



REVIEW ARTICLE

# Managing the MNE subsidiary: Advancing a multi-level and dynamic research agenda

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**Abstract**

Multinational enterprise (MNE) subsidiaries abroad are important organizations in their own rights. They typically hold some of the MNE's most critical resources, and operate at the forefront of complex international environments. In this review, we identify and organize theoretical and empirical research on subsidiary management based on over 600 articles in leading academic journals. We develop a conceptual framework that integrates complementary streams of theoretical and empirical research with the subsidiary as its focal unit of analysis. In particular, we review six lines of research on subsidiary scope, practices, knowledge management, engagement with local market and nonmarket actors, performance, and individuals within subsidiaries. We highlight theoretical perspectives that have contributed to, and been advanced by, research on MNE subsidiaries. Based on the review, we explore future research agendas, linking the contemporary research themes with two main thrusts. First, subsidiary management is a multi-level phenomenon that would benefit from more microfoundational research. Second, subsidiary management operates at key interfaces of technology paradigm shifts, and of disruptions in the political and institutional environment. Research into the dynamics of subsidiary management would thus enhance our understanding of international business in a volatile global economy.

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## INTRODUCTION

Subsidiaries of multinational enterprises (MNEs) are at the forefront of many international business challenges as they operate in complex international environments and control some of the firm-specific advantages (FSAs) of the MNE (Rugman & Verbeke, 1992; Rugman, Verbeke, & Nguyen, 2011). The management of subsidiaries thus not only presents major managerial challenges but also provides a foundation for the evolution of the MNE itself. Yet, the bulk of MNE subsidiary research focuses on initial entry or exit from foreign locations (Brouthers, 2013; Dunning, 2009; Mata & Freitas, 2012) or on headquarters' (HQ) coordination and control (Björkman, Barner-Rasmussen, & Li, 2004; Kostova, Nell, &



Hoenen, 2016). Theory development from the subsidiary perspective has been limited. In this review, we seek to build a foundation for future scholarship by integrating six lines of research to strengthen theory development relevant to the management of subsidiaries.

We follow Birkinshaw, Hood, & Jonsson (1998: 224) and define an MNE subsidiary “as any operational unit controlled by the MNE and situated outside the home country. In some cases, there will be a single subsidiary in the host country; in other cases, there will be several.”<sup>1</sup> The management of MNE subsidiaries, thus, refers to the managerial activities related to the development and implementation of subsidiary strategies and operations that involve the creation and utilization of resources to enhance subsidiary performance. We also follow Birkinshaw in focusing on subsidiaries in which the MNE holds dominant or full ownership (e.g., Birkinshaw & Hood, 1998: 774). Our overarching question is: “How do subsidiaries, and key actors within the subsidiaries, manage subsidiary strategies and operations?”

Our review work led to the development of an integrative conceptual framework of subsidiary management with the subsidiary as its focal unit of analysis. This framework helps to organize the literature and enables integration of its critical insights by connecting contexts, strategies, operations, and individuals as well as outcomes of subsidiary activities. We expect this framework will help future researchers to position their work in the broader literature, and to incorporate (or control for) phenomena and relationships related to their focal research question.

The strategies and operations of MNE subsidiaries have been studied by scholars from a wide range of disciplines such as strategic management (Birkinshaw, 1997; Lee & Song, 2012; Luo, 2003), economic geography (Baaij & Slangen, 2013; Dai, Eden, & Beamish, 2013; Dellestrand & Kappen, 2012), and corporate social and political activity (Hillman & Wan, 2005; Zhang & Luo, 2013). However, we note two limitations.

First, research is fragmented even within different functional areas and draws on a wide range of theories with little integration. Thus, the theoretical foundations of this body of research are very eclectic, with institutional and resource-based perspectives being the most prevalent. We aim to connect complementary insights of different theoretical perspectives and emphasize cross-

fertilization opportunities to advance the theoretical understanding of MNE subsidiary management.

Second, comparatively few studies focus on the foreign subsidiary as the unit of analysis. Most studies view subsidiaries from the perspective of HQ rather than from the perspective of the subsidiary itself. We propose that a focus on MNE subsidiaries as a unit of analysis will enhance the understanding not only of these major players in most economies around the world but also of the complexity of multi-embedded MNEs (Kostova & Roth, 2002; Meyer, Mudambi, & Narula, 2011; Nell, Ambos, & Schlegelmilch, 2011). This is an important distinction given that only a limited number of studies have considered that subsidiaries do not always act just as HQ-directed organizational agents, but within constraints act entrepreneurially and develop their own strategies (e.g., Birkinshaw & Hood, 1998; Cantwell & Mudambi, 2005; Lunnan, Tomassen, Andersson, & Benito, 2019; Schotter & Beamish, 2011).

We contribute to the international business (IB) literature by providing a critical and comprehensive review of the scholarship on the management of subsidiaries. We identify connections across various streams of research, synthesize theoretical ideas, and highlight theoretical concepts that have proven to be powerful tools for explaining phenomena related to the MNE subsidiary. While many subsidiary management phenomena are inherently multi-level, only a few studies connect the activities of subsidiary managers and other individuals to subsidiary-level constructs. Therefore, our first proposed agenda for future research concerns microfoundations. Moreover, many studies show empirically the relevance of the external environment, yet few studies examine how subsidiaries respond to dynamic change in their environment. Thus, we outline future research agendas linking MNE subsidiaries with technology paradigm shifts and with external political or institutional disruption. Research along these lines will help develop IB theory relevant for practice.

Following established practice (e.g., Luo, Zhang, & Bu, 2019; Nippa & Reuer, 2019), we focus on research published in major peer-reviewed journals. Our database of articles published since 1990 covers 17 leading scholarly journals. In the interpretation of this research, we also incorporate other sources such as books when deemed valuable. To keep the review manageable, we limit ourselves to studies focusing on subsidiary-level outcomes (i.e., excluding studies

of the MNE), on existing subsidiaries (i.e., excluding studies of entry strategy), and subsidiaries in dominant or full ownership of the MNE.

We organize the review as follows: First, we introduce the phenomenon of MNE subsidiaries, before outlining our review methodology and dataset. Then, we introduce our conceptual framework extending Birkinshaw and Hood's (1998) model. We then provide a detailed synopsis of key aspects of subsidiary management, organized around six guiding sub-questions. Based on this detailed review, we outline avenues for future research.

### THE PHENOMENON: MNE SUBSIDIARIES

The MNE subsidiary is an organizational unit outside of the MNE's home country that combines firm-specific advantages (FSAs) of the MNE with country-specific advantages (CSAs) of the local environment (Buckley, 2016; Rugman & Verbeke, 1998; Verbeke & Kano, 2015). Subsidiaries manage portfolios of activities and resources. Some of these resources are specific to the subsidiary and known in the literature as *subsidiary-specific advantages* (Moore, 2001; Rugman & Verbeke, 1998) or *subsidiary capabilities* (Birkinshaw, 1997; Phene & Almeida, 2008).

From a local perspective, MNE subsidiaries are foreign-owned firms that compete and collaborate with local firms. However, they are distinguished through their *multiple embeddedness* (Meyer et al., 2011), as they are part of both the MNE and the host economy. Internally, the MNE may be organized in a variety of different forms from traditional *hierarchy* (Kostova et al., 2016) to *matrix*, *networked MNE* (Andersson, Gaur, Mudambi, & Persson, 2015; Wolf & Egelhoff, 2002) and *neo-global MNE* (Mees-Buss, Welch, & Westney, 2019). Each organizational form defines the decision-making processes in the MNE that shapes subsidiary governance and thus the scope for subsidiary managers to shape the strategies and operations of the subsidiary. Externally, the subsidiary interacts with other organizations in its local environment, mostly via markets and networks. These external relationships serve not only to sell goods and services but also to attract resources, including human capital, marketing assets, and legitimacy in the host society.

Multiple embeddedness implies that the subsidiary is shaped by the role it has been assigned within the global strategy of its parent MNE.

Subsidiary roles vary in terms of their motivations of establishment, their mandates and objectives, and thus their relevant performance criteria. The typologies of subsidiary roles proposed in the literature [see Paterson & Brock (2002) for an early overview] thus provide a foundation for the analysis of subsidiary management (Table 1).

The first typology arises from the classic work on the theory of the MNE, in which John Dunning (1993) distinguished four types of motives for MNEs to establish foreign subsidiaries: *market seeking*, *efficiency seeking*, *natural resource seeking*, and *strategic asset seeking*. This typology has been enduring, though various scholars have suggested modifications of the original typology, as discussed in a special issue of *Multinational Business Review* (Cuervo-Cazurra & Narula, 2015). Most subsidiaries combine market and efficiency-seeking motives, especially in emerging economies (e.g., Getachew & Beamish, 2017). Fewer subsidiaries are established with primarily strategic asset-seeking motives, though this motive appears recently important for emerging economy MNEs (Luo & Tung, 2018; Meyer, 2015).

The second typology derives from the integration-responsiveness framework developed by Bartlett & Ghoshal (1989) and Jarillo & Martinez (1990). Originally, a typology for MNE-level strategies, it emphasizes the importance an MNE gives to, respectively, *global integration* (or standardization) and *local responsiveness* (or adaptation) of subsidiary operations. Bartlett & Ghoshal (1989) argue that MNEs can achieve high degrees of both integration and responsiveness, which they call the *transnational solution*. However, the degree of integration and responsiveness also varies across subsidiaries of the same MNE. Thus, subsidiaries can also be classified using the integration-responsiveness categories (Harzing, 2000; Meyer & Estrin, 2014; Taggart, 1998).<sup>2</sup>

Third, the concept of *world product mandate* (Rugman & Bennett, 1982; Pearce, 1992) or *world mandate* (Birkinshaw & Morrison, 1995) characterizes subsidiaries that have worldwide responsibility for a technology or product category (Birkinshaw, 1996). World mandates distinguish subsidiaries from others characterized as *specialist contributors* or *local implementors*. These concepts recognize the specialization of subsidiaries in different functions or market segments and focus on the contribution of the subsidiary to the global operations of the MNE. For example, a subsidiary may develop capabilities in manufacturing a specific high-

**Table 1** Important typologies of subsidiary roles

	Typologies	Origins	Recent applications	Notes
FDI motives	Market seeking (Natural) resource seeking Efficiency seeking Strategic asset (competence) seeking	Dunning (1993)	Special issue of MBR 2015 Getachew & Beamish (2017)	Focus on the original objectives when the subsidiary was set up
Integration responsiveness	2 × 2 matrix of global integration and local adaptation, leading to Multinational International Global Transnational	Prahalad & Doz (1987) Bartlett & Ghoshal (1989) Taggart (1998) Harzing (2000)	Meyer & Estrin (2014)	Originally an MNE-level framework, recent studies highlight subsidiary-level variations along these dimensions
Subsidiary mandate types	World mandate Specialist contributor Local implementer	Birkinshaw & Morrison (1995) Birkinshaw & Hood (1997)	–	Focus on the contribution of specialized subsidiaries to the global operations of the MNEs.
Knowledge contribution types	2 × 2 matrix-based knowledge inflows and outflows, leading to distinction of knowledge-creating and knowledge-exploiting subsidiaries	Gupta & Govindarajan (1991) Kümmerle (1997) Cantwell & Mudambi (2005)	Awate, Larsen, & Mudambi (2015) Ryan et al. (2018) De Beule & Van Beveren (2019)	Focus on the location of knowledge creation and the directions of knowledge flows.
Global value chain position	By stages of the value chain covered by the subsidiary	Rugman, Verbeke, & Yuan (2011)	Burger et al. (2018) Pananond (2013) Verbeke, Kano, & Yuan (2016)	Focus on the position of subsidiaries in global value chains.

technology component, which enables it to become the worldwide supplier of this components within the MNE and which in turn facilitates the development of further capabilities.

A fourth typology focuses on knowledge flows between the subsidiary and the parent organization. Gupta & Govindarajan (1991) develop a 2 × 2 matrix of knowledge inflows and knowledge outflows, resulting in four types of subsidiaries, while Kümmerle (1997) distinguishes knowledge-augmenting and home-base exploiting subsidiaries. Extending these lines of thought, Cantwell & Mudambi (2005) focus on R&D conducted in subsidiaries to distinguish *competence-creating* subsidiaries and *competence-exploiting* subsidiaries. Competence-creating subsidiaries are those that “generate new technology in accordance with the comparative advantage in innovation of the country in which the subsidiary is located” (Cantwell & Mudambi, 2005, p. 1109). Closely related is the concept of *Center of Excellence*, which describes

units explicitly recognized as an important source of value creation across the broader organization (Andersson & Forsgren, 2000; Frost, Birkinshaw, & Ensign, 2002).

Fifth, subsidiaries take different positions within an MNE’s global value chain (GVC). In recent decades, GVCs have increasingly been disaggregated geographically, with units in different locations specializing on specific tasks or value chain stages that fit their respective local environments (Gereffi, 2005; Kedia & Mukherjee, 2009). As suggested in Peter Buckley’s (2009) model of the *Global Factory*, units in different locations specialize on different stages of the GVC within internationally integrated networks of the MNE. Rugman, Verbeke, & Yuan, (2011) argue that this value stage specialization is independent of the degree of integration and responsiveness. It is of particular concern in emerging markets, where the evolution of MNE subsidiaries beyond their often narrowly defined original value chain stages is a major development



objective (Burger, Jindra, Marek, & Rojec, 2018; Pananond, 2013).

Thus, MNE subsidiaries vary considerably with respect to their role and objectives within the global MNE to which they belong. Subsidiary managers play a critical role in both influencing and implementing these roles, while managing the strategies and operations within their own organization.

### METHODS FOR THE LITERATURE REVIEW

For this review, we draw on established methodologies for literature reviews in business (e.g., Gastel & Day, 2016; Gaur & Kumar, 2018). Specifically, we followed five sequential steps in our literature search. First, we selected the period January 1, 1990 to November 30, 2019, because research on subsidiary management began proliferating with the publication of several seminal articles in the 1990s, most notably by Julian Birkinshaw and his colleagues (Birkinshaw, 1997; Birkinshaw & Morrison, 1995).

