



Determinants of Japanese expatriation to Brazilian subsidiaries at the beginning of the 21st century

Márcia Zabdiele Moreira^[a], Mário Henrique Ogasavara^[b], Marília Pinheiro Falcioni Pereira^[c], Heber José de Moura^[d]

^[a] Doutora em Administração de Empresas, Universidade de Fortaleza (UNIFOR). Professora Adjunta da Faculdade de Economia, Administração, Atuária e Contabilidade da Universidade Federal do Ceará (FEAAC/UFC), Fortaleza, CE, Brasil. e-mail: mzmoreira@yahoo.com.br

^[b] Ph.D. in Management, University of Tsukuba (Japão). Professor Titular do Programa de Mestrado e Doutorado em Gestão Internacional, ESPM, São Paulo-SP, Brasil, e-mail: mario.ogasavara@espm.br

^[c] Doutora em Administração de Empresas, Universidade de Fortaleza (UNIFOR). Professora de pós-graduação em Administração de Empresas. Fortaleza, CE, Brasil, e-mail: mariliapfp@yahoo.com.br

^[d] Doutor em Administração, Fundação Getúlio Vargas (FGV/SP). Professor Titular do Programa de Pós-graduação em Administração (PPGA) da Universidade de Fortaleza (UNIFOR), Fortaleza, CE, Brasil, e-mail: heberm@unifor.br

Abstract

Expatriate staff members are important in the implementation of strategies for multinational corporations. This study investigates the determinant factors of assigning Japanese expatriates to manage their subsidiaries in Brazil at the beginning of the twenty-first century. Understanding the determinants of the international designation of people for managing foreign subsidiaries collaborates with debate and discussion on expatriation strategies, which are not well established in literature. The research utilized a quantitative study to which we applied a multiple regression analysis based on database of Japanese subsidiaries in Brazil. The results show that the main determinant factor of the international assignment is related to the subsidiary size. Moreover, it was identified that equity ownership, experience in the host country, and industry type did not impact the Japanese expatriation to Brazil.

Keywords: Expatriation Strategy. International Assignment. Japanese Multinational Corporations. Foreign subsidiaries. Brazil.

Introduction

Growing corporations and the opening of international markets has created new demands. Companies now find themselves needing to decide whether they will manage subsidiaries by hiring a manager from a host country or by sending an officer from the parent company abroad. In this way, human resources become strategic assets that influence the probability of generating and sustaining competitive advantage in multinational firms (TANURE, 2006).

Expatriates are citizens from the country of origin of the multinational enterprise (MNE) that are sent by managers for foreign operations. The citizens of the host country or local managers are professionals in the country where the company is acting (LIMA; BORDIGNON, 2009). Failures in international designations represent substantial costs for both corporations and their expatriates, but also for local managers and foreign subsidiaries.

The expatriate and local managers are two types of employees whom MNEs can assign managerial positions in foreign subsidiaries. For Tan and Mahoney (2006), it is expected that both have different characteristics. Almeida (2009) explains that when expatriates are invited to go through an international designation, they usually have worked and socialized with MNE managers for a considerable period of time and must have had a rotating process through other functions in subunits within a MNE network.

In contrast, local managers have less work experience and socialization with the parent company. While local managers must have extensive experience working in a local subsidiary, the number of local managers who have rich and frequent experiences with the parent company is very limited. In addition, understanding of the local managers' strategic roles of each of the subsidiaries within the MNE network is probably incomplete (TAN; MAHONEY, 2006).

The economic growth in early twenty-first century in Brazil is directly related to the expansion of the domestic consumer market, driven since the 1990s by the minimum wage appreciation policy, the cash transfer policy for the poorest and by credit expansion. Another important dimension is the positive and relatively balanced impact on the expansion of all segments of the economy such as industry, trade, services, agriculture, construction and other factors (DIEESE, 2012). These changes in the Brazilian political and economic conditions could have affected the performance of international investors in the country.

In 2002, Japan's recorded gross domestic product (GDP) of US\$ 3.98 trillion represents the second largest economy in the world (IMF, 2014). In terms of foreign direct investment (FDI) conducted from 1970 to 2002, Japan is ranked fifth among 237 nations listed by the United Nations Conference on Trade and Development (UNCTAD, 2014). In relation to Brazil in terms of FDI stock, excluding tax havens, Japan was the seventh largest investor in the country (BACEN, 2006). Thus, there are issues to be investigated concerning the relationship between Brazil and Japan in the early twenty-first century, and the changes that countries were facing.

The role of expatriates is critical in the implementation of the MNE's strategies in other countries. In order to better understand the expatriation decision of Japanese MNEs in Brazil, this study intends to answer the following research question:

what are the determinant factors of international designation of Japanese MNEs' expatriates to manage its Brazilian subsidiaries in the early twenty-first century?

