The Paradox of Dueling Identities: The Case of Local Senior Executives in MNC Subsidiaries†

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This study focuses on how employees cope with dueling social identities when one is of relatively low status compared to the other by studying local senior executives in mulinational corporations' (MNC's) subsidiaries who can identify with the local staff and/or headquarters' management. As hypothesized, perceptions of local staff incompetence are positively related to executives' turnover intentions. This relationship becomes weaker if they have high-quality communication with, or high levels of trust in, headquarters' management. Results suggest that employees disidentify with a stigmatized identity group by intending to quit; however, identification with a higher status alternative identity group can mitigate this effect.

Keywords: *social identity; turnover intentions; trust; communication; MNC management*

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Social identity theory suggests that people are likely to classify themselves and others into various social categories, such as gender, age cohort, nationality, ethnicity, and organizational affiliation (Tajfel & Turner, 1986). This theory was developed, in large part, to explain people's relative favoritism or in-group bias (Turner, 1999), which refers to "the differential favorability in evaluations of one's in-group compared to a relevant group" (Bettencourt, Dorr, Charlton, & Hume, 2001: 520). This theory assumes that the need for a positive social identity is the basic motivational mechanism responsible for in-group bias (Tajfel, 1972). Recent developments in social identity theory and research suggest that in-group bias is not necessarily a universal feature of intergroup relations, and intergroup status differences influence in-group bias. For example, in two recent meta-analyses, Mullen, Brown, and Smith (1992) and Bettencourt et al. (2001) reported that members of high-status groups favor their in-group over the out-group more so than do members of low-status groups. It seems that high-status group members tend to favor their own group over a lower status group but that low-status group members tend to either show favoritism toward the higher status out-group over their own group or show no differential favoritism (cf. Bettencourt et al., 2001).

Despite significant advances in social identity theory, there is an important theoretical and empirical gap in the literature. Namely, most previous studies have been conducted as if each person only has one group membership, belonging to either a high-status group or a low-status group. However, a person can simultaneously belong to multiple groups because there are multiple bases for social categorization, such as gender, age cohort, nationality, and positions in organizational hierarchies. An interesting and important question is how people cope with their multiple social identities, particularly when these social identities are inconsistent in status (e.g., when one identity is of relatively low status or stigmatized compared with another). Having two or more social identities that are inconsistent in terms of status is not uncommon in modern organizations given their complexity and diversity. For example, Black executives can identify with two groups that may be inconsistent in terms of status: Black (traditionally, a relatively low-status or stigmatized group based on race; Lewis and Sherman, 2003) and executives (a relatively high-status group based on organizational hierarchy). Examining the issue of multiple social identities cannot only enrich social identity theory but also contribute to understanding the mechanisms that influence between-group and within-group processes in modern organizations.

This study will examine this issue in a special and important context: local senior executives in multinational corporations' (MNCs) subsidiaries in China's emerging economy. From the perspective of social identity theory, local senior executives of MNC subsidiaries are in a relatively unique position in their organizations, which makes it possible that they may identify with two very different groups in the work environment. On one hand, local senior executives are local nationals, so it is natural for them to identify with the local staff. Throughout this article, *local staff* refers to local managers and employees at lower levels in the status hierarchy than the most senior local executives. On the other hand, local senior executives are at the very top of the status hierarchy in the subsidiary, have the responsibility and opportunity to interact with the MNC headquarters, and also may have already adapted their behaviors to be less "local" and more consistent with the culture and work style of the MNC. On the basis of their positions and working relationships, they may classify themselves as "senior executives" and identify with the MNC headquarters.

These two potential social identifications for local senior executives have different bases for categorization. The literature on social identification indicates that an important antecedent of social identification is the prestige of the group (Ashforth & Mael, 1989; Chatman, Bell, & Staw, 1986). In the case of MNC subsidiaries in an emerging economy, the headquarters clearly are the prestigious group. Members of this group have modern management skills and superior technological knowledge, and are well respected and compensated. Hence, the local senior executives' social identification with the headquarters should largely be based on the prestige of this group. In comparison, the base for local senior executives' identification with the local staff is largely demographic, most notably based on ethnic background, nationality, culture, and language. Identification with the local staff has the potential to be relatively stigmatized or disadvantaged because the local staff in an emerging economy usually lacks modern management and technological skills and thus is not on an equal footing with the MNC headquarters. In sum, in the MNC system, local senior executives have dueling identities: "senior executives" identified with the headquarters (a prestigious identity) versus "locals" identified with the local staff (a relatively stigmatized or disadvantaged identity).

This study focuses on how local senior executives' dueling identities may influence their turnover intentions. Turnover intentions (i.e., thoughts about quitting and finding another job) figure prominently in models of the turnover process and typically are among the strongest predictors of actual voluntary turnover behavior (e.g., Hom, Caranikas-Walker, Prussia, & Griffeth, 1992; Mitchell, Holtom, Lee, Sablynski, & Erez, 2001; Mobley, Griffeth, Hand, & Meglino, 1979). Turnover intentions of local senior executives of MNC subsidiaries in emerging economies is an important concern for the management and effectiveness of MNCs. For the purposes of control and transferring technological and managerial skills, historically, MNCs have sent expatriate managers to head up overseas subsidiaries, particularly at the senior management level (Boyacigiller, 1990). However, in recent decades, MNCs have started to focus on replacing expatriates in senior management positions with local nationals (Kobrin, 1988; Prahalad & Lieberthal, 1998).

The benefits of replacing expatriates with local senior executives are significant. It has been well noted that expatriates are relatively expensive compared with local senior executives (Kobrin, 1988). Harvey (1983), for example, estimated that the direct costs of expatriates are three times the domestic salary of local executives, not including relocation expenses. In addition, a significant proportion of expatriates (33% to 80%) cannot successfully adapt to the local environment and return to their home countries before their contracts expire (Harvey, 1983). Failure rates of expatriate managers are particularly high in developing countries or relatively distant cultures such as China (Zeira & Banai, 1985). Hence, replacing expatriates with local executives in senior management positions can benefit MNCs in reducing human resource costs and adapting to local conditions.

However, successful management localization is not simply a matter of replacing expatriates with qualified and trained local executives for senior positions. A more critical challenge is how to retain the local senior executives who have acquired the management and technical skills needed to be successful top managers and are comfortable and effective in the local environment. Retention of local senior executives in subsidiaries of MNCs can be a significant challenge in emerging economies because of a limited supply of qualified local managers. The large amount of foreign direct investment flowing into these economies has created high demands for local management talent, compounding the problem. A recent survey released in October 2003 found that 43% of senior managers and leaders in China voluntarily leave their organizations each year, compared with 5% in Singapore and 11% in Australia (Wozniak, 2003).

To the extent that subsidiaries cannot effectively retain their local senior executives, the downside of management localization can be significant. First, local senior executives play important roles in the operation of a firm and typically also play vital boundary-spanning roles in terms of gaining the support of important stakeholders in the local environment including the local government, suppliers, and customers. Thus, their turnover can disrupt the firm's internal operations and its external networks (Wozniak, 2003). Second, MNCs usually have invested heavily in local senior executives' human capital and equipped them with modern management knowledge and techniques. Turnover of these executives wastes the MNC's investment in their human capital at best. Indeed, these local senior executives are very likely to be hired by the MNC's competitors in local markets, either local firms or other MNCs. Management migration between firms can result in imitation of technologies, products, and strategies (Boeker, 1997). Imitation as a result of local management migration can be very damaging to MNCs operating in emerging economies, especially given the fact that effective property rights protection systems are not typically well established or enforced (Kahn, 2002). As a result, retaining local senior executives is all the more important and challenging a concern for multinational companies in China (Wong & Law, 1999; Wozniak, 2003).