Second, we surveyed scholarly work published (or in-press) in leading peer-reviewed journals in international business (IB) as well as strategic and general management. In IB, we included *Asia Pacific Journal of Management* (APJM), *International Business Review* (IBR), *Journal of International Business Studies* (JIBS), *Journal of International Management* (JIM), *Journal of World Business* (JWB), *Management International Review* (MIR), and *Management and Organization Review* (MOR). In strategic management, we included the *Global Strategy Journal* (GSJ) and *Strategic Management Journal* (SMJ). In general management, we included the *Academy of Management Journal* (AMJ), *Academy of Management Review* (AMR), *Administrative Science Quarterly* (ASQ), *Journal of Management* (JoM), *Journal of Management Studies* (JMS), *Management Science* (MS), *Organization Science* (OS), and *Organization Studies* (OST). With this approach, we follow Luo et al. (2019) and Aguilera, Marano, & Haxhi (2019).

Third, we identified relevant research in these journals using the keywords “subsidiary management”, “subsidiary mandate”, “subsidiary charter”, “subsidiary role”, “headquarters-subsidiary”, “MNE affiliate”, “foreign subsidiary”, “foreign affiliate”, “subsidiary performance” and keyword combinations such as “subsidiary AND strategy” among others. Furthermore, we also scanned JIBS keywords that are applicable to our review article. In

particular, we identified the additional keywords “evolving role of subsidiaries and headquarters”, “headquarters-subsidiary roles and relations”, “parent subsidiary links”, “subsidiary development”, “expansion and growth”, “subsidiary networks”, “subsidiary relations”, “subsidiary rent-seeking”, and “subsidiary strategies”. We then used these keywords to search JIBS to ensure we did not miss any relevant articles. In addition, we used these keywords to search all the journals we included in our review. In a fourth step, we explored papers cited within this literature to capture other papers using different terminology for subsidiary phenomena.

Finally, we reviewed each study’s abstract and, where necessary, full-text to determine whether the articles fall within the domain of subsidiary management. Thus, we individually screened all articles to ensure that they meet our sampling criteria, namely the focus on the subsidiary of the MNE as the unit of analysis.

By focusing on MNE subsidiaries as the unit of analysis, we do not include:

1. Studies of the MNE as the primary unit of analysis that include subsidiaries as element within a broader system rather than as the focus of the study, such as studies of MNE organizational structures and processes, or the role of corporate HQ.
2. Studies of entry strategy, such as entry mode choice (reviewed e.g., by Brouthers, 2013) and location choice (reviewed e.g., by Kim & Aguilera, 2016). However, we cover studies that include aspects of entry strategy as antecedent of later strategic choices or subsidiary performance.
3. Studies of joint ventures between foreign and local firms (reviewed by Nippa & Reuer, 2019). While many of our arguments also apply to international joint ventures, including them would make our review too vast for a single paper.
4. Studies of individual-level outcomes such as expatriate motivation, international careers, or individual identity (reviewed by e.g., Bird & Mendenhall, 2016; Caligiuri & Bonache, 2015). However, we include studies investigating how individuals, e.g., expatriates, influence subsidiary-level operations and outcomes.

The process yielded 648 articles. The majority were published in the main IB journals, notably

JIBS (102 articles), IBR (102), and JWB (98). Significant contributions, however, have also been made in strategic management journals, notably SMJ (47) and GSJ (28), and in general management journals such as JMS (23), JoM (18), and AMJ (16). Figure 1 shows the number of articles per year published on MNE subsidiary management from 1990 to 2019 (including papers published 'advance online' by December 31, 2019). While the number of articles has fluctuated over time, the phenomenon has attracted growing attention, demonstrating the growing relevance of the topic.

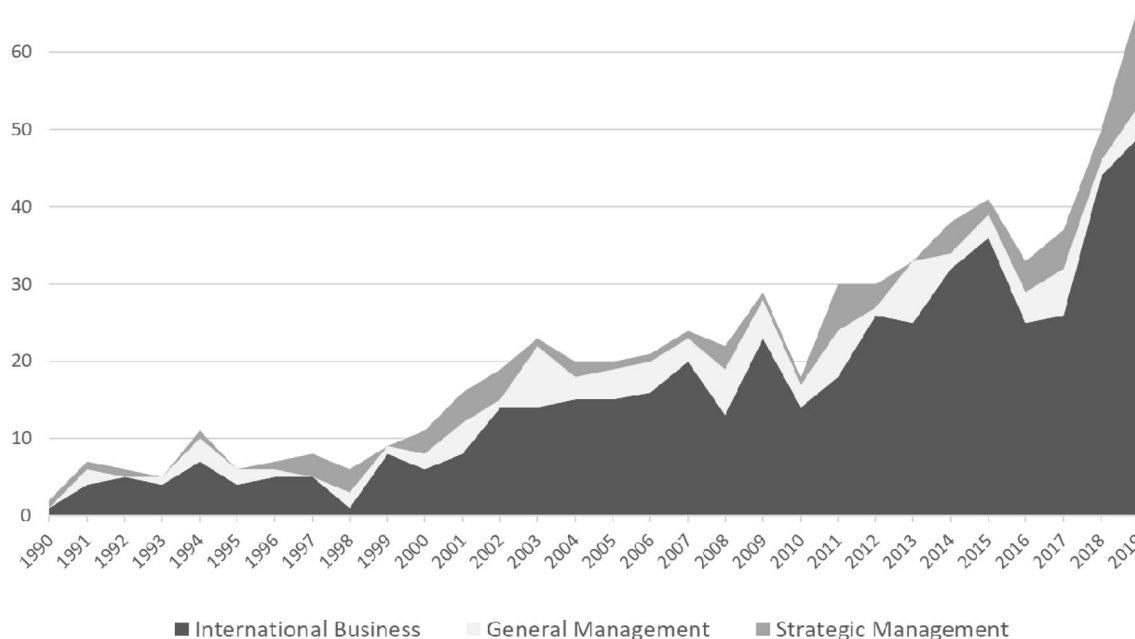
Our database contains 578 empirical studies, with the remaining being conceptual papers, reviews, or discussion contributions (Table 2). About half of the empirical papers conduct quantitative analysis using survey data (49.8%), a reflection of the shortage of accessible quality archival data on the level of MNE subsidiaries. Studies using archival data account for 27.3% of empirical studies. In addition, seven studies use multiple methods and three studies conduct meta-analyses.

A respectable 20.9% conduct qualitative studies, mainly using single or multi-case designs. This reflects a strong underlying time trend as the share of qualitative studies is 10.3% for studies published in the 1990s, 17.0% for studies published in the

2000s, and 24.3% for studies published in the 2010s.

Among the empirical studies, the leading empirical research designs are multiple-home countries to single-host country (161 studies, 28.0%), single-home country to multiple-host countries (127 studies, 22.1%), and single-home to single-host country (82 studies, 14.3%). The country contexts include a relatively broad diversity of the global economy (Table 3). Most common single-home countries are Japan (64 studies) and the USA (54 studies) with European countries accounting for most of the remainder. The most commonly studied single-host country is China (73 studies)<sup>3</sup> followed by the USA (37 studies) and the UK (33 studies). Samples including up to nine countries as host (110 studies) or home (74 studies) country are particularly common in Europe, where sampling across national borders is often more feasible.

In preparation for our analysis, we coded the papers in terms of research domains and primary theory to develop an overarching review framework. Tables 4 and 5 provide an indicative overview of the themes and theories explored in this literature based on our classifications. However, a large number of papers in this field do not explicitly position themselves in terms of theory and address multiple phenomena. Thus, we found inter-rater



**Figure 1** Number of articles in a year published on subsidiary management research in major management journals by field of journal. Note: Data for 2019 include papers published online until November 30, 2019. Due to varying practices across journals regarding online advance publications, these are not strictly comparable with earlier years.

**Table 2** Methods and types of data

	Full time period		Papers since 2010	
	Number of studies	Share of empirical studies (%)	Number of studies	Share of empirical studies (%)
Qualitative	121	20.9	84	24.3
Multiple case	58	10.0	33	9.6
Single case	44	7.6	36	10.4
Other	19	2.8	15	4.3
Quantitative	450	77.9	254	73.6
Survey data	288	49.8	151	43.8
Archival data	158	27.3	99	28.7
Meta-analysis	4	0.7	4	1.2
Multi-method (quant & qual)	7	1.2	7	2.0
Total empirical	578	100.0	340	100.0
Theoretical papers	57		21	
Reviews	9		7	
Discussions	4		3	
Total non-empirical	70		31	
Total	635		371	

**Table 3** Contexts of empirical studies

	Host countries		Home countries	
<i>Single Advanced Economies</i>				
USA	37	6.4%	54	9.3%
UK	33	5.7%	8	1.4%
Australia	10	1.7%	1	0.2%
Ireland	9	1.6%	0	0.0%
Japan	7	1.2%	64	11.1%
Spain	7	1.2%	2	0.3%
Canada	6	1.0%	2	0.3%
Sweden	4	0.7%	21	3.6%
Italy	4	0.7%	6	1.0%
Germany	1	0.2%	16	2.8%
Other advanced economy	22	3.8%	28	4.8%
<i>Single Emerging Economies</i>				
China (PRC)	73	12.6%	14	2.4%
India	9	1.6%	4	0.7%
Korea	7	1.2%	16	2.8%
Taiwan (China)	3	3.5%	8	1.4%
Other emerging economy	44	7.6%	8	1.4%
<i>Few Economies Studies</i>				
Advanced economies	48	8.3%	65	11.2%
Emerging economies	45	7.8%	1	0.2%
Advanced and emerging economies	17	2.9%	8	1.4%
<i>Many Economies</i>	192	33.2%	252	43.6%
Total	578	100.0%	578	100.0%

'Few' refers to studies including 2 to 9 studies. Single context studies with anonymized context are included as other.

reliability of the coding to be low, similar to findings by, e.g., Gaur & Kumar (2018) in their review of review studies. Hence, we report some high-level statistics but deliberately abstain from

detailed reporting of 'rankings' by different criteria.<sup>4</sup>

In reading the eclectic body of literature in the database, we adopted an iterative process of coding emerging subthemes and refining our conceptual

**Table 4** Phenomena

Theme	Number of papers*	Subthemes
Scope definition and change	161	Subsidiary role (charter, mandate) HQ-subsidiary relations Subsidiary autonomy Subsidiary influence Subsidiary growth HQ control
Organizational practices	107	Organizational practices HRM practices Staffing practices, corporate social responsibility language
Knowledge management	177	Innovation Internal knowledge acquisition from HQ External knowledge acquisition Knowledge sharing with HQ
Engagement with host society	86	competition liability of foreignness corporate political activity social and environmental engagement
Individual actors	31	Expatriates Leadership and entrepreneurship Boundary spanning
Subsidiary performance**	85	Studies combining variables at different levels to predict subsidiary performance or divestment

\*For 'number of papers', we classified each paper by the main theme to which the paper aims to contribute. As many papers address multiple themes (directly or indirectly), the actual numbers are higher. However, given the low inter-rater reliability of detailed coding (Gaur & Kumar, 2018), we abstain from reporting more detailed data.

\*\*Includes only papers with the main conceptual focus on subsidiary performance.

framework (see next section). This process led to the definition of six phenomenological categories that we express as specific research questions under the overarching research question (how do subsidiaries and key actors within the subsidiary manage their strategies and operations?). These six specific sub-questions serve to organize our substantive review:

1. How do subsidiaries define and change the scope of their activities?
2. How do subsidiaries create and share knowledge-based resources?
3. How do subsidiaries adapt and develop their organizational practices?
4. How do subsidiaries engage with actors in their local market and non-market environment?
5. What defines subsidiary performance?
6. How do individuals within the subsidiary, influence subsidiary strategies, operations, and performance?

These six questions allow us to structure the review along important lines of research of concern to subsidiary managers. The first four questions address aspects of strategies and operations at the level of the subsidiary. The fifth question explores subsidiary performance before we discuss the influence of individuals on subsidiary-level actions and outcomes.

### **A CONCEPTUAL FRAMEWORK FOR SUBSIDIARY MANAGEMENT**

The concepts and frameworks developed by Julian Birkinshaw and his co-authors in the 1990s have been particularly influential. Therefore, we started from the framework suggested by Birkinshaw & Hood (1998) [henceforth B&H] and broadened it based on subsequent literature to capture all major aspects of subsidiary management. The framework thus serves to structure our discussion (Figure 2).

