

# Indigenization Policies and Cooptation Strategies of Multinationals: Case of Indonesia

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## Abstract

Examining the effectiveness of developing countries' indigenization policies toward the affiliates of multinational corporations (MNCs), this paper finds that the policies in general have some success in encouraging local partners' participation in affiliate management. However, the difference in bargaining source and power among Pribumi, Non-Pribumi, and government partners generates different behavioral patterns and the MNCs' responses. The more partners possess legitimate business resources, the more indigenization takes place, while the stronger their political bargaining power, the more MNCs exercise informal cooptation strategies. Thus, the policies face clear limitations for partners with less business resources.

## I Introduction

Multinational corporations (MNCs), on the one hand, are praised as

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a genuine force of historical development from particularism to internationalism (Maisonrouge, 1974) . On the other hand, this same process is sharply criticized as contributing to “denationalization” (Moren, 1974, 1978; Newfarmer and Muller, 1975), “dependent development” (Cardoso and Faletto, 1979), “development of underdevelopment” (Frank, 1967), “disintegration” and “marginalization” (Sunkel, 1972) in developing countries (LDCs) . However, hidden behind these macro-level and holistic theorizations are LDCs’ specific political struggles for preserving their national interests, and their strategic interactions and bargaining vis-a-vis MNCs.

MNCs are often considered an engine of economic development for LDCs, providing a package of important production factors such as capital, managerial and technological know-how. However, when they are understood to be corporations that have committed their resources in foreign countries in a form of direct investments, the implication is that the internalization of their resources and their effective governance structures (Casson, 1979; Rugman, 1981; Williamson, 1985; Hennart, 1986, 1988; Beamish and Banks, 1987) result in their exercising some kind of control over the decision-making process of the unit invested in (Dunning, 1970; Kindleberger, 1969; Hymer, 1976; Kobrin, 1988) . In other words, direct control over the management of their affiliates is an essential condition for the effective operation of MNCs. Hence, despite the benefit that they can bring to LDCs, there is a great danger that the effective governance exercised by MNCs may influence negatively LDCs’ developmental processes (Okada, 1981, 1983, 1985; Moran, 1974; and Vernon, 1971) .

Presently a large number of LDCs exercise countermeasures by imposing controls over the behavior of MNCs with such regulations as the requirement of the government evaluation of and approval for entry

of foreign investments, registration of technology contracts, indigenization policies and control over some aspects of transfer pricing (Vaitsos, 1973; Poynter, 1985; Robock, Simmonds & Zwick, 1982). Among these measures, one of the most prevalent types exercised is the indigenization policies. As a counterstrategy to the MNCs' practices designed to control affiliates' management, indigenization is understood to mean the process of increasing the control of industrial organizations by citizens of a nation. Indigenization as a set of policies may take several forms, such as increasing the proportions of local capital, procurement, and personnel and increasing training efforts to promote the transfer of technology. Thus, by trying to indigenize the organizational structures of affiliates of MNCs, governments of LDCs hope to increase (1) the participation of local partners and managers in management and (2) the infiltration of local interests into affiliate decision-making. Indigenization is ultimately intended to promote the externalization of resources internalized by MNCs that will enable local partners to engage in the "political process of bargaining" (Pettigrew, 1973) vis-a-vis foreign partners, and to improve their bargaining position. It implies "an increasing preservation of national markets and economic potential, with respect to the rest of the world, to fulfill national or subregional development objectives rather than leaving them to the global policies and objectives of transnational enterprises" (Vaitsos, 1973:640).

Naturally, needs of MNCs to maintain and strengthen their governance capabilities in a LDC clashes with the LDC's attempts to indigenize the affiliates of such corporations. In this conflictive setting two questions are asked in this paper: 1) Are the structural changes brought about by indigenization policies effective enough to increase local partner participation in management and to promote the "political process of bargaining" within affiliates? 2) Does local partner participation really

create changes in a way parent companies exercise their control over affiliates of MNCs? In an effort to answer these questions I shall in the next section develop propositions for empirical inquiry.

## II Process and Cooptation of Indigenization Policies

### A. Three Types of Cooperative Strategies

The interdependence of two organizations with distinctively different goals and interests adds complexity to the operations and environment of organizations. Each organization's dependence on the other for the realization of its goals — in this case the LDC government's dependence on MNCs for economic development and the MNCs' dependence on the LDC government for their legitimacy to operate — introduces not only constraints but also contingencies that interfere with the attainment of organizational goals. In order to reduce uncertainty caused by such interactions both organizations engage in cooperative strategies.

Three principal cooperative strategies are contracting, coalescing and coopting (Thompson, 1967). Contracting refers to the negotiation of an agreement for the exchange of performances in the future. Coalescing refers to a combination or joint venture with another organization; a coalescing strategy not only provides a basis for exchange but also requires a commitment to future joint decision-making. Coopting means "the process of absorbing new elements into the leadership or policy-determining structure of an organization as a means of averting threats to its stability of existence" (Selznick 1966:259).

Two phases of cooperative strategies are involved in indigenization policies. The first phase covers direct interactions between the government of an LDC and MNCs, and the second involves local partners and the MNCs. In the first phase a cooperative strategy takes the form of contracting:

backed by a strong political power, the government of a LDC tries to bring the MNCs to the negotiation table for bargaining and to obtain some agreement and concessions on the process of indigenization in return for their permission to operate in the LDC. However, since the government itself cannot be a partner in joint decision-making of affiliate management except in the case of a joint venture (JV) with the government, during the second phase, it tries to provide conditions for local partners to participate in affiliate decision-making and to engage in an coalescing strategy by promoting JV requirements and the indigenization of capital.

Since a coalescing strategy involves a specifically defined form of commitment, exchange, and processes of joint decision-making among partners, it often creates some organizational hazards for the MNCs and their operations may become ineffective. For this reason the MNCs, during the second phase of the cooperative strategy, may find it less difficult to operate if local partners are completely absorbed into the MNCs' organizational structures. In other words, the MNCs engage in a contracting strategy with the government in order to secure their legitimacy to operate in a developing country, promising to indigenize local affiliates. However, during the second phase they engage in a cooptation strategy that absorbs the outside pressure into their organization and simultaneously allows them to pursue the same organizational goals by effectively controlling the power of alien infiltrators. In a sense cooptation strategies could become the worst option for the MNCs if the local partners are very active and have strong bargaining power, since the strategy allows the infiltration of their interests in every aspect of affiliate management. However, in reality, because local partners' bargaining power in developing countries is usually weak, the MNCs can maintain their control over affiliate management and secure their organizational goals without much difficulty.