Theory and Hypotheses

Role of Identification With the Local Staff

As noted by Ashforth and Mael (1989), social classification can serve two important functions. First, it can help individuals make sense of the social environment and define others who are encountered in a somewhat systematic and efficient manner (i.e., requiring low levels of effort but not necessarily high levels of accuracy). Second, it enables individuals to define themselves (i.e., answer the question "Who am I?") in the social environment. When identifying with a group, individuals perceive their fate as being psychologically intertwined with the fate of the group (Ashforth & Mael, 1989).

This theory, developed in a large part to account for in-group bias, suggests that people have a need for a positive social identity, "expressed through a desire to create, maintain or enhance the positively valued distinctiveness of ingroups compared to outgroups on relevant dimensions, and aroused under conditions where people defined and evaluated themselves in terms of their group memberships" (Turner, 1999: 8). Consistent with this premise, research has found that social identification can have positive consequences. For example, identification with an organization enhances an individual's support for and commitment to the organization (Ashforth & Mael, 1989). Identification with a group can be associated with positive evaluations of the group, and loyalty to and pride in the group and its activities (Turner, 1982). In addition, identification with a group can increase perceived similarity with other group members and lead to adherence to group values and norms (Turner, 1984).

However, in-group bias is not necessarily a universal feature of intergroup relations. Recent advances in social identity theory suggest that intergroup status can influence in-group bias. In a meta-analysis, Mullen et al. (1992) calculated effect sizes that compared in-group evaluations with out-group evaluations, separately for members of high-status groups and members of low-status groups. Their results showed that the overall average effect size was greater for members of high-status groups than for members of low-status groups. In another meta-analysis, Bettencourt et al. (2001) reported similar results. In addition, they found that compared with low-status groups, members of high-status groups were more favorable toward their in-group and less favorable toward the out-group. They also found that members of high-status groups identified with their in-group more than did members of low-status groups.

Indeed, social identity theory assumes that a disadvantaged in-group status results in an unsatisfactory or negative social identity (Tajfel & Turner, 1979). The negative social identity of low-status group memberships can lead to reversals of in-group favoritism. According to Lewis and Sherman (2003), individuals make decisions about in-group targets (favoritism versus reversal of favoritism) in a manner to maximize their own self-esteem. Specifically, identification with a low-status or stigmatized group may impose threats to self-esteem for two reasons. First, poor performance of an in-group member can lower the evaluation of the whole group. Second, poor performance of an in-group member can confirm a specific negative in-group stereotype. As a result, when individuals are identified with a low status or stigmatized group, they tend to disidentify with the group to protect their self-esteem. In support of this argument, they found that Black managers were unmotivated to hire marginally qualified Black applicants. Similarly, Mathison (1986) found that female managers rated assertive women more negatively than did male managers. Finkelstein and Burke (1998) found that older participants rated older applicants as being economically less valuable to their company than did younger participants.

Because people strive for a positive social identity, members of low-status groups may be motivated to engage in status enhancement strategies to restore a positively valued social identity (Ellemers, van Knippenberg, de Vries, & Wilke, 1988; Tajfel & Turner, 1979). Social identity theory (Tajfel & Turner, 1979, 1986) identifies social mobility as an individualistic strategy through which one may attempt to gain status by disassociating from a low-status group and attempting to join a higher status group, taking on the attitudes, values, and behaviors of that group. In this strategy, privileged members of a low-status group make a career for themselves without changing the status relations between the low- and the high-status groups by identifying with the high-status group and disidentifying with, or in a sense, "exiting" from (Hirschman, 1970), the low-status group (cf. Blanz, Mummendey, Mielke, & Klink, 1998). Consistent with this reasoning, Tajfel and Turner (1979) suggested that a disadvantageous social identity may result in intentions to leave a low-status group.

In the current research context, local senior executives have ethnic background, national history, culture, language, customs, and norms in common with the local staff, all of which should promote identification with this group. Indeed, prior research on organizational demography has indicated that demographic characteristics are widely used for categorization purposes because they can provide information on how individuals in certain demographic categories are likely to behave and are likely to be treated by others in the work environment (Tsui & Gutek, 1999). In addition, the salience of out-groups can reinforce an individual's awareness of in-group identification (Allen, Wilder, & Atkinson, 1983; Turner, 1981). In MNCs, the presence of different ethnic groups, nationalities, cultures, and languages in the organizational system may prompt local senior executives to identify themselves as “locals.” Furthermore, in subsidiaries of MNCs in emerging economies, most local senior executives do not have the opportunity to work in a position in the headquarters or a subsidiary in another country. To the extent that they are hired by, and spend most—if not all—of their careers in the local subsidiaries, they may see themselves as “locals” and see managers from other subsidiaries or headquarters as belonging to out-groups (Kobrin, 1988). Local senior executives’ identification with the local staff can increase their perceptions of oneness, belongingness, and perceived similarity with the people they are working with.

However, most local firms in an emerging economy technologically lag the MNCs (Hitt, Dacin, Levitas, Arregle, & Borza, 2000). Management skills are also not developed in these countries (Steensma & Lyles, 2000). Lack of technological and managerial competencies can result in the local staff being not as well respected as others in the MNC. If local senior executives perceive the local staff to be incompetent (e.g., lacking technological and managerial competencies), they may be concerned that the local staff will be categorized or viewed as “second-class citizens” in the MNC system. In that case, local senior executives may feel uncomfortable working in such an environment even though they occupy more senior positions. On the basis of their demographic similarity with the local staff, local senior executives may fear that the incompetence of the local staff can confirm a negative in-group stereotype (i.e., local people are incompetent), and hence they may be perceived by headquarters’ management and by expatriates as similarly incompetent. Hence, when local senior executives perceive the local staff to be incompetent, identification with the local staff represents a negative social identity for local senior executives. On the basis of the foregoing theoretical arguments, we propose that when local senior executives perceive the local staff to be incompetent, they may tend to think about leaving the MNC in order to restore a positive social identity.

The relation between local senior executives’ perceptions of local staff incompetence and their turnover intentions may be particularly strong in the Chinese context. The Chinese culture emphasizes collectivism. Individuals are evaluated not only by their own competence and contributions but also by those of other people who are related to them. *Guanxi* (connection or ties) on various bases such as family, relatives, hometown connections, schoolmates, or mere colleagues are all important in the Chinese society (Chen, Chen, & Xin, 2004). In the absence of prior connections, close *guanxi* can be formed among organizational members, and this type of relationship can be classified as family-like (Hwang, 1987). Given this cultural context, it is very likely that local senior executives in an MNC subsidiary in China may treat the local staff as a group that they have ties to and are psychologically linked with.

