, S. J. (1989). Expatriate reduction in American Multinationals: Have we gone too far? *ILR Report*, 27 (1), 22-29.

Lü, W. (2001). *Network Development for Competitive Advantage: A Study of Subsidiary Networks and Alliance Networks*. Ph. D Dissertation, Richard Ivey School of Business.

Macedo-Soares, T. D. L.v.A. (2002). Strategic Alliances and Networks: Conceptual Tools for Strategic Assessments. *Readings Book of Global Business and Technology International Conference – GBATA 2002*, Rome, St. John's University, 292-305.

_____. Tauhata, T. L., & Freitas, J. C. T. (2004). Strategic Implications of Alliances and Networks of Horizontal Portals in Brazil. *Latin American Business Review*, 5, 71-102.

_____, & Lima, F. C. (2005). Implicaciones estratégicas de las redes de alianzas en el sector de líneas aéreas: estudio de caso práctico. *Revista de Empresa*. 13, 56 - 76.

McClave, J. T., Benson, P.G., & Sincich, T. (2001). *Statistics for business and economics*. Upper Saddle River: Prentice Hall,.

Minbaeva, D. B. & Michailova, S. (2004). Knowledge transfer and expatriation in multinational corporations: The role of disseminative capacity. *Employee Relations*, 26 (6), 663-679.

Meschi, P. (1997). Longevity and cultural differences of international joint ventures: Toward time-based cultural management. *Human Relations*, 50 (2), 211-228.

Moraes, M. N. (2005). *(Corporate Governance: Critical Success Factor for Strategic Management of Firms in Alliances). Governança Corporativa: Fator Crítico de Sucesso na Gestão Estratégica de Empresas em Alianças*. Master's Thesis. Pontifical Catholic University of Rio de Janeiro – Business Administration Department.

Oliveira Jr, M. de M., Sommer, P.S., & Colombini, F. (2001). Transferência de Conhecimento e “Best Practices” em Redes Corporativas Globais. Campinas, *Proceedings of 25^o ENANPAD Conference*, CD Rom.

Prater, E., Biehl, M., & Smith, M. A. (2001). International supply chain agility: Tradeoffs between flexibility and uncertainty. *International Journal of Operations and Production Management*, 21 (5), 823-839.

Rea, L. M. & Parker, R. A. (1997). *Designing and Conducting Survey Research: A Comprehensive Guide*. Jossey-Bass , 2nd Edit.

Riusala, K. & Suutari, V. (2004). International Knowledge Transfers through Expatriates. *Thunderbird International Business Review*, 46 (6), 743-770.

Remenyi, D., Williams, B. Money, A. & Swartz. E. (1998). *Doing Research in Business Management*. London: Sage.

Segil, L. (1998). Strategic Alliances of the 21st century. *Strategy & Leadership*, 26 (4), 12-16.

Strikwerda, J. (2003). An entrepreneurial model of corporate governance: devolving powers to subsidiary boards. *Corporate Governance*, 3 (2), 38-57.

Volkmar, J. A. (2003). Context and control in foreign subsidiaries: Making a case for the Host Country National Manager. *Journal of Leadership & Organizational Studies*, 10 (1), 93-105.

Wagner, B. A., Macbeth, D. K., & Boddy, D. (2002) Improving supply chain relations: An empirical case study. *Supply Chain Management*, 7, (3), 253-264.

Weber , R. P. (1990). *Basic Content Analysis*. London: Sage, Sage University Papers, 49.

Yin, R. K. (1994). *Case Study research*. London: Sage.

TABLES

Variables	Indicators	Sub-indicators
Power	Non-coercive/ Coercive	<ul style="list-style-type: none"> • Punishment/penalization Inability/ Ability (Bachmann, 2001; Dickson & Zhang, 2004) • Inability/ Ability to threaten (Dickson & Zhang, 2004) • Existence/ Non-existence of power through assistance: power established through dependence on the more powerful partner (Dickson & Zhang, 2004) • Existence/ Non-existence of power through reward from the partnership (Dickson & Zhang, 2004)
Commitment (Collaborative and Ethical Behavior)	Collaborative / Opportunistic	<ul style="list-style-type: none"> • Desire Lack of a desire to maintain the relationship (Bantham, Celuch & Kasouf, 2003; Hunt & Morgan, 1994) • Non-existence / Existence of the option to change a partner (Bantham et al., 2003)
Communication	Frank/ Non-existent	<ul style="list-style-type: none"> • Clear/ Ambiguous communication (Wagner, Macbeth & Boddy, 2002) • Regular/ Irregular communication between partners is frequent (Wagner et al., 2002) • Existence/ Non-existence of formal meetings to share information and knowledge (Wagner et al., 2002) • Awareness/ Lack of awareness of information concerning a partner (Wagner et al., 2002)
Flexibility	Flexible/ Rigid	<ul style="list-style-type: none"> • Ability/ Inability to adjust behavior on the part of the partner (Heide & Miner, 1992) • Agility/ Lack of agility to respond rapidly to changes (Prater, Biehl, & Smith, 2001) • Low/ High cost of change associated with agility of response and capacity to adapt to new conditions (eg. shipping by air is quicker but more expensive than by sea) (Prater et al., 2001) • Existence/ Non-existence of case-by-case decisions - in the case of extreme rigidity, pre-established formal rules hold and decisions are never taken on a case-by-case basis (Segil, 1998)

