

**TO QUIT OR NOT TO QUIT: ORGANIZATIONAL DETERMINANTS OF  
VOLUNTARY TURNOVER IN MNC SUBSIDIARIES IN SINGAPORE**

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## **To Quit or Not to Quit:**

### **Organizational Determinants of Voluntary Turnover in MNC Subsidiaries in Singapore**

#### **Abstract**

Adopting an inductive case study approach, the paper develops an empirically grounded theoretical framework for organizational determinants of voluntary turnover of local staff in MNC subsidiaries. The research draws upon semi-structured interviews with HR managers at the Singaporean subsidiaries of six western multinationals. Using the conceptual lens of organizational identification, the study derives two turnover determinants related to organizational structure and three turnover determinants related to organizational practices and explores how these organization-level factors may translate into individual turnover decisions. Implications for organizational responses to turnover and subsidiary staff careers are discussed.

**Keywords:** multinational corporations, subsidiary staff, turnover, organizational identification, Singapore

## **Introduction**

The field of voluntary employee turnover has received much attention over the past decades. Research has centred on both conceptual developments (Lee and Mitchell 1994; Steel 2002) and empirical analyses of various turnover antecedents (Griffeth, Hom and Gaertner 2000). However, studies have primarily addressed individual-level predictors of turnover whereas the examination of organizational determinants has been mostly neglected (Shaw, Delery, Jenkins and Gupta 1998). Also, the majority of empirical work has adopted quantitative approaches that tend to cover only a small fraction of inherent turnover issues (Steel 2002). Importantly, although turnover is associated with negative effects on organizational functioning (Glebbeck and Bax 2004), research has traditionally focused much more on what prompts people to leave rather than stay, to the extent that the field of employee retention remains under-researched (Holtom, Mitchell, Lee and Eberly 2008). These issues become more pressing for multinational corporations (MNCs) that aim to extend their operations to culturally and institutionally more distant countries in which they do not have much prior experience (Harvey, Speier and Novicevic 1999). In these contexts, local subsidiary staff often serves as the main source of knowledge and social networks available for leveraging the business. Accordingly, the ability to develop and retain key local employees in the long term becomes a necessary condition for sustained competitiveness abroad.

The purpose of this paper is to fill the described research gap and contribute to theory development in the field of voluntary turnover in MNCs' foreign subsidiaries. Specifically, the paper aims to derive organizational determinants of subsidiary staff turnover and identify organizational responses to turnover, drawing on the particular context of Singapore. The country provides an ideal case to examine turnover in MNC subsidiaries for two reasons. First, the country's small population, combined with demographic changes and economic prosperity, have caused low unemployment rates and a scarce labour supply, resulting in a

consistently tight labour market and a widespread job-hopping mentality among the local workforce (Barnard and Rodgers 2000). Second, the small size of the Singapore economy makes it highly dependent on foreign investment, which has led the Singapore government to systematically promote the establishment of foreign MNCs' subsidiaries in the country (Begin 1997). Despite obvious challenges of dealing with staff turnover in Singapore, there is still a paucity of research addressing this issue and the resulting implications for foreign MNCs (Khatri, Fern and Budhwar 2001).

The analysis of *organizational* turnover determinants focuses on organization-level conditions that prompt members to stay or quit, rather than on more immediate work-related factors such as job satisfaction (Griffeth et al. 2000). One important construct that conceptualizes individuals' sense of attachment to the organization and thus relates turnover as an individual phenomenon to the wider organizational context is organizational identification (Dutton, Dukerich and Harquail 1994; Mael and Ashforth 1995). Given the concept's empirical link to turnover (e.g., Wan-Huggins, Riordan and Griffeth 1998; Riketta 2005), it serves as an underlying conceptual lens for this study. To generate theory that is empirically substantiated, an inductive approach was chosen. Specifically, a multiple case study was conducted based on semi-structured interviews with HR managers at six western MNCs' subsidiaries in Singapore. The paper is organized to reflect the logic of inductive case study research; that is, to (1) build on the collected data to identify emergent variables and relationships, (2) substantiate the tentative findings with existing literature and (3) integrate them into a conceptual framework (Eisenhardt 1989).

## **Theoretical Background**

### ***Voluntary turnover and organizational identification***

Employee turnover, as a voluntary phenomenon, refers to an individual's self-initiated and permanent termination of membership in an organization (Mobley 1982). Academic interest

in voluntary turnover results from the fact that organizations have less control over employee-initiated turnover than company-initiated discharge (Holtom et al. 2008). Also, since high-performing employees are thought to have access to more external employment opportunities than poor performers and are therefore more likely to quit (Trevor 2001), voluntary turnover is particularly harmful for organizational performance (Glebbeck and Bax 2004). The last decades have seen extensive conceptual and empirical research on turnover that has produced a deluge of models, variables and correlates. Whereas the majority of studies have focused on individual-level and primarily job-related predictors of turnover (Maertz and Campion 1998; Griffeth et al. 2000), scholars have also examined determinants that reach beyond the immediate job to capture how individuals' feelings towards the organization, its values and policies influence their turnover decisions, most notably by examining individuals' organizational commitment (Mathieu and Zajac 1990) and organizational identification (Mael and Ashforth 1995).