In addition, it is well known that the Chinese care very much about “face” (*mian zi*) and avoid circumstances in which they may “lose face” (*diu mian zi*). The Chinese notion of *face* denotes an individual’s social position or prestige, gained by successfully performing one or more specific social roles that are well recognized by others (Hu, 1944). Accordingly, the notion of *lose face* means that an individual loses his or her social position or prestige in front of others. When local senior executives perceive the local staff to be incompetent, they may feel that they risk “losing face” vis-à-vis headquarters’ management and expatriates. To save face, these executives may think about quitting. Therefore, *Hypothesis 1:* Perceived local staff incompetence is positively related to local senior executives' turnover intentions in MNC subsidiaries in China.

Moderating Role of Local Senior Executives' Identification With MNC Headquarters

Although local senior executives have a natural basis for identification with the local staff, they also are at the very top of the status hierarchy in the MNC subsidiary and have the responsibility and opportunity to interact with the MNC headquarters. Even though they are local, they are also senior executives. In other words, these executives have potentially dueling identities in the MNC system—one with the local staff and the other with the headquarters management.

In particular, identification with headquarters is relatively prestigious because members of this group have modern management skills and superior technological knowledge and are well respected and compensated. The literature on social identification indicates that an important antecedent of social identification is the prestige of the group (Ashforth & Mael, 1989; Chatman et al., 1986). Via intergroup comparisons, social identification influences an individual's self-esteem (Mael, 1988). Individuals often cognitively identify themselves with a prestigious group because of their desire for positive identifications (Ashforth & Mael, 1989). From the perspective of local senior executives, they may want to be part of the elite group of the headquarters. Hence, their relations with the headquarters (as an alternative and relatively prestigious identification group) may affect the prevalence of the local staff as an identification group for these executives. To the extent that local senior executives have good relations with MNC headquarters' management, they might see their ties to the organization more at the level of being a senior executive rather than just being another local. Accordingly, their perceptions of local staff incompetence may have less of an effect on their turnover intentions under such conditions. Thus, we propose that local senior executives' relations with headquarters' management moderates the relationship between perceived local staff incompetence and their turnover intentions.

The MNC literature suggests that headquarters-subsidiary relations are important because they affect how the MNC internalizes and integrates its global activities and how the individual subsidiary manages its circumstances in a host country (e.g., Bartlett & Ghoshal, 1989; Birkinshaw, 1997; Luo, 2003). For example, Bartlett and Ghoshal (1989) and Birkinshaw (1997) found that headquarter-subsidiary relations influence subsidiary innovations and initiatives. Similarly, Luo (2003) found that headquarter-subsidiary relations shape subsidiary performance. Particularly, prior research on MNCs has highlighted communication, control, and trust as critical dimensions of the relation between local senior executives and headquarters' management (e.g., Bartlett & Ghoshal, 1989; Birkinshaw, 1997; Birkinshaw, Hood, & Jonsson, 1998; Doz & Prahalad, 1981, 1984; Hewett & Bearden, 2001; Luo, 2003; Nobel & Birkinshaw, 1998). The hypothesized moderating effects of local senior executives' communication quality with the headquarters, the headquarters' control over the local senior executives, and the local senior executives' trust in the headquarters' management on the relation between perceived local staff incompetence and these executives' turnover intentions are discussed below.

Communication quality. Communication, “the formal as well as informal sharing of meaningful and timely information” (J. Anderson & Narus, 1990: 44), is essential for the maintenance of social relationships and meaningful social exchange (Blau, 1964; Thibaut & Kelley, 1959). High-quality communication between parties allows for the sharing of information about values, goals, and norms and enables both parties to learn about each other’s idiosyncrasies and develop mutual understanding (Lorenz, 1988). Consistent with this reasoning, research has found that high-quality communication generates positive outcomes in social relationships, both between individuals and between organizations (e.g., Atuahene-Gima & Li, 2002; Young-Ybarra & Wiersema, 1999).

Communication between headquarters’ management and local senior executives in overseas subsidiaries is critical for the relationship between these two parties. In an MNC, strategy must be executed by national subsidiaries. To the extent that the MNC has followed the path of nationalization of subsidiary management for the reasons described earlier, local senior executives play an important role in the execution of strategy in the local market. Local senior executives, thus, can be in the difficult situation of executing global strategies while being concerned about local returns and prosperity. In addition, high-quality communication between the two parties is important because cooperation between headquarters and subsidiaries is difficult to achieve solely through formal organizational means (Bartlett & Ghoshal, 1989). Rather, cooperation depends on extensive direct social contact to overcome potential conflicts and cultural and/or linguistic differences (Bartlett & Ghoshal, 1989).

The impact of communication between MNC headquarters and overseas subsidiaries may be particularly crucial in the Chinese context. The literature on linguistic/psychological analyses suggests that the Chinese language has a morphemic orthography that differs from other languages such as English that have an alphabetic or segmental system (Leong & Hsia, 1996). Difficulties in communication with foreigners caused by the unique Chinese language can be exacerbated by the unique Chinese culture. For example, Chinese culture emphasizes *renqing* (favor) and *mianzi* (face) (Hwang, 1987), which may be hard for foreigners to understand. Therefore, in the context of China, high-quality communication between MNC headquarters and Chinese local senior executives may be especially important for promoting mutual understanding and resolving disputes.

High-quality communication with headquarters can enhance the prevalence of the headquarters’ management as an alternative identification group for local senior executives and thus reduce the impact of perceived local staff incompetence on their turnover intentions. First, high-quality communication provides opportunities to resolve disputes, thereby aligning managers’ perceptions and expectations (E. Anderson & Weitz, 1989; Doney & Cannon, 1997). In MNCs, high-quality communication can promote mutual understanding between local senior executives of subsidiaries and headquarters’ management, a common perspective, and even perceived similarity (E. Anderson & Weitz, 1989). For example, when communication between local senior executives and headquarters management is of high quality, differences between these two parties may become more understandable and less likely to be translated into perceptions of an *us* (locals including both local senior executives and local staff) versus *them* (the remaining part of the MNC) mentality. As a result, local senior executives may tend to perceive themselves as an integral part of the MNC rather than “just locals.”

Second, high-quality communication with headquarters can put local senior executives in the inner circle to the extent that they receive information regarding strategies and goals directly from headquarters and may even participate in the strategic decision-making process. In this sense, communication creates a sense of inclusion for local senior executives. The sense of inclusion can further enhance local senior executives' perceptions that they are an integral part of the MNC and decouple their social identification with the local staff. In contrast, under conditions of poor communication, local senior executives may perceive that they are kept out of the elite group for reasons unbeknownst to them. The sense of being excluded from the MNC network can reinforce their social identification with the local staff. Thus, as they perceive their identification group—the local staff—to be incompetent, these executives will feel uncomfortable working for the MNC and have higher levels of turnover intentions. Therefore,

> *Hypothesis 2:* Communication quality with headquarters moderates the relationship between perceived local staff incompetence and local senior executives' turnover intentions such that the relationship is weaker when communication quality is high and stronger when communication quality is low.

Control. Control is the process by which one entity influences the behavior and output of another entity (Ouchi, 1977). MNC headquarters' control over overseas subsidiaries is an important dimension of the headquarters-subsidiary relationship. It involves using administrative mechanisms to monitor the subsidiary and influence the behavior of the subsidiary's management (Cray, 1984; Doz & Prahalad, 1984). Prior research on MNC control has suggested that strategy implementation and MNC performance can be affected by how an MNC's headquarters controls globally dispersed activities and subsidiary operations (Cray, 1984; Doz & Prahalad, 1981). Although a certain level of headquarters control is necessary to coordinate and integrate globally dispersed activities, excessive headquarters' control can be harmful (Luo, 2003). Birkinshaw et al. (1998), for example, found that excessive headquarters' control reduces initiatives among local senior executives of subsidiaries.