This study considered for analysis only the expatriates who are linked to a company. The research does not include cases of self-initiated expatriation. The understanding of the determinants of the international designation of persons for managing foreign subsidiaries contributes to the debate and discussion on expatriation strategies that is not yet included in the existing literature.

The methodological approach used in the study initially consisted of a literature review on the following themes: international assignments, expatriate management, determinants of international designation, and Japanese MNEs. Later, the researchers decided to perform a quantitative study using the Toyo Keizai database, which is one of the few databases in the subsidiary-level. A cross-section of Japanese investments in the year of 2001 was carried out in order to investigate expatriates in the early twenty-first century.

Determinants of Japanese Expatriation in Brazil

Companies that internationalize, launching in foreign markets through direct investments abroad, have to consider the critical aspect of how to manage their distant employees. As postulated by the Uppsala internationalization theory, the learning process that allows international expansion occurs through the knowledge and decision-making of the person or persons responsible for leading the organization's business abroad (MAGALHÃES; ROCHA, 2002).

History shows that the first companies to enter into different countries were European. Subsequently, American firms also began to operate in the international market, and later the Japanese companies followed. More recently, firms from other Asian and some Latin American countries have begun operating internationally (YIP et al., 1997).

In the case of Japanese companies, the fall of the dollar against the yen in 1985 forced the Japanese MNEs to invest in the foreign market to remain competitive with respect to cost, both domestically and internationally. This phenomenon can be seen by the Japanese FDI flows in the 1980s that accumulated an amount of US\$144 billion. This amount was almost nine times more than the previous decade, which did give Japan the third largest volume of FDI in the world. In the 1990s, there was even further growth of 75% to US\$250.6 billion (UNCTAD, 2014).

More companies believe firmly in the strength of their products; however, the expatriate is the most valuable connection to markets and customers. These special staff members do the action, handle techniques, meet the customers, become the users, and eventually surpass management (SEBBEN; GOLDEN CHILD, 2005).

Beamish and Inkpen (1998) believe that the expatriation of Japanese staff has declined in the international market. A major cause of this decrease is the dismantling of the rice paper ceiling, which refers to the human resources management policies in which local employees were not allowed to occupy high-ranking Japanese MNEs. Japanese firms have followed an export strategy, centralized management, and more recently, they provide more autonomy to local subsidiaries. However, in this case, Japanese MNEs are using Japanese managers and representatives of the

parent firm (PUTTI; KULWANT; STOEVEER, 1993). Bartlett and Ghoshal (1998) also corroborate this statement when affirming that the global integration procedure of U.S. companies is carried out by the formalization of the structure and processes. While socializing creates European MNEs, and Japanese MNEs are built on centralization.

Previous studies of expatriation determinants have been analyzed by authors such as Beamish and Inkpen (1998), Delios and Bjorkman (2000), Gong (2003), Xu, Pan and Beamish (2004), Tan and Mahoney (2006), Ando (2011), and Wilkinson et al. (2008). However, these studies did not confirm the author's hypotheses. In addition, contradictions have been discovered and are discussed in the next section. These discrepancies indicate a need for conducting more research in this subject area.

The Brazilian subsidiaries of Japanese MNEs were analyzed by four main variables: subsidiary size, ownership control, experience in the host country and the subsidiary industry.

Subsidiary size

The size of the subsidiaries as well as their capabilities, equipment and degree of autonomy make up the set of decisions that define the performance of each unit (VEREECKE; VAN DIERDONCH, 2002). Buckley and Carter (1976) argue that larger companies (in terms of number of employees) have more resources than smaller firms, and, therefore, these firms have better conditions to support risk (MAGALHÃES; ROCHA, 2002; COUTO, 2009).

Regarding the subsidiary size and the staff expatriation, Delios and Bjorkman (2000) found that the size has a positive and significant relationship with the number of expatriate staff members in a sample of subsidiaries in China and the U.S. This implies that the largest subsidiaries employed a larger number of expatriates.

However, some other studies using the rate of expatriation or number of expatriates (ANDO, 2011; ROSENSWEIG; NOHRIA, 1994; TAN; MAHONEY, 2006; WILKINSON et al, 2008; XU; PAN; BEAMISH, 2004) found a negative relationship between the subsidiary size and the presence of expatriates. It means that the largest subsidiaries may have needed more resources of the local environment, and consequently these firms tended to use more local staff than employees from the country of origin (ROSENSWEIG; NOHRIA, 1994).

Schotter and Beamish (2011) also analyzed the influence of subsidiary size on the staff expatriation; however, they used capital in dollars invested in foreign subsidiaries as a measurement of size. The variable 'managerial complexity' was assessed by the percentage of expatriates rather than the number of employees of a foreign subsidiary. Their findings showed that there is a negative and significant relationship between subsidiary size and expatriation, but this was insignificant to the expatriation rate (ratio).