## B. Process of Indigenization

A LDC government expects that the political pressure it applies to enforce indigenization policies in return for providing the legitimacy of MNCs' operations (i.e. a contracting strategy) has significant effects toward creating some structural changes and conditions which, for local partners, would be favorable to formulating joint decision-making processes (i.e. a coalescing strategy). Since capital is one of the most essential sources of power and control over the management of a corporation, the JV requirements as well as the indigenization of capital create primary conditions for the participation of local partners in affiliate management. Such a JV system is considered a major mechanism for triggering the overall process of indigenizing the management structure as well as promoting the transfer of technology. Hence, it is expected to result in the increased participation of local partners in affiliate management, providing the setting for the "political process of bargaining" in which local partners and MNCs engage in conflicts (Pettigrew, 1973; Pfeffer and Nowak, 1976; Pfeffer, 1981; Bachrach and Lawler, 1980). The increased "political process of bargaining" is expected to diminish parent company control over affiliate decision-making, and consequently to reduce affiliate involvement in the mechanisms of international control and coordination. The LDC government expects such processes to result in establishing a new role for local partners, and consequently, in increasing the local partner's control of decision-making processes. If indigenization policies ideally work, it is possible to hypothesize as follows:

- Hyp. 1: Indigenization policies, by increasing the proportions of local capital, full-time and part-time top-level managers, and middle- and lower-level managers, promote local partner participation in affiliate management and also local partner and foreign associates' conflicts.

Hyp. 2 : Indigenization policies reduce MNCs' parent company control through supervision over affiliate decision-making and the influence of the standardization of international operations.

Hyp. 3 : Local partner participation and conflicts with foreign associates reduce MNCs' parent company and foreign expatriates' control over final decision-making.

### C. MNCs' Cooptation of Indigenization

The presence of a government strategy for indigenization does not necessarily mean that the local affiliates of MNCs willingly cooperate with these strategies. Some local affiliates recognize that certain indigenization policies, especially the indigenization of capital and top-level managers, threaten the effective mechanisms of international control and coordination by parent companies. In such cases, the MNCs' compliance with government regulations may result in their own increased vulnerability. It becomes essential to engage in strategic interactions in order to reduce the probability of being subject to the successful enforcement of external demands (Pfeffer & Salancik, 1978; Thompson, 1976; Thompson & McEwen 1985; Allen, 1974). The MNCs are most likely to engage in cooptation strategies, which allow them to absorb the political pressure of indigenization. By permitting infiltration of indigenous elements into affiliate management, the MNCs try to avert threats to their stability, while simultaneously trying to pursue their organizational goals.

The mechanisms of cooptation assume two basic forms: formal cooptation, where there is a need to establish the legitimacy of the authority; and informal cooptation, where there is a need to adjust to the pressures of specific centers of power (Selznick, 1966: 259; Couto, 1988; Ulin, 1988). Formal cooptation involves yielding access to potentially threatening parties that may possess different objectives and interests from those of the MNCs (Gamson, 1968). The affiliates of the MNCs need to establish the

legitimacy of their existence within a developing country, and if possible they want to do so without any actual transfer of substantive power to the indigenized part of their organizational structure. This often means that formal cooptation is accompanied by the processes of informal cooptation that even further reduces the influence of the coopted elements. Despite the fact that cooptation strategies could create the most vulnerable situations for the MNCs, it is the informal cooptation mechanisms that can effectively function to maintain the MNCs' strong control over affiliate management. They try internally to suppress the power of alien interests by effectively making use of their mechanisms of international control and coordination, namely, 1) by directly *supervising* affiliate decision-making from parent companies; 2) by *standardizing* affiliate operations through the use of manuals (standardization of international operations); and 3) by *dominating* final decision-making of affiliate management by foreign expatriates or parent company managers. Since the general tendency of MNCs' international operations is to centralize "budgetary" control while decentralizing "non-budgetary" control, "budgetary" control is expected to play a more crucial role as a means of informal cooptation. Thus, it is hypothesized as follows:

Hyp. 4 : By cooptation strategies to legitimize their operations, MNCs absorb alien interests within their organizational structures, accept local partner participation in affiliate management, and allow local partners to engage in the political process of bargaining.

Hyp. 5 : In order to decrease the threat of indigenization, MNCs engage in informal cooptation strategies by increasing the degree of parent company supervision over budgetary decision-making and increasing the effectiveness of the standardization of international operations, while decreasing the degree of parent company supervision over non-budgetary matters.



Hyp. 6 : MNCs further engage in informal cooptation strategies by increasing the degree of parent company control over budgetary and non-budgetary final decision-making, while decreasing the degree of parent company control over foreign expatriates' non-budgetary final decision-making.

### III Data and Measurements

In 1978 a sample was gathered of affiliates of US and Japanese MNCs in manufacturing and oil-related construction industries in Indonesia. A significant proportion of headoffices of companies was found in Jakarta (59 of the 61 (96.7%) US affiliates; all of the 13 Japanese joint ventures (JV) with the government; all of the 2 Japanese wholly owned subsidiaries (WO); and 73 of the 105 (69.5%) Japanese JV with private local partners. Hence, it was judged that data obtained in Jakarta were good representation of all U.S. and Japanese affiliates in Indonesia. Thus, all U.S. affiliates and all Japanese WO and JV with the government in Jakarta were approached. However, with regard to Japanese affiliates with private local partners, a stratified random sampling procedure (stratified by type of industry and proportion of foreign ownership) was used to reduce the sample size to 52. Then, weights were assigned to over- and under- represented observations so that the data would in principle be representing all Japanese affiliates in Jakarta with equal probability.

Two types of questionnaires were used: one was for data on company structure, company staffing, etc., while the other collected information on individual attitudes and perceptions of managers towards power distribution in decision-making and a wider variety of relevant issues. In each affiliate one top-level foreign manager was asked to complete each questionnaire. Also a middle-level foreign manager and two top-level and middle-level Indonesian managers were also asked to fill in individual

questionnaires on attitudes and perceptions and to return them using a researcher-supplied return envelope.

After adjusting the sample size due to liquidations and inappropriate categorization, the sampling result was found to be 66.7% (46 out of 69) for Japanese and 57.1% (29 out of 51) for US affiliates. Data collected from individuals within companies were 138 Indonesian and 65 foreign expatriate managers.

This research involved four sets of variables: 1) indigenization; 2) local partner participation and conflicts in affiliate management; 3) foreign control over affiliate decision-making; and 4) an exogenous factor.

The indicators of indigenization consist of the proportions of local capital, top-level full-time managers, top-level part-time managers, and middle- and lower-level managers. All of these indicators were decomposed into three groups of Pribumi (indigenous Indonesian), Non-Pribumi (mostly Chinese Indonesian) and the government, treating a foreign partner's portion as an omitted category.

The second set, the indicators of local partner participation and conflicts in affiliate management, consists of the Local Partner Participation Scale (LPP)<sup>(1)</sup> and the Local and Foreign Associates' Conflict Scale (LFC).<sup>(2)</sup> Each indicator is also decomposed into Pribumi, Non-Pribumi, and government partners.

The third set, foreign control over affiliate decision-making, tries to measure the degree of parent company and foreign expatriates' control in affiliate decision-making. One type of measures is for the degree of parent company supervision over decision-making, consisting of 1) Parent Company Supervision of Overall Non-Budgetary Decision-Making (OPCS) and 2) Parent Company Supervision of Budgetary Decision-Making (BPCS).<sup>(3)</sup> Another type of indicator tries to identify the degree of foreign control over final decision-making of affiliates, and is called 3) Parent

Company Control in Total Framework of Overall Final Decision-Making (PCTO), 4) Parent Company Control in Total Framework of Final Budgetary Decision-Making (PCTB), 5) Foreign Expatriates' Control in Framework of Overall Final Decisions Made in Local Context (FECO), and 6) Foreign Expatriates' Control in Framework of Budgetary Final Decisions Made in Local Context (FECB).<sup>(4)</sup> Scales 3) and 4) show the degrees of parent company control in final decision-making, while scales 5) and 6) show the degrees of foreign expatriates' control within final decisions delegated to affiliates. The other type of indicator, named the Standardization of International Operations (SIO),<sup>(5)</sup> tries to find the degree of control by parent companies by standardizing the operation of affiliate management.