Given that Chinese culture is characterized as having high power distance where inequality of power is accepted and supervisors tend to centralize decision making, to share little information with subordinates, and to expect and receive compliance from subordinates (Hofstede, 1980; Shane, 1994), Chinese local senior executives, who are in the subordinate position, may be willing to accept a high degree of control from the MNC headquarters. Chinese are sensitive to their hierarchical position in social structures and may behave in ways designed to protect and enhance both the image and the reality of the position (Gabrenya & Hwang, 1996). Thus, control per se will not be associated with turnover intentions. Rather, high levels of control will lead to a stronger positive relation between perceived local staff incompetence and turnover intentions of local senior executives.

High levels of headquarters' control can reduce local senior executives' sense of being an integral part of the MNC and reinforce the prevalence of the local staff as their identification group for several reasons. First, the exercise of high levels of headquarters' control is a signal of relative status and value to the organization. In the headquarter-subsidiary relationship, high levels of headquarters' control creates a clear distinction between managers in superior positions (i.e., those in headquarters) and managers in subordinate positions (i.e., local senior executives who receive and implement orders from headquarters' managers) (Johnson, Korsgaard, & Sapienza, 2002). When headquarters' control is high, local senior executives may perceive that they are not on equal footing with headquarters' managers and that they have lower status. As a result, they may feel that they are seen less as MNC senior executives and more as local staff.

Second, when MNC headquarters accord an overseas subsidiary's local senior executives little autonomy in decision making by exercising high levels of control, the local senior executives tend to perceive the headquarters as self-serving and less interested in the welfare of the subsidiary (Johnson et al., 2002). Under such conditions, local senior executives' social identification with the local staff may be enhanced because they share common local interests, which appear to be less important to headquarters.

In sum, under conditions of high levels of headquarters' control, local senior executives are more likely to identify with the local staff based on their shared (low) status in the organization and their shared "local interests." In this case, local senior executives' perceptions of local staff incompetence may be particularly disturbing to them as they feel that it rubs off on them and causes them to lose face; as a result, perceptions of local staff incompetence will have a stronger relationship with their turnover intentions. Thus,

> *Hypothesis 3:* Headquarters' control over local senior executives moderates the relationship between perceived local staff incompetence and local senior executives' turnover intentions such that the relationship is stronger when headquarters' control is high and weaker when headquarters' control is low.

Trust. Although trust has been defined in numerous ways, generally, it reflects a person's belief and expectation about the likelihood of having a desirable action performed by another under conditions of uncertainty (e.g., Mayer, Davis, & Schoorman, 1995; Wicks, Berman, & Jones, 1999). In the headquarters-subsidiary relationship, local senior executives' trust in headquarters refers to these executives' belief in the integrity, truthfulness, and benevolence of headquarters' management. Hewett and Bearden (2001) suggested that trust is a key dimension of MNC headquarters-subsidiary relationships because trust motivates managers in headquarters and those in the subsidiary to engage in a successful and mutually beneficial exchange relationship. They found that the subsidiary's trust in the headquarters' marketing function was positively related to its acquiescence to, and cooperation with, the MNC's headquarters.

Local senior executives' trust in the MNC headquarters' management can enhance their perception of being an integral part of the MNC network and reduce their feelings of being adversely affected by perceived local staff incompetence. Trust is likely to lead to positive, high-quality social exchanges between headquarters and local senior executives and a sense of mutual commitment (Doney & Cannon, 1997; Moorman, Zaltman, & Deshpande, 1992). To the extent that local senior executives believe in the integrity of headquarters' management, they may be more likely to discuss local market opportunities with headquarters and ask for headquarters' opinions on local initiatives and operations. In addition, to the extent that they perceive the headquarters' management as benevolent, they are likely to perceive the headquarters' directives to be in their interests and be more likely to follow them (Hewett & Bearden, 2001). Such interactions with the headquarters can enable local senior executives to perceive that they are an integral part of the MNC.

When local senior executives trust headquarters, they are likely to believe that they will receive support (e.g., commitment of resources and emotional support) from headquarters' management as the need arises and that the headquarters cares about their welfare and is not just self-serving. Shared interests enable local senior executives to perceive themselves as an integral part of the MNC rather than just as locals. Under these conditions, perceived local staff incompetence will have less of a negative effect on local senior executives because they will believe that they are trusted and valued members of the MNC.

Trust is particularly crucial in the Chinese context. Previous studies have suggested that Chinese societies are low-trust societies (Atuahene-Gima & Li, 2002; Fukuyama, 1995). Chinese are very family oriented, and there is often a lack of trust outside the family (Redding, 1993). The recent political and social history of China has involved a great deal of suspicion and betrayal (e.g., in the Cultural Revolution) and, as a result, has harmed interpersonal trust (Atuahene-Gima & Li, 2002). Furthermore, in the recent economic transition in China, institutional underdevelopment also creates an uncertain and risky environment that generates low trust among people (Dahlstrom & Nygaard, 1995). These arguments suggest that trust is important in China. Indeed, Reeder (1987) observed that many U.S. businesses failed in China because their management ignored the development of interpersonal trust. Therefore,

Hypothesis 4: Trust in headquarters' management moderates the relationship between perceived local staff incompetence and local senior executives' turnover intentions such that the relationship is weaker when trust is high and stronger when trust is low.

Method

Data Collection

Hypotheses were tested with survey data collected from a sample of MNC local senior executives in China. China is the largest recipient of foreign direct investment in the world. According to a report by the United Nations Conference on Trade and Development (2001), since China's market-oriented economic transition in 1979 until 2000, about 400,000 MNC subsidiaries have been founded in this country. Despite the large amount of inflow of foreign direct investment to China, its unique cultural characteristics and the nature of its economic transition (e.g., poorly specified property rights and lack of institutional support) have resulted in a very complex and particularistic environment for MNC subsidiaries. Local senior executives play a vital role in helping MNCs adapt to the local environment and build local networks in China (Heim, 1997; Wong & Law, 1999). Thus, China represents a rich setting for studying local senior executives. Focusing on one host country also enables us to control cross-country differences in terms of culture, economic development, and general human resource conditions that may influence turnover intentions of local senior executives.

Scales used in the questionnaire were pretested with 30 managers in MNC subsidiaries in southern China. Revisions were made to improve the understandability of the questions and the validity of the measures. The questionnaire was drafted in English and then translated into Chinese. To ensure linguistic and conceptual equivalence between the two versions, the Chinese version of the questionnaire was back-translated into English. Several modifications were made to correct any discrepancies.

From a database of MNC subsidiaries in China, 467 such firms operating in the consumer product industry (e.g., home appliances, detergents, and food processing) in several major cities in China (i.e., Beijing, Shanghai, Guangzhou, Shenzhen, and Zhuhai) were randomly selected. Data were collected by administering the questionnaire on-site rather than through the mail because inadequate postal systems in China make the use of the latter difficult (Hoskisson, Eden, Lau, & Wright, 2000). Administrating the questionnaires on-site helped us gain access to the right respondents, ensured the correct use and understanding of the terms, and also provided an adequate response rate.