Based on the literature review, it is expected:

H1: *The greater the number of subsidiary employees in Brazil, the lower the use of expatriates by the Japanese MNE.*

Ownership Control

The main purpose of foreign subsidiary control is to ascertain if the parent company's objectives are being met. Control problems that exist in any large organization are exacerbated in international operations. This is because MNEs are located in host countries that are different in terms of cultural, economic, and political aspects in comparison to the home country of the parent firm (DELIOS; BJORKMAN, 2000).

According to Gatignon and Anderson (1988), a subsidiary or affiliate is defined as a business entity in which a MNE holds at least 5% of the shares. It is important to understand the ownership control structures as arrangement type that influences all corporate decisions (MAN; TOLFO, 2005).

To Delios and Bjorkman (2000), in legal terms, the controlling interest share of the parent company determines the right to control the foreign subsidiary. A high equity stake in foreign subsidiary tends to provide greater power and freedom of action to the parent company in the use of the subsidiary control mechanisms.

Regarding the control structure, Strikwerda (2009) classifies the subsidiaries in accordance with the following: (i) wholly-owned subsidiaries (parent firm holds 100% equity ownership) without physical structure, which means, they have their activities fully integrated and dependent on the parent firm; (ii) wholly-owned subsidiaries with their own structure; (iii) majority ownership (parent firm has the majority of shares in relation to other members); (iv) equal shares (parent firm holds the same equity ownership of the partner); and (v) minority ownership (parent firm holds fewer shares than the other partner).

The use of expatriates is one of several mechanisms that MNEs tend to use for controlling their foreign subsidiaries. Expatriates tend to be more responsive to the parent firm's objectives than the local managers who devote almost their entire career in a single subsidiary (KOBIN, 1988).

Thus, the controlling interest represents a formal control mechanism of the subsidiary that is known as 'residual rights of control' or the right to make decisions that are not explicit in contracts (ANDERSON & GATIGNON, 1986). Makino et al. (2004, p.381) state that the subsidiary control level is always related to the controlling interest of the parent firm and the number of expatriates.

Widmier et al. (2008) explain that higher investment in foreign subsidiaries correlates to greater the risk of the parent firm. Therefore, there is a need for more supervision of the country by using expatriate managers. However, their empirical study showed an insignificant relationship between ownership control and the number of expatriates.

On the other hand, Delios and Bjorkman (2000) and Ando (2011), considering the strategic importance of personal designation as a control mechanism, identified that ownership control of foreign subsidiaries has a positive and significant statistical relationship with the ratio of expatriates.

Based on the findings of previous studies, it is expected:

H2: *The greater the ownership control of the Japanese parent firm in its subsidiary in Brazil is, the greater the use of expatriates by the Japanese MNE will be.*

Experience in the Host Country

The expatriation depends on the institutional environment of the host country, independent if it is similar, opposite or complementary to the home country in which they were developed (HALL; SOSKICE, 2001). This causes some foreign subsidiaries to have closer practices from the parent firm. Other subsidiaries have closer practices to those in the host country itself, and others still utilize practices considered global in nature (SHAFFER; HARRISON, 2001).

Importantly, there is no consensus on the use of local or expatriate staffs in international operations. Coulson-Thomas (1992) argues that, at the beginning of the internationalization process, it is interesting to use local executives. This is because they already know the market and customers, may yield greater and agreed guidelines, and be able to explain in more detail the local institutional context. However, Koslow and Scarlet (1999) disagree on whether international operations should be guided by expatriates. According to them, MNEs feel greater confidence in the expatriate decisions made in the new subsidiary, and that local staff should gradually replace these expatriates.

Ogasavara (2010) explains that market knowledge is required to deal with employees, suppliers, and customers that are culturally different. In addition, companies must adapt their production systems to local infrastructure and customs to deal with the government and other specific institutions of that particular market.

While expatriates can be used to transfer knowledge from the parent firm to the subsidiary, they can also acquire local knowledge in terms of political practices institutions, and the economy and culture of the host country (BEAMISH, 1988).

On the one hand, MNEs with limited familiarity of the host country may have a tendency to invest in the parent company's knowledge development of local conditions through the use of expatriates. On the other hand, it can also be argued that MNEs with little experience in the host country might be contention of using expatriates. It is because these firms feel a great risk that these staff members might have low performance in a new and unfamiliar environment. In this way, they prefer to hire local staff to manage their first foreign subsidiary (DELIOS; BJORKMAN, 2000).

Eriksson et al. (1997) analyzed the costs of lack of experiential knowledge in the internationalization process. The study claims that when firms have no knowledge about the customer relationship, its own organization, decision-making process, and customers' needs for products and services, this is extremely problematic for firm internationalization.