The last set is an exogenous variable. Though many factors are conceivable, due to significant differences between U.S. and Japanese MNCs found in the previous research (Okada, 1985, 1986, 1989), this factor is considered to be the most important exogenous factor to be included in the model.

Students of complex organizations often encounter difficulties in measuring the magnitude of some organizational properties. This research obtained measurements of organizational properties in two ways: 1) by directly identifying organizational structures, and 2) by aggregating individual scores. Scores for local partner participation and the degrees of indigenization were obtained using the former method, while scores for remaining variables were obtained by using the latter method.

Aggregating individual scores to represent organizational property is often considered problematic (Lincoln and Zeitz, 1980; Roberts, et. al., 1978; Aiken and Hage, 1966; Pennings, 1973; Blau, 1957). However, in this study it is assumed that individual effects cannot be separated from organizational effects (Hage and Aiken, 1967), and that measurement

errors and individual differences in perception average out to produce a representative measure of an organizational property (Roberts, et. al., 1978). In order to make indicators of organizational properties more accurate and representative, the Scale of Decision-Making Participation<sup>(6)</sup> was constructed as a proxy variable for measuring the accuracy of individual perception about organizational behaviors. The scale was used to weight scores of individual perception, and the weighted individual scores were then aggregated to represent organizational scores.

#### IV Local Partner Participation and Conflict

##### A. Regression Models

Hypotheses 1 and 4 address attempts by LDC governments to create, through indigenization policies, conditions for local partners to actively participate in affiliate management and to engage in the political process of bargaining. In order to examine these hypotheses I conducted two regression analyses with the Local Partner Participation Scale (LPPI) and the Local and Foreign Associates' Conflict Scale (LFCI) as dependent variables and the indicators of indigenization as independent variables. As an exogenous factor the nationality of MNCs' parent company (NAPC) was also included.

##### B. Findings

Two dependent variables, LPPI and LFCI, in Table 1 depict different behavioral patterns of Pribumi (indigenous Indonesian), Non-Pribumi (mostly Chinese Indonesian) and government partners. (For the mean and standard deviation of each variable, see Appendix Table 1). With increased proportion of local ownership all types of partners enhance increasingly their participation into affiliate management (PCAPI with LPPI, Standardized Beta (Bs) = .362; NPCAPI with LPPI, Bs = .677; and

Table 1: Final Results of Stepwise Regression Analyses on Effects of Indigenization upon Local Partner Participation and Parent Company Supervision over Affiliate Decision-Making in Indonesia

Independent Variables	Dependent Variables				
	LPPI	LFCI	OFCSI	BPCSI	SIOI
PCAPI	.362a .010b(.002)	-- --(-)	-- --(-)	-- --(-)	-.426 -.026(.008)
PFULLI	.324 .009(.002)	-- --(-)	-.207 -.004(.002)	-- --(-)	.295 .019(.008)
PPARTI	-- --(-)	-- --(-)	-- --(-)	-- --(-)	.465 .013(.006)
PMGRI	.264 .004(.001)	-- --(-)	-- --(-)	-- --(-)	.300 .009(.004)
NPCAPI	.677 .020(.002)	.409 .008(.002)	-- --(-)	-.345 -.014(.006)	-.362 -.024(.009)
NPFULLI	-- --(-)	-- --(-)	-- --(-)	.471 .016(.005)	.328 .017(.007)
NPPARTI	-- --(-)	-.358 -.003(.001)	-- --(-)	.340 .006(.002)	.277 .007(.003)
NPMGRI	-- --(-)	-- --(-)	-- --(-)	-.356 -.010(.003)	-- --(-)
GCAPI	.336 .018(.004)	-- --(-)	-- --(-)	-- --(-)	-- --(-)
GFULLI	-- --(-)	-- --(-)	-- --(-)	-- --(-)	-- --(-)
GPARTI	-- --(-)	-- --(-)	-- --(-)	-- --(-)	-- --(-)
GMGRI	-- --(-)	-- --(-)	-- --(-)	-- --(-)	-- --(-)
NAPCI	-- --(-)	-- --(-)	.642 .501(.068)	.337 .492(.157)	.214 .496(.243)
CON-STANT	.775	1.190	1.219	1.572	-.365
R <sup>2</sup>	.591	.153	.397	.231	.367

Note: 1) An ordinary-least-square analysis with the pairwise deletion of missing information was used.  
2) Coefficients not significant at Alpha = .05 level were deleted by a stepwise backward exclusion method.

--: Deleted Independent Variable

a: Standardized Coefficient

b: Unstandardized Coefficient

( ): Standard Error of Beta

LPPI: Local Partner Participation

LFCI: Local and Foreign Associates' Conflict

OPCSI: Parent Company Supervision of Overall Non-Budgetary Decision-Making

BPCSI: Parent Company Supervision of Budgetary Decision-Making

SIOI: Standardization of International Operations

PCAPI, NPCAPI, GCAPI: Percentage of Pribumi, Non-Pribumi, or Government Capital

PFULLI, NPFULLI, GFULLI: Percentage of Pribumi, Non-Pribumi, or Government Full Time Top-level Managers

PPARTI, NPPARTI, GPARTI: Percentage of Pribumi, Non-Pribumi, or Government Part Time Top-level Manager

PMGRI, NPMGRI, GMGRI: Percentage of Pribumi, Non-Pribumi, or Government Managers

GCAP1 with LPPI,  $Bs = .336$ ). These findings suggest that the indigenization of capital stimulates local partner participation irrespective of the type of partners. However, whether the capitalistic principle of increased ownership actually enhances the bargaining power of local partners is a different issue. Table 1 shows that the increase of Non-Pribumi ownership (NPCAPI with LFCI,  $Bs = .409$ ) and the decrease in the proportion of part-time Non-Pribumi top-level managers (NPPARTI with LFCI,  $BS = -.358$ ) can promote the political process of bargaining. Among these three partners only Non-Pribumi partners engage in bargaining by increasing conflictive relations with foreign partners. However, an insignificant relationship between NPFULLI with LPPI and LFCI and a significant relationship between NPPARTI and LFCI very strongly suggest that Non-Pribumi partner participation is not achieved by directly sending top-level managers to affiliates but by indirectly monitoring corporate behaviors through part-time top-level managers.

With Pribumi local partners, we rather find that the increased proportion of professional managers facilitates the active-but-non-conflictive participation of local partners (PFULLI with LPPI,  $Bs = .324$  and PMGRI with LPPI,  $Bs = .264$ ). This is greatly due to the fact that many Pribumi partners are dummy partners, who become local partners without actual paid-up capital. But this finding hints at the effectiveness of the political environment generated by indigenization policies to provide some bargaining power to a resourceless partner, when he is supported with the increased proportions of local professional top-level and middle-level managers.