The data were collected in late 2000. In each of the sampled firms, a senior local manager was contacted for participation in the study. The senior manager either had the title of CEO/general manager—the highest executive position in the firm—or had a direct reporting relationship with the CEO/general manager. All respondents were informed of the confidentiality of their responses and the academic purposes of the research. The respondents were first contacted, and then surveys were conducted at a scheduled time and location (in most cases in the respondent's office). A trained research assistant brought a questionnaire on site, introduced the purpose of the study, answered questions that the respondent might have, and collected the questionnaire when the respondent completed it. To ensure the quality of the responses, after the surveys had been completed, 20% of the surveys were back-checked by phoning the respondents to verify their participation. No problems were found. There were a total of 159 usable responses, representing a 34% response rate. There were no statistically significant differences between employing firm characteristics of respondents and nonrespondents in terms of firm size and firm age.

Measures and Validation

Established scales were used whenever possible, and new scales (when necessary) were developed based on the literature search and field interviews. Items in the scales are listed in the appendix. *Turnover intentions* were measured with a three-item scale that captures a local senior executive's intention to leave the current firm and search for a new job ($\alpha = .84$) (Wayne, Shore, & Liden, 1997). A similar scale was used by Chen, Choi, and Chi (2002) in examining local employees' turnover intentions in international joint ventures in China. *Perceived local staff incompetence* was measured by three items developed for this study based on the literature search and field interviews. The respondents were asked to rate the extent to which they perceived that the local staff in their organizations are ill-equipped for key positions, lack knowledge and skills, and do not have the same respect as nonlocal staff ($\alpha = .84$). Consistent with the social-identity perspective, this scale tapped the local senior executives' assessment of the local staff's competence and status within the organization.

Communication quality was measured with a three-item scale that captures the quality of communication between the headquarters and the local senior executives of the subsidiary

($\alpha = .76$). The three items in the original scale are written such that a high score indicates low-quality communication; each of the three items was revere scored so that a high score indicates high-quality communication. *Control* was measured with a four-item scale adapted from Nobel and Birkinshaw (1998), which taps the extent to which the headquarters controls the local senior executives in an overseas subsidiary ($\alpha = .83$). *Trust* was measured with a three-item scale adapted from Doney and Cannon (1997), which captures the extent to which local senior executives of the overseas subsidiary trust the headquarters ($\alpha = .90$). A similar scale was used by Hewett and Bearden (2001) in a study on the headquarters–overseas subsidiary relationship. All the items in each of the scales were responded to on a 7-point Likert-type scale ranging from 1 (*strongly disagree*) to 7 (*strongly agree*).

In the analyses, to rule out certain potential alternative explanations, the following firm and individual characteristics were controlled for. At the firm level, *firm size* was measured by the natural log of the number of employees in the subsidiary. As subsidiary size increases, its actual or perceived importance to the MNC may also increase, which may influence the extent to which local senior executives perceive themselves as senior executives of the MNC rather than locals. *Firm age* was measured as the number of years since the subsidiary was founded. It is possible that as firm age increases, local senior executives may have a longer time to develop their relations with the headquarters management. *Firm performance* was controlled because local senior executives may seek to leave a firm if it is performing poorly. To measure firm performance (as a control variable), respondents were asked to compare their firm with the top three competitors in the local market in terms of return on investment, sales growth, profit level, and market share on a 7-point scale (1 = *much lower* to 7 = *much higher*) ($\alpha = .84$). These performance dimensions were taken from similar measures used in research on business unit or profit center performance (e.g., Gupta & Govindarajan, 1986).

Foreign equity share was measured by the MNC headquarters' equity share in the firm. MNC equity share indicates the extent of the MNC's ownership rights in the subsidiary. To the extent that the MNC owns a subsidiary, Chinese executives' identification with the MNC headquarters may become more important, and their identification with the local staff may become less important. *Origin of MNC headquarters* was coded 1 if the MNC was headquartered in Asia and 0 otherwise. Chinese executives may react differently in subsidiaries invested by MNCs from different geographic areas. For example, they may be more likely to be identified with MNC headquarters located in Asia because of similarity in cultures. In addition, *number of local senior executives* refers to the total number of local senior executives hired in the firm. On one hand, a large number of people in a similar situation as a respondent may lead to high levels of perceived competition for position and career advancement and potentially increase turnover intentions. On the other hand, a large number of local senior executives may be a source of local identification.

At the individual level, this study controlled for *manager age*. The respondent was asked to check his or her age block: 1 if 25 years or younger, 2 if between 26 and 30, 3 if between 31 and 35, 4 if between 36 and 40, 5 if between 41 and 45, and 6 if 46 or older. Previous studies on turnover intentions have suggested that as age increases, people become less likely to leave an organization (Chen et al., 2004). To control for potential gender differences (e.g., because of potential gender discrimination, women may perceive fewer external employment opportunities and thus be less likely to think about quitting than men), *manager gender* was coded 1 for male and 0 for female. *Manager education* was coded 1 for elementary school, 2 for junior high, 3 for senior high, 4 for college degree, 5 for bachelor degree, 6 for master's degree, and 7 for doctoral degree. It is possible that local executives with higher education levels would have more and better external employment opportunities and thus be more likely to think about quitting their current organization.

Common method variance is a potential problem when collecting self-report data from the same respondent in the same survey. This study checked this potential problem with the Harman one-factor test (Podsakoff & Organ, 1986). A factor analysis was run on the items of the six perceptual scales (i.e., turnover intentions, perceived local staff incompetence, communication quality, control, trust, and performance). The items were rotated orthogonally, and the principal components method was used for extraction. Using the criterion of eigenvalues over 1, this factor analysis yielded six factors accounting for 75% of the variance, with the first factor accounting for 23% of the variance. Because a single factor did not emerge and one general factor did not account for most of the variance, common method variance is unlikely to be a serious problem in the data.

The unidimensionality and convergent validity of the constructs were examined with confirmatory factor analysis. The fit indexes indicate that the model satisfactorily fit the data (χ^2 = 271.24, p = .00; Goodness-of-Fit Index [GFI] = .85, root mean square error of approximation [RMSEA] = .07, Non-Normed Fit Index [NNFI] = .93, Compartive Fit Index [CFI] = .94, Incremental Fit Index [IFI] = .94). All items loaded on their respective constructs, and each loading was larger than .5 and significant at the .001 level. To assess the discriminant validity of the constructs, for each pair of constructs, confirmatory factor analyses were conducted to compare a model in which the correlation between the two constructs was constrained to 1.0 with an unconstrained model in which the correlation between the two factors was free to vary. To satisfy the discriminant validity criteria, the fit of the unconstrained model had to be significantly better (i.e., the χ^2 value had to be significantly lower) than that of the constrained model (J. C. Anderson & Gerbing, 1988). The pairwise tests indicated that in each case, the chi-square difference was significant at the .001 level, providing evidence of discriminant validity. For example, the comparison involving communication quality and trust yielded a chi-square difference of 166.68 (p < .001; complete results are available upon request), showing that these are two distinct constructs.