Regarding the length of experience of the parent company in the host country, Delios and Bjorkman (2000) found that the higher the parent firm's experience in the local market, the more intense the use of expatriates.

Widmier et al. (2008) obtained an opposite result. Using data from 40 countries of 366 new Japanese subsidiaries, the authors found a negative and significant relationship between experience and expatriation. As the company's experience in the host country increased, the rate of expatriates declined. Tan and Mahoney (2006) in addition to Ando (2011) confirmed this inverse relationship between experience and the expatriate designation.

The opposing results suggest the lack of theoretical consistency of the relationship between the experiences of MNEs in the host country and the expatriation. Thus, we propose the following hypothesis:

H3: *The greater the subsidiary experience in Brazil, the lower the use of expatriates by the Japanese MNEs.*

Subsidiary Industry

The MNEs' policies and practices need to be locally responsive and globally competitive. The international expansion of companies with consequent internationalization of its human resources should consider their industrial characteristics (QUINTANILLA, 2002).

Beamish and Inkpen (1998) analyzed 3,263 Japanese subsidiaries in 92 countries in the 1980s and 1990s. They found that from 1986 to 1990 the growth of Japanese FDI was higher in the manufacturing sector due to investment of resources in countries with lower costs production.

Ando (2011) examined five different sectors and found that the electrical/electronic industry, machinery, chemical, and precision equipment had a negative relationship with the appointment of expatriates. However, the automobile industry had a positive relationship with the expatriation. This shows the difference in operation of expatriation strategies across different industries.

Schotter and Beamish (2011) investigated the influence of the industry sector and nationality of the subsidiary's general manager. They found that the manufacturing sector requires more knowledge transfer, greater control and appointment of parent country national staff (expatriates) compared to non-manufacturing companies.

In another study, Makino et al. (2004) found that Japanese companies invest in different sectors depending on the development level of countries. In the case of developed countries, the Japanese MNEs tend to invest in the tertiary industry, in sectors such as retail trade, finance, and services. In developing countries, however, Japanese companies have concentrated their investments in sectors of primary and secondary industries (manufacturing).

Being a developing country, has Brazil attracted more Japanese investment in the manufacturing sector at the beginning of twenty-first century or in other sectors? Furthermore, how have investments in manufacturing influenced the expatriation strategy? Thus, the present study proposes the following hypothesis:

H4: *The Japanese MNEs have used more expatriates in their Brazilian subsidiaries that operate in the secondary industry than in the primary and tertiary industries.*

Methodology

This is a quantitative study based on a secondary data about the performance of subsidiaries of Japanese multinational companies in Brazil in the early twenty-first century. It is an exploratory-descriptive study through the analysis of the subsidiaries that had full information on all variables required in our study.

Although Japanese culture has specific conditions that influence its mode of operation in other countries, the access to a comprehensive database on subsidiary performance in the international context is not available in other countries. Therefore, it was fundamental to select this object of the research to our study.

For our empirical analysis, we used the database published by Toyo Keizai Inc. called *Kaigai Shinshutsu Kigyō Souran - Kuni Betsu* (Japanese Overseas Investments - by Country), which consists of one of the very few specific databases at the level of subsidiaries (TOYO KEIZAI, 2001). It analyzes particularly the year 2001, marking the beginning of the 21st century in which Brazil and Japan went through changes in their political and economic environment. At that period, Brazil sought to diversify investment in all sectors of the economy, while Japan expanded investments abroad and maintained the low rate of unemployment and inflation.

Although the major Japanese trading partners are located in the U.S., China, Western Europe and Southeast Asia, Japanese investment also reached Brazil with significant presence. Thus, the country was chosen as the object of study because it is the main destination for Japanese FDIs in South America. It alone represents 63% of the total subsidiaries in the region (OGASAVARA; HOSHINO; 2007). Furthermore, there are few studies on Japanese operations in Brazil. In this way, it is necessary to understand the strategic decisions of foreign investors in this particular country.

Initially, the data year of 2001 contained 294 Japanese MNEs with subsidiaries in Brazil. However, we only considered the subsidiaries with complete data on the dependent and independent variables used in this study. As a result, the sample was reduced to 109 subsidiaries for analysis.

We carried out the non-response bias test to verify whether the final sample considered for analysis differs from the subsidiaries that were left out because of missing data (OGASAVARA, 2010). Thus, a *t*-test has been applied comparing the parent company's experience in the local market of the reduced sample (109) in comparison to the initial sample (294). The null hypothesis was that the "average of both samples are equal." The result showed no significant difference between the two samples, demonstrating that the final sample is suitable to the study and did not harm the analysis.