Thus, MNCs' cooptation strategies, accepting the government policies to formulate a JV, inevitably allow the infiltration of local interests into affiliate management. But only with Non-Pribumi partners this infiltration occurs along with their strong tendency to engage in the political process of

bargaining. For Pribumi partners the increased support by local managers promotes their participation, while only increased ownership promotes government partner participation.

## V Parent Company Supervision Over Affiliate Decision-Making

### A. Regression Models

Hypothesis 2 addresses the positive influence of indigenization policies that result in the reduction of MNCs' parent company supervision of decision-making and control through manuals, while Hypothesis 5 addresses the counter reaction of MNCs to exercise informal cooptation strategies by enhancing those methods of control over affiliate management. In order to examine the hypotheses three regression analyses are conducted with the parent company supervision indicators (OPCSI & BPCSI) and the manualization indicator (SIOI) as dependent variables and the indicators of indigenization and the nationality of MNCs' parent company as independent variables.

### B. Overall Decision-Making

We have previously found that Pribumi partners tend to increase their participation, when the proportions of their ownership and full-time top-level managers are increased. According to Table 1, such changes in the structure of ownership and top-level management seem to successfully result in diminishing the effectiveness of the standardization of international operations and the degree of parent company supervision of overall non-budgetary decisions (PFULLI with OPCSI,  $B_s = -.207$ ). But the parent company supervision of budgetary decisions remains unaffected (BPCSI). These findings show that the infiltration of Pribumi interests very much affects the MNCs' overall non-budgetary decision matters, but not in budgetary decision ones.

However, this does not mean that the MNCs do not try to moderate the force of indigenization. The increased proportions of Pribumi full- and part-time top-level managers and middle-level managers enhance the influence of the standardization of international operations quite significantly (PFULLI with SIOI,  $B_s = .295$ ; PPARTI with SIOI,  $B_s = .465$ ; PMGRI with SIOI,  $B_s = .300$ ). Since Pribumi partners are often dummy partners, infiltrated alien interests can be informally coopted rather easily by enhancing the effectiveness of the standardization of international operations.

A similar tendency can be found with Non-Pribumi partners. The increased proportions of Non-Pribumi ownership (NPCAPI, with BPCSI,  $B_s = -.345$ ) and Non-Pribumi managers (NPMGRI with BPCSI,  $B_s = -.356$ ) result in decreasing parent company supervision over budgetary matters and the influence of the standardization of operations (NPCAPI with SIOI,  $B_s = -.362$ ). But no significant influence is found on parent company supervision of overall non-budgetary matters (NPCAPI, NPFULLI, NPPARTI and NPMGRI with OPCI). The findings signify: 1) a far stronger bargaining power of Non-Pribumi partners than the Pribumi who cannot penetrate into budgetary matters; and 2) a stronger business interest of Non-Pribumi partners who exercise their bargaining power in the core area of budgetary decision-making rather than daily-operation related ones. Non-Pribumi partners' practice seems to be made possible by increasing the domination of middle-level management with very competent Non-Pribumi personnel. They play quite a strong role supportive of local partners over budgetary matters, but simultaneously yield to foreign control with regard to overall non-budgetary matters. It is the existence of this competent, but ethnically very loyal, middle-level management that enables Non-Pribumi partners to influence affiliate decision-making indirectly through part-time top-level managers. Such



characteristics are not at all found with Pribumi middle-level management.

Since the bargaining power derived from actual ownership quite strong firm, the MNCs need to find other avenues of compensating for their weakening power. They are found in increasing the influence of standardization of international operations, when the proportions of Non-Pribumi full-time top-level (NPFULLI with SIOI,  $B_s = .328$ ) and part-time top-level managers (NPPARTI with SIOI,  $B_s = .277$ ) are increased. They also increase the parent company supervision over budgetary matters, when the proportions of full-time Non-Pribumi top-level manager (NPFULLI with BPCSI,  $B_s = .471$ ) and part-time top-level Non-Pribumi managers (NPPARTI with BPCSI,  $B_s = .340$ ) are increased. Thus, with effective mechanisms of international control and coordination, the influence of such infiltrated alien interests can be reduced by informal cooptation strategies. Especially when local partners are strong in bargaining power like the Non-Pribumi, an intricate mixture of indigenization and informal cooptation strategies formulates a complex bargaining relationship.

A different picture can be depicted with the government partner. Previously we have found that no relationship is statistically significant other than that the increased proportion of government capital results in increased local partner participation. This finding signifies the inactiveness of the government partner in their participation in management, and the resulting failure to develop a complex bargaining relationship with foreign partners.

Irrespective of these processes of indigenization and informal cooptation, we also find that U.S. MNCs tend to exercise stronger parent company supervision of both budgetary (NAPCI with BPCSI,  $B_s = .337$ ) and overall non-budgetary (NAPCI with OPCI,  $B_s = .642$ ) decision-making, and stronger implementation of the standardization of international operations (NAPCI with SIOI,  $B_s = .214$ ).

In this section we come to find that Non-Pribumi partners experience a complex mixture of indigenization and informal cooptation strategies; Pribumi partners seem to be rather easily and informally coopted; and finally the government partner shows the extreme example of inactiveness. Thus, supporting evidence for Hypotheses 2 and 5 is found in cases of Pribumi and Non-Pribumi partners, though this is not the case for the government partners.

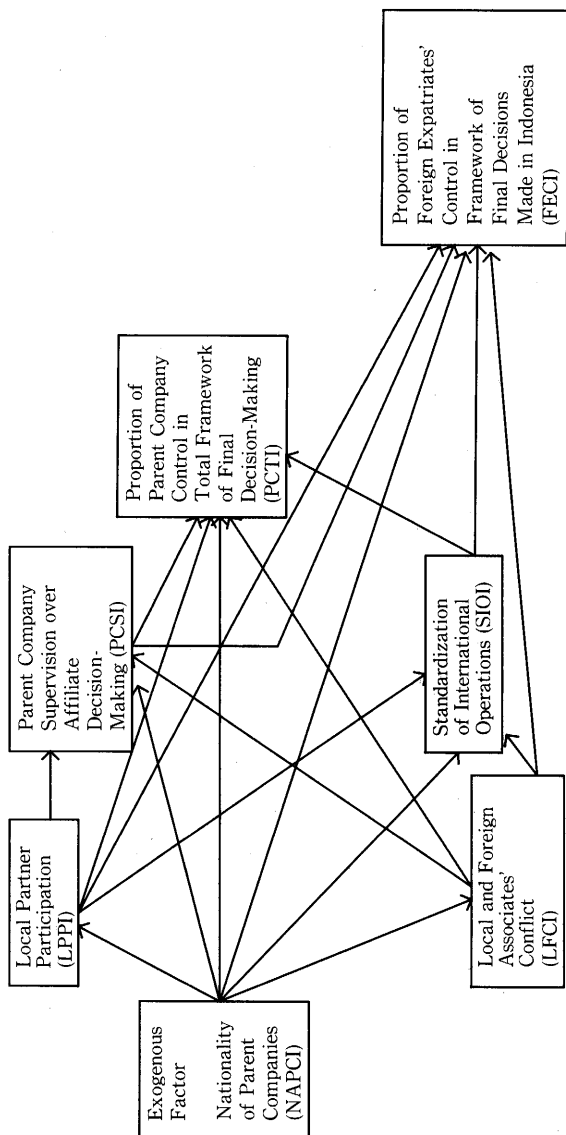
## VI Foreign Control in Final Decision-Making

### A. Path Model

If indigenization policies are effective, then local partner participation is expected to create changes in the process of final decision-making in affiliate management (Hypothesis 3). However, since such changes are detrimental to MNCs, in order to preserve the ultimate power of final decision-making, MNCs are expected to implement further informal cooptation strategies (Hypothesis 6).