Results

Table 1 presents means, standard deviations, and intercorrelations among the study variables. Table 2 presents the regression results. Three models were estimated. Model 1 includes only the control variables. Among the controls, manager age was negatively related to local senior executives' turnover intentions, consistent with Chen et al. (2004). Because most controls are not significant in the regression equations, in supplementary analyses, the controls were dropped and the results were essentially the same. Model 2 adds the main effects of perceived local staff incompetence, communication quality, control, and trust. The main effects of local senior executives' communication quality with the headquarters and their trust in headquarters are negative and significant, suggesting that their relations with the headquar-

Table 1
Means, Standard Deviations, and Correlations[a]

Variable	*M*	*SD*	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Turnover intentions	3.00	1.10	(.84)												
Predictor															
2. PLSI	3.58	1.39	.28**	(.84)											
Moderators															
3. Communication quality	5.15	1.17	–.35**	–.31**	(.76)										
4. Control	4.89	0.97	–.06	–.05	.15*	(.83)									
5. Trust	5.18	0.89	–.29**	–.09	.33**	.39**	(.90)								
Controls															
6. Firm size	6.08	1.36	–.01	.17*	.02	–.11	.13	—							
7. Firm age	7.78	3.73	.03	–.04	.09	–.09	.10	.03	—						
8. Firm performance	4.17	1.25	–.08	–.09	.12	.19*	.20*	.02	.20*	(.84)					
9. Foreign equity share	63.88	20.23	–.04	.02	.33**	.18*	.15*	–.01	–.10	.04	—				
10. Origin of MNC headquarters	0.56	0.35	.03	–.07	–.02	.03	–.21**	–.06	.00	.06	–.08	—			
11. Number of local senior executives	4.00	2.60	–.09	.18*	.03	.01	.16*	.24**	.32**	–.01	–.12	–.18*	—		
12. Manager age	3.34	1.54	–.15*	–.03	–.08	.03	.04	–.23**	–.10	–.18*	–.09	–.19*	–.18*	—	
13. Manager education	4.52	0.85	–.05	–.02	.11	–.07	.13	.22**	–.01	–.06	.14	–.05	.11	–.23**	—
14. Manager gender[b]	0.71	0.43	–.06	.02	–.10	–.18*	.00	.06	–.14	–.13	–.13	–.03	–.17*	.30**	–.08

Note: $N = 159$. PLSI = perceived local staff incompetence; MNC = multinational corporation.
a. Numbers in the main diagonal are alpha coefficients.
b. Manager gender was coded 1 for male and 0 for female.
$*p < .05$
$**p < .01$

Table 2
Regression Analysis Results

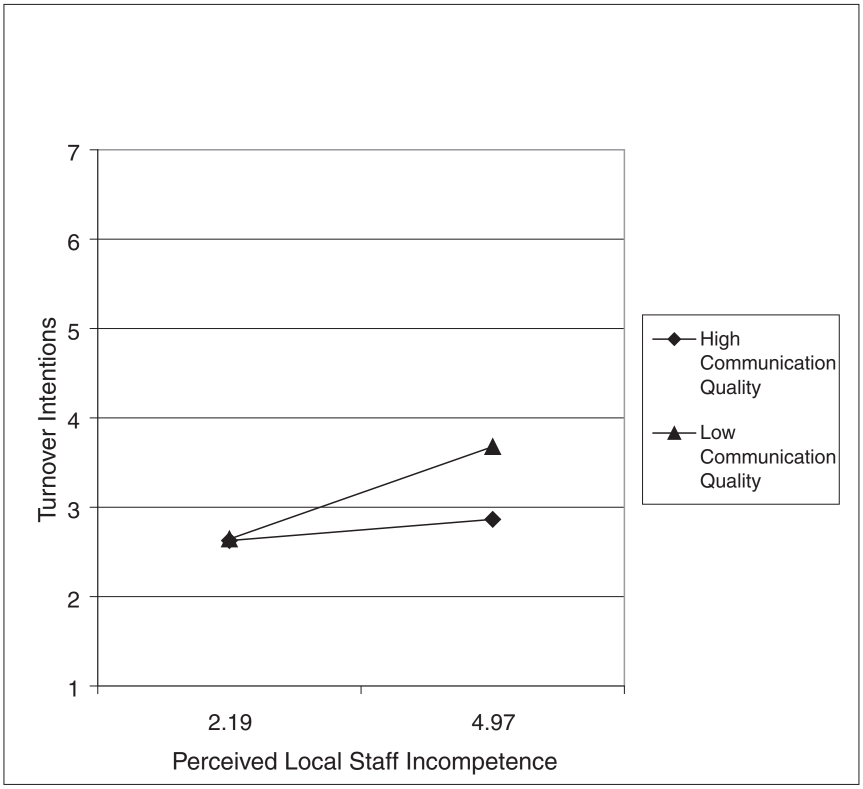
Variable	Model 1 *B*	Model 1 *SD*	Model 2 *B*	Model 2 *SD*	Model 3 *B*	Model 3 *SD*
Constant	4.68***	.89	5.29***	.98	4.43***	.98
Controls						
Firm size	–0.03	.06	–0.03	.06	–0.01	.06
Firm age	0.01	.02	0.02	.02	0.02	.02
Firm performance	–0.12	.07	–0.05	.07	–0.05	.07
Foreign equity share	–0.00	.01	0.00	.01	0.00	.01
Origin of MNC headquarters	0.01	.25	–0.09	.24	–0.01	.23
Number of local senior executives	0.01	.01	0.00	.01	0.00	.01
Manager age	–0.13*	.06	–0.12*	.06	–0.13*	.06
Manager education	–0.12	.11	–0.04	.10	0.01	.10
Manager gender[a]	–0.05	.21	–0.01	.20	0.02	.20
Predictor						
PLSI			0.15*	.06	0.23***	.07
Moderators						
Communication quality			–0.24**	.08	–0.18*	.08
Control			0.08	.09	0.02	.09
Trust			–0.26*	.11	–0.25*	.11
Interactions						
PLSI × Communication Quality					–0.12*	.06
PLSI × Control					0.00	.07
PLSI × Trust					–0.15*	.07
R^2	.06		.23		.30	
F-value	1.00		3.39***		3.86***	
Incremental change in R^2	—		.17***		.07**	

Note: $N = 159$. *SD* = standard deviation of the coefficients; MNC = multinational corporation; PLSI = perceived local staff incompetence.
a. Manager gender was coded 1 for male and 0 for female.
*$p < .05$
**$p < .01$
***$p < .001$

ters' management have a direct relation to their turnover intentions. Model 3 adds the three interaction terms. To create the interaction terms, both the predictor variable and the moderating variables were mean centered to reduce the potential problem of multicollinearity (Aiken & West, 1991). Hypotheses were tested based on results in Model 3, which has the most complete model specification.