The concept of organizational identification draws its theoretical basis from the social identity and social categorization theories (Ashforth, Harrison and Corley 2008). Social identity theory holds that individuals develop self-conceptions based on their affiliation with particular social groups and that the extent to which they identify with a specific social group influences their motivation to behave in terms of their group membership (Tajfel 1982; Turner 1987). Conceptualized as a particular facet of social identification, organizational identification refers to "the degree to which a member defines him- or herself by the same attributes that he or she believes define the organization" (Dutton et al. 1994, p. 239). From this perspective, organizational identification entails a psychological attachment that captures the perceived oneness with a particular organization whereas organizational commitment tends to be conceptualized as a more generalized orientation that may refer to a set of organizational goals and values shared across different organizations (Mael and Ashforth

1995). Although more recent work has conceptualized affective, evaluative and behavioural elements of organizational identification (e.g., Van Dick, Wagner, Stellmacher and Christ 2004) this paper builds on the traditional cognitive perspective (Ashforth and Mael 1989; Dutton et al. 1994) to clearly distinguish organizational identification from other attachment constructs.

Existing studies have empirically investigated a range of predictors of organizational identification that can be distinguished in terms of whether they concern organizational influences or refer to an individual's thoughts, feelings and actions for clarifying the boundaries between the self and the organization (Ashforth et al. 2008). Whereas the former perspective includes antecedents such as organizational prestige and distinctiveness (Dutton et al. 1994; Smidts, Pruyn and Riel 2001), communication climate (Bartels, Pruyn, De Jong and Joustra 2007), and motivating job and role characteristics (Wan-Huggins et al. 1998), the latter approach has derived perceptions of person-organization fit (Cable and DeRue 2002), biodata (Mael and Ashforth 1995) and organizational tenure (Riketta 2005) as predictors of organizational identification.

In the context of turnover research, it is argued that individuals identifying with their organization integrate the organization as part of their self-concept and become psychologically intertwined with it, thus being more inclined to continue their membership. Although the proposed negative relationship between organizational identification and turnover has received wide empirical support (Mael and Ashforth 1995; Wan-Huggins et al. 1998; Van Dick et al. 2004; Riketta 2005), it is less clear which organization-level factors will influence turnover in general and the identification-turnover relationship in particular. This may be in part due to the fact that extant turnover research somewhat narrowly focuses on quantitative data which tends to investigate the effect of existing variables rather than explore the potential role of additional explanatory variables (Maertz and Campion 1998). This study

aims to address these gaps and explore organizational determinants in more detail, focusing on subsidiary staff in western MNC subsidiaries in Singapore. In this regard, the construct of organizational identification serves as an underlying conceptual lens to explain how organization-level factors may translate into individuals' turnover decisions.

### *Subsidiary staff turnover*

In an international context, turnover research has mainly focused on expatriates. In this vein, studies have investigated the effect of a wide range of antecedents to assignees' intentions to leave prematurely (Birdseye and Hill 1995) or upon repatriation (Stroh 1995; Stahl, Miller and Tung 2002). However, there is a paucity of research on locals' turnover tendencies in MNC subsidiaries despite additional turnover challenges that arise in a multinational context, for example given existing pay differentials between expatriates and local staff (Toh and DeNisi 2003) or the potentially negative implications of international staffing practices for subsidiary employees (Reiche 2007). Similarly, host-country nationals' (HCNs) lack of intercultural skills is thought to limit their interaction effectiveness with expatriate managers (Vance and Ring 1994) which may, in turn, prompt them to pursue employment opportunities elsewhere.

The concept of organizational identification has recently also been applied to the MNC subsidiary context. Existing evidence suggests that subsidiary employees' organizational identification will increase their willingness to work towards organizational goals (Reade 2003). Moreover, research demonstrates that subsidiary managers are faced with pressures for dual identification with the local subsidiary and the global organization and that the extent to which these are aligned will positively influence role fulfilment and role clarity (Vora and Kostova 2007; Vora, Kostova and Roth 2007). At the same time, little is known about particular organizational sources that drive locals' identification with the subsidiary and how these will relate to turnover.

## **Methodology**

### ***Research design and context***

To develop a theory of organizational determinants of voluntary turnover in MNC subsidiaries, an inductive case study design was adopted. Inductive theory-building has the advantage of explaining actual data rather than being merely derived from logical assumptions based on extant literature and common sense, resulting in an enduring character of the extracted theory (Locke 2007). Case study research explores a phenomenon that is embedded in its context and is therefore particularly fruitful when the boundaries between phenomenon and context are not clearly discernible (Yin 2003; Eisenhardt and Graebner 2007). This was considered important to identify contextual factors beyond the role of individual-level predictors of turnover that prior research has focused on (Shaw et al. 1998). To strengthen the resulting inferences, a comparative study design was used that permitted data from several cases to be examined in an iterative manner. The iterative process of analyzing within- and cross-case data aims at producing relevant new variables and relationships as well as exploring theoretical explanations for these emerging relationships (Eisenhardt 1989). As Yin (2003) points out, preliminary theoretical perspectives are required to guide and frame the research while, at the same time, remaining receptive to specific issues of interest that may surface during the data collection process. Drawing on extant turnover research, a focus was placed on the role of organizational identification as an immediate antecedent of turnover to explore in more detail how potential organizational factors may influence subsidiary staff's turnover decisions.