In order to examine these hypotheses, two path analyses were conducted: one for final overall decision-making and the other for final budgetary decision-making. Figure 1 shows a schematic path diagram for local partner participation and foreign control in final decision-making. The recursive path diagram indicates the assumed causal orders and detailed hypotheses to be examined. Since the mechanisms of parent company supervision and the standardization of international operations have been previously found having a significant impact on decision-making, these variables are included as intervening variables. Furthermore, since we have found that different Indonesian partners tend to behave differently, the decomposed indicators of local partner participation and conflict are also used.

Figure 1. Schematic Path Diagram for Local Partner Participation and Foreign Control in Final Decision-Making in Indonesia



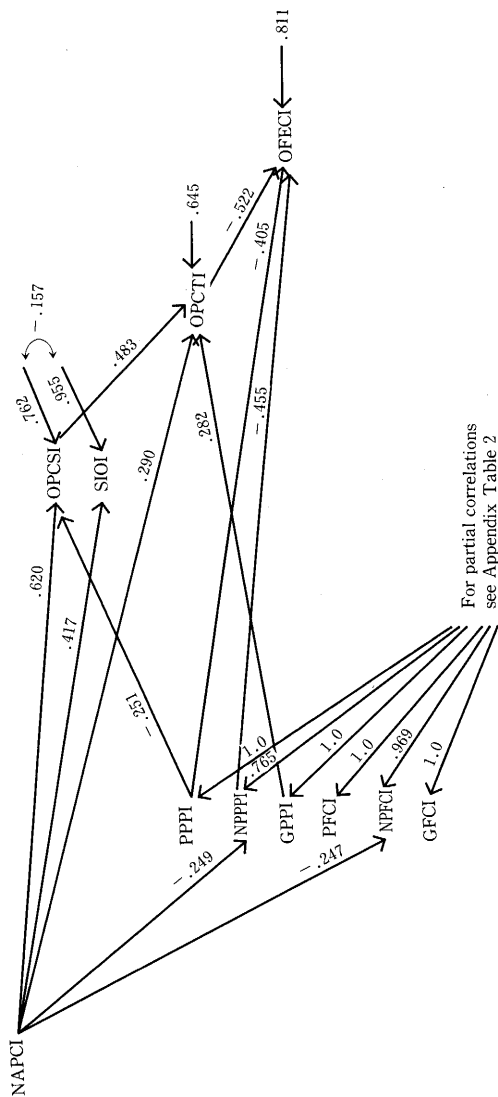
Note: Variables, PCSI, PCTI and FECI, mean the overall and budgetary issues when affixed with O and B respectively.

## B. Overall Final Decision-Making

According to Figure 2, both Pribumi and Non-Pribumi partners show a significant degree of impact on the final decision-making structure of affiliates of MNCs. Pribumi partner participation results in diminishing both the parent company supervision of overall non-budgetary decision-making (PPPI with OPCS, Path Coefficient ( $P$ ) =  $-.251$ ) and the degree of foreign expatriates' control of final decisions made within Indonesia (PPPI with OFECI,  $P = -.405$ ). Similarly, Non-Pribumi partner participation results in decreasing the degree of foreign expatriates' control of final decisions made in Indonesia (NPPPI with OFECI,  $P = -.455$ ), though it fails to influence the degree of parent company supervision of overall non-budgetary decisions (NPPPI with OPCS). Pribumi and Non-Pribumi partner participation successfully curtails foreign expatriates' control of affiliate management and the former's participation reduces parent company supervision of overall non-budgetary decision. However, neither the participation nor conflictive relation succeeds in diminishing the degree of parent company control over final decision-making (PPPI, NPPPI, PFCI and NPFCI with OPCTI). It is simply because parent company control of final decision-making is such a crucial means of control for MNCs that the preservation of the means from alien influence may be considered indispensable.

The effective usage of foreign control over final decision-making can be found when local partners become problematic. When government partners participate more actively in affiliate management, it is the increased degree of parent company control of final decision-making (GPPI with OPCTI,  $P = .282$ ) that enables parent companies to maintain foreign control over affiliate management. Due to the strength of the bargaining power that the government can potentially exercise, MNCs try to reduce the possible influence of the government over final decision-making by

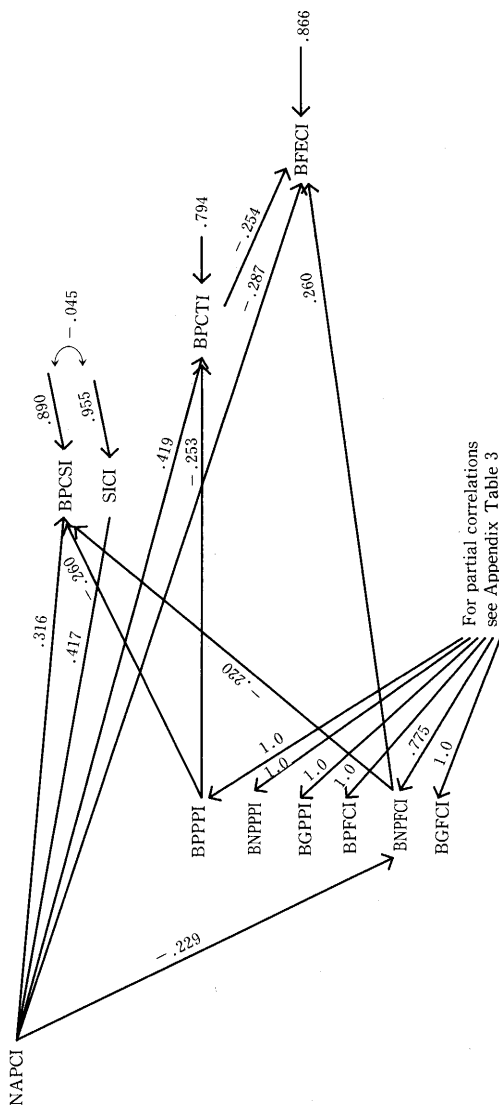
Figure 2. Path Model for Local Partner Participation and Foreign Control in Overall Final Decision-Making in Indonesia



Note: 1) Paths not significant at Alpha = .05 level were deleted. 2) The pairwise deletion method of handling missing data was used.

NAPCI: Nationality of Parent Companies; PPPI, NPPI, GPPI: Pribumi, Non-Pribumi, or Government Partner Participation; PFPI, NPFCI, GFPI: Pribumi, Non-Pribumi, or Government Partner and Foreign Associates' Conflict; OPCS: Parent Company Supervision of Overall Decision-Making; SIOI: Standardization of International Operations; OPCTI: Proportion of Parent Company Control in Total Framework of Overall Final Decision-Making; OFECI: Proportion of Foreign Expatriates' Control in Framework of Overall Final Decisions Made in Local Context.