B&H model subsidiary role changes as the outcome of interactions between HQ assignments, subsidiary choice and local environmental



**Table 5** Theories

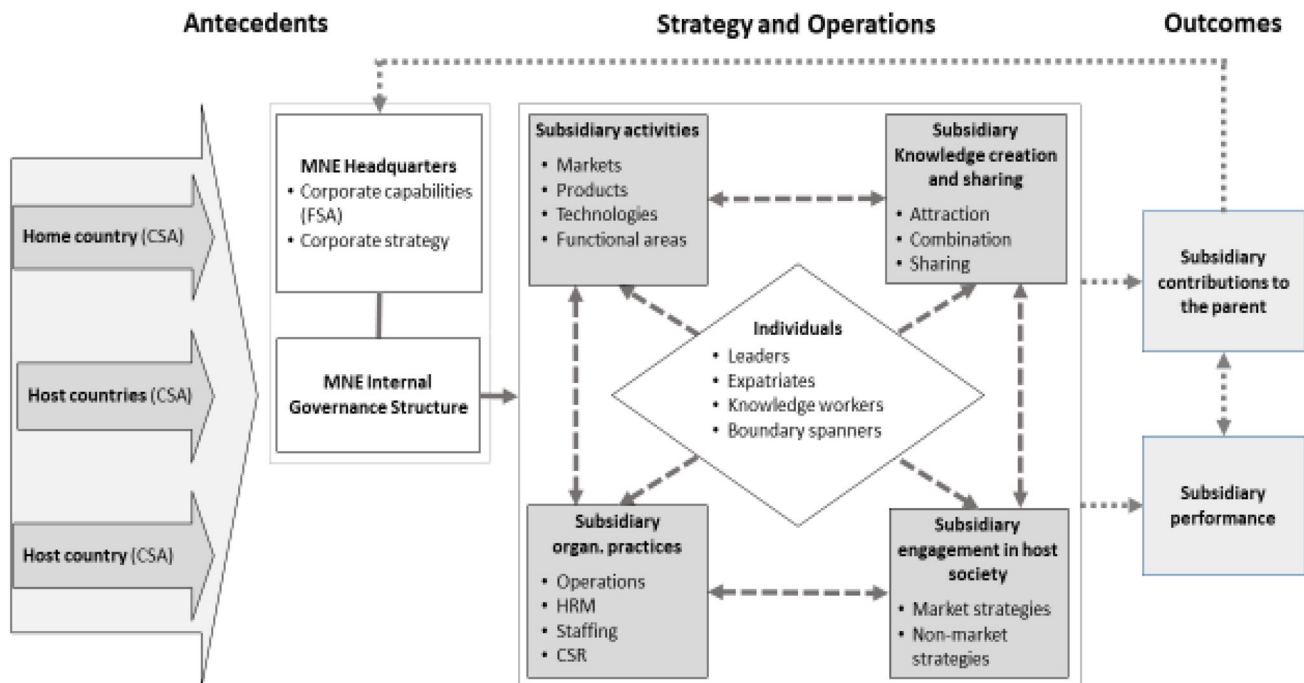
Theoretical perspectives	# of papers	Popular theoretical concepts
Resource-based perspectives	144	Organization learning Competence creation Absorptive capacity Subsidiary capability Resource dependence
Institution-based perspectives	99	Institutional environment Institutional distance Institutional duality Legitimacy
Network-based perspectives	65	Embeddedness Networked MNE Internal and external networks Political ties Social networks
Behavioral theory of the firm	38	Attention-based view Entrepreneurship Microfoundations Boundary spanning Individual/organizational trust
Theory of the MNE	32	Liability of foreignness Internalization and externalization Transaction costs FSA/CSA framework Subsidiary-specific advantages
Integration-responsiveness framework	21	Integration, standardization Localization, responsiveness, adaptation
Other economics-based theories	86	Principal agent relations Control Industrial organization Coopetition
Other organization and sociology-based theories	66	Social identity Power Stakeholders Language Political activity/strategy
No explicit theoretical anchoring	94	Exploratory studies of new phenomena Descriptive studies Reviews

Same methodology as for Table 1.

determinisms. The management of subsidiaries thus involves iterative processes between capabilities and activities. This process is critically influenced by decisions over resources and charters made by HQ and the subsidiary, which in turn are influenced by their respective business environments. The definition and change of subsidiary roles influence all aspects of subsidiary operations, including activities, knowledge management, practices, and engagement with (local) external stakeholders.

We take a broader perspective on subsidiary management than B&H who focus on subsidiary

evolution. This leads to differences in the framework. First, B&H focus on decisions over subsidiary charters, which they define following Galunic & Eisenhardt (1996) as “businesses – or elements of the business – in which the subsidiary participates and for which it is recognized to have responsibility within the MNE” (B&H, p. 782). However, we suggest that both resource allocations and charters are critical for the subsidiary and typically undertaken jointly by HQ and the subsidiary. In this, we follow authors such as Dellestrand & Kappen (2012) who analyze the geographic allocation of MNE resources as drivers of subsidiary development.



**Figure 2** A conceptual framework for subsidiary management.

Second, we allow for the subsidiary's activities to deviate from those defined in the charter. B&H view the charter as "typically a shared understanding between subsidiaries and HQ regarding the subsidiary's responsibilities" (B&H: 782). However, this shared understanding is usually imprecise – similar to incomplete contracts – and allows subsidiaries some degree of freedom in terms of, for example, which activities to prioritize and which market segments to pursue. Moreover, subsidiaries may undertake initiatives or activities without the knowledge or explicit consent of HQ (Ambos, Andersson, & Birkinshaw, 2010).

Third, while B&H focus on subsidiary roles in terms of activities and responsibilities, we integrate a broader literature on strategies and operations, including subsidiary scope, organizational practices, knowledge management, and external relationships. These four aspects of strategy and operations are interdependent, though often analyzed separately in the literature.

Fourth, B&H distinguish three decision drivers, head office assignment, subsidiary choice, and local environment determinisms. Our framework does not formally model decision-making, but identifies two sets of decision-makers based respectively in HQ and the subsidiary. They are influenced by environmental factors in many indirect ways, not

only by the local environment, but also by the parent country and even third countries.

Fifth, we have added outcome variables to the model. Outcomes include most importantly (from an HQ perspective) contributions of the subsidiary to the MNE, which in turn depend on the performance of the subsidiary. The conceptual model, synthesized in Figure 2, provides an integrative perspective on the management of MNE subsidiaries and, as such, serves both to organize the existing literature and to guide future research.

## A RESEARCH SYNTHESIS

### How Do Subsidiaries Define and Change the Scope of Their Activities?

The scope of the subsidiary relates to its activities and responsibilities related to its geographical and functional mandates. Activities include, in particular markets served, products manufactured, technologies held, and functional areas covered (B&H: 782). Five theoretical perspectives offer complementary insights into these processes.

#### *Internationalization process model*

The most popular process framework in IB research, the internationalization process model (or Uppsala model) (Johanson & Vahlne, 1977, 2009), depicts

change as an iterative process of modifications in resource commitments to a particular activity and learning and capability building in this activity. Thus, MNEs allocate resources to a foreign subsidiary, which enables localized knowledge accumulation and, in turn, triggers further decisions over resource allocations. In a growing business, they would usually be associated with increased responsibilities and the allocation of new resources. However, subsidiaries may also experience a loss of capabilities or mandates or even be closed down (B&H).

The internationalization process model has primarily been applied to non-equity and shared equity modes. However, the theoretical logic also holds for existing subsidiaries changing resource commitments over time (Jiang, Beamish, & Makino, 2014; Santangelo & Meyer, 2011). It provides a useful theoretical framing for change processes but has rarely been applied in the MNE subsidiary literature.

### *Agency perspectives*

Subsidiaries are organizational entities within the broader structure of the MNE and are formally in a hierarchically subordinate position to corporate HQ. In a simplified hierarchical perspective, HQ would take strategic decisions for the subsidiary; the relationship of HQ and subsidiary, thus, intuitively resembles that of principal and agent (e.g., Björkman et al., 2004; Filatotchev & Wright, 2011; Kostova et al., 2016). Under the usual assumptions of agency theory, including rational choice and full information, HQ would allocate resources based on their strategic planning. In this model, the key performance criterion for the subsidiary is compliance with corporate decisions (Kim & Mauborgne, 1993).

In applying agency theory, however, at least two modifications are necessary to reflect the characteristics of the HQ–subsidiary relationship (Kostova et al., 2016). First, both the HQ and the subsidiary are not individuals (as in standard agency theory) but organizational units with their own internal processes and institutional logics. Second, HQ and subsidiaries are embedded in different external contexts that influence the extent of bounded rationality and bounded reliability (Verbeke & Greidanus, 2009) and hence, the extent of agency conflict. In addition, Lunnan et al. (2019) highlight the perceived organizing cost faced by subsidiaries

considering initiative that need HQ approval, which also represent a substantial form of agency costs.

In analyzing this agency relationship, scholars have investigated the use and effectiveness of various forms of HQ control. Sophisticated control structures such as matrix organizations, however, add to the complexity of HQ–subsidiary relationships by adding multiple reporting lines and thereby potentially increase agency costs (Ambos et al., 2010). Moreover, many studies suggest that formal mechanisms based on economic incentives are insufficient (or even counterproductive), but a combination of formal and social control mechanisms is more effective. *Social control* is a broad concept that encompasses the deployment of expatriate managers as well as other processes that facilitate inter-personal interactions between decision-makers in different parts of the organization. For example, O'Donnell (2000) finds that MNEs use both formal and social controls with the latter having greater predictive ability in explaining HQ control. Similarly, Brenner & Ambos (2013) find that HQ apply social controls, in particular, to legitimize and institutionalize their processes.

The merits of HQ control are challenged by authors highlighting the merits of subsidiary autonomy (e.g., Beugelsdijk & Jindra, 2018; Wang, Luo, Lu, Sun, & Maksimov, 2014). Providing subsidiaries with more autonomy enables subsidiary leaders, who usually are best informed about local opportunities and costs of doing business, to adapt the subsidiary strategy to local needs.

### *Subsidiary entrepreneurship perspective*

Rich empirical studies have shown that subsidiaries do not act as passive recipients of instructions from above, but actively pursue their own initiatives. The subsidiary entrepreneurship perspective explores this phenomenon and suggests that subsidiaries can significantly influence their own strategies and operations (Birkinshaw, 1997).

*Subsidiary initiatives* have been defined by Birkinshaw (1997: 207) as “an entrepreneurial process, beginning with the identification of an opportunity and culminating in the commitment of resources to that opportunity.” Research on subsidiary initiatives has extensively analyzed its antecedents, implementation, and consequences [see reviews by Strutzenberger & Ambos (2014) and by Schmid, Dzedek, & Lehrer (2014)]. Subsidiary initiatives are triggered in particular by misalignments between agreed subsidiary charters, its resources, and the

ambitions of its leadership team (Ambos, Schlegelmilch, Ambos, & Brenner, 2009; Birkinshaw & Hood, 1998; Friesl & Silberzahn, 2017). However, their outcomes depend on numerous internal and external contingencies. In particular, subsidiary initiatives are multi-level processes because they involve activities of individuals and teams at multiple levels within the MNE, as initiatives eventually require corporate-level support (Hitt, Beamish, Jackson, & Mathieu, 2007; Strutzenberger & Ambos, 2014).

The scope for subsidiaries to take their own initiatives thus depends on the balance between HQ control and subsidiary autonomy in the internal governance of the MNE. Many MNEs have replaced traditional hierarchies with hybrid governance structures such as matrix organizations, networks (Andersson et al., 2015; Wolf & Egelhoff, 2002), or neo-global integrated structures (Mees-Buss et al., 2019) that are designed to encourage subsidiary entrepreneurship. However, multi-level investigations of how these intra and inter-unit processes manifest themselves through managerial effects so far remain scarce, with most research labeling decisions as taken by the “subsidiary,” essentially black-boxing managerial decision making processes (Bai et al., 2018; Contractor, Foss, Kundu, & Lahiri, 2019).

#### **Resource dependence perspective**

HQ and subsidiaries both control resources that are valuable to the other side. This control over resources is thus a critical factor in HQ–subsidiary relationships, and has become the focus of studies applying resource dependence theory (Hillman, Withers, & Collins, 2009; Pfeffer & Salancik, 1978). This approach explains bargaining processes and outcomes as functions of each participant’s bargaining power, which in turn depends on the resources they control (Ambos et al., 2010; Andersson, Forsgren, & Holm, 2007; Cuervo-Cazurra, Mudambi, & Pedersen, 2019). Control over resources thus enhances a subsidiary’s ability to influence its own strategy and to attract support from HQ, while a subsidiary’s dependence on resources controlled by HQ reduces this ability.

Subsidiary resources can enhance bargaining power if they are controlled by the subsidiary and valuable to the MNE as a whole; they include not only technologies (e.g., Mudambi, Pedersen, & Andersson, 2014), but also external embeddedness in strong local networks, supply chains and markets

(e.g., Andersson et al., 2007). These theoretical arguments are supported by several empirical studies showing an association between knowledge transfers from subsidiaries to HQ and the bargaining power of that subsidiary vis-à-vis its HQ (Ciabuschi, Dellestrand, & Kappen, 2012; Mudambi & Navarra, 2004; Najafi-Tavani, Giroud, & Andersson, 2014).

#### **Attention-based perspective**

The attention-based view (e.g., Ocasio & Joseph, 2005) explains how a subsidiary obtains the attention of decision-makers at higher levels of the organization and thereby influences strategic decisions (Bouquet & Birkinshaw, 2008) and enhances subsidiary performance (Ambos & Birkinshaw, 2010). The attention-based view is broader than resource dependence in that it focuses on cognition of the decision-makers (e.g., Jarzabkowski, 2004), which are influenced by resource dependencies, but also a range of other factors discussed in the behavioral theory of the firm (Cyert & March, 1963). Since control over resources helps subsidiaries gain HQ attention, the attention-based view complements resource dependence theory.

However, the attention-based view regards attention as a cognitive phenomenon. Thus attention is influenced by, for example, decision-makers’ biases (Monteiro, 2015), by activities of subsidiary representatives interacting personally with decision-makers at HQ (Conroy, Collings, & Clancy, 2019; Plourde, Parker, & Schaan, 2014), by the subsidiary’s past track record and by its ‘good citizenship’ behavior (Bouquet & Birkinshaw, 2008). Specifically, Monteiro (2015) finds that HQ decision-makers’ attention tends to be biased in favor of opportunities that are market-proven and consistent with established models. However, he also finds that pre-selling and selling efforts by subsidiary managers can reduce such biases. Similarly, ul Haq, Drogendijk, & Holm (2017) find evidence of dissonance between pronounced strategies of the top management and the actual attention they give to subsidiaries, especially if subsidiaries are geographically or contextually remote from HQ—i.e., in emerging economies in their case of a Western European MNE.