Studying foreign MNCs in Singapore as the main unit of analysis was considered particularly beneficial due to their predominance and thus economic and socio-political impact. Indeed, the wide array of government initiatives in the educational system and the use of English as the main business language together with Singapore's strategic geographical



location and its excellent physical and IT infrastructure have facilitated the attraction of foreign MNCs (Begin 1997). At the same time, Singapore has consistently had to deal with labour shortages, making it dependent on regional and international labour inflows and causing an over-representation of foreign workers at the upper and lower end of the skill hierarchy. This scarcity in labour supply has also increased the bargaining power of local employees in terms of wage levels, working conditions and employment benefits and, as a result, led to considerable labour mobility between employers (Barnard and Rodgers 2000).

The present study focuses on western MNCs that have historically formed a major share of the foreign-owned organizations in Singapore (Begin 1997). Two criteria were adopted as a theoretical basis for sampling (Eisenhardt and Graebner, 2007). First, the companies were selected to substantially differ in their annual voluntary turnover rates with the aim of including cases that constitute polar types and may thus help to extend the emergent theory (Eisenhardt 1989). Second, given the study's focus on *organizational* turnover determinants, the case companies were chosen to entail differences concerning the structure of their business configuration and the industry they operate in. Of the six case companies one is French, three are German and two are from the US. An identification key was chosen that displays each case's country-of-origin and the industry it operates in. Table 1 documents their profiles and identification keys.

- Insert Table 1 about here -

### ***Data collection***

An open-ended and semi-structured interview technique was chosen as the primary means of data collection. Acknowledging the fact that only rich evidence can provide a fertile ground for inductive theory-building a special focus was placed on narratives. By employing this approach, the interviewer does not present standardized questions but rather encourages

respondents to freely contribute to the topic. This enables the researcher to identify and understand complex relationships without imposing any a priori classifications that could restrict the field of investigation (Yin 2003). An interview guideline was used to foster systematic data collection and maximize the comparability of the interviews. For each company, a single in-depth interview was carried out with a senior local HR professional. At two firms, a second HR manager, who was a respective parent-country national (PCN) in the subsidiary, participated in the interview. The choice of HR managers as key informants was motivated by two reasons. First, HR managers were considered well-positioned to comment on organizational determinants that drive subsidiary staff turnover given that voluntary turnover is of crucial concern to foreign MNCs operating in Singapore (Khatri et al. 2001). Second, due to the high-turnover environment in Singapore and the inherent difficulties in getting access to employees that had previously quit, a focus on current staff could have biased the results of the study. All respondents had a minimum tenure of three years with their company and, except for two interviewees, were male. All interviews were conducted between October 2001 and January 2002, had an average length of 100 minutes, were all recorded and subsequently transcribed.

The interviews addressed four main themes consistent with the study's aim, namely respondents' assessment of (1) the relevance of voluntary turnover for their firm's conduct of business in Singapore, (2) sources of subsidiary staff's identification with the local organization, (3) critical determinants of voluntary staff turnover at the respective company and (4) the company's responses to voluntary turnover. It is important to note that turnover was understood and measured with respect to the overall MNC. Accordingly, an employee was considered to have quit only if the withdrawal from the subsidiary also implied that the individual had ceased working for the MNC as a whole, not just by moving to another company unit. Organizational identification was measured at the level of the local subsidiary

as this source of identification can be assumed to have the most immediate effect on subsidiary staff turnover (Reade 2003).

In qualitative research, a number of unique threats to validity exist resulting from effects the researcher has on the study's participants (Miles and Huberman 1994). To minimize response bias, strict confidentiality of the interview results was ensured to all interviewees. Moreover, all interviews were conducted in separate premises, thereby avoiding potential proximity to interviewees' colleagues and supervisors. All participants received a detailed description of the interview process and its aims prior to the interview to ensure a common level of understanding of the research project. In addition to the interviews, company archival data (such as information on the companies' turnover rates and product lines) were examined, serving as a means of data triangulation to neutralize possible mistakes or misunderstandings inherent in a single research method (Yin 2003).

### ***Data coding***

All data were coded based on typical content analysis procedures (Duriau, Reger and Pfarrer 2007). Categories were drawn from the empirical data based on the study's aim to derive organizational determinants of subsidiary staff turnover using the conceptual lens of organizational identification. In this vein, existing research discusses different organizational sources of member identification. A first source concerns certain structural characteristics including physical proximity of the employing organization (Reade 2003) or MNC design (Vora and Kostova 2007). A second source is related to organizational practices such as employee communication (Smidts et al 2001) or the provision of career opportunities (Fuller et al. 2006). Building on these ideas, the emerging variables were coded into issues referring to a firm's organizational structure and those pertaining to its organizational practices. In the next step, subcategories were created for these organization-level determinants, building, where appropriate, on classifications used in existing literature. For example, the data

suggested that the diversity of a MNC's business segments may affect turnover. Accordingly, Rumelt's (1974) typology of firm diversification was used to examine the effect more thoroughly. Finally, within each subcategory, if data collected from different sources were contradictory, the differences were reconciled through the use of additional data sources or verification by the original respondent. To increase reliability (Duriiau et al. 2007) all data were coded independently by the principal investigator and a second researcher, who did not participate in the interviews, and then compared. If different codes did not converge, they were omitted from the data analysis process.