Figure 3. Path Model for Local Partner Participation and Foreign Control in Budgetary Final Decision-Making in Indonesia



Note: 1) Paths not significant at Alpha = .05 level were deleted. 2) The pairwise deletion method of handling missing data was used.

NAPCI: Nationality of Parent Companies; BPPPI, BNPPPI, BGPPI, Pribumi, Non-Pribumi, or government Partner Participation in Budgetary Matters; BPFCI, BMPFCI, BGFCI: Pribumi, Non-Pribumi, or Government Partner and Foreign Associates' Conflict in Budgetary Matters; BPCSI: Parent Company Supervision of Budgetary Decision-Making; SIOf: Standardization of International Operations; BPCTI: Proportion of Parent Company Control in Total Framework of Budgetary Final Decision-Making; BFECI: Proportion of Foreign Expatriates' Control in Framework of Budgetary Final Decisions Made in Local Context.

increasing the degree of parent company control of final decisions. Consequently, such practices of MNCs result in shifting the location of major decisions from the context of Indonesia to parent companies. In other words, such practices promote the denationalization rather than indigenization of decision-making. The informal cooptation mechanism exercised by the MNCs to counter the politically very powerful partner generates contradictory consequences for the goal of indigenization.

From Figure 2 it is also possible to find some internal mechanisms of MNCs' control. When parent companies increase their supervision of overall non-budgetary decision-making, it tends to strengthen the parent company control of overall final decision-making (OPCSI with OPCTI,  $P = .483$ ). Furthermore, when the parent company control of overall final decision-making is strengthened, it tends to decrease the proportion of foreign expatriates' control of overall final decisions made in Indonesia (OPCTI with OFECI,  $P = -.522$ ). These findings show that MNCs can voluntarily promote the indigenization of final decision-making, while simultaneously increasing the parent company control of final decision-making.

Figure 2 also indicates that U.S. MNCs tend to exercise higher degrees of parent company supervision of overall non-budgetary decision-making (NAPCI with OPCS,  $P = .620$ ), of the standardization of international operations (NMPCI with SIOL,  $P = .417$ ), and of parent company control of final decision-making (NAPCI with OPCTI,  $P = .290$ ). However, no significant difference is found with regard to the foreign expatriates' control of final decisions made in Indonesia (NAPCI with OFECI). We also find that Japanese MNCs tend to show higher degrees of Non-Pribumi partner participation (NAPCI with NPPPI,  $P = -.249$ ) and conflicts (NAPCI with NPECI,  $P = -.247$ ).

### C. Budgetary Final Decision-Making

According to Figure 3, the only significant impact of the indigenization is Pribumi partner participation in budgetary matters. Their increased participation results in decreasing parent company supervision of budgetary matters (BPPPI with BPCSI,  $p = -.260$ ) and parent company control of final decision-making (BPPPI with BPCTI,  $p = -.253$ ). However, when they become more conflictive, it results in increasing foreign expatriates' control of final decision-making (BPFCI with BFECI,  $p = .260$ ). This is a rather unusual finding, but it may be interpreted that the Pribumi participation into budgetary matters can be accepted easily simply because of their weak bargaining power. However, once they turn into a problematic partner, they can be easily controlled by foreign expatriates. Such phenomena cannot be found with other partners. Only exception is when Non-Pribumi partners become conflictive, MNCs reduce the degree of parent company supervision over budgetary matters (BNPFCI with BPCSI,  $p = -.220$ ).

Figure 3 also depicts MNCs' internal control mechanisms. When parent companies increase their control over final budgetary decisions, it is not at all difficult to increase the proportion of local managers' control of final budgetary decisions delegated to affiliates (BPCTI with BFECI,  $p = -.254$ ). This finding shows that the indigenization of decision-making in the local context can be realized without much difficulty by shifting crucial decisions to parent companies.

We also find that U.S. MNCs show higher degrees of parent company supervision (NAPCI with BPCSI,  $p = .316$ ), the parent company control of final decision-making (NAPCI with BPCTI,  $P = .419$ ), and the standardization of international operations (NAPCI with SIOI,  $P = .417$ ). However, they tend to have a lower degree of the foreign expatriates' control of final decision-making than Japanese MNCs (NAPCI with BFECI,



$P = -.287$ ). Non-Pribumi partners tend to have more conflictive relationship in Japanese affiliates than they do in U.S. ones (NAPCI with BNPFCL,  $p = -.224$ ).

Thus, in this section again we have found an intricate mix of indigenization and cooptation strategies.

## VII Conclusion

Table 2 summarizes the findings. Each local partner possesses distinctively different source of bargaining power: Non-Pribumi partners possess both managerial and financial capabilities; Pribumi partners possess little financial or managerial capabilities, but they are strongly supported by the indigenization policies; and the government partners possess political power as well as financial capabilities, but no managerial resources. The different resources that each type of partner possesses diversify their behaviors, the effects of indigenization policies, and MNCs' cooptation strategies.

Non-Pribumi partners strengthen their participation in management and bargaining power primarily by increasing the ownership of joint ventures. Their management participation has significant impacts to reduce the parent company supervision of budgetary decision-making, the effect of the standardization of international operations, and the foreign expatriates' control of final decisions.

To compensate for the vulnerability caused by these local partners' participation, the MNCs try to implement informal cooptation mechanisms. Non-Pribumi partners face increased parent company supervision of budgetary matters and increased control through the standardization of international operations (when they increase the proportions of full- and part-time top-level managers). Thus, with Non-Pribumi partners this

Table 2. Summary of Findings

	Government	Non-Pribumi	Pribumi
Indigeni- zation Effects	GCAP1---> LPPI +	NPCAP1---> LPPI + LFCI + BPCSI- SIOI - NPPART1---> LFCI - NPMGRI---> BPCSI - NPPPI---> OFECI - BNPFCE1---> BPCSI -	PCAP1---> LPPI + SIOI - PFULL1---> LPPI + OPCSI - PMGR---> LPPI + PPPI---> OPCSI - PPPI---> OFECI - BPPPI---> BPCSI - BPPPI---> BPCTI -
Informal Cooptation Effects	GPPI---> OPCTI +	NPFULL1---> BPCSI + SIOI + NPPART1---> BPCSI + SIOI +	PFULL1---> SIOI + PPART1---> SIOI + PMGR---> SIOI + BPFCE1---> BFECI +
Exclusion Effects	All Final Decision Making	Parent Company Final Decision Making	None

study finds a real situation of a political process of bargaining vis-a-vis foreign partners, but resulting in an intricate mixture of indigenization effects and MNCs' cooptation strategies.

It is Pribumi partners who gain the most out of indigenization policies. Without financial capabilities they clearly lack bargaining power based on ownership. But even though they may be dummies, their increased nominal ownership tends to promote local partner participation and reduces the influence of the standardization of international operations. Furthermore, as far as Pribumi partners do participate in management as full-time top-level managers, or influence to employ more Pribumi middle managers, they succeed in reducing the degree of parent company supervision of decision-making (both budgetary and non-budgetary) and the degree of foreign control of final decision-making (parent company budgetary and foreign expatriates' non-budgetary control of final decision-making). Such an extensive effect of indigenization on MNCs' control mechanisms is quite surprising. This means that favorable political environment seems to generate some impact on MNCs' control mechanisms even for partners without bargaining resources.