#### **Outlook**

These five theoretical perspectives on subsidiary scope vary in their underlying assumptions regarding the relationship between subsidiaries and their corporate HQ. They also vary in the mechanisms

they emphasize in explaining outcomes of decisions jointly influenced by subsidiaries and HQ. Their relative explanatory power and predictions likely vary in nuanced ways across MNEs with different organizational structures and processes, but scholars have yet to establish clear linkages between organizational forms and the merits of alternative theories for subsidiary-level decision-making. In particular, integrating different perspectives by bridging levels of analysis creates major research opportunities, from both empirical and theory development perspectives.

### How Do Subsidiaries Create and Share Knowledge-based Resources?

The creation of knowledge-based capabilities and the sharing of knowledge between the subsidiary and other entities within the MNE are foundations for the subsidiary's subsidiary-specific advantages, competitiveness in external markets, and bargaining power in MNE-internal negotiations (Ciabuschi et al., 2012; Rugman & Verbeke, 2001). In fact, many scholars consider the sharing and combining of knowledge as the 'raison d'être' of the MNE (e.g., Almeida, Song, & Grant, 2002; Buckley & Casson, 1976; Gupta & Govindarajan, 2000; Kogut & Zander, 1993; Mudambi, 2002). The theme of knowledge management thus has attracted the largest number of studies within our database (177 papers), and earlier reviews have focused on knowledge transfers (Andersson, Dasí, Mudambi, & Pedersen, 2016; Michailova & Mustaffa, 2012) as well as R&D and innovation in the MNE (Papanastassiou, Pearce, & Zanfei, 2019).

Knowledge management in the subsidiary concerns the transfer of knowledge from HQ to subsidiaries (Minbaeva, Pedersen, Björkman, Frey, & Park, 2003; Schulz, 2003; Wang, Tong, & Koh, 2004), the attraction of knowledge from the local environment (Almeida & Phene, 2004; Birkinshaw & Hood, 2001), the sharing of knowledge with other entities in the MNE (Gupta & Govindarajan, 2000; Mudambi & Navarra, 2004; Yang, Mudambi, & Meyer, 2008), and, centrally, the creation of new knowledge-based capabilities within the subsidiary (Almeida, 1996; Verbeke & Yuan, 2013; Chung & Alcacer, 2002). The literature has analyzed these knowledge management processes from a variety of different theoretical lenses including resource-based, network-based, institutional, and behavioral theory perspectives.

### Resource-based perspectives

Scholars applying resource-based perspectives focus on resources available to subsidiaries that enable the acquisition of further resources and the creation of new resources (Almeida & Phene, 2004; Birkinshaw & Hood, 2001). Subsidiaries assemble, filter, and select information from their host environment to innovate and/or transfer the knowledge to other units within the MNE (Andersson, Forsgren, & Holm, 2001; Monteiro & Birkinshaw, 2017). Early studies focused on the resources available in the local environment, using patent citation data to trace linkages from knowledge pools in the MNE and in the local environment to subsidiary knowledge sourcing and innovation (Almeida, 1996; Almeida & Phene, 2004; Frost, 2001).

Recent studies explore capabilities in the subsidiaries themselves that enable the attraction of knowledge and innovation. Knowledge outflows are grounded in the knowledge created in the subsidiary and its local knowledge absorption (Foss & Pedersen, 2002; Gupta & Govindarajan, 2000). The relative merits of the local environment and parent organization as sources of knowledge is however disputed. For example, Colakoglu, Yamao, & Lepak (2014) suggest that local knowledge inflows are more important for subsidiary innovation, while Asmussen, Foss, & Pedersen (2013) find that knowledge outflows more likely benefit other units in the MNE if they not only tap into the host-country knowledge base, but also combine relevant external and internal knowledge before the transfer.

A dynamic extension of resource-based scholarship explores organizational learning, i.e., the processes of developing knowledge-based capabilities over time in MNE subsidiaries. Many studies positioned as contributing to organizational learning theorizing simply assume that learning takes place when subsidiaries are exposed to external knowledge (e.g., Gaur & Lu, 2007; Kim, Lu, & Rhee, 2012; Luo & Peng, 1999). However, studies that dig deeper into the processes of organizational learning highlight human resource management practices (Gómez, 2004), collective learning routines (Hong, Easterby-Smith, & Snell, 2006), and the importance of individual actors in explaining subsidiary-level learning outcomes (Saka-Helmhout, 2010).

The resource-based literature extensively draws on the concept of *absorptive capacity* (Cohen & Levinthal, 1990; Zahra & George, 2002), which reflects an organization's ability to recognize valuable external information, assimilate and apply it





[see Song (2014) for a review]. *Subsidiary absorptive capacity* has been shown to significantly affect the level of knowledge transfer to the subsidiary (Minbaeva et al., 2003; Schleimer & Pedersen, 2013; Zhou, Fey, & Yildiz, 2018). It is grounded in micro-processes and individuals within the subsidiary (Minbaeva et al., 2003), and thus is strengthened, among other factors, by HRM practices (Zhou et al., 2018) and expatriate involvement (Chang, Gong, & Peng, 2012).

The ability of subsidiaries to effectively share knowledge is conversely dependent on the absorptive capacity of corporate HQ (Ambos, Ambos, & Schlegelmilch, 2006). This *HQ absorptive capacity* can be strengthened by, for example, formal incentive systems (Andersson et al., 2015), socialization mechanisms (Björkman et al., 2004), and the involvement of divisional HQ (Dellestrand, 2011). A lack of HQ absorptive capacity is a particular concern for strategic asset-seeking strategies by relatively inexperienced MNEs, notably those from emerging economies (Meyer & Xin, 2018).

#### **Network-based perspectives**

Internal and external networks have been identified as structures that facilitate subsidiaries' knowledge attraction (Achcaoucaou, Miravittles, & León-Darder, 2014), competence development (Andersson, Forsgren, & Holm, 2002), and innovation performance (Mu, Gnyawali, & Hatfield, 2007; Un & Rodríguez, 2018). Recent studies explore the merits of embeddedness in different types of networks for knowledge management. *Internal embeddedness* with other units of the MNE, and HQ in particular, provides subsidiaries with access to knowledge-based resources from outside the country and thus critical advantages over local firms. Moreover, access to resources from HQ also enhances the impact of innovation projects not only on the subsidiary and but on the entire MNE (Ciabuschi, Dellestrand, & Martín Martín, 2011).

*External embeddedness* in local networks enables subsidiaries to access resources potentially available from the local environment (e.g., Achcaoucaou et al., 2014). However, subsidiaries may be embedded in a variety of different spheres of the host society. Thus, in addition to business networks, Andersson et al. (2001, 2002) argue that *external technical embeddedness* facilitates subsidiaries' ability to assimilate knowledge from their suppliers and customers, which enhances MNE-wide development of products and production processes. Moreover, subsidiaries' embeddedness in the local

technology ecosystem, including technology ventures, universities, and research institutes, is associated with subsidiaries' ability to generate not only local but also global innovations (De Beule & Van Beveren, 2019; Isaac, Borini, Raziq, & Benito, 2019).

#### **Institutional perspectives**

Institutional perspectives explore external pressures arising from institutions such as regulation or culture on processes of knowledge management. Focusing on the host environment, one line of research investigates how host-country institutions influence subsidiary innovation. A primary purpose of internationalizing innovation is to tap into host-country resources, which in turn benefit from innovation-facilitating institutions (Chung & Alcaer, 2002; Lewin, Massini, & Peeters, 2009; Rosenbusch, Gusenbauer, Hatak, Fink, & Meyer, 2019). Thus, subsidiaries in locations with institutions supporting technological development, such as scientific institutes and protection of intellectual property, are more likely to engage in R&D (Davis & Meyer, 2004; Pisani & Ricard, 2018).

A second line of institutional theory inspired work focuses on how differences in institutions between host countries and the parent's home-country impact knowledge management processes. This literature tends to take a broad view of institutional differences (or institutional distance) to include cultural and regulatory differences. Generally, any such distances are seen as obstacles to knowledge sharing and integration processes, and thereby inhibit the effectiveness of knowledge transfers from parents to subsidiaries (Cui, Griffith, Cavusgil, & Dabic, 2006; Li & Scullion, 2006) and reverse knowledge transfer (Ambos et al., 2006). However, differences between knowledge holders also enhance potential for learning, and thus recent evidence points to opposing effects of different aspects of distance (Dellestrand & Kappen, 2012). For example, Clark & Ramachandran (2019) note that institutional contexts that differ from those in an MNE's home country are more likely to facilitate distinct entrepreneurial initiatives and innovations within the local subsidiary.

#### **Behavioral theories**

Behavioral theories focus on the motivations of individuals engaged in aspects of knowledge management. Research along these lines recently gained momentum with the focus on microfoundations (Foss & Pedersen, 2019). A long-standing concern in this literature has been that knowledge

tends to be embedded in individuals, and thus is not fully controlled by organizations. This challenge arises from the *tacitness of knowledge*, and requires organizations to create processes such as the codification of knowledge or direct personal interfaces between individuals to share knowledge (Nonaka, 1994). Moreover, in MNE subsidiaries, knowledge-based inputs to innovation are often dispersed across MNE units in different geographies (Buckley & Carter, 2002; Nonaka, 1994; Zander & Kogut, 1995). Studies of knowledge sharing, thus, frequently highlight specific properties of the knowledge as critical factors (e.g., Minbaeva, 2007).

Thus, behavioral theory perspectives focus on the role of organizations and individuals in shaping knowledge flows and innovation. At the organizational level, structures, processes, and cultures facilitate knowledge exchange between individuals in different units of the same MNE. This includes, for example, corporate entrepreneurial culture (Mu et al., 2007), corporate socialization mechanisms (Björkman et al., 2004), organizational trust (Li, 2005), and social structure (Schleimer & Pedersen, 2014). On the other hand, excessive HQ involvement can have demotivating effects on knowledge transfer, because HQ involvement often increases reporting requirements for knowledge transfer projects, adding to the cost and time required to carry them out (Ciabuschi, Martín, & Ståhl, 2010; Lind & Kang, 2017).

At the level of individuals, top management team heterogeneity (Mu et al., 2007), along with industry and firm-specific experience of individual subsidiary managers, enhances subsidiary innovation, especially in highly autonomous subsidiaries (Nuruzzaman, Gaur, & Sambharya, 2019). Moreover, international experience and intra-firm mobility enhance innovation, as shown in studies of R&D personnel (Li, Wang, & Liu, 2013) and inventors (Choudhury, 2017). Similarly, individuals acting as boundary spanners play critical roles in facilitating knowledge flows (Liu & Meyer, 2018; Noorderhaven & Harzing, 2009; Schotter, Mudambi, Doz, & Gaur, 2017; Tippmann, Scott, & Mangematin, 2014). However, this line of research still lacks in-depth investigations into “how” exactly individuals transfer knowledge or help facilitate innovation in subsidiaries.

### Outlook

Knowledge management represents the largest body of research within this review by the number of papers. This literature offers extensive

insights on how network, resource, and institutional aspects jointly influence knowledge sharing and innovation by MNE subsidiaries. Several studies point to the critical role of individuals, but generally we know little about how actions of individuals as knowledge carriers or decision-makers influence knowledge creation and exploitation at the level of the subsidiary; a gap that calls for further studies of microfoundations of knowledge management in MNEs (also see Foss & Pedersen, 2019). Moreover, despite the importance of transformations related to the digital economy, we do not have a single study in our database that deals with changes in knowledge management practices while MNEs experience shifts in technology and communication paradigms.

### How Do Subsidiaries Adapt and Develop Their Organizational Practices?

Organizational practices in MNE subsidiaries have been analyzed in largely separate literatures on practices of staffing, human resource management (HRM), language usage and social and environmental responsibility. While these literatures have evolved in parallel, they show considerable conceptual overlaps.

#### *Institutional duality*

The most common theoretical framing across these literatures is *institutional duality* (Kostova, 1999; Kostova & Roth, 2002; Rosenzweig & Singh, 1991). This concept derived from institutional theory suggests MNE subsidiaries are embedded in multiple organizational fields, and their practices are contingent on attaining legitimacy in each of these fields simultaneously. These organizational fields in the parent organization and in the host society create multiple sets of institutional pressures that jointly shape practices adopted by MNE subsidiaries (Kostova, 1999; Kostova & Roth, 2002). For example, White, Hemphill, Weber, & Moghaddam (2018) examine external contracting practices in the Philippines and find an interplay of cultural norms of the country of origin and managerial perceptions of the local context that jointly explain the realized local contracting practices.

However, recent studies drawing on institutional theory also identify strategies of *institutional arbitrage*. This concept reflects the idea that differences in national institutions cause differences in operations costs and therefore provide arbitrage opportunities for MNEs to locate their activities wherever the cost of compliance with local institutions is



lowest (Jackson & Deeg, 2008; Li & Zhou, 2017) or where institutions facilitate innovation (Rosenbusch et al., 2019). This can lead to, for example, re-location of environmentally harmful practices to places where regulations are weaker (Surroca, Tribó, & Zahra, 2013). However, the opposite is also possible. Recently, Siegel, Pyun, & Cheon (2019) argue that MNEs might use their *outsider advantage* to create competitive advantage by adopting practices that are more ethical than host-country norms. They find that foreign investors offer better career opportunities for female talent in Korea, which positively contributes to their performance.

### **Complementary theoretical perspectives**

While the concept of institutional duality helps to explain variations of practices, scholars analyzing different types of practices have complemented their analysis with other theoretical concepts and perspectives. First, the literature on HRM practices focuses on the tension between standardized practices versus practice adaptation (e.g., Fey & Björkman, 2001; Smale, Björkman, & Sumelius, 2013). In particular, this literature emphasizes the impact of variations in home- and host-country cultural and social norms (Newenham-Kahindi, 2011; Rodwell & Teo, 1999) and even subnational variations of culture (Beamond, Farndale, & Härtel, 2016).