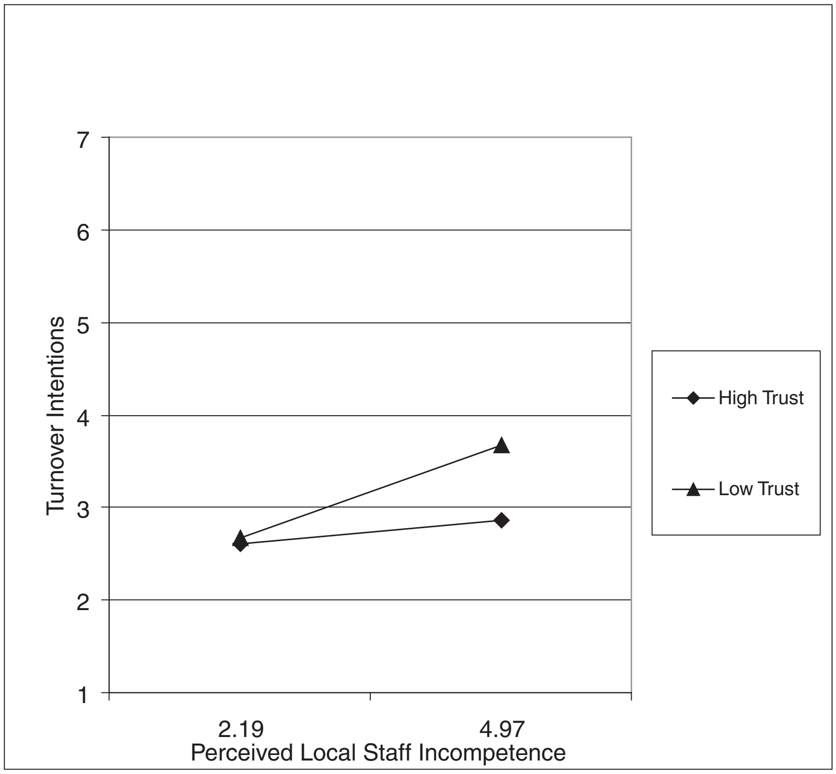
As indicated in Tables 1 and 2, Hypothesis 1 was supported in that perceived local staff incompetence is significantly and positively related to local senior executives' turnover intentions ($b = .23$, $p < .001$, Model 3). As indicated in Table 2, the Perceived Local Staff Incompetence × Communication Quality interaction is significantly and negatively related to local senior executives' turnover intentions ($b = –.12$, $p < .05$, Model 3). The nature of this interaction effect is indicated in Figure 1. To create the figure, all variables except perceived local staff incompetence and communication quality in Model 3 in Table 2 were constrained to the

Figure 1
Perceived Local Staff Incompetence and Turnover Intentions: The Moderating Role of Communication Quality



mean. The variables of perceived local staff incompetence and communication quality took the values of one standard deviation below and above the mean, and they were mean centered prior to calculating the interaction term. In support of Hypothesis 2, Figure 1 shows that perceived local staff incompetence has a stronger positive relation with local senior executives' turnover intentions when communication quality between the headquarters and the local senior executives is low than when it is high. Based on the approach suggested by Aiken and West (1991), the simple slopes (i.e., the simple regression coefficients of turnover intentions on perceived local staff incompetence) associated with the two lines in Figure 1 were calculated. When communication quality is low, the simple slope is .295, which is significantly different from zero at the level of $p < .001$. In contrast, when communication quality is high, the simple slope is .115, which is not significantly different from zero. These results suggest that perceived local staff incompetence and turnover intentions are not significantly related when

Figure 2
Perceived Local Staff Incompetence and Turnover Intentions: The Moderating Role of Trust



communication quality is high but have a strong positive relationship when communication quality is low.

Hypothesis 3 was not supported; the interaction of perceived local staff incompetence by control was not significantly related to local senior executives' turnover intentions (b = .00, *ns*).

In support of Hypothesis 4, the Perceived Local Staff Incompetence × Trust interaction term was significantly and negatively related to local senior executives' turnover intentions ($b = -.15$, $p < .05$, Model 3). Following a similar procedure, the nature of this interaction effect is indicated in Figure 2. As shown in Figure 2, perceived local staff incompetence has a stronger positive relation with local senior executives' turnover intentions when the local senior executives' trust in the headquarters is low than when it is high. Specifically, when trust is low, the simple slope is .363, which is significantly different from zero at the level of $p < .001$. In contrast, when trust is high, the simple slope is .094, which is not significantly different from zero. These results suggest that perceived local staff incompetence and turnover intentions are not significantly related when trust is high but have a strong positive relationship when trust is low.

Discussion and Conclusion

Modern organizations are becoming increasingly diverse and complex. For example, women and minorities are currently being promoted at higher rates to executive positions in many organizations than they have been in the past. In MNCs, senior executive positions are not only occupied by people from the MNCs' home countries but also by people from overseas. In each of these cases, people can identify with different social groups. How people cope with their multiple identities is both a theoretically interesting and a practically important issue (George & Chattopadhyay, 2005). This study's focus on the dueling identities of local senior executives in MNC subsidiaries can contribute to understanding how people cope with their multiple, and potentially discordant, social identities.

In MNC subsidiaries, local senior executives can be identified with at least two groups: the local staff and the MNC headquarters. Whereas identification with the headquarters represents a prestigious identity, identification with the local staff can potentially be a relatively stigmatized or disadvantaged identity. Social identity theory assumes that a disadvantaged in-group status results in an unsatisfactory or negative social identity (Tajfel & Turner, 1979). Because people strive for a positive social identity, members of low-status groups may leave their groups to restore their positive social identity (Blanz et al., 1998; Tajfel, 1978). Consistent with this prediction, this study found that to the extent that local senior executives perceive the local staff to be incompetent (thus, identification with them represents a negative social identity), these executives tend to think about leaving the group (i.e., have higher levels of turnover intentions). This finding contributes to recent work on the reversals of in-group favoritism. As Lewis and Sherman (2003: 264) pointed out, if individuals are identified with a low-status or stigmatized group, reversals of in-group favoritism may occur wherein individuals tend to disidentify with the group. This study supports this argument by suggesting that one strategy to disidentify with a low-status group is to think about leaving the group.

Although not hypothesized, local senior executives' identification with the MNC headquarters, as indicated by their communication quality with, and their trust in, the headquarters was negatively related to their turnover intentions. These findings suggest that identification with the headquarters (a superior group) can satisfy local senior executives' needs for a positive social identity and thus help to retain them in MNCs. This finding is consistent with the argument that members of high-status groups are motivated to maintain their dominant status position (Bettencourt et al., 2001).

More important, this study finds that local senior executives' relationships with the headquarters can reduce the strength of the relationship between perceived local staff incompetence and turnover intentions. These results support the argument that to the extent that local senior executives have a good relationship with the headquarters, they tend to feel that they are an integral part of the MNC network rather than just "locals," mitigating the effects of perceived local staff incompetence on their turnover intentions. These findings help us to understand how organizational members cope with dueling identities, particularly when one identity is of relatively low status or stigmatized compared with the other. These findings suggest that to the extent that individuals (i.e., local senior executives) can identify with a high-status group (i.e., with the headquarters' management via high levels of communication quality or high levels of trust), the prevalence of a low-status group (i.e., the local staff) as a source of social identity may be reduced.

Indeed, this study's findings suggest that the highest level of turnover intentions occurs when perceived local staff incompetence is high and communication quality between the headquarters and the local senior executives is low (see Figure 1) or when perceived local staff incompetence is high and local senior executives' trust in the headquarters is low (see Figure 2). Under these conditions, local senior executives may find it hard to identify with the headquarters because of the low-quality communication and/or the low trust. Meanwhile, they do not want to identify with the local staff because they perceive the local staff to be incompetent. Because local senior executives do not identify with either group in these conditions, these conditions represent situations of a loss of identity. When organizational members suffer from loss of identity, they may feel that they are different from others in the work environment, they do not really belong or fit in, and they may not develop supportive relations with members of either group. As a result, they may be especially likely to intend to quit and seek another work environment in which they will feel more connections with others.