However, due to the political nature of the source of bargaining power, Pribumi partners face the most extensive informal cooptation mechanisms. One mechanism is to increase the effectiveness of the standardization of international operations and the foreign expatriates' budgetary control of final decision-making (when they become very conflictive in budgetary matters). Thus, we come to find that even though a weak local partner can infiltrate into affiliate management in a conducive political environment, their infiltration can be easily and informally coopted with the control mechanisms of the MNCs.

The government partner, who is backed by both financial capability and political power, increases its participation in affiliate management when

its ownership is increased. However, since its bargaining edge is so strong that stronger government partner participation results in increasing the parent company control of overall final decision-making. When political power is involved, we find that the MNCs exercise quite a strong informal cooptation strategy, resulting in aggravating the denationalization of final decision-making.

Finally, the indigenization of final decision-making in the affiliates can be realized not only by increased local partner participation, but also by the MNCs' manipulation of its international control mechanisms, shifting important final decisions both in budgetary and overall final decisions from affiliates to parent companies.

Therefore, local partners who possess the legitimate managerial and financial resources can succeed in indigenizing the affiliate management, despite some cooptation strategies of MNCs. However, local partners backed by political power face stronger cooptation strategies of MNCs as their political bargaining power increases. When they have weaker political bargaining power with less legitimate resources, MNCs feel secure enough to accept local partners' infiltration of interests as long as they could implement some cooptation strategies. Thus, indigenization policies, whose goal is to increase the control and domination of industrial organization by the citizens of a nation, clearly face its limitation not only due to the cooptation strategies of MNCs, but also due to the lack of legitimate managerial and financial resources. The policies succeed in generating important opportunities for the weakest local partners to participate in and to infiltrate their interests into affiliate management, but fail to do so for local partners with the strongest political bargaining power, creating the contradictory effect of enhanced parent company control and consequently the aggravated denationalization of final decision-making.

## Notes

- (1) A question in the company questionnaire reads, "What responsibilities do local associates assume and in what area? Please indicate for each function whether they assume full, joint, or no responsibility." The areas of responsibilities are marketing and distribution, purchasing and procurement, technical and engineering, production, administration and control, financial -(including obtaining capital), recruitment and personnel, and relation with government and authorities (Tomlinson, 1970:197). The categories of answers were 1) no, 2) joint, and 3) full participation. The nine items showed very high factor loadings in one factor with .932 Heise-Bohrnstedt (1970) reliability score. The average score of nine items was used to indicate the degree of local partner participation. The Pribumi Partner Participation Scale was constructed by assigning the Local Partner Participation score, when an affiliate was identified as a joint venture with Pribumi partners. Otherwise, the score of no participation was assigned. Other decomposed scales follow the same method. For the scales of local partner participation in financial matters, the score of one variable in financial matters was used.
- (2) Issues of conflicts between local and foreign associates covered 1) pricing of products, 2) product quality standard, 3) markets to which joint ventures might export, 4) distribution channels, 5) retention of earnings vs. the payment of dividends, 6) reinvestment, 7) unbusinesslike behavior, 8) increasing local top-level managers, 9) increasing the local board of director members, 10) increasing local managers, and 11) increasing local procurement, 12) increasing worker training budget, and 13) increasing capital participation of local associates. The categories of answer are: 1) rarely, 2) sometimes, 3) often, 4) very often, and 9) don't know. A factor analysis extracted three factors by excluding items 3), 7), 11) and 12), and the Chronbach Alpha reliability score of the scale showed .835. The scale score was calculated by averaging the included items. For the decomposed scales of conflict by different local partners, the same procedure explained previously was used. The average score of two items, 5) and 6), was used as an index of conflicts in financial issues.
- (3) In the individual questionnaire each respondent was asked to choose the category that best indicates the form of parent company supervision

over affiliate decision-making. The areas of decision-making covered 1) pricing, 2) dividend policy, 3) production planning and control, 4) marketing and sales, 5) procurement, 6) budgeting and budgetary control, 7) wage and labor policy, 8) employment or promotion of managers, and 9) relations with government. Categories to indicate parent company supervision were 1) decision is delegated to joint ventures or subsidiaries, 2) prior consultation with parent companies or regional headquarters, 3) subject to the approval of parent companies or regional headquarters, and 4) not applicable. With the help of a factor analysis I constructed two scales of parent company supervision over budgetary matters with the item 6) and over non-budgetary matters with the rest of the items except the item 2). The Heise-Bohrnstedt reliability score showed .845.

- (4) One question in the individual questionnaire tried to identify the location or position of final decision-making whether final decisions are made by parent companies, President, Vice Presidents, other top-level managers, and/or middle-level managers; and the other question in the company questionnaire provided detailed information about personnel distribution between foreigners and Indonesians in each position. Assuming that the degree of foreign domination in a position can be indicated by the percentage of foreign full-time managers in that position, with the help of a factor analysis the scores for eight functional areas (see Footnote 3) excluding item 2) were averaged to indicate the individual perception of foreign domination in final decision-making. The scale as the individual perception of the degree of foreign control in final decision-making showed the Heise-Bohrnstedt reliability score of .865. Though final decision-making on the item of budgetary matters was included in this overall scale, an independent final decision-making scale on the budgetary matters was also created.
- (5) In the company questionnaire two questions were asked. One question read, "Does your company have any manual provided by your foreign parent companies that specifies organizational structure, rules, procedure or operations, and boundaries of managerial responsibilities?" Respondents were requested to answer "yes" or "no." The other question read, "If you answered "yes" to question 1, how influential is this manual in your company? Respondents selected an answer from four categories: 1) no influence; 2) some influence, 3) strong influence, and 4) very strong influence. By combining the two questions, I constructed an indicator of the effectiveness of manuals.

- (6) On the individual questionnaire each respondent was asked, "What is the form of your participation in the decision-making of the following decision areas?" (See Footnote 3 for decision-making issues). The type of participation is 1) no authority to participate, 2) participate but no actual decision-making, 3) make decisions, but subject to approval, 4) make decision after consultation, 5) make decision by myself, 6) decision is delegated to subordinates, and 7) not applicable. The item of "relations with government" was deleted due to a low factor loading. Then, the score was converted to reduce the highest score from 6.0 to 3.0. The Heise-Bohrnstedt reliability score was .957. The mean value of the items was used as a score for the Decision-Making Participation Scale. Furthermore, any individual observation whose mean value was less than 1.2 was eliminated from this research, since their low degree of participation in decision-making suggested the lack of their insight about decision-making.