Second, the literature on staffing practices focuses on the differences between expatriates and local staff, sometimes also considering third-country nationals. Expatriates fulfill multiple roles on behalf of HQ (Cheong, Sandhu, Edwards, & Poon, 2019; Harzing, 2001), which gives rise to multiple theoretical explanations of expatriation practices. For example, resource- and network-based perspectives emphasize expatriates as a resource or as means to access resources (Gong, 2003; Chang et al., 2012), whereas transaction cost and agency theorists emphasize their role in reducing costs of organizing (Bebenroth & Froese, 2019; Benito, Tomassen, Bonache-Perez, & Pla-Barber, 2005; Gaur, Pattnaik, Singh, & Lee (2019).

Third, studies of language in MNE subsidiaries emphasize the importance of language-related policies and capabilities for subsidiary-level processes (Piekkari & Zander, 2005). For example, Peltokorpi & Vaara (2012) examine the impact of language policies and individuals serving as language hubs on the intensity and effectiveness of innovation practice transfer and control. Harzing, Köster, & Magner (2011) advance a model of practices to overcome language barriers along three

dimensions: day-to-day solutions, the effectiveness of language and boundary-spanning individuals and organization structure solutions. Moreover, individual functional language capabilities, and policies fostering them, help building stronger corporate identity at the subsidiary level (Heikkilä & Smale, 2011; Peltokorpi, 2015).

Fourth, the literature on corporate social responsibility (CSR)-related practices in MNE subsidiaries provides deeper insights into the complexities of practice implementation under conditions of institutional duality (Durand & Jacqueminet, 2015; Rathert, 2016). Where institutions in home and host countries are aligned, the transfer of CSR practices from home is not only easier to implement, but expected by the host society. However, the CSR literature has also detected evidence of *institutional arbitrage* as MNEs take advantage of differences in environmental and labor standards (Li & Zhou, 2017; Weng & Peng, 2018). For example, Surroca et al. (2013) show that some MNEs use institutional arbitrage to transfer socially irresponsible practices to subsidiaries in the face of home-country pressures. Institutional arbitrage opportunities are, however, constrained by host-country institutions creating pressures to transfer good practices related to, e.g., labor and environmental standards. Yet, Crilly, Ni, & Jiang (2016) find that practices designed to minimize harm in a host society add less to the reputation of a firm than initiatives designed to make deliberate positive contributions.

### **Process perspectives on practice transfer**

MNE HQ often prefer consistent organizational practices throughout their worldwide operations, but the transfer of practices from HQ is often inhibited by agency conflicts (Gong, 2003; Roth & O'Donnell, 1996; Tan & Mahoney, 2006), power dynamics (Geppert, Williams, & Matten, 2003), or lack of subsidiary absorptive capacity that pit subsidiary leaders against headquarters (Minbaeva et al., 2003). Process researchers shed insights into how managers and HQ and in the subsidiary can address these challenges.

First, practice transfers need to be supported not only by appropriate processes and incentives but also by interpersonal interactions. For example, Witcher & Butterworth (2001) examine the transfer of Japanese management practices abroad and highlight the interdependence of multiple aspects of these processes and the need for a systematic management of training and practice adoption.

Hong, Easterby-Smith, & Snell (2006) also study Japanese organizations and identify a holistic approach to organizational learning practice transfer, which includes an overall heuristic design for cultivating collective learning routines and the responsive management of knowledge repositories.

Second, organizational practices are inherently sticky to the environment in which they have been developed because their efficacy is conditioned by the institutional context (Szulanski, 1996; Kostova, 1999). Therefore, the most suitable practices for a subsidiary are often different from those developed by HQ for different contexts. Thus, the literature consistently suggests that successful adoption of transferred practices requires at least some adaptation for local acceptance and for achieving desired performance effects. Thus, for example, Ansari, Reinecke, & Spaan (2014) emphasize that MNEs design practices to allow adaptation and thereby manage the inherent tensions between global standardization and local adaptation. A particular concern is the symbolic rather than substantive adoption of HQ mandated practices. For example, subsidiary employees may dislike aspects of a new corporate ethics code, and therefore distance themselves from the implementation of the new practices (Helin & Sandström, 2010). Thus, transfer process research needs to distinguish implementation, integration, and internalization of transferred practices by subsidiary staff (Ahlvik & Björkman, 2015).

Third, the most suitable practices for a given subsidiary may be hybrids of global and local elements. Several recent case studies explore the indigenous development of hybrid (Chung, Sparrow, & Bozkurt, 2014; Meyer, 2018). However, the processes by which subsidiaries develop practices that reflect local cultures while also fitting in with the demands of an MNE remains an underdeveloped area of research.

### Outlook

The theoretical construct of institutional duality has proven very powerful to explain the transfer to and adaptation of practices in MNE subsidiaries. In contrast, the concepts of institutional arbitrage and outsider's advantage have rarely been applied but hold potential to explain the variation of practices employed. Moreover, in terms of processes, scholars need to pay more attention to the role of individuals and teams in both HQ and in the subsidiary in influencing transfer processes, and thereby the eventually adopted practices in the MNE subsidiary.

### How Do Subsidiaries Engage with Actors in Their Local Market and Non-market Environment?

From a local perspective, MNE subsidiaries are firms with a foreign owner. They engage with local actors, but with different resource endowments and different perceptions by local stakeholders due to their foreignness. IB researchers have long used the concept of *liability of foreignness* for the competitive disadvantages that foreign-owned firms face due to their origins (Zaheer, 1995). These competitive disadvantages arise from institutional barriers, such as cultural differences or regulatory bias (Gelfand, Gordon, Li, Choi, & Prokopowicz, 2018; Li, Brodbeck, Shenkar, Ponzi, & Fisch, 2017; Nachum, 2010), and from resources local firms possess but foreign firms lack, such as market knowledge and political ties (Miller & Parkhe, 2002; Nachum, 2003). Competition in such asymmetric markets has been analyzed primarily through economics and resource-based lenses. Moreover, recent scholarship has explored interactions with a wider range of local stakeholders and thus subsidiaries' *non-market strategies*. This research is informed primarily by institutional and stakeholder perspectives with specific focus on the *legitimacy* of foreign MNE subsidiaries in the host society.

### Market strategies

The analysis of market competition between foreign and local firms focuses on the resources and strategies of MNE subsidiaries to overcome their liability of foreignness. Shared resources from the MNE parent provide subsidiaries with potential competitive advantages. IB scholars discuss these transferable resources as firm-specific advantages (Rugman & Verbeke, 2001) or ownership advantages (Dunning, 1993; Narula, Asmussen, Chi, & Kundu, 2019). Traditionally, they arise primarily from shared technologies and brands. However, recent work on MNEs from emerging economies highlights different types of resources, such as capabilities to operate in environments of extensive institutional voids (Castaldi, Gubbi, Kunst, & Beugelsdijk, 2019; Del Sol & Kogan, 2007; Verbeke & Kano, 2015).

To realize local competitive advantages, subsidiaries need to apply those shared resources to the context, and thus to localize products and practices (Luo, 2003). Through adaptation and learning, MNE subsidiaries can reduce their liability of foreignness, overcome resource deficiencies, and build local competencies (Zaheer & Mosakowski,





1997). However, in some contexts, local firms have been able to maintain or even increase the gap by faster development of new locally relevant competences (Wan, Williamson, & Pandit, 2020).

Moreover, liabilities of foreignness may also arise from MNE subsidiaries' dependence on their parent organization. For example, decision processes may involve actors outside the country, which slows down the speed of competitive actions that MNE subsidiaries may undertake in local competition (Wan et al., 2020; Yang & Meyer, 2019). Moreover, strategic actions by MNE subsidiaries may have to consider the global strategic objectives of the parent firm. Thus, international competitive dynamics research has explored the *mutual forbearance* hypothesis, which suggests that *multi-market contacts* between MNEs reduce the intensity of competition between subsidiaries of MNEs. Evident especially in the airline industry, greater multi-market contact reduces the aggressiveness of competitive actions in each market where a pair of MNEs compete (Yu, Subramaniam, & Cannella, 2009; Yu & Cannella, 2007).

### Non-market strategies

The legitimacy of an MNE in a host society also depends on its engagement with a broader range of societal actors. Thus, MNE subsidiaries complement their market strategies with non-market strategies, broadly understood as the engagement with actors such as governments, NGOs, or the media (Doh, Lawton, & Rajwani, 2012). An influential line of research in the 1980s and 1990s investigated the relationships between MNEs and host governments from a bargaining perspective (Boddeyn & Brewer, 1994; Grosse & Behrman, 1992; Stopford & Strange, 1991). A key concept in this literature is *obsolescing bargain*, which reflects the depreciation of the bargaining position of an MNE investor after incurring the sunk cost of building its facilities, a concern particularly virulent in capital intensive industries such infrastructure and power stations (Doh & Ramamurti, 2004).

Interest in the theme recently received new interest with attention shifting to institutional pressures in host societies (Durand & Jacqueminet, 2015; Husted, Montiel, & Christmann, 2016). A central concern of this literature is the legitimacy of MNE subsidiaries in the host society, which institutional theory suggests as a critical contributor to competitive success (Kostova, 1999; Meyer, Ding, Li, & Zhang, 2014). This quest for legitimacy pertains to both political and social actors and thus

shapes not only business–government interactions, but also broader social engagement in the host country.

The engagement with political actors, also known as *corporate political activity*, appears to benefit MNE subsidiaries. For example, empirical evidence suggests that political ties in the host society reinforce first-mover advantages (Frynas, Mellahi, & Pigman, 2006), reduce exposure to political risks (Puck, Rogers, & Mohr, 2013) and enhance survival chances (Fernandez-Mendez, Garcia-Canal, & Guillen, 2019). However, critical questions remain on how subsidiaries engage with political actors in the host country and how such engagement may be different from that of local firms (see reviews by Doh et al., 2012; Cui, Hu, Li, & Meyer, 2018). An important early study by Blumentritt and Nigh (2002) examines corporate political activities of MNE subsidiaries as a function of their economic and political integration in the host society. Hillman & Wan (2005) extend this line of argument and show for US MNEs in Western Europe that the institutional duality of pressures from HQ and the local environment shapes corporate political activities. Similarly, Spencer & Gomez (2011) find institutional duality with respect to pressures firms perceive to engage in corrupt practices in host countries.

Studies of the wider engagement in the host society have in particular been influenced by stakeholder perspectives. MNE subsidiaries engage with local stakeholders such as local media, NGOs, and civil society to protect and enhance their legitimacy. For example, they respond to informal pressures from social networks or from their own employees by making philanthropic donations in the case of major disasters (Mithani, 2017; Zhang & Luo, 2013) and by adapting their social practices (Reimann, Ehr Gott, Kaufmann, & Carter, 2012; Zhao, Park, & Zhou, 2014). As MNE subsidiaries often enjoy high visibility in host societies (especially in emerging economies), such stakeholder pressures may at times be very substantial. Recent qualitative studies highlight practices and tactics MNEs can use to navigate hostile institutional environments such as in Ukraine (Rodgers, Stokes, Tarba, & Khan, 2019) or India (Caussat, Prime, & Wilken, 2019).

### Outlook

MNE subsidiaries engage with a wide variety of host-country actors. At the outset, they typically face high degrees of liability of foreignness, which



they aim to overcome through local adaptation and engagement with market and non-market actors. Recent research provides insights into these processes, but two challenges in particular remain for future research. First, institutional pressures are evolving and require MNE subsidiaries continuously to reassess their engagement in the host society. Empirical evidence suggests that mature MNE subsidiaries may be slow to adapt to evolving Chinese host society and failed to meet shifting expectations (Zhao et al., 2014). Thus, future research ought to explore responses to disruptions in the institutional and political environment. Second, we know relatively little about the individuals that act as intermediaries to local stakeholders. Studies often use characteristics of top management teams as proxies of political ties (Cui et al., 2018), but which individuals, and how, develop and exploit these ties remains unclear.

### What Defines Subsidiary Performance?

Subsidiary strategies and operations create outcomes at the subsidiary level and contribute to MNE-level outcomes. Thus, many studies focus on *subsidiary performance* as their dependent variable. Our framework (Figure 1) suggests that subsidiary performance is the outcome of complex and multi-level processes. Theoretically, subsidiary performance arises from the interaction of all the above discussed processes in the subsidiary, which in turn are subject to influences of HQ and the local environment. Empirical studies, however, tend to be selective in the factors considered, and thus often suffer from omitted variable biases.

Moreover, despite the popularity of the concept, there is no consensus in the literature as to what constitutes subsidiary performance. This is no surprise. As discussed earlier, subsidiaries are established for a variety of different objectives and hence, performance criteria should theoretically assess the degree to which these objectives are achieved. Such specific performance concepts are, however, not suitable for large sample analysis as empirical measures cannot be aggregated across firms and rarely are available to academic researchers. Like in other fields of strategy (Richard, Devinney, Yip, & Johnson, 2009), scholars thus have conceptualized subsidiary performance in several ways and used a variety of different empirical measures.

In our database, 166 papers analyze the antecedents of subsidiary performance, including ten studies examining multiple aspects; thus, we have a

total of 176 empirical studies (Table 6).<sup>5</sup> *Profitability* is the most common conceptualization of performance in the strategy literature, but it accounts for only 45 (27%) of studies of MNE subsidiary performance. This is indicative of the scarcity of reliable profitability data at the level of subsidiaries. Moreover, practices such as transfer pricing distort variables such as return on assets (RoA), which thus do not always provide an unbiased proxy of the actual performance of a subsidiary. Many scholars thus focus on the survival versus divestment of MNE subsidiaries (48 studies), as reviewed in a meta-analysis by Schmid & Morschett (2019). Survival is often interpreted as proxy for performance, though exit can also be caused by strategic changes at corporate level or by sale of the business unit to another firm. Thus, in interpreting survival or exit as performance proxy, it is necessary to distinguish different types of exit.

Specific performance constructs employed in this literature include *innovation* (18), *sales or sales growth* (13), and *productivity* (8) all of which are commonly proxied by archival data. The choice of performance concept and its measurement should follow the nature of the research questions, though data availability issues imply that this is not always possible.