Past studies on expatriation using the Toyo Keizai database focused on two approaches: (i) they examined a large sample of countries such as the study of Makino, Beamish and Zhao (2004), which analyzed 150 countries, Beamish and Inkpen (1998) examining 92 countries, Gong (2003) 48 countries, and Xu, Pan and Beamish (2004) with 44 countries; (ii) they investigated specifically Asia and the U.S. as the main destinations for Japanese FDIs, such as in the studies of Delios and Bjorkman (2000), Schotter and Beamish (2011) and Tan and Mahoney (2006). This study focused on a different approach. We tried to understand the expatriation practices in Brazil, a context not well explored by researchers.

By focusing the analysis on the FDI investment from only one country (Japan), investing in a single country (Brazil), this study remains constant within the country effects. It controls a number of variables such as cultural distance and political risk that affect the firm's survival and are difficult to measure (HENNART et al., 1999).

Figure 1 depicts the details of the measurement of the dependent and independent variables analyzed in this study.

Figure 1. Dependent and independent variables

Dependent variable		Description
Expatriate ratio	Number of expatriates / total employees in the subsidiary	Ratio
Independent variables		Description
Subsidiary size	Number of employees	logemployee
Ownership control	% of equity control of the Japanese companies in the Brazil's subsidiaries.	Jap.Part(%)
Experience in the host country	Number of years of the Japanese subsidiaries in Brazil.	Years (2000 - x)
Industry	Primary industry	Sector 1
	Secondary industry (manufacturing)	Sector 2
	Tertiary industry (trade, financial sector and service firms)	Sector 3

Source: Research data.

According to Figure 1, we applied the logarithm of the number of employees to give greater uniformity to the data avoiding problems with normality (HAIR et al., 2005). The hypotheses were tested using multiple regression with SPSS version 20.

Results

The assignment of executives for international task are important to the success of firms' internationalization strategies as they help to build the overall level of competence and integration (ILO, 2012). However, it is very important to understand the influence of some variables in the decision-making process of assigning expatriates to the subsidiaries and the amount of people to be sent in the international operation.

The study intends to identify the determinants of the international staff's assignment of Japanese MNEs to managets Brazilian subsidiaries in the early 21st century. Of the total (109 subsidiaries), 8.3% are classified in the primary sector, 53.7% in the secondary sector, and 37.9% in the tertiary sector. Table 1 presents the descriptive statistics of the variables.

Table 1. Descriptive statistics of the variables

Variables	Mean	Standard deviation	N
Expatriate Ratio	.09	.17	108
Primary sector	.08	.28	108
Tertiary sector	.38	.49	108
Subsidiary size	1.74	.85	108
Experience in the host country	22.82	13.36	108
Ownership control (Jap.Part %)	83.90	26.83	108

Source: Research data.

First, it runs a correlation analysis of the variables before proceeding with the multiple regression. The result showed that the Pearson correlation coefficient is 0.610, thus indicating a moderate positive correlation between the variables analyzed in this study. Note also that the values of the variance inflation factor (VIF) were less than 1.7 (Table 2), well below the problematical level of 10 (HAIR et al., 2005). In this way, there is no problem in terms of multicollinearity.

Table 2. Multiple Regression - Expatriation Factors of Japanese subsidiaries in Brazil

Model	Standardized Coefficients	t	Sig.	VIF
	Beta			
(Constant)		3.641	0.000	
Subsidiary size	-0.543	-5.571	0.000	1.542
Experience in the Host country	0.006	0.069	0.945	1.117
Ownership control	0.111	1.326	0.188	1.130
Primary sector	-0.033	-0.401	0.689	1.075
Tertiary sector	0.071	0.710	0.479	1.631

Source: Research data.

The result of the multiple regression shows that 37.2% of the dependent variable ($R^2=0.372$) is explained by the independent variables used in the model presented in Table 2. This implies that the proportion of expatriates is direct and moderately associated with the independent variables. This percentage, although relevant, also indicates that there are other determinants of expatriation decision in addition to those analyzed in this study.

It is observed that the ratio of the subsidiary size is negative and significant ($\beta=-0.109$, $p<0.001$). This means that the larger the subsidiary, in terms of number of employees, there is a tendency to reduce the monitoring of the subsidiary by expatriates, accepting H1. The results corroborate to the findings of Rosenzweig and Nohria (1994), Tan and Mahoney (2006), Wilkinson et al. (2008) and Xu, Beamish and Pan (2004); however, their findings were contrary to those of Delios and Bjorkman (2000).

One explanation for this result might be associated with the issue of personal relocation from the home country to the host country, which can generate dissatisfaction for on-site employee (WIDMIER et al., 2008). Another explanation might relate to the ideas of Rosenzweig and Nohria (1994). They believe that the largest subsidiaries may need more resources than the local environment can provide and, consequently, tend to use more employees from the host country than the country of origin.