Variables	Indicators	Sub-indicators
Trust	Existent/ <i>Non-existent</i>	<ul style="list-style-type: none"> • Expectation that a partner <i>will/will not</i> act opportunistically, even though such behavior would certainly provide him with benefits in the short term and perhaps also in the long term (Chiles & McMackin, 1996; Hunt & Morgan, 1996) • Partner's solid/<i>weak</i> reputation for trustworthiness (Chiles & McMackin, 1996) • Moderate / <i>excessive</i> heeding of contractual rules reflecting lack of trust (Chiles & McMackin, 1996) • Perception of a low/ <i>high</i> risk that agreements will not be fulfilled (Bachmann, 2001)
Interdependence	Recognized/ <i>Not recognized</i>	<ul style="list-style-type: none"> • Perception of the importance/ <i>insignificance</i> of a partner for the firm's own success (Moraes, 2005) • Impossibility/ <i>Possibility</i> of quickly changing a partner (Heide & Miner, 1992)
Cultural integration	High/ <i>Low</i>	<ul style="list-style-type: none"> • Existence/ <i>Non-existence</i> of mapping and control of cultural differences (Meschi, 1997) • Non-occurrence/ <i>Occurrence</i> of conflicts caused by cultural differences (Meschi, 1997)

Table 1 Variables, Indicators and Sub-indicators

Question	Construct based on the SNA model	Max. Likert Scale	Expat Aver.	Local Aver.	p-value	High-est
1 – Does participation of Vale parent company in networks of relationships with its international subsidiaries constitute a fundamental part of its strategy?	—	5	4,3	3,8	0,034	Expat
2 –Evaluate the strength of connections between Vale and its international subsidiaries.	Strength of connections	3	2,5	2,3	0,301	-
3 – Evaluate Vale´s position of centrality in its networks of relationships with its international subsidiaries.	Centrality position	3	2,7	2,5	0,433	-
4 - Incentives to Vale parent company´s internationalization process provided by governmental authorities.	Government incentives for its internationalization process	3	1,5	1,6*	0,706	-
5 – Investments made by Vale parent company in its subsidiaries.	Making of investments in parent company subsidiary relationship	3	2,1	1,9	0,116	-
6 – Comparison of Vale parent company with its competitors regarding relationships with its international subsidiaries.	—	3	1,8	1,4	0,044	Expat
7 – Level of international subsidiaries' delegation of authority.	Level of decentralization via authority delegation	3	1,4	1,3	0,409	-
8 – Use of most modern corporate governance practices	Use of governance mechanisms	5	3,4	2,8	0,028	Expat

Table 2: Questions of First Part of Questionnaire and Statistical Results

* This result was not considered valid, as 79% of local employees did not reply to this question.

N.B. For questions of the first part, the standard deviation showed a value equal to or lower than 1.0.

Variables	Questionnaire Question	Expat Aver.	Local Aver.	p-value	Highest
Power	13 – Communication with Vale parent company is performed solely via expatriates	2,6	2,6	0,959	-
	31 – The employees of the international subsidiary are implicitly or explicitly supervised by expatriates	3,4	3,0	0,120	-
Commitment	14 – Expatriates seek to establish enduring professional relationships with local employees	3,5	3,1	0,230	-
	15 – Local employees seek to establish enduring professional relationships with expatriates	3,5	3,5	0,981	-
	16 – Expatriates pay attention to specific needs of the international subsidiary	4,2	3,8	0,069	-
Communication	9 – Communications between Vale parent company and international subsidiaries are frequent	3,1	3,5	0,280	-
	10 – Expatriates frequently transmit information and guidelines from Vale parent company	4,1	3,3	0,042*	Expat
	11 – Expatriates transmit information and guidelines in a clear and transparent way	3,8	3,0	0,012*	Expat
	12 – Expatriates organize meetings about Vale parent company	3,7	3,1	0,058	-
Flexibility	17 – In the international subsidiary all important decisions require Vale parent company's approval	4,1	3,8	0,268	-
	18 – Decisions that require Vale parent company's approval are taken in an agile manner	2,6	2,5	0,551	-
	19 – In the international subsidiary all important decisions require expatriate approval	3,9	3,6	0,313	-
	20 – All important decisions that require expatriate approval are taken in an agile manner	3,6	3,4	0,443	-

Variables	Questionnaire Question	Expat Aver.	Local Aver.	p-value	Highest
	21 – Decisions taken by expatriates are not negotiable	2,4	2,8	0,157	-
Trust	28 – There is a high risk that Vale parent company will not fulfill agreements with an international subsidiary	2,0	2,7	0,013	Local
	29 – There is a high risk that expatriates will not fulfill agreements with local employees	1,9	2,6	0,003	Local
	30 – There is a risk that expatriates will act opportunistically	1,9	2,8	0,001	Local
Interdependence	22 – The relationship with the international subsidiary is fundamental to Vale parent company's success	4,4	4,3	0,777	-
	23 – The relationship with Vale parent company is fundamental to the international subsidiary's success	3,7	3,8	0,688	-
	24 – The participation of expatriates in the management of the international subsidiary is fundamental to the success of the relationship between Vale parent company and the international subsidiary	4,4	4,0	0,150	-
Cultural integration	25 – Vale parent company maps cultural differences and promotes awareness and guidance regarding differences	2,8	2,8	0,997	-
	26 – Expatriates map cultural differences and promote guidance regarding differences	3,0	2,9	0,782	-
	27 – Conflicts from cultural differences are frequent	2,6	2,5	0,738	-

Table 3: Variables, Questions of Second Part of Questionnaire, and Statistical Results

* Kruskal-Wallis Test.

Note: For all the questions of the second part of the questionnaire, the standard deviation showed a value equal or less than 1.4.