The most common approach to conceptualizing performance is a multi-dimensional construct that includes aspects such as profitability, productivity and market share (44 studies, 27%). This construct is typically measured through multiple questionnaire items asking respondents to assess their performance either relative to expectations or relative to peer organizations. A well-designed multi-item questionnaire-based construct is suitable where subsidiaries are indeed assessed on multiple criteria simultaneously or when archival data are not available or subject to reporting bias (Singh, Darwish, & Potocnik, 2016).

### Outlook

Overall, we observe a lack of an integrative understanding of subsidiary performance. Most studies of subsidiary performance selectively focus on explanatory variables of interest from a particular theoretical perspective. The assessment of the outcomes of subsidiary activity is theoretically complex and methodologically challenging. The number of studies on subsidiary performance is however sufficiently large such that future researchers may attempt a meta-analysis to assess the relative impact of different contributors to

**Table 6** Subsidiary performance concept and measurement

Concept	Number of studies*	Measurements	Suitable for
Survival	48	Continuation versus exit as captured in hazard rate models	Subsidiaries established with long-term objectives
Profitability	45	RoA RoE RoI dummy: profitable	Subsidiaries that are an independent profit center with few non-financial contributions to the parent
Innovation	18	patents, new product introductions	Competence-creating subsidiaries
Sales growth	13	growth in sales, exports, market share	Market-seeking subsidiaries
Productivity	8	labor productivity (sales per employee), x-efficiency	Efficiency- and market-seeking subsidiaries
Performance as multi-dimensional construct	44	Multi-item survey measures of performance relative to expectations, performance relative to peers Meta-analytic aggregation	Subsidiaries assigned multiple objectives; perceived rather than actual performance being the relevant theoretical construct, or studies lacking hard data on performance
Total	176		

\*Ten papers examine multiple performance measures. Thus, the number of papers is 166, the number of studies is 176.

subsidiary performance and assess variations across alternative dimensions of subsidiary performance.<sup>6</sup> A meta-analytical approach may also explore contextual contingencies given the geographic scope of the literature in this field.

### How Do Individuals within the Subsidiary Influence Subsidiary Strategies, Operations, and Performance?

Subsidiary-level strategies and operations are the outcomes of multiple individual-level decisions and actions. These individual behaviors are subject to personal characteristics and also limitations arising from bounded rationality and bounded reliability (Narula & Verbeke, 2015; Verbeke & Greidanus, 2009). Individual actions are important to explain subsidiary-level process, a linkage recently highlighted by the microfoundations perspective of strategy (e.g., Barney & Felin, 2013; Felin, Foss, Heimeriks, & Madsen, 2012; Foss & Pedersen, 2019). Research linking individuals in MNE subsidiaries to subsidiary-level processes and outcomes has focused in particular on three themes: (i) roles and activities of expatriates and

teams of expatriates, (ii) subsidiary leaders, and (iii) boundary spanning.

### Expatriates

Expatriates play an essential role in the governance of subsidiaries by developing strategies, exercising social control, facilitating the exchange of information and leading daily operations (Bird & Mendenhall, 2016; Harzing, 2001). They thus potentially contribute to subsidiaries in multiple ways, including accessing knowledge, gaining HQ attention, and enhancing long-term performance (Hébert, Very & Beamish, 2005; Plourde et al., 2014). Transaction cost theory suggests that expatriate reduce costs of organizing (Bebenroth & Froese, 2019; Benito et al., 2005); resource-based theorists suggest that expatriate embody valuable resources (Gong, 2003; Hébert et al., 2005; Wang et al., 2009), while network perspectives focus on expatriates ability to build networks and facilitate knowledge exchanges. For example, Fang, Jiang, Makino, & Beamish (2010) study the impact of knowledge inflows on subsidiary performance and find that expatriates strengthen the positive relationship between technological knowledge inflows and performance but weaken the effects

of marketing knowledge inflows. The effectiveness of expatriates in achieving these contributions, however, is conditioned by contextual variables, especially *culture* and *cultural distance* (Gaur, Delios & Singh, 2007; Gong, 2003).

However, many studies use expatriates as proxies for concepts such as HQ control, strategic orientation (globally integrated or locally responsive), or knowledge transfer (e.g., Fang et al., 2010; Kawai & Chung, 2019). Some studies use demographic characteristics, skill typologies (Wang et al., 2009) or international experience of expatriates (Hébert et al. 2005) to provide finer-grained analyses. More specific proxies are rare. For example, Chang & coauthors (2012) get closer to theoretically relevant personal characteristics by coding expatriate ability, motivation, and opportunity seeking from interview data.

However, we note a need for better connecting the relatively large MNE HRM literature on expatriates [for reviews see Harvey & Moeller (2009), Takeuchi (2010)] with the subsidiary management literature. For example, metacognitive and cognitive cultural intelligence held by expatriates are likely to enhance their innovativeness and hence their contribution to subsidiary knowledge creation (Lorenz, Ramsey & Richey, 2018). A microfoundations process perspective on expatriate managers that incorporates for example expatriate attitudes, specific capabilities, and actions, is likely to generate new insights on the drivers of subsidiary-level outcomes (e.g., Nuruzzaman et al., 2019).

### Leadership

Similar to expatriate research, subsidiary leadership research has, thus far, mainly focused on individual demographics, skills profiles and personalities. Relatively few studies have investigated the activities of individual leaders within the subsidiary (Schmid et al., 2014). A notable exception is the subsidiary entrepreneurship perspective, which recognizes the leadership role of individuals within the subsidiary (e.g., Birkinshaw, 1997; O'Brien, Scott, Andersson, Ambos, & Fu, 2019; Scott, Gibbons, & Coughlan, 2010). However, even in this stream of research, many studies implicitly infer managerial and functional expertise from formal positions or expatriate versus local designations (e.g., Barner-Rasmussen, 2003; Koveshnikov, Vaara, & Ehrnrooth, 2016). In fact, leadership research currently overlaps to a fair extent with the expatriate literature. The reality is far more complex; yet very few studies investigate aspects of leadership in the context of subsidiaries (e.g., Sarabi, Froese, Chng & Meyer, 2020). Moreover,

MNEs increasingly appoint local people to leadership roles, not only to access local knowledge but to tap into entrepreneurial talent (Distel, Sofka, de Faria, Preto, & Ribeiro, 2019; Muellner, Klopff, & Nell, 2017).

Subsidiary leadership research provides a promising area for advancing the field because of the complexity of the leader role operating under multiple internal and external constraints that may create conflicting pressures on leaders. One important avenue for future research lies in more differentiated treatment of individual-level international experience, which is predominately (and poorly) proxied by nationality. Moreover, future research may connect IB and leadership theories to investigate for example the efficacy of different leadership styles and activities in a subsidiary setting.

### Boundary spanning and MNE subsidiaries

The process of boundary spanning in MNEs is receiving growing attention (see the special issue by Schotter et al., 2017). Schotter et al. (2017: 404) define boundary spanning “as a set of communication and coordination activities performed by individuals within an organization and between organizations to integrate activities across multiple cultural, institutional, and organizational contexts.” The boundary spanning literature can be divided into two perspectives, including, first, the boundary spanning roles of subsidiaries and regional management centers within MNEs (e.g., Klueter & Monteiro, 2017; Tippmann, Scott, & Parker, 2017), and, second, the roles (e.g., Liu & Meyer, 2018; Vora, Kostova, & Roth, 2007) characteristics and actions of individuals (e.g., Furusawa & Brewster, 2015; Mäkelä, Barner-Rasmussen, Ehrnrooth, & Koveshnikov, 2019).

The latter stream of research suggests that MNEs can foster boundary spanning capabilities of individuals deploying specific HRM development practices instead of relying on assigning formal mandates and roles. For example, Hébert et al. (2005) and Holtbrügge & Mohr (2011) find that the interdependencies that boundary spanners develop and exploit are related to their prior international experience. A critical function of boundary spanning is the development of shared meaning and identity in and across MNE sub-units. Thus, Edman (2016) investigates the dual identity development of subsidiary managers and its consequences on subsidiary behaviors. Schotter & Beamish (2011) found that the boundary spanning role is most

effectively enacted if the boundary spanner resides in the subsidiary, particularly in cases of HQ–subsidiary conflict scenarios. Mäkelä & coauthors (2019) provide a detailed account of global boundary spanner characteristics and why certain individuals perform well in this role and others do not. This research also underscores Schotter et al.'s (2017) concerns regarding the limitations of assuming that expatriates intrinsically serve as (effective) boundary spanners.

### Outlook

Research on individuals influencing strategies and operations within MNE subsidiaries is a valuable way forward for subsidiary management research. As we discuss in detail in the future research section, microfoundations perspectives provide grounding to theoretically connect research on leadership, on managerial practices and activities and on boundary spanning between MNE subunits with subsidiary-level outcomes. Methodologically though, this research requires a deep dive into MNE subsidiaries via qualitative and/or experimental research approaches. Foss & Pedersen (2019) provide a structured recommendation for theory, heuristic and methodological research development clarifying microfoundations logics. Particular relevant is their adaptation of the Coleman (1990) bathtub model showing how macro context and individual micro context connect and how individual actions lead to organizational outcomes.

### FUTURE RESEARCH AGENDAS

The conceptual framework (Figure 2) that emerged from our review highlights that subsidiary management is a multi-level and dynamic phenomenon that depends on a variety of external influences. This points to two avenues for further theory development.

First, research on subsidiary-level phenomena requires better understanding of cross-level relationships between the actions of individuals, teams and the MNE at large, including HQ. In particular, our review identified a relative shortage of research linking individual managerial activities with higher-level outcomes at the subsidiary. For example, subsidiary mandates should not be regarded as top-down imposed by HQ but also as an outcome of unique subsidiary specific resources and actions by individuals in the subsidiary. Thus, our first research agenda explores how MNE subsidiaries

provide opportunities for developing microfoundations and cross-level theory.

Second, subsidiaries are at the forefront of many of the 'grand challenges' in IB (Buckley, Doh, & Bernischke, 2017) because they are exposed to multiple environments undergoing rapid change. Responding to external change is therefore important for subsidiary management. While the literature has considered contextual variables, the primary focus has been on static analysis. Thus, subsidiaries offer opportunities to build theory on organizational change in the face of complex and multi-level external change. In this section, we discuss research opportunities arising from two mega-trends shaping IB: technological paradigm shifts and disruptions in political and institutional environments.<sup>7</sup>

In Table 7, we develop a series of, in our view, promising guiding questions that thus far have been under-researched. The columns are organized by major research agendas, while the rows are organized following our new and extended subsidiary management research framework, the outcome of the review work. The questions in the cells reflect the themes we discuss below.

### The Role and Impact of Individuals

Personal characteristics, motivations, capabilities and activities are critical for the effectiveness of international managers (Bird & Mendenhall, 2016; Caligiuri, 2006). As our review has highlighted, individual managers play a pivotal role in organizational processes such as knowledge management, capabilities development, strategy execution and practice transfers in MNE subsidiaries (e.g., Chang et al., 2012; Monteiro & Birkinshaw, 2017; Schotter & Beamish, 2011; Tippmann et al., 2014). Their actions are influenced for example by individual-level bounded rationality and bounded reliability, which in turn shape organization-level processes (Coviello, Kano, & Liesch, 2017; Verbeke & Greidanus, 2009). However, so far, extant work lacks integration and coherent theory development. We propose that such work would potentially benefit from and contribute to the microfoundations perspective.

As noted, microfoundations concern the use of lower-level (individual, team) constructs to explain higher-level (organizational) outcomes (Barney & Felin, 2013; Foss & Pedersen, 2019) or to explain lower-order actions (individuals) with higher-order contexts. Microfoundations thus aim to explain the roots of a phenomenon and the processes of how



**Table 7** Questions for future research

	The role and impact of individuals	Technological paradigm shifts	Political and institutional disruptions
Subsidiary scope and scope change	How do individuals influence subsidiary scope and mandate change and what role play personal characteristics and competencies?	How do technological paradigm shifts, such as the emergence of the digital economy, influence the role of MNE subsidiaries and their change processes?	How do disruptions in the institutional and political environment influence processes and directions of change in subsidiary roles?
Creating and sharing knowledge	How and why do individuals their roles and actions facilitate knowledge transfer and innovation within the MNE subsidiaries.	How do technological advances affect the interactions between different internal and external partners in innovation and knowledge sharing processes?	How do disruptions in the institutions related to intellectual property and data protection affect the processes of innovation and knowledge sharing by MNE subsidiaries?
Organizational practices	How do organizational practices unique to the subsidiary emerge and how is practice adoption affected by subsidiary managers and their characteristics?	How do technological advances impact the development of organizational practices, including technology standards and data management practices?	How do disruptions in the institutional and political environment affect organizational practices especially those related to corporate social responsibility and nonmarket relationships?
Engagement with host society	Who within subsidiaries engages with actors in the host society and how does this engagement manifest itself?	How do novel technologies as social media affect strategies and practices of engagement with actors in the host society?	How do disruptions in the institutional and political environment the engagement with non-market actors in the host society?
Performance	How and to what effect do individuals' actions influence subsidiary-level outcomes?	Which MNE subsidiaries are performing best when facing major technology shifts?	Which performance drivers are more or less important in different political contexts and which help most when facing major political regime shifts?

these roots (in our case, individual and team activities) influence the higher-level phenomenon (in our case, subsidiary-level outcomes) (Felin et al., 2012). By applying this perspective, future research needs to move beyond the assumption that coarse-grained individual characteristics (e.g., nationality or managerial rank) can serve as proxies for managerial actions and decision making (Schotter et al., 2017). Instead, process research and multi-level-methodologies are required. Such approaches would moreover benefit from a deeper integration of theories from related fields such as leadership, organizational behavior, or entrepreneurship.