## **Results**

This section reports the analysis and comparison of case data that identified several categories of factors. The first part presents evidence concerning two structural MNC characteristics: diversification and local reputation in the end market. Second, three organizational practice-related determinants are discussed, namely employee participation, the use of foreign expatriates in MNC subsidiaries and international assignment opportunities for local staff. For each variable, the data are complemented with extant literature to refine the emerging relationships and derive propositions about its effect on staff identification with the subsidiary and, in turn, staff turnover. It is argued that whereas the organizational structure variables constitute the overall turnover context in which the MNC operates, the organizational practice-related determinants not only influence the initial level of turnover, mediated through staff identification with the subsidiary, but can also be used to actively design organizational retention strategies to deal with turnover. Figure 1 integrates the proposed relationships into a framework for organizational determinants of voluntary staff turnover in MNC subsidiaries.

- Insert Figure 1 about here -

## *Variables related to organizational structure*

### *MNC diversification*

The MNCs under study differ regarding the diversification of their business areas and product lines. As Table 1 indicates, the majority of cases display a relatively heterogeneous set-up except for German Services. German Chemical/Pharma, for instance, comprises four main business groups with a wide array of different product lines in the chemical and pharmaceutical industry. It is this cross-industry involvement that makes the firm particularly diverse, as acknowledged by the interviewee:

*“Here in Singapore, we are struggling to have a consistent strategy but this is mainly because we are a mirror of our parent company with all its different business areas, affiliates and so on. If this would be a company that mainly sells only one product or product line, it would be a totally different story. But we have the pharmaceutical people here too, the polymers, the diagnostic systems, all are located here. This really reduces the unity of the company.”*

The respondent at French Chemical noted a similar aspect, thereby implicitly recognizing that extensive size and diversification can reduce orientation, cohesion and the sharing of common values:

*“Because of being such a large and diversified company, people sometimes get lost and they do not realize that they are supposed to work in the same direction. [...] We feel we have to do a lot in our company to get people to work together and share the goals and values of the whole company. To give you an example, we had to create a company-wide ‘Company Social Club’ to socialize people from the different divisions and make them understand the bigger picture.”*

This opinion is reiterated by the interviewee at US Package who explained that

*“although our company tries to encourage a common culture I am not too sure whether all our people really share the same values. Our businesses are just too different. People may be loyal to the colleagues they work with or the department they are in but they don’t necessarily identify with the company as a whole.”*

These statements point to negative consequences that firm diversification may have for developing a sense of attachment to the company since the complexity of product lines

and business foci might impede the sharing of common values and goals and thus the creation of a clear identity. In contrast, German Services mainly concentrates on a single business that consists of providing financial services for its parent company's products, which are luxury cars. Hence, the different services all focus on a homogeneous and clearly defined bundle of products. Given the considerably lower turnover rates at German Services as compared to French Chemical, German Chemical/Pharma and US Package (see Table 1) a homogeneous business configuration may facilitate identification with the subsidiary and thus reduce the propensity to quit.

Existing literature suggests that the type of firm diversification plays an important role for voluntary turnover. Based on the work of Rumelt (1974) diversified companies can be distinguished in terms of market and technology relatedness, the strategic fit between businesses and divisional interdependence. More tightly related firms have a greater need for coordination and thus interdependence among its business units whereas unrelated diversified companies only demand financial links. In this respect, more related diversified firms were found to reveal longer top management tenures and a higher level of inter-unit rotation and team cohesion (Michel and Hambrick 1992). These attributes are likely to facilitate the creation of shared values. In a similar vein, Bloom and Michel (2002) showed that highly diversified firms have greater dispersion in their pay structures, resulting in higher turnover. Concerning the case companies, these arguments sustain the aforementioned finding that German Chemical/Pharma in particular faces substantial problems of employee identification due to its involvement in different industries and thus unrelated diversification of business units.

The literature was also reviewed to address the potentially confounding effect of firm size given that more diversified firms also tend to be larger. Overall, evidence for a link between firm size and organizational identification or turnover is largely inconsistent. The

proposition that larger organizations are more impersonal and harder to identify with, thus resulting in higher turnover, finds mainly intuitive support in extant research. Several empirical studies demonstrate no significant influence at all (Mobley, 1982; Mathieu and Zajac 1990; Ashforth, Saks and Lee 1998). Moreover, Lähteenmäki and Paalumäki (1993) showed that firm size can also have a negative effect on turnover by providing more opportunities for internal mobility. This leads us to assume that MNC diversification is likely to have a distinct influence on locals' identification with the subsidiary and, in turn, their turnover intentions.

Given the study's focus on the local sources of subsidiary employees' organizational identification, it is reasonable to assume that the local rather than the global business configuration of the firm will influence subsidiary staff turnover.

*Proposition 1: The level of relatedness of a MNC's local business units is positively related to local staff identification with the subsidiary which, in turn, is negatively related to voluntary staff turnover.*

#### *Local reputation in the end market*

Another structural characteristic that may influence subsidiary staff turnover is the nature of a MNC's products and the resulting reputation in the end market. Data from the chemical companies indicate that these firms mostly manufacture intermediate products destined for further production processes. Therefore, as one respondent observed, the identification with products of the chemical industry is extremely difficult:

*“An important aspect in the chemical industry is the identifiability of its products. It is very difficult for employees to identify with chemical products. It is easy to identify with a car as the final product but how about a blue liquid that is sold to customers as an input for further manufacturing processes?” (Respondent, German Chemical/Pharma)*

The orientation towards the ultimate customer is slightly higher at US Medical whose mission is to “[help] people live healthy lives”. This notion might foster the identification to

the company as it generally addresses all ultimate customers. However, it only constitutes an intangible basis for identification. As one respondent at US Medical noted:

*“The majority of our products are not directly marketed to the general public but rather to health care institutions so our products are not directly visible to the public. When it comes to attracting and keeping people who can choose between working for Coca-Cola or for us, this is a serious problem [...]. Coca-Cola, Pepsi or P&G are sexy companies – who would mind being a marketing trainee in one of these companies? But tell people to be a marketing associate in our company where we produce things to make people live healthy lives. Give me a break!”*

At first sight, the products of German Services also provide only an intangible ground for identification since services lack physical characteristics. Yet, as mentioned in the previous section, the services refer to tangible products of the parent company. The high status it enjoys in Singapore through its luxury cars and the fact that the financial services subsidiary bears the parent company’s name in its own designation lead to a considerable reputation of German Services and may thus increase employee identification. US Package also operates in the services industry and provides services for both individual and institutional customers. Although its closeness to the ultimate individual customer enables the company to create reputation in the end market, the intangible nature of its products might again reduce the scope for employee identification. In this vein, cultural attributes of the Singaporean context appear to increase the role of firm reputation and explicit status symbols as sources of organizational identification. Indeed, various respondents described Singaporean society as very hierarchical and status-conscious:

*“Here in Singapore hierarchies are very much noticeable. There is a high level of respect for people in management positions and managers are trying very hard to hold on to their positions. In fact, I have the impression that it is very important to obtain a certain status or a specific position with status here. This is probably because Singaporeans can still remember well the times when the country was much poorer. Therefore, people do everything to maintain their achievements.” (Respondent, German Chemical)*

*“Status is a main social characteristic in Singapore. It defines the way people interact with each other [...] In a way, status creates a social hierarchy.” (Respondent, US Package)*



The previous arguments not only reflect the way employees perceive their firm and its products but also implicitly concern respective perceptions by people outside the company, especially by actual and potential customers. Dutton et al. (1994), for instance, posit that the strength of an employee's organizational identification stems from the attractiveness of both his or her perceived organizational identity and the external organizational image. Empirical research sustains this argument, demonstrating that employees will strongly identify with a firm which they consider to be positively viewed by outsiders (Smidts et al. 2001; Bartels et al. 2007). In this regard, organizational visibility is considered to play a crucial role for how members assess the organization's external image (Fuller et al. 2006). Visibility may be achieved through a special office location but also through physical displays such as logo placements or members' use of the company's products in public life. As a result, the organization's visibility may be partially linked with the nature of the firm's products. Kopp (1994) highlights the implications of reputation difficulties by showing how Japanese MNCs face problems in attracting and retaining local high-performers due to a lack of name recognition in the local market.

Concerning the present study, German Services seems to benefit considerably from the positive reputation and name recognition of its parent company. Its closeness to the parent company's tangible and high-status products seems to have positive effects on employees' perceived organizational identity and the firm's external image. Together, these factors may substantially increase employees' identification with the local organization and thus curb voluntary turnover.

*Proposition 2: A MNC's local reputation in the end market is positively related to local staff identification with the subsidiary which, in turn, is negatively related to voluntary staff turnover.*

## ***Variables related to organizational practices***

### *Employee participation*

The data further suggest that there are specific organizational practices that may drive locals' identification with the subsidiary and thus influence voluntary turnover. Referring to the perception of employee participation in Singaporean society, one interviewee remarked:

*“[It] is also part of the Singapore culture that employees do not speak up when there is a group present.” (Respondent, French Chemical)*

This finding is extended by the respondent of US Package who argued that the importance of hierarchy and seniority in this society and the nature of family structures and the educational system impede not only explicit feedback and participation by employees but also their willingness to take on responsibilities. This suggests that participation is not a desired concept. However, the same interviewee acknowledged that employees are not reluctant to participate in general but prefer anonymous or informal ways to voice their opinions. The respondent at German Services echoed this assessment:

*“[...] there are quite a few people here that have difficulties in dealing with the type of confrontational feedback meetings that we are used to from Europe or North America. They prefer to share their opinion in a more informal, relaxed atmosphere, for example during a joint Karaoke evening.”*

Also, an essential prerequisite seems to be the building of trust:

*“If your employees do not consider you as trustworthy they will not be forthcoming with information or feedback. And they will only take on additional responsibilities if they can trust that you value their commitment afterwards.” (Respondent, German Chemical)*

Moreover, the interviewee at German Chemical/Pharma stressed that Singaporeans' strong career orientation encompasses the readiness to accept responsibilities although these are expected to be well-defined. Hence, there may be forms of employee participation that foster staff retention by granting employees the possibility to become involved in a culturally appropriate way. US Medical is one of the most advanced companies in Singapore in terms of

introducing self-managed teams with clearly defined responsibilities. The resulting employee empowerment is further emphasized by symbolically replacing the word 'employee' with 'associate' and providing financial participation in terms of a stock ownership program for all employees. These measures are considered to facilitate employees' identification with the local unit.

Additionally, German Chemical and US Package focus on communicative measures such as employee surveys and suggestion schemes that permit confidential and anonymous participation. In contrast, German Chemical/Pharma and French Chemical emphasize hierarchical structures and display only low employee involvement. As the manager at French Chemical noted:

*"Because of this lack of involvement we are not able to really know the true feelings of the people. And I think that from the perspective of the employee that makes it difficult to develop closer ties with the organization."*

This lack of involvement may not only limit employees' psychological attachment to the company and thus lead to higher turnover but also prevent the organization from understanding employees' needs, especially their motives for quitting.