The variable 'experience in the host country' coefficient was insignificant, and therefore it was not representative in the model, which leads to reject H3. This suggests that the length of experience of Japanese MNEs in Brazil has not determined Japanese expatriation in 2001.

This finding differs to that obtained in the literature, which showed a positive relationship between these variables, such as the study of Delios and Bjorkman (2000) that examined Japanese subsidiaries in the U.S. and China. However, it is also different from the negative relationship obtained by Ando (2011), Tan and Mahoney (2006) and Widmier et al. (2008). One explanation for this insignificant result could be explained by the particularity of the Brazilian context, due to the cultural and institutional differences between Brazil and other countries analyzed by others researchers.

In regards to ownership control, H2 is also rejected, since the coefficient of this variable was not statistically significant. It is in accordance to the findings of Widmier et al. (2008), who found that the capital invested by the parent company in its foreign subsidiary did not have a positive and a consistent relationship with the number of expatriates. However, Delios and Bjorkman (2000) and Ando (2011) had empirically confirmed this relationship. None of these studies was previous conducted in the Brazilian or Latin American context. Thus, due to the specific characteristics of this location, there was a possibility to find different results.

In terms of industry, it should be noted that manufacturing (secondary sector) was used as a baseline for the analysis. The results show an insignificant coefficient to the primary and tertiary sectors, which leads to rejecting the H4. This implies that the industry is not a determining factor for the expatriate assignments in Japanese subsidiaries in Brazil.

The beginning of the 21st century resembles the last decade in terms of growth. The Brazilian economy grew slightly in 2001 (1.3%), in 2002 (2.7%), and in 2003 (1.1%), according to DIEESE (2012). The economic growth in the 2000s is directly related to the expansion of the domestic consumer market, driven in recent years by the appreciation of the minimum wage policy, the income transfer to the poor people, and the credit expansion.

Another important dimension is related to the positive and quite stable impact on the expansion of all economic sectors such as manufacturing, trade, services, agriculture, construction, and others (DIEESE, 2012). Thus, as Brazil was diversifying investments during the year 2001 in different economic sectors, the country was not just focusing more on the primary and secondary sectors; this internal change in the nation may have affected the form of action of Japanese MNEs in this specific period.

Conclusion

The investigation of the determinants of employee expatriation supports the challenge of international human resource management in the context of globalization. Given the complexity of this issue, we selected the following variables to be tested as determinants of expatriate assignment for Japanese subsidiaries in Brazil in the early twenty-first century: (a) subsidiary size, (b) experience in the host country, (c) ownership control, and (d) the subsidiary industry. This was the period when Japan expanded its foreign direct investment while Brazil diversified its economy by investing in the tertiary sector (trade, finance and services), in addition to the primary and secondary sectors.

The findings show that only subsidiary size is a relevant factor to the international designation of expatriates for Japanese subsidiaries operating in Brazil. It implies that the largest subsidiaries tend to actually concentrate fewer expatriates to control the international operation. This finding might be explained by the reaction of local staff to the presence of a foreign manager, particularly when the country cultures are very different as is in the case of Brazil and Japan (HOFSTEDE et al., 2010). In addition, Widmier et al, (2008) explain that the more employees the foreign subsidiary has, the more they may feel uncomfortable with the presence of a foreign manager. This leads to prefer a clear preference for a local manager.

The results could also be related to the need of a greater use of local staff (ROSENZWEIG; NOHRIA, 1994). Thus, Japanese MNEs that are known to designate a larger number of expatriates (PEABODY, 2005) had to adapt to the characteristics of the host country (Brazil) in terms of human resource policies. This implies that MNEs should be aware of the institutional issues, particularly the cultural peculiarities of the country where they are investing.

Other variables (ownership control, experience in the host country and subsidiary industry) were not considered as decisive factors for the expatriation. These results refute the findings of previous studies. However, the results contribute to the literature by providing evidence that the research topic of 'determinants of expatriation' is not consolidated empirically yet. It also reveals the importance of considering in future studies the institutional factors that generate specificities to the analyzed countries.

Although this research used a database little explored in Brazil and relevant information subsidiary of Japanese MNEs, this study presents some limitations. First, it was a cross-sectional study, which can show only a particular situation in a specific period. Second, other variables such as cultural distance and institutional aspects, which could also impact the expatriation assignments, were not used in the study as it was only the analysis of one investor (Japan) in a host country (Brazil).

Another limitation refers to the limited sample size of Japanese subsidiaries that met all required information to proceed with empirical analysis. Finally, the research focus was the analysis of Japanese operations in Brazil in the early 21st century. However, further studies could continue this research extending the analysis to the first decade of the 21st century or analyzing the Latin American context, which was little explored by researchers.