Although this study focused on the special context of local senior executives in MNC subsidiaries, its findings have several important implications for the broader issue of organizational members' multiple social identities. First, when organizational members are identified with a relatively low-status or disadvantaged group, they may think about leaving an organization in order to minimize a negative social identity. Second, identification with a high-status group can satisfy organizational members' needs for a positive identity and thus make it more likely that they will remain in an organization. Third, identification with a high-status group can reduce the prevalence of a low-status group as a source of social identity. Fourth, the worst situation may arise when organizational members suffer from a loss of identity wherein they do not have a positive or satisfactory identity with any group.

In modern organizations that are becoming increasingly complex and diverse, it is probably unavoidable that organizational members have multiple and often inconsistent social identities. To retain employees, organizations should enhance the prevalence of positive identities and reduce the prevalence of negative identities. For example, as women and minorities perceive that they have similar levels of compensation and training and promotion opportunities in organizations as members of traditionally higher status groups (i.e., men and nonminorities, respectively), they may not experience negative identities based on gender and race/ethnicity and focus on positive identities based on organizational hierarchy.

These findings can also contribute to the literature on MNC management, particularly in the context of emerging economies such as China. First, this study is the first empirical investigation that systematically examines local senior executives' turnover intentions in MNC subsidiaries. This represents a significant shift from a focus on expatriate managers to a focus on local senior executives. Although expatriate managers are important in MNC subsidiaries, local senior executives are playing an increasingly important role. However, given the main focus of the extant literature on expatriate managers (e.g., Boyacigiller, 1990; Harvey, 1983;

Kobrin, 1988), there is currently very limited systematic knowledge about the reactions of local senior executives. In this sense, this study represents one of the few studies explicitly focused on local management of MNCs. In addition, different from the few studies in this new area that mainly discuss management localization as a strategy at the firm level (Prahalad & Lieberthal, 1998), this study focused on the individual level of local senior executives who are highly influential and critical local personnel in MNC subsidiaries. These findings contribute to understanding the experiences of these local senior executives.

Second, for the first time in the literature, this study examined the effect of perceived local staff incompetence. Although there are an increasing number of foreign investments in China's technology-intensive segments, many MNC subsidiaries in China focus on exploiting the low-cost supply of labor and raw materials in China. Local staff in these firms in China tend to be in inferior positions relative to expatriates and headquarters' managers, receiving lower pay and often less respect (Chen et al., 2004). This study suggests that the perceived incompetence of the local staff is related to the reactions of the elite group of local senior executives. Even though these managers occupy senior positions in the subsidiary, they may tend to feel uncomfortable and have higher levels of turnover intentions if they perceive the local staff to be incompetent.

Third, this study extends the current research on headquarters-subsidiary relationships in a new direction. Previous studies have supported the critical role of the headquarters-subsidiary relationship in influencing subsidiary strategy and success. This study examined its impact on local senior executives. The findings indicate that local senior executives' communication quality with headquarters and their trust in headquarters can mitigate the effects of perceived local staff incompetence on these executives' turnover intentions. However, the proposed moderating role of headquarters' control over local senior executives was not supported. Perhaps headquarters' control has two competing effects on local senior executives that can counteract each other. On one hand, headquarters' control creates a status differential (rather than equality) between the headquarters and local senior executives of the subsidiary. On the other hand, a low level of headquarters' control may signal low interest, low integration, and low support from the headquarters. A high level of headquarters' control may be accompanied by high levels of involvement and interest on the part of headquarters, which may enhance local senior executives' perception that they are an integral part of the MNC. The lack of significant findings for headquarters' control in this study may also reflect China's high power distance society, which may result in local senior executives being likely to accept a high degree of control from the MNC headquarters, as noted earlier.

These findings have important practical implications for MNC management. As noted earlier, retention of local senior executives in MNC subsidiaries can be a significant challenge in emerging economies because of a limited supply and a high demand for qualified local managers. The findings suggest that to retain these important people, MNCs need to do at least two things. On one hand, MNC headquarters need to put local senior executives of subsidiaries on equal footing and develop good relationships with them. The more local senior executives feel that they are an integral part of the MNC system, they more likely they are to stay. On the other hand, it is important to recognize that the relative status of the local staff may influence the experiences of local senior executives. If they perceive the local staff to be incompetent, they may intend to leave. Hence, when it comes to reducing local-expatriate disparities in subsidiaries, MNCs should not only focus on the small elite group of local senior executives but also local managers and employees at the middle and lower levels of the organization.

There are some limitations of this study that, in turn, suggest interesting avenues for future research. First, as noted at the beginning of the article, organizational members' multiple identities are an interesting and important issue. This study has focused on the dueling identities of local senior executives in MNC subsidiaries in China. This particular organizational type (MNC subsidiaries) and the unique Chinese society and culture may have some effects on the findings. Future studies need to examine this issue in other types of organizations (e.g., local firms with employees of different races) and in social and economic environments that are different from China. Second, this study used local senior executives' perception of local staff incompetence and their relations with the headquarters as proxies for their identifications with the local staff and the headquarters, respectively. Future research can be improved by directly measuring organizational members' multiple identities. Third, the cross-sectional design and measuring both dependent and independent variables by self-report raise the possibility of common method bias influencing the results. Although this possibility cannot be entirely ruled out, it is partially mitigated by the fact that support was obtained for hypothesized interaction effects that were tested after controlling for the main effects. Considering the supported interaction hypotheses, it is unlikely that respondents would have an "interaction-based theory" in their mind that could systematically bias their responses to produce these results (Aiken & West, 1991). However, it should be acknowledged that the cross-sectional data of this study do not allow for causal interpretations among the variables. Future research will benefit from longitudinal research designs.

These limitations notwithstanding, the results reported in this study suggest that it is fruitful to explore the issue of organizational members' multiple social identities. This study's focus on the experiences of local senior executives in MNC subsidiaries represents an initial step in exploring this issue. It is hoped that this study will spur other researchers to focus on the experiences and reactions of other organizational members with multiple (and potentially conflicting) social identities.

APPENDIX
Measures of Variables

Turnover Intentions

1. I often think about quitting this job.
2. I shall probably look for a new job soon.
3. I cannot imagine that I shall work for this organization for a long time.

Perceived Local Staff Incompetence

1. Local staffs are not equipped to assume key positions.
2. Local staffs lack management knowledge and skills.
3. Local staffs do not have the same respect as nonlocal staffs within our China operation.

Communication Quality

1. Our senior management finds it very difficult to talk to the overseas head office (reverse coded).
2. Communication is a big problem between our senior management and the overseas head office (reverse coded).
3. Our senior management cannot communicate effectively with the overseas head office (reverse coded).

Trust

1. We believe our overseas head office has high integrity.
2. Our overseas head office is always honest and truthful.
3. We are sure that we can fully trust our overseas head office.

Control

1. Our overseas head office has high control of how our senior management does its work.
2. Our overseas head office has high control over the policies and procedures in our work unit.
3. Our overseas head office has high control over the quality of our work.
4. Our overseas head office has high control in choosing what projects to do.

Performance

How would you evaluate your company's performance in the following areas in comparison with the top three competitors in your industry?

1. Return on investment (ROI)
2. Sales growth
3. Profit level
4. Market share

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