A wide array of empirical studies examines the impact of participation on voluntary turnover. A first stream of research investigates direct influences, showing an inverse relationship between sets of participation-related HR practices and turnover (Magner, Welker and Johnson 1996; Batt 2002). A second line of inquiry assesses the link between employee participation and organizational identification, revealing a positive relationship and thus indicating that participation can reduce turnover tendencies among the workforce (Fuller et al. 2006). The case data also indicated barriers to employee participation in decision-making among the local workforce due to cultural factors. Indeed, in a culture with high power distance such as Singapore (Hofstede 1980), direct employee involvement may face both the dislike of participative management by managers who fear losing their hierarchy-based

influence and societal status as well as employees' reluctance to demand respective programs and take on more responsibilities (Latham and Napier 1989). Although several schemes such as quality control circles and work excellence committees have been established in Singapore, their contribution to fostering employee retention is considered marginal (Begin 1997). It follows that a negative relationship between employee participation and voluntary turnover is highly dependent on its fit with the underlying cultural characteristics of the subsidiary context.

*Proposition 3: Culturally appropriate employee participation is positively related to local staff identification with the subsidiary which, in turn, is negatively related to voluntary staff turnover.*

#### *Proportion of foreign expatriates in MNC subsidiaries*

Although the case companies have started to reduce their proportion of foreign expatriates in Singapore, PCNs are still considered an important way to maintain corporate control and ensure that headquarters (HQ) standards are successfully implemented. Specifically, respondents stressed the need to employ PCNs at the subsidiary due to the high confidentiality of corporate information that could not be sustained in a high-turnover environment:

*“Our biggest challenge is to achieve greater localization of management here in Singapore. That means we need more people whom we can trust. If there are important financial issues to be dealt with in our Central Services group you can't just place a local here who might leave us again next week. That is why we have so many expatriates here – because we think that they can be trusted more easily and that it is easier to maintain regular contact to the HQ in Germany.” (Respondent, German Chemical/Pharma)*

However, turnover may not only induce the use of PCNs but might also be an outcome of this assignment strategy. As the interviewee at French Chemical explained, the use of expatriates holding local management positions may reduce locals' psychological attachment to the company since it limits their career advancement opportunities. In this regard,

respondents highlight the strong career orientation prevalent in Singaporean society and the high expectations related to training and development opportunities:

*“I have the impression that Singaporeans are very focused and that one’s career is considered very important here. Therefore, training and development opportunities are generally seen positively – in fact, people want to receive training because this helps them to get ahead.” (Respondent, German Chemical)*

Given the importance of Singaporeans’ career orientations, unavailable or unfulfilled advancement opportunities may particularly reduce subsidiary staff identification with the local unit and thus induce turnover. Similarly, the fact that expatriates are usually assigned on a short-term contract may restrict the development of a long-term perspective at the subsidiary. As the respondent at US Package noted:

*“It is true that most expatriates only stay for a few years here so there is constant rotation in management positions. I had a few employees coming to me over the past complaining about the frequent changes in management. Because each time a new foreign manager comes in a lot of their work and what is expected of them changes. So there is a certain frustration.”*

The fact that local staff seems to be required to continuously re-adjust to the expectations of their frequently changing supervisors may make it more difficult for them to develop a sense of long-term membership at the company which may weaken their inclination to stay. Respondents further observe a gap of understanding between expatriates and locals. Specifically, the extensive use of foreign personnel in Singapore due to a shortage of managerial employees may be viewed by Singaporeans as a form of neo-colonialism that decreases individuals’ identification with their expatriate supervisors and the subsidiary:

*“Singapore’s independence is still a fairly recent achievement so it probably does not help that there are so many Western expatriates employed in management positions here. For me, a big challenge in Singapore is how the many prejudices and differences between Singaporeans and Westerners can be bridged so that people understand and value each other better.” (Respondent, German Chemical)*

Evidence suggests that ethnocentric assignment practices focused on filling foreign managerial positions with PCNs (Perlmutter 1969) will in particular increase voluntary turnover of local employees. For example, expatriates may block HCNs' career advancement opportunities and create sizeable income and status disparities, which lead to frustration and dissatisfaction among locals (Toh and DeNisi 2003). Moreover, research shows that the perceived degree of upward mobility and development prospects for local talent will affect employees' organizational identification (Reade 2003).

Similarly, the use of expatriates in a foreign country leads to several intercultural frictions between foreign and local employees which may foster negative affective and behavioural outcomes among locals (Kopp 1994). In particular, an ethnocentric staffing policy creates disparities by implicitly dividing the workforce into an in-group of valuable PCNs and an out-group of second-class locals nationals (Banai 1992), with negative consequences for locals' organizational identification. Finally, empirical studies support the high esteem for education, training and development in Singaporean culture. Ongoing education and training are seen as a protection against recurring poverty prevalent in Singapore's past (Latham and Napier 1989) and are considered to increase an individual's status and advancement opportunities (Koh and Goh 1995).