For future studies, we suggest to investigate new variables that might help to understand which factors determine the foreign subsidiaries' expatriate assignment. Finally, future research could examine subsidiaries overtime. It means the application of longitudinal analysis using data from Toyo Keizai database, and not only cross-sectional studies.

Longitudinal studies allow in-depth analysis, which leads to understanding the historical evolution and behavior of certain independent variables on the dependent variable. The time issue is a factor that can affect firm performance, due to political, economic, social, and cultural changes with which countries are likely to be confronted. This issue is not captured by cross-sectional studies.

References

- ALI, A. J. **Intercultural adaptation among expatriates spouses and children**: An empirical study on the determinants contributing to the success of expatriation. The Netherlands: Labyrinth Publication, 2003.
- ALMEIDA, D. Expatriação: questão de doação. In: SEBBEN, A. (Org.). **Expatriados.com**. Um novo desafio para os RH's interculturais. São Paulo: Artes e Ofícios, 2009.
- ANDERSON, E.; GATIGNON, H. Modes of foreign entry: A transaction cost analysis and propositions. **Journal of International Business Studies**, v.17, n.1, p.1-26, 1986.
- ANDO, N. Isomorphism and foreign subsidiary staffing policies. **Cross Cultural Management: An International Journal**, v.18, n.2, p.131-143, 2011.
- BACEN – Banco Central do Brasil. **Investimento direto estrangeiro: Censos 1995/2000 e ingressos 2001 a 2006**. Brasília: Banco Central do Brasil, 2006.
- BARTLETT, C.; GHOSHAL, S. **Managing across borders**: The transnational solution. Boston: Harvard Business School Press, 1998.
- BEAMISH, P. W. **Multinational joint ventures in developing countries**. New York: Routledge, 1988.
- BEAMISH, P.W.; INKPEN, A. C. Japanese firms and the decline of the Japanese expatriate. **Journal of World Business**, v.33, n.1, p.35-50, 1998.
- BUCKLEY, P. J.; CARTER, M. J. A formal analysis of knowledge combination in multinational enterprises. **Journal of International Business Studies**, v.35, n.5, p.371-384, 2004.
- COULSON-THOMAS, C. **Creating the global company**: successful internationalization. London: McGraw-Hill, 1992.
- COUTO, M. **Antes de nascer o mundo**. São Paulo: Companhia das Letras, 2009.
- DELIOS, A.; BJORKMAN, I. Expatriate staffing in foreign subsidiaries of Japanese multinational corporations in the PRC and the United States. **International Journal of Human Resource Management**, v.11, n.2, p.278-293, 2000.
- DIEESE - Departamento Intersindical De Estatística E Estudos Socioeconômicos. **A situação do trabalho no Brasil na primeira década dos anos 2000**. São Paulo: DIEESE, 2012.
- ERIKSSON, K.; JOHANSON, J.; MAJKGARD, A.; SHARMA, D. D. Experiential knowledge and cost in internationalization process. **Journal of International Business Studies**, v.28, n.2, p.337-360, 1997.
- GATIGNON, H.; ANDERSON, E. The multinational corporation's degree of control over foreign subsidiaries: an empirical test of a transaction cost explanation. **Journal of Law, Economics & Organization**, v.4, n.2, p.305-336, 1988.
- GONG, Y. Subsidiary staffing in multinational enterprises: agency, resources, and performance. **Academy of Management Journal**, v.46, n.6, p.728-739, 2003.
- HAIR JR. J. F.; ANDERSON, R.E.; TATHAM, R. L.; BLACK, W. C. **Análise Multivariada de Dados**. Porto Alegre: Bookman, 2005.
- HALL, P. A.; SOSKICE, D. **An introduction to varieties of capitalism**. In: HALL, P.A.; SOSKICE, D. (eds.) **Varieties of capitalism**: the institutional foundations of comparative advantage. New York: Oxford University Press, p.1-68, 2001.
- HENNART, J. F.; ROEHL, T.; ZIETLOW, D. Trojan horse or workhorse? The evolution of US-Japanese joint ventures the United States. **Strategic Management Journal**. v.9, pp.361-374, 1999.
- HOFSTEDE, G.; HOFSTEDE, G. J.; MINKOV, M. **Cultures and organizations**: Software of the mind. New York: McGraw-Hill. 2010.
- HOMEM, I. D.; TOLFO, S. R. **Gestão internacional de recursos humanos**: O processo de expatriação em uma empresa multinacional brasileira. In: 3º. Congresso do Instituto Franco-Brasileiro de Administração de Empresas. Anais...Grenoble: IFBAE, 2005.