**Subsidiary scope**

Since Birkinshaw (1997), the literature on subsidiary scope and scope change has emphasized the importance of entrepreneurship in creating and implementing subsidiary initiatives (Strutzenberger & Ambos, 2014). For example, B&H point out that mismatches between a subsidiary's capabilities and its officially mandated capabilities profiles trigger change processes. The management of such processes plays out at the individual level as decisions

over mandates and resource allocations are shaped by interactions between specific individuals in various roles and at multiple levels within the MNE.

The ability of subsidiary leaders to influence strategic decisions at higher levels, including at HQ, appears to be critical for subsidiary scope development and change (Bouquet, Birkinshaw, & Barsoux, 2016). Several studies infer such influence from general notions of embeddedness or the presence of expatriates (e.g., Najafi-Tavani et al., 2014; Plourde et al., 2014). Moreover, Conroy et al. (2019) recently highlight the importance of subsidiary leaders' social and political skills for gaining HQ attention and buy-in, while Sarabi et al. (2020) consider leadership styles. However, we still know little about the specific processes and actions that subsidiary managers undertake to influence higher-level decisions. Thus, we suggest that future research should go beyond identifying cross-level interactions and investigate the actual processes.

**Creating and sharing knowledge**

The literature on subsidiary knowledge management highlights multiple-embeddedness of subsidiaries as a critical success factor (e.g., Andersson et al., 2001; Narula, 2014). However, little is known





about the individuals operating at critical interfaces within these networks except for an emerging but still small body of work that explores the role of boundary spanners selecting and accessing knowledge (Schotter et al., 2017; Monteiro & Birkinshaw, 2017) and driving MNE subsidiary innovation and knowledge flows (e.g., Choudhury, 2017; Li et al., 2013). Equally, we do not yet know much about the actions of individual managers or teams to initiate and execute knowledge transfer and innovation.

Further, influential think tanks suggest that non-routine skills and new types of managerial skills will become more critical in the future due to technological developments in the digital economy (e.g., Bughin, Hazan, Lund, Dahlström, Wiesinger, & Subramaniam, 2018). We do not know what this means for the tasks, roles and required capabilities of individuals managing subsidiaries. Also, does the current rapid technological (particularly digital) development change the relevance of inventor colocation for individual interactions or the way organizational mandates and hierarchies shape knowledge management processes? Future research on these questions would advance our understanding of how individuals can drive (or hamper) subsidiary knowledge management.

### **Organizational practices**

The role of subsidiary leaders in the adoption, adaptation and local development of organizational practices also requires more in-depth analysis. Research to date has mainly focused on the effective or ineffective outcomes of subsidiary adoption or adaptation of practices from HQ. Only a few studies investigate the processes of local or hybrid practice development under the influence of multiple stakeholders (e.g., Chung et al., 2014). Emerging economy contexts in particular often require localized business models supported by localized organizational practices and hence the need for locally knowledgeable individuals (Mudambi, Saranga, & Schotter, 2017; Santos & Williamson, 2015). Qualitative evidence points to subsidiary leaders' influence on local work systems (Geppert et al., 2003), but generally, we know little about how and why these processes eventually successfully happen or fail (Schotter & Beamish, 2011).

Organizational practices in areas such as HRM or CSR provide many opportunities for multi-level theorizing that incorporates individual-level variables. Moreover, studies of organizational practices in MNE subsidiaries from emerging economies, such

as China, may provide new insights on these questions because these MNEs often lack stock of tried and tested global best practices (Meyer & Xin, 2018).

### **External relations of the subsidiary**

Political ties are commonly operationalized with proxies, such as the number of individuals holding business and political roles (Cui et al., 2018). Moreover, recent qualitative studies point to specific tactics or actions such individuals may use (Caussat et al., 2019; Rodgers et al., 2019), or how they can work with peripheral actors to enhance their influence (Choudhury, Geraghty, & Khanna, 2012). Another recent study shows that individual-level creativity and work arrangements enhance subsidiary-level environmental collaboration (Bouguerra, Golgeci, Gligor, & Tatoglu, 2019). However, we still know relatively little on the skills and characteristics of individuals that help manage relationships with host governments or other actors in the civic society. For example, effective communication with multiple distinct audiences appears to be an essential capability of subsidiary managers. However, does this give host-country nationals an advantage in managing sensitive relationships? If not, what other capabilities are important?

Moreover, the quest for better understanding of political ties also concerns the actors within government that are contact persons for subsidiaries' political activity. Who are these individuals and how do their characteristics – including their political status and role – affect how businesses can effectively engage with them? The answers are likely context-specific (Cui et al., 2018), which calls for context-sensitive theory building.

### **Subsidiary performance**

Extant research suggests that human capital in general, and international experience (including expatriates) in particular, is associated with better subsidiary performance (Chung, Park, Lee, & Kim, 2015; Gong, 2003). However, we lack theories that link the specific actions of individuals in leadership or boundary-spanning roles with different organizational-level outcomes. Moreover, our understanding is weak regarding the mediating effects linking individual action to long-term subsidiary profitability and survival. These relationships are likely contingent on multi-level contextual influences. Notwithstanding the empirical challenges of modeling these complex relationships, we need to advance our understanding of them to develop a

better sense of the contribution of individual managers to subsidiary-level performance and to MNE performance in general.

### **Disruptive Technological Change**

Technological advances have been major enablers of IB. Innovations in transport and communication technologies in particular have historically enabled new business models and new forms of organizing MNEs (e.g., Jones, 2005). Such technology disruptions can emerge from within the MNE or from its industry environment. As a consequence, new subsidiaries take on new roles and responsibilities, while existing subsidiaries and their leadership teams need to respond to the technological change. However, we know relatively little about how subsidiaries engage in such processes. Many studies point to internal and external networks as success factors, but what happens when technologies within such networks change: are networks conduits of technological change, or sources of inertia?

In the 21st century, exponential advances in information and communication technologies create opportunities for new business models, especially in the digital economy. For example, e-businesses are internationalizing based on platforms and ecosystems to reach markets beyond national borders (Li, Chen, Yi, Mao, & Liao, 2019; Stallkamp & Schotter, 2019). New business models enable firms to sell services abroad without a physical presence in the country (Brouthers, Geisser, & Rothlauf, 2016; Chen, Shaheer, Yi, & Li, 2019), which changes the nature of firm-specific advantages in IB (Banaliev & Dhanaraj, 2019). Moreover, big data in combination with blockchains, artificial intelligence or additive manufacturing (known as 3D printing) enable realignment of the geographic scope of global value chains (e.g., Laplume, Petersen, & Pearce, 2016) and new forms of supply chain coordination across organizational and geographic boundaries (Kim, Jean, & Sinkovics, 2018; Strange & Zucchella, 2017). This raises interesting research questions on how technological change affects MNE subsidiary management.

### **Subsidiary scope**

New business models in the digital economy challenge the traditional concept of the MNE subsidiary. Even for digital firms, recent studies show the importance of local knowledge for country-specific adaptation of practices (Chen et al., 2019) and for tapping into local resources (Stallkamp & Schotter, 2019). Thus, MNEs likely still need

operations in overseas markets, but subsidiary roles, coordination mechanisms and autonomy may change fundamentally. Future research should explore how the changing scope of subsidiaries resulting from advances in digitization can challenge and extend the theoretical concepts used to explain subsidiary scope and scope change.

New technologies can also change HQ-subsidiary relationships in mature MNEs. For example, real-time data enable HQ managers to monitor or even 'micro-manage' overseas operations, thereby reducing subsidiary autonomy. As a possible side effect, such tighter monitoring may discourage subsidiary entrepreneurship. On the other hand, big data may enable subsidiary leaders to act more quickly to changing markets if they are given autonomy and access to the MNE's data pool. Accelerated but heterogeneous technological change may increase the need and potential for agile local responsiveness. The five theoretical perspectives identified above (internationalization process, agency, subsidiary entrepreneurship, resource dependence and attention) provide starting points for analyzing these phenomena.

### **Creating and sharing knowledge**

The knowledge management literature has established strong linkages of external and internal embeddedness (in particular technology embeddedness) with innovation and knowledge sharing (Andersson et al., 2002; Un & Rodriguez, 2018). However, how do technologically well-embedded subsidiaries respond to disruptions in the technology environment, such as the digital economy? The literature has examined technology embeddedness mainly as a static concept, i.e., the impact of a given environment or network on firm innovation. We know little about change processes in MNEs subsidiaries facing disruptive technologies. Such change may, for example, shift the geographic locations of cutting-edge innovation, which in some industries now includes places in emerging economies such as Bengaluru (India) and Hangzhou (China) (Yip & Prashantham, 2019). Future research thus ought to help explain the implications of the changing nature of technology for the geography of innovation and knowledge sharing.

Technological change and knowledge management are mutually interdependent. Knowledge management aims to create and apply new technologies, while new technologies provide new opportunities for R&D collaboration across geographies. R&D teams may often be at the forefront of



experimenting with new technology-enabled forms of inter-unit cooperation. Hence, it would be interesting to investigate how new communication technologies change the interactions between R&D subsidiaries and the effectiveness of geographically dispersed virtual teams.

### **Organizational practices**

Effective implementation of new technologies and business models requires redesign of organizational practices. In the digital economy, big data collection, sharing, aggregation and analysis across national borders is becoming more important not only in technology start-ups but also in mature industries such as the automotive sector. In these new business models, data management is central and requires integrated systems and data transfer interfaces and thus, arguably, greater standardization of data-related practices (Industry 4.0 Working Group, 2013). While such practices are increasingly crucial for globally operating MNEs, IB scholars know so far little about how they can be effectively managed.

Beyond data-related practices, new technologies can also change the dynamics of global and local forces in shaping organizational practices. For example, a software innovation may lead to new reporting and monitoring practices in the MNE that reduce the scope for subsidiary-level variation of practices. This may affect traditional practices in human resource management and corporate social responsibility, as well as data management practices and technology standards.

### **External relations of the subsidiary**

The digital economy creates new opportunities and challenges for building legitimacy with stakeholders, both locally and internationally. Stakeholders in host societies increasingly use social media platforms to exert pressures on MNE subsidiaries (Zhao et al., 2014). These technologies not only present additional and faster means of communication but also diversify and expand the pool of market and non-market stakeholders that affect MNE subsidiaries. For example, individual bloggers or consumers may attain a voice that can be as impactful as traditional media and other organized stakeholders (Zhang & Luo, 2013). NGOs can use social media to react to perceived unethical behaviors overseas, calling, for example, for boycotts of countries with poor human rights records (Meyer & Thein, 2014). Also, stakeholders in different locations can coordinate their actions much more

effectively. How subsidiaries operate within such enlarged and digitally operating stakeholder networks raises interesting questions for future research.

Digital technologies also create new opportunities for MNEs to manage their reputation and legitimacy. However, brand managers using online media to reach consumers in multiple countries need to be sensitive to international political tensions. Balancing global and local legitimacy is critical, e.g., for attracting and retaining specialist employees that care about non-pecuniary aspects of their work environment. These use of digital media in MNE subsidiaries' non-market strategies has, to our knowledge, yet to be addressed by IB scholars.

### **Subsidiary performance**

Technological advancements can change the drivers of firms' competitive advantage and, hence, MNE subsidiaries' performance. However, the impact of new technologies may vary across MNE subsidiaries. For example, subsidiaries leading new technology implementation may be able to increase their scope and responsibility, albeit being subject to technology-related risks. Subsidiary initiatives addressing technological change, however, ultimately depend on the alignment of technologies across the MNE. Under which circumstances and with which specific actions subsidiaries can benefit from technological change remain interesting questions for future research.

### **Subsidiaries in Volatile Institutional and Political Environments**

The global environment in which MNEs – and hence, their subsidiaries – operate is in constant flux. For example, Witt (2019) argues that political forces could cause a de-globalization, which may take the form of patchworks of economic linkages, or economic blocs more akin to the cold war period of the mid-20th century. The potential political disruptions to globalization are rooted in domestic social pressures and (perceived) inequalities (Kobrin, 2017; Meyer, 2017). For instance, Rodrik (2018) highlights the unfavorable distributional consequences of the global division of labor. Moreover, climate change has become a major concern of political interest groups and regulators alike (Buckley et al., 2017; Kolk & Pinkse, 2008), which may trigger divergence of national regulation and hence trade barriers. In the recent past, governments have aimed to reduce such barriers through free trade agreements (FTAs) and international investment agreements (IIAs). However, a

reversal of such efforts would affect IB. How MNEs would respond to such policy reversals is unclear and ought to be a concern to IB scholars.

The changing international policy environment challenges IB scholars to look more intensely at the dynamics in the institutional and political environment in MNE home and host countries (Buckley et al., 2017; Witt, 2019). Disruptions in the political sphere would particularly influence the strategies and operations of MNE subsidiaries. Our framework acknowledges the environmental impact on the left-hand side of Figure 2, noting not only home and host countries but also third countries. For example, the British Brexit or the global trade tensions triggered after the Trump administration took power in the US in 2016 challenge major global MNEs like BMW (Meyer & Mark, 2019) to reassess their global value chains, and reorganize for adaptability to political change. Such political shocks may increase the risk of doing business in a country or in specific locations (Dai et al., 2013; Oetzel & Oh, 2019). Yet, the impact of disruptive political or institutional *change* has rarely been studied in MNE subsidiary research.

### **Subsidiary scope**

Globalization in the 21st century has enabled MNEs to develop highly integrated international operations with functional specialization and low subsidiary autonomy (Mees-Buss et al., 2019). The gradual removal of trade barriers has facilitated such organizational forms. If, however, the political and institutional environment is disrupted by increased uncertainty or new barriers to the flow of goods, services, capital, people, or data, then subsidiaries may have to redefine their roles. For example, bilateral political shocks (such as Brexit, EU-Russia sanctions, or the US-China trade conflict) can *increase* liability of foreignness – contrary to the standard assumption that liability of foreignness declines over time (Wan et al., 2020).