*Proposition 4: The proportion of foreign expatriates in the MNC subsidiary is negatively related to local staff identification with the subsidiary which, in turn, is negatively related to voluntary staff turnover.*

#### *International assignment opportunities for local staff*

A related factor concerns the provision of overseas assignments for local managers. In this regard, several companies have institutionalized processes to identify local talent for intra-regional and international assignments. US Package, for instance, makes extensive use of third-country nationals. The respondent remarked that this enables people to "believe as long as they work hard [...] they have opportunities". Also, the expatriation of locals can be

viewed as a tool for staff training and career development. This is especially vital with regard to staff at lower management levels:

*“Our Singaporean subsidiary is fairly small in size so it is difficult to always offer appropriate career prospects for our junior managers. Therefore, instead of a permanent promotion we assign some of our people to other offices in the region. This gives them an intercultural experience and it also increases the contact between our various offices. [...] In general, these transfers have been evaluated quite positively by our staff because they provide longer-term training and development opportunities.” (Respondent, German Services)*

Accordingly, the prospect of being expatriated and thus developed on a long-term scale may motivate employees to persist at the company. International assignment opportunities also seem to serve as a source for building a stronger sense of attachment to the company:

*“In my experience, the people we are sending overseas for a certain period of time are much more loyal to us. I guess they see these transfers as a sign that the company believes in them and thinks that they can represent the company abroad. And this motivates them to take our values on board, and identify with them more closely.” (Respondent, US Medical)*

Extant literature supports the view that the expatriation of HCNs plays a vital role for employee retention. Transferring local nationals to the HQ and other subsidiaries serves as a means of socializing them with the MNC’s corporate culture and values, developing their skills and abilities (Harvey et al. 1999) and increasing identification with the local unit (Reade 2003). In addition, research demonstrates that turnover decreases if international assignees perceive a link between their assignment and a long-term career plan (Lazarova and Caligiuri 2001).

*Proposition 5: International assignment opportunities for local staff are positively related to local staff identification with the subsidiary which, in turn, is negatively related to voluntary staff turnover.*

## **Discussion and Conclusion**

This study highlights a range of organizational determinants that may affect voluntary turnover in MNCs' foreign subsidiaries. Specifically, the concept of organizational identification has served as an explanatory tool to explore how these organizational determinants may translate into individual turnover decisions, both perceived by the interviewees and, in a second step, substantiated through existing literature. In this vein, the derived determinants extend our understanding of the factors that predict organizational identification in MNCs. Whereas existing research has discussed the role of perceived external prestige for organizational identification in general (e.g., Dutton et al. 1994; Bartels et al. 2007), the present study suggests that a firm's local reputation in the end market may be a specific form of external prestige that is relevant for member identification in MNC subsidiaries. Similarly, firm diversification which can be assumed to be particularly important in the context of organizations operating in multiple geographical regions emerged as an additional variable. Furthermore, the study derived specific HR practices related to employee participation and international staffing that may affect subsidiary identification, thereby refining existing research (see Reade 2003; Fuller et al. 2006).

In addition, the organizational determinants that were identified have important implications for the design of organizational retention strategies (see Figure 1). The organizational structure variables of diversification and product-related reputation in the end market deal with the firm's general configuration and type of business. These features are given conditions for a MNC's subsidiary that cannot be changed in the short term. Accordingly, these variables do not enable an organization to respond to staff turnover in a flexible way but rather shape the initial level of turnover. The organizational structure variables thus constitute a structural turnover environment that bounds the scope of an organization's retention capacity. In contrast, the organizational practices entail both direct



influences on turnover and indirect effects resulting from organizational responses to turnover. As illustrated, employee participation, the use of foreign expatriates and international assignment opportunities for locals can both initiate turnover through an unfavourable design and be deliberately adjusted to reduce turnover. This notion is consistent with related research on the employee-employer relationship. In the light of available alternative job opportunities, employees can be assumed to make turnover decisions based on their perceived distribution of the contributions expected from and inducements provided by their employer. If this distribution is considered less favourable, the employee is more likely to select external employment opportunities (Tsui, Pearce, Porter and Tripoli 1997; Shaw et al. 1998). From this perspective, the organizational practices provide a flexible mechanism for the MNC to increase the attractiveness of and thus the inducements inherent in employees' current job vis-à-vis potential external job opportunities, thus increasing their willingness to stay.

### ***Implications for research and practice***

The study's findings offer additional insights for scholars and practitioners concerned about voluntary turnover and retention. Indeed, the focus on organizational turnover determinants highlights the role of organizationally controllable factors for developing effective retention strategies. In a domestic context, although aspects related to organizational structure may restrict the scope of certain retention practices, managers have control over a number of organizational practices such as employee participation programs that can help to sustain a high retention capacity. However, in MNCs the effective design of retention strategies will necessarily become more complex. First, there are additional organizational practices that need to be taken into account and, if not implemented appropriately, may entail negative implications for local staff turnover. For example, although the transfer of PCNs to foreign subsidiaries may satisfy a MNC's control needs and serve as a career development program

for HQ staff, it also blocks locals' career opportunities at the subsidiary which may limit locals' scope for developing a sense of belonging to and hence continued membership with the local unit. As a result, MNC retention strategies need to be planned and balanced at an aggregate level that considers the perspectives of both the HQ and its foreign subsidiaries since decisions in one unit may directly affect retention outcomes in another. An ethnocentric development of retention strategies at the HQ risks alienating subsidiary staff and may reduce the local retention capacity of available practices. International staffing practices thus serve as an important predictor that extends existing turnover models when applied in the MNC context (see also Reiche 2007). Second, the study's findings indicate that retention strategies need to be culturally contingent. The use of direct feedback and empowerment as a means to increase employee participation may work in some countries but, as in the case of Singapore, not necessarily in others. Neglecting the cultural particularities of the subsidiary context can have adverse effects on local staff retention. Consequently, MNC retention strategies need to allow for flexibility across subsidiaries.