- IMF – International Monetary Fund. **IMF eLibrary Data: World Economic Outlook**. Washington, D.C., IMF, 2014.
- KOBRIN, S. J. Expatriate reduction and strategic control in American multinational corporations. **Human Resource Management**, v.27, n.1, p63-75, 1988.
- KOSLOW, L. E.; SCARLET, R. H. **Global Business**. Houston, Texas: Gulf Publishing, 1999.
- LIMA, D.; BORDIGNON, R. **Transferências Internacionais**. In: SEBBEN, A. (Org.). *Expatriados.com. Um novo desafio para os RH's interculturais*. São Paulo: Artes e Ofícios, 2009.
- MAGALHÃES, F. S.; ROCHA, A. A formação de executivos internacionais. In: ROCHA, A. (Org.). **A internacionalização das empresas brasileiras: Estudos de gestão internacional**. Rio de Janeiro: Mauad, 2002, p.9-11.
- MAKINO, S.; BEAMISH, P. W.; ZHAO, N. B. The characteristics and performance of Japanese FDI in less developed and developed countries. **Journal of World Business**, v.39, n.4, p.377-392, 2004.
- OGASAVARA, M. H. The role of experiential knowledge and subsequent investment decisions on the profitability of Japanese companies in Brazil. **Brazilian Administration Review - BAR**, v.7, n.1, p.59-78, 2010.
- OGASAVARA, M. H.; HOSHINO, Y. The impact of ownership, internalization, and entry mode on Japanese subsidiaries' performance in Brazil. **Japan and the World Economy**, v.19, n.1, p.1-25, 2007.
- PUTTI, J.; KULWANT, S.; STOEVEER, W. Autonomy and localization of American, European, and Japanese MNC subsidiaries in Singapore. **International Research in the Business Disciplines**, v. 1, p.91-106, 1993.
- QUINTANILLA, J. **Dirección de recursos humanos em empresas multinacionales: las subsidiarias al descubierto**. Madrid: Prentice Hall, 2002.
- ROSENZWEIG, P.; NOHRIA, N. Influences on human resource management practices in multinational corporations. **Journal of International Business Studies**, v.25, n.2, p.229-51, 1994.
- SCHOTTER, A.; BEAMISH, P. W. General manager staffing and performance in transitional economy subsidiaries: a subnational analysis. **International Studies of Management & Organization**, v.41, n.2, p.55-87, 2011.
- SEBBEN, A.; DOURADO FILHO, F. **Os nortes da bússola: Manual para conviver e negociar com culturas estrangeiras**. São Paulo: Artes e Ofícios, 2005.
- SHAFFER, M. A., & HARRISON, D. A. Forgotten partners of international assignments: development and test of a model of spouse adjustment, **Journal of Applied Psychology**. v.86, n.2, p.238-254, 2001.
- STRIKWERDA, J; STOELHORST, J. W. The emergence and evolution of Multinational Organization. **California Management Review**, v. 51, n.4, pp. 11-31, 2009.
- TAN, D.; MAHONEY, J. T. Why a multinational firm chooses expatriates: integrating resource-based, agency and transaction costs perspectives. **Journal of Management Studies**, v.43, n.3, p.457-484, 2006.
- TANURE, B.; EVANS, P.; PUCIK, V. **A gestão de pessoas no Brasil: virtudes e pecados**. Rio de Janeiro: Campus, 2006.
- TOYO KEIZAI. **Kaigai Shinshutsu Kigyō Souran - Kuni Betsu (Japanese Overseas Investments - by Country)**. Tokyo: Toyo Keizai Inc., 2001.
- UNCTAD - United Nations Conference on Trade and Development. **UNCTADStat**. Disponível em: <<http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx>>. Acesso em 08 mai. 2014.
- VERECKE, A.; VAN DIERDONCK, R. The strategic role of the plant: testing Ferdows's model. **International Journal of Operations & Productions Management**. v.22, n.5, p.492-514, 2002.

WIDMIER, S.; BROUHERS, L. E.; BEAMISH, P. W. Expatriate or local? Predicting Japanese, subsidiary expatriate staffing strategies. **The International Journal of Human Resource Management**, v.19, n.9, p.1607-1621, 2008.

WILKINSON, T.; PENG, G. Z.; BROUHERS, L. E.; BEAMISH, P.W. The diminishing effect of cultural distance on subsidiary control. **Journal of International Management**, v.14, n.2, p.93-107, 2008.

XU, D.; PAN, Y.; BEAMISH, P. W. The effect of regulative and normative distances on MNE ownership and expatriate strategies. **Management International Review**, v.44, n.3, p.285-307, 2004.

YIP, G. S. E.; JOHANSSON, J. K. E.; ROOS, J. Effects of nationality on global strategy. **Management International Review**, v.37, n.4, p.365-385, 1997.

Received: 06/02/2014

Approved: 01/14/2015