MNE subsidiaries can react to policy-related risk in various ways. For example, they may reduce the scope of their operation to reduce vulnerability to political interventions, or they may attain more autonomy from HQ to handle political demands locally. Others may pursue opportunities to gain mandates from sister subsidiaries affected by a new trade barrier. However, subsidiaries' ability to react to political shocks locally depends on their ability to explain local politics and its implications to HQ. The attention-based view may be most useful for

future work to explain which subsidiaries succeed or fail at this task because HQ policies regarding corporate political activities bind subsidiaries.

### **Creating and sharing knowledge**

Changes in the political and institutional environment can also disrupt the knowledge management of subsidiaries in ways that lead to novel research questions. In the 1980s, technology protectionism was a major concern to IB (Czinkota, 1986). The end of the cold war and the harmonization of regulatory environments and intellectual property rights (IPR) have since facilitated technology exchanges. However, the risk remains that new technology protectionism again inhibits knowledge sharing in MNEs.

Technology protectionism can favor domestic over foreign firms in various ways, including application processes for patents (first to market or first to register), the length of patents, the eligibility for patents (controversial e.g., for biological compounds and genetic codes), enforcement procedures for IPR, or bans on exports of products utilizing technology declared a matter national security. Such policies would directly affect MNE subsidiaries. For example, in countries where patents are weakly defined, or their enforcement is unsystematic or biased, MNEs may be more reluctant to transfer technologies, even when this inhibits their subsidiary's competitiveness (Brander, Cui, & Vertinsky, 2017).

Moreover, technology protectionism may reduce the ability of subsidiaries to tap into host-country knowledge pools and/or to transfer such knowledge internationally. This, in turn, may affect MNEs' ability to act as knowledge integrators across geographically dispersed subsidiaries, arguably one of the critical sources of competitive advantage of the MNE (Bartlett & Ghoshal, 1986). Thus, technology protectionism increases the risks to global innovation strategies and creates challenges for managing technological embeddedness. Business scholars, however, have so far little to say on how MNEs and their subsidiaries can handle such challenges.

### **Organizational practices**

In politically volatile contexts, developing organizational practices can be particularly challenging for MNE subsidiaries because, first, they have to follow the compliance regime of the MNE (which depends on the home country) and, second, host-country actors such as media often subject foreign-owned firms to greater scrutiny than local firms





(Mithani, 2017; Zhao et al., 2014). If political regimes are diverging and becoming less supportive of cross-border transactions and foreign ownership, some business practices may have to become more locally responsive. Moreover, locally adapted practices may have to evolve with the local environment. For example, Zhao et al. (2014) find that older MNE subsidiaries are more likely to face publicity crises, which may be due to inertia in their understanding of social demands of the host society.

Overall, we know little about how subsidiaries adapt their practices in the face of radical environmental change, and which forms of adaptation are most beneficial for the subsidiary. Some may be able to use institutional arbitrage strategies to exploit differences, but home-country societies may not only monitor practices abroad, but act to prevent such practices from falling below permissible practices at home. How subsidiaries navigate such increases in complexity is yet poorly understood.

#### **External relations of the subsidiary**

Political relationships between countries can have a profound impact on the legitimacy of MNE subsidiaries in their respective host society (Meyer et al., 2014; Stevens, Xie, & Peng, 2016). Disruptions to political relationships can take informal (e.g., nationalist rhetoric) or formal (e.g., sanctions) forms, both of which can negatively influence consumer perceptions and ability to operate. MNE subsidiaries may respond by engaging in a non-market strategy to influence political and regulatory institutions that enable IB activities (Witt, 2019). In particular, “overcoming distrust” (Li, Meyer, Zhang, & Ding, 2018) may become a strategic priority for many MNE subsidiaries.

However, we know little on non-market strategies in volatile political contexts. MNE subsidiaries may lobby government and regulatory agencies, or back political actors they hope will create more favorable regulatory environments. Such actions would make them more politicized and exposed to bilateral political relations. Others may emphasize political ties in the host country as means to secure access to resources (De Villa, Rajwani, Lawton, & Mellahi, 2019; White, Fainshmidt, & Rajwani, 2018), or to engage in ‘geopolitical jockeying’ aimed at delegitimizing rivals as shown by Lubinski and Wadhvani (2020) for colonial India. On the other hand, how do MNE subsidiaries respond to

disruption of political ties through changes in power positions in government? Recent qualitative studies point to specific actions MNE subsidiaries may take (Fernandez-Mendez et al., 2019; Rodgers et al., 2019; Stevens et al., 2016). How can we theoretically integrate political events, managerial activity, and subsidiary-level outcomes?

#### **Subsidiary performance**

Home and host country-level political and institutional variables have been shown to influence subsidiary performance, and recent studies highlight the dyadic political relationship between countries as driver of investment decisions (Li et al., 2018) and performance (Li, Arikan, Shenkar, & Arikan, 2019). Yet, we still lack understanding of how disruptive change in the variables can affect subsidiary-level outcomes. Specifically, through which mediating variables do political shocks or political risk influence subsidiary performance and under which contingencies?

When subsidiaries face disruptions in their political environment, it is generally assumed that these disruptions negatively affect many aspects of the subsidiaries’ performance (e.g., Dai et al., 2013). For example, a recent study demonstrates how a liberalization policy reversal in India negatively affected MNE subsidiaries operating in the telecommunications sector (Blake & Jandhyala, 2019). However, subsidiaries may also be able to gain from political and institutional changes, for example, by engaging with external stakeholders who support their legitimacy. Thus, subsidiary performance research needs to integrate multi-level interactions of external change with organizational and individual-level variables.

#### **CONCLUSION**

Subsidiary managers are at the forefront of many international management challenges as they have to engage simultaneously with distinct groups of stakeholders in corporate HQ and in their local environment. We have reviewed the IB literature to explore what scholarly insights recent research can offer to those with responsibilities in subsidiary management. We found that IB scholars has been very engaged in subsidiary management-related questions. The literature thus offers high-level insights that we have organized around six research questions, connected in a conceptual framework (Figure 2).



To enhance both the relevance to practice and the impact on theory building of this field for research, we propose that research on the six themes consider in particular three sets of questions. First, we need a better understanding of the role of individual managers as leaders, knowledge carriers and boundary spanners in MNE subsidiaries. Thus, we propose that future studies strengthen theory on multi-level processes in subsidiaries and MNEs, and thereby to add depth to the microfoundations theory debate. Secondly, many MNEs subsidiaries operate at the forefront of technological paradigm shifts. As a result, they provide excellent laboratories to investigate corporate responses to innovations such as the digital economy. Third, MNE subsidiaries are more exposed than domestic business units to political disruptions in the global economy. These potentially dramatic changes may undermine the foundations of cross-border business models upon that subsidiaries aim to implement. Subsidiaries thus provide distinct new opportunities to study how organizations prepare and adapt to radical environmental change.

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### NOTES

<sup>1</sup>Similar definitions are used by, among other authors, Birkinshaw & Hood (1998) and Mezias (2002).

<sup>2</sup>Another early influential typology by Bartlett & Ghoshal (1986) classifies subsidiaries by their local competence and their strategic importance.

<sup>3</sup>Arguably, APJM and MOR have a regional preference in publishing Asia focused research. This, however, accounts only for seven of the China-focused studies in our database.

<sup>4</sup>The most prolific authors and the most cited papers within our dataset are reported in Appendix Tables 8 and 9.

<sup>5</sup>Note that for research phenomena in Table 4, only studies with a main focus on subsidiary performance are classed in the category subsidiary performance, whereas Table 6 includes all quantitative empirical studies that use performance as (one of) their dependent variables.

<sup>6</sup>A recent meta-analysis by Bai et al. (2018) aggregates MNE subsidiaries and joint ventures in Asia. They emphasize the multi-level character of the drivers of subsidiary performance but offer no new insights on the contextual or methodological contingencies of these performance impacts.

<sup>7</sup>For example, these mega-trends were prominently presented by the Academy of International Business Executive of the Year 2014 and then CEO of McKinsey, Dominic Barton (2014).



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APPENDIX

See Tables 8 and 9.

Table 8 20 Most cited papers

Cites	Cites/ year	References
4929	246	Gupta, A. K., & Govindarajan, V. 2000. Knowledge flows within multinational corporations. <i>SMJ</i> , 21(4): 473–496.
4120	165	Zaheer, S. 1995. Overcoming the liability of foreignness. <i>AMJ</i> , 38(2): 341–363.
2732	152	Kostova, T., & Roth, K. 2002. Adoption of an organizational practice by subsidiaries of multinational corporations: Institutional and relational effects. <i>AMJ</i> , 45(1): 215–233.
2311	80	Gupta, A. K., & Govindarajan, V. 1991. Knowledge Flows and the Structure of Control within Multinational Corporations. <i>AMR</i> , 16(4): 768–792
1867	85	Birkinshaw, J., & Hood, N. 1998. Multinational subsidiary evolution: Capability and charter change in foreign-owned subsidiary companies. <i>AMR</i> , 23(4): 773–795.
1490	65	Birkinshaw, J. 1997. Entrepreneurship in multinational corporations: The characteristics of subsidiary initiatives. <i>SMJ</i> , 18(3): 207–229.
1474	82	Andersson, U., Forsgren, M., & Holm, U. 2002. The strategic impact of external networks: Subsidiary performance and competence development in the multinational corporation. <i>SMJ</i> , 23(11): 979–996.
1467	86	Minbaeva, D., Pedersen, T., Björkman, I., Fey, C. F., & Park, H. J. 2003. MNC knowledge transfer, subsidiary absorptive capacity and HRM. <i>JIBS</i> , 34(6): 586–599.
1315	69	Rugman, A. M., & Verbeke, A. 2001. Subsidiary-specific advantages in multinational enterprises. <i>SMJ</i> , 22(3): 237–250.
1306	59	Birkinshaw, J., Hood, N., & Jonsson, S. 1998. Building firm-specific advantages in multinational corporations: The role of subsidiary initiative. <i>SMJ</i> , 19(3): 221–242.
1289	54	Almeida, P. 1996. Knowledge sourcing by foreign multinationals: Patent citation analysis in the U.S. semiconductor industry. <i>SMJ</i> , 17(S2): 155–165.
1222	47	Rosenzweig, P. M., & Nohria, N. 1994. Influences on human resource management practices in multinational corporations. <i>JIBS</i> , 25(2): 229–251
1239	83	Cantwell, J., & Mudambi, R. 2005. MNE competence-creating subsidiary mandates. <i>SMJ</i> , 26(12): 1109–1128.
1205	48	Birkinshaw, J. M., & Morrison, A. J. 1995. Configurations of strategy and structure in subsidiaries of multinational corporations. <i>JIBS</i> , 26(4): 729–753.
1177	41	Rosenzweig, P. M. & Singh, J. V. 1991. Organizational environments and the multinational enterprise. <i>AMR</i> , 16(2): 340–361.

**Table 8** (Continued)

Cites	Cites/ year	References
1142	52	Zaheer, S., & Mosakowski, E. 1997. The dynamics of the liability of foreignness: A global study of survival in financial services. <i>SMJ</i> , 18(6): 439–463.
1062	51	Luo, Y., & Peng, M. W. 1999. Learning to compete in a transition economy: Experience, environment and performance. <i>JIBS</i> , 30(2): 269–295.
1011	39	Boddeyn, J. J., & Brewer, T. L. 1994. International-business political behavior: New theoretical directions. <i>AMR</i> , 19(1): 119–143
1009	56	Frost, T. S., Birkinshaw, J. M., & Ensign, P. C. 2002. Centers of excellence in multinational corporations. <i>SMJ</i> , 23(11): 997–1018.
1007	50	Shaver, J.M. & Flyer, F., 2000. Agglomeration economies, firm heterogeneity, and foreign direct investment in the United States, <i>SMJ</i> , 21(12): 1175–1193.

Google cites per December 9, 2019.

**Table 9** Key contributors to the MNE subsidiary literature since 1990

	Number of papers	Number of papers, weighted by co- authors	Citations (Google)	Author impact score*		
1	Beamish PW	23	1 Birkinshaw J	11,727	1 Birkinshaw J	6453
2	Andersson U	19	2 Beamish PW	8284	2 Govindarajan V	4691
	Birkinshaw J	19	3 Luo Y	8282	3 Gupta AK	4142
4	Bjorkman I	12	4 Andersson U	6090	4 Roth K	4141
	Luo Y	12	5 Taggart JH	5262	5 Zaheer S	2914
	Nell PC	12	6 Bjorkman I	4680	6 Andersson U	2220
7	Mudambi R	10	7 Peltokorpi V	4016	7 Forsgren M	1994
8	Ambos B	9	8 Harzing AWK	3967	8 Hood N	1929
	Harzing AWK	9	9 Nell PC	3954	9 Kostova T	1790
	Pedersen T	9	10 Dellestrand H	3872	10 Bjorkman I	1753
11	Ambos TC	8	Mudambi R	3451	11 Mudambi	1732
	Delios A	8	12 Roth K	3294	12 Luo Y	1610
	Dellestrand H	8	Song S	2915	13 Beamish PW	1502
	Fey CF	8	14 Meyer KE	2899	14 Pedersen T	1494
	Forsgren M	8	Pedersen T	2884	15 Holm U	1304
	Holm U	8	16 Gong Y	2814	16 Shaver JM	1260
	Lee SH	8	Pearce RD	2786	17 Morrison AJ	1200
	Meyer KE	8	Williams C	2728	18 Fey CF	1178
	Roth K	8	19 Ambos B	2698	19 Almeida P	1167
20	Cantwell J, Chung CC, Kappen P, Lee JY, Mellahi K	7	Holm U	2399	20 Rosenzweig PM	1135

\*Author impact score is calculated as citations to papers within the database, weighted by the number of co-authors on each paper. Citations extracted from Google Scholar on December 9, 2019.





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