The study also has important implications for the globalization of MNC staff careers. Historically, research on international staffing has primarily focused on issues associated with the cross-national transfer of PCNs. However, by demonstrating that voluntary turnover of local employees is a key concern for MNCs, the study shifts the focus to HCNs. Acknowledging the critical role that local nationals play as agents of contextual knowledge and social networks at the host-country level, it will be crucial for managers to establish effective retention strategies to retain their valuable local employees. This also implies that global career planning is not only restricted to a firm's PCNs but will increasingly involve HCNs that possess important skills for the wider organization. Recent research on inpatriates (Harvey et al. 1999; Reiche 2006) suggests that these assignees are able to diffuse their subsidiary-specific knowledge into the HQ and, in doing so, may enhance HQ managers'

understanding of certain culture-bound attitudes such as withdrawal cognitions prevalent among the local workforce and facilitate the selection of culturally contingent retention strategies. The growing deployment of HCNs beyond their home subsidiary thus introduces a new dimension of repatriation and career planning challenges. In particular, smaller-sized subsidiaries that can only provide limited local career advancement opportunities will need to increasingly design structured career paths that involve more permanent assignments to regional HQs or neighbouring subsidiaries to build sustainable sources for organizational identification and retention of local managers.

### ***Limitations and future research***

The study's contributions need to be considered in the light of its limitations. First, the study has a relatively small sample size. Although the inherent restrictions deserve attention, the main goal was to build theory rather than generalize findings to a larger population. The research was thus driven by the aim to achieve analytical generalization rather than statistical generalization common in survey research (Yin 2003). By complementing the interview data with existing literature, the study's tentative findings were further substantiated, resulting in a set of propositions that appear fruitful to pursue in future investigations. In this regard, a main strength of inductive theory-building is that the emergent theory tends to be testable as assessable constructs and hypotheses are already available (Eisenhardt 1989).

Second, although HR managers constitute an accepted source of data collection in turnover research (e.g., Shaw et al. 1998) and were thought to be particularly well-positioned to comment on organizational drivers of voluntary staff turnover, an explicit consideration of the views of frontline employees would have enriched the study's context. Specifically, the construct of organizational identification was only accounted for through the perceptions of HR managers rather than those of the employees displaying this attitude. The study is therefore not able to ascertain to which extent HR managers' perceptions reflect those of

subsidiary staff. Similarly, research points to HR managers' potential bias in assessing HR practices and their effectiveness (Gerhart, Wright, McMahan and Snell 2000). In the present study, this bias can be assumed to be relatively lower given that HR managers were commenting on possible sources of voluntary turnover, triangulated with actual turnover data, rather than more immediate indicators of firm performance.

Finally, some of the study's findings are necessarily limited to the specific context of Singapore. For example, the role of local reputation in the end market appears to be relatively more important in a status-conscious society such as Singapore. By operating in multiple environments that are culturally and institutionally distinct, MNCs will face a wide array of contextual factors that differ concerning their characteristics and intensity of impact. Unfortunately, the single-context design of the present study does not allow for such cross-country comparisons. However, some of the culture-specific findings may be generalizable beyond the Singaporean context. The culturally determined barriers to employee participation as found in Singapore are likely to exist in other cultures of high power distance as well. Likewise, cultural traits such as status-consciousness are widely spread in many countries and can be expected to unfold similar effects on turnover. In a similar vein, certain labour market conditions that increase employees' relative bargaining power, including labour shortage and labour mobility, can be found in other economic regions similar to Singapore, including Hong Kong, Shanghai and Dubai. Other determinants of member identification and turnover, such as the role of firm diversification and international staffing-related practices, are likely to be more etic in nature and can be assumed to have an impact across multiple MNC units. Still, replication studies in other cultural environments or the explicit comparison of different subsidiary contexts would be necessary to draw more robust conclusions with regard to the potential salience of cultural moderation effects on the one hand and the transferability of certain retention practices on the other.

In sum, the current study extends the field of voluntary turnover to an international perspective and highlights the role of MNC strategies to retain valuable employees by contributing initial conceptual results that are grounded in empirical reality.

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**Table 1. Case company profiles**

Characteristics <sup>#</sup>	French Chemical	German Chemical/Pharma	German Chemical	German Services	US Medical	US Package
Worldwide revenues in 2000 (billion US\$)	7	29	33.7	16.5	3.6	29.8
Total staff worldwide in 2000	27,000	117,000	93,000	10,000	24,800	360,000
Total staff in Singapore in 2000	150	430	290	27	946	600
Annual voluntary turnover rate in Singapore in 2000	19.5%	23.5%	15.2%	7.0%	13.1%	17.8%
Worldwide presence (no. of countries)	150	120	170	33	50	200
Date of establishment in Singapore	1991	1998	1989	1995	1989	1988
Number of business segments	5	4	5	2	3	8
Number of product lines (as total of all segments)	20	20	13	4	11	>20

<sup>#</sup>The information is based on company documentation. The latest complete data available from the case companies at the time of the interviews are from the year 2000.

**Figure 1. Organizational determinants of voluntary staff turnover in MNC subsidiaries**