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Appendix Table 1: Means and Standard Deviations of Variables

Variables	Range	Mean	S.D.	N
LPPI	1.3-3.0	1.416	.481	92
LFCI	1.0-4.0	1.213	.305	84
OPCSI	1.0-3.0	1.344	.364	87
BPCSI	"	1.699	.682	88
SIOI	0.0-4.0	.393	1.083	89
OPCTI	0.0-100.0	12.773	17.432	88
BPCTI	"	17.771	27.883	89
OFECI	"	77.300	25.999	88
BFECI	"	76.733	33.473	89
NAPCI	0.0-1.0	.315	.467	92
PCAPI	0.0-100.0	11.043	17.861	92
PFULLI	"	7.573	17.193	92
PPARTI	"	19.565	38.485	92
PMGRI	"	44.325	34.917	91
NPCAPI	"	12.549	16.440	92
NPFULLI	"	10.439	20.697	91
NPPARTI	"	27.536	41.854	92
NPMGRI	"	17.075	25.283	91
GCAPI	"	3.109	19.049	92
GFULLI	"	.733	4.914	91
GPARTI	"	7.246	25.595	92
GMGRI	"	5.937	19.198	92
PPPI	1.0-3.0	1.171	.372	92
NPPPI	"	1.228	.417	92
GPPI	"	1.017	.105	92
PFCI	1.0-4.0	1.049	.150	84
NPFCI	"	1.108	.240	90
GFCI	"	1.045	.185	92
BPPPI	1.0-3.0	1.099	.335	91
BNPPPI	"	1.137	.377	91
BGPPI	"	1.000	.000	92
BPFCI	1.0-4.0	1.071	.224	86
BNPFCI	"	1.146	.381	91
BGFCI	"	1.056	.206	92

Appendix Table 2: Regression Analyses of Path Model (Figure 2) for Local Partner Participation and Foreign Control in Overall Final Decision-Making in Indonesia

Independent Variables	Dependent Variables				
	PPPI	NPPPI	GPPI	PFCI	NPFCI
NAPCI	--a --b(---)	-.249 -.222(.091)	-- --(---)	-- --(---)	-.247 -.247(.053)
CON-STANT	--	1.298	--	--	1.148
R <sup>2</sup>	.000	.062	.000	.000	.061
Independent Variables	Dependent Variables				
	GFCI	OPCSI	SIOI	OPCTI	OFECI
NAPCI	--a --b(---)	.620 .483(.237)	.417 .967(.237)	.290 10.829(3.418)	-- --(---)
PPPI	--	-.251 -.246(.084)	-- --(---)	-- --(---)	-.405 -28.282(6.922)
NPPPI	--	-- --(---)	-- --(---)	-- --(---)	-.455 -28.398(6.353)
GPPI	--	-- --(---)	-- --(---)	.282 46.815(12.18)	-- --(---)
PFCI	--	-- --(---)	-- --(---)	-- --(---)	-- --(---)
NPFCI	--	-- --(---)	-- --(---)	-- --(---)	-- --(---)
GFCI	--	-- --(---)	-- --(---)	-- --(---)	-- --(---)
OPCSI	--	--	--	.483 23.163(4.386)	-- --(---)
SIOI	--	--	--	-- --(---)	-- --(---)
OPCTI	--	--	--	--	-.522 -.779(.149)
CON-STANT	--	1.479	.088	-69.371	155.249
R <sup>2</sup>	.000	.419	.174	.584	.342

Note: 1) An ordinary-least-square analysis with the pairwise deletion of missing information was used.

2) Coefficients not significant at Alpha=.05 level were deleted by a stepwise backward exclusion method.

--: Deleted Independent Variable

a: Standardized Coefficient

b: Unstandardized Coefficient

( ): Standard Error of Beta

---I: Indonesian Data

NAPC: Nationality of Parent Company

PPP,NPPP,GPP: Pribumi, Non-Pribumi, or Government Partner Participation

PFC,NPFC,GFC: Pribumi, Non-Pribumi, or Government Partner and Foreign Associates' Conflict

OPCS: Partner Company Supervision of Overall Non-budgetary Decision-Making

SIO: Standardization of International Operations

OPCT: Proportion of Parent Company Control in Total Framework of Overall Final Decision-Making

OFEC: Proportion of Foreign Expatriates' Control in Framework of Overall Final Decisions Made in Local Context

Appendix Table 3: Partial Correlations of Residuals for Local Partner Participation and Local and Foreign Associates' Conflict in Figure 2

	PPPI	NPPPI	GPPI	PFCI	NPFCI	GFCI
PPPI						
NPPPI	-.240 *					
GPPI	-.074	-.082				
PFCI	.321 *	-.187 *	-.055			
NPFCI	-.194 *	.577 *	-.066	-.157		
GFCI	-.112	-.108	.417 *	-.083	-.083	

Note: For abbreviations, see Appendix Table 2.

\*: Significant at Alpha=.05 level.

Appendix Table 4: Regression Analyses of Path Model (Figure 3) for Local Partner Participation and Foreign Control in Budgetary Decision-Making in Indonesia

Independent Variables	Dependent Variables				
	BPPPI	BNPPPI	BGPPI	BPFCI	BNPFCI
NAPCI	-.224 b(---)	-.183(---)	-.183(---)	-.183(---)	-.224 b(---)
CON-STANT	---	---	---	---	1.204
R <sup>2</sup>	.000	.000	.000	.000	.050
Independent Variables	Dependent Variables				
	BGFCI	BPCSI	SIOI	BPCTI	BFECI
NAPCI	-.316 b(---)	.462(.150)	.417 .462(.150)	.419 .034(6.022)	-.287 -20.568(7.563)
BPPPI	-.260 .530(.205)	-.260 .530(.205)	-.253 -21.089(8.394)	-.253 -21.089(8.394)	---
BNPPPI	---	---	---	---	---
BGPPI	---	---	---	---	---
BPFCI	---	---	---	---	---
BNPFCI	-.220 .394(.182)	---	---	---	---
BBFCI	---	---	---	---	---
BPCSI	---	---	---	---	---
SIOI	---	---	---	---	---
BPOTI	---	---	---	---	---
CON-STANT	---	2.587	.088	33.055	47.027
R <sup>2</sup>	.000	.208	.174	.206	.250

Note: 1) An ordinary-least-square analysis with the pairwise deletion of missing information was used.

2) Coefficients not significant at Alpha=.05 level were deleted by a stepwise backward exclusion method.

---: Deleted Independent Variable

a: Standardized Coefficient

b: Unstandardized Coefficient

( ): Standard Error of Beta

---I: Indonesian Data

NAPC: Nationality of Parent Company

BPPP,BNPPP,BGPP: Pribumi, Non-Pribumi, or Government Partner Participation in Budgetary Matters

BPFC,BNPFC,BGFC: Pribumi, Non-Pribumi, or Government Partner and Foreign Associates' Conflict in Budgetary Matters

BPCS: Parent Company Supervision of Budgetary Decision-Making

SIO: Standardization of International Operations

BPCT: Proportion of Parent Company Control in Total Framework of Budgetary Final Decision-Making

BFEC: Proportion of Foreign Expatriates' Control in Framework of Budgetary Final Decisions Made in Local Context

Appendix Table 5: Partial Correlations of Residuals for Local Partner Participation and Local and Foreign Associates' Conflict in Figure 3

	BPPPI	BNPPPI	BGPPI	BPFCI	BNPFCI	BGFCI
BPPPI						
BNPPPI	-.110					
BGPPI	--	--				
BPFCI	.177	-.123	--			
BNPFCI	-.081	.202 *	--	-.111		
BGFCI	-.081	-.100	--	-.090	-.096	

Note: For abbreviations see Appendix Table 4.

\*: Significant at Alpha=.05 level.

--: No Variance, thus incapable to calculate partial